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What lies ahead

Travel agents and Tour operators

*The incidence of change is now permanent for India's travel, aviation and hospitality industries, and to commemorate our anniversary **Express TravelWorld** has chosen to celebrate this culture by presenting a comprehensive analysis of key trends that will influence the future of each vertical.*



The strategic objectives for the tourism sector as outlined in the tenth five-year plan and the midterm review comprises five key objectives: to position tourism as a national priority, enhance India's competitiveness as a tourism destination, improve and expand product infrastructure and draw up effective marketing plans and programmes. This growth-oriented planning denotes loads of opportunities for the industry stakeholders, especially travel agents and tour operators.

While travel agents are profiting from the tourist boom in the past couple of years, a number of them also feel threatened and are worried about the future.

Commission cuts by airlines and the rapid technological advancement, especially the increasing penetration and use of the Internet has forced the travel agents community to rethink their business models and strategy for not just growth but their survival in the future. Airlines and hotels have turned away from intermediaries in the past couple of years, preferring to invest heavily in their corporate sites and offer best-rate guarantees in an attempt to woo e-tourists. In face of these commission cuts, the main income generator, many travel agents are attempting to diversify their operations by providing other services and also remodeling themselves as travel consultants, a makeover, which happened in the developed markets quite a while ago. Another recent trend, which is hitting the small time travel agents hard, is that of consolidation. Consolidation in the travel distribution network has significantly reduced the number of travel agencies.

Currently the Indian travel industry is in the midst of a transition towards becoming a mature market and the key words for all stakeholders are adaptation and innovation. One way towards the future is adopting the idea of service fee. This practice highlights the advisory role of the travel agent



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as a professional or a consultant where clients pay for the agent's expertise instead of suppliers having to pay a commission. The role of a consultant dovetails nicely with the trend towards customised travel. Indian tourists today are well travelled and want to enjoy a certain freedom. They want to go beyond the beaten path, yet enjoy the benefits of a hassle free planning and expertise proffered by a travel agent. This means that agents must have the flexibility needed to offer customised travel products.

Apart from changing their business models to meet the challenges of the future, travel agents and tour operators also have a wider and important role to play in the development of tourism. They can coordinate with the Ministry of Tourism and other related central and state ministries in their endeavour to improve facilities, guaranteeing safety and security of tourists and disseminating information. Besides this, travel agents and tour operators also need to establish channels of communication and liaison with the department of tourism, state and other public and private bodies and take all necessary steps to promote and develop tourism in India, while also promoting environment protection, cultural exchange and national integration. The challenge for the travel agent and tour operator community is also to formulate a uniform code of conduct to govern the procedure of booking, confirmations, payments, refunds, cancellations, no-shows, changes, pre-ponements and postponements, retention charges, commission and discounts.

Changing roles

Traditionally, in the Indian market the travel agent acted as an intermediary that brings travel products to the end consumer. Travel agents used to receive compensation from the airlines of two types: a base commission on every sale and, if they earned it by moving market share from one airline to another, an override commission.

Pay-for-performance override commissions are typically only available to large travel agents. The bigger the travel agency, more sales can be drawn to the airline paying the override. This revenue stream is generally not available to the small travel agents, who do not have a significant impact on an airline's market share. As airlines worked to lower their distribution costs and to incorporate lower cost ticketing alternatives, base commissions were decreased and eventually eliminated by the airlines in lieu of less expensive alternatives made available by new technology. The impact of these changes was felt most by small agencies that did not have the alternate revenue stream of override commissions.

With the airline commissions diminishing fast, the agents who survive and grow will be those who embrace technology and implement alternative revenue streams and service fee concept. Apart from ticketing, travel agents are beginning to offer services like travel insurance, hotel bookings,

With the airline commissions diminishing fast, the agents who survive and grow will be those who embrace technology and implement alternative revenue streams and service fee concept. Apart from ticketing, travel agents are beginning to offer services like travel insurance, hotel

car rentals and so on. Non-air bookings enable a 10 to 15 per cent higher retention for the travel agent than traditional air bookings. Unfortunately, the ones who do not accept this reality and continue to have ticketing as their main revenue generator will be wiped out completely.

Similarly a new generation of well travelled independent and self-service consumers have changed the focus of tour operators and their offerings. Although package tours remain an industry staple, tour operators will need to develop more flexibility in the creation of holiday packages to serve the growing self-service segments. Whether catering for the inbound, outbound or domestic markets, tour operators seem to have been the most forward thinking in their efforts to innovate in their products and services. They shine as an example of how well India has kept abreast with international trends. Modern technology and advanced itinerary planning, consultancy services, end-to-end travel solutions and troubleshooting call centres - all these have already been integrated into the business model.

Tour operators have introduced sophisticated Web portals thereby recognising and catering to the future net-savvy travellers. Also virtually each of the tour operating majors have honed a niche, be it a given service, tourism segment or destination. Interestingly, an accent on integrating corporate travel as central to the business model is also emerging. Companies like Thomas Cook, Kuoni India, which are fine examples of product differentiation in the Indian market, Carlson Wagonlit Travel, a business travel specialist, and host of others have struck a dynamic balance between their corporate and leisure travel business. As mergers and acquisitions, alliances and other marketing partnerships increase, consumers may face potentially competing and conflicting signals from partnerships that involve multiple brands. Zubin Karkaria, CEO of Kuoni India, says, "The challenge for tourism-related companies is to identify ways to reinforce and extend their brand partnerships." Globally travel agents are vigorously promoting cruise vacations, a major influence in industry's rapid growth and success. In India, cruise companies should consider equipping select travel agents with reservation and selling tools as a high yield product, which would eventually enhance the bottom lines for both.

Alternate revenue channels

Developing an alternate revenue stream takes long-term strategy and good business vision. By working on your business instead of in it you can remain focused on the big picture and clearly see the best options for creating revenue sidelines. One important thing to remember when developing revenue streams is that they should be complimentary to each other. This will allow the products or services to cross promote each other appealing to the same customer demographic. Also developing a niche product or specialising in niche services is gaining momentum with many travel agents developing these along with their frontline products as

an alternate revenue streams. A few have recognised the potential of the niche market and have taken the plunge by becoming specialists and servicing just that one product, destination or service.

The robust growth of the budget segment will have a ripple effect on other stakeholders including travel agents and tour operators. Their specialised and niche packages have demonstrated the fact that they have their ear to the ground, designing tailor-made tours just to suit the needs of this segment. Not satisfied with providing value-added services, tour operators like Raj Travels are providing a sophisticated luxury bus service, Raj National Express, at an extremely affordable price. Akash Seth, CEO, Raj National Express says, "Tour operators have always sold hi-end tours. But now, we realise the importance to cater to the mass market, where volumes are high. We are trying to make travel cheaper by providing fares as low as Rs 700 between Mumbai and Surat, while providing the best quality to the consumer."



Similarly, travel agents are also identifying and working on a niche within a niche. For instance, within the concept of religious tourism, certain agents are striving to develop economy tours for women travelling on their own. Also a new travel niche is being created with the advent of no-frill carriers. Students preferring air travel to rail. The student community is yet another big segment, which the travel agents and tour operators are tapping earnestly. Other segments, which have come under the radar of tour operators, are senior citizens along with the extremely under-explored segment of disability travel. Tour operators and travel agents could look at creating space for the latter segment in the budget category. They could partner with airlines and hotels to ensure user-friendly areas for them. While in the US, the disabled tend to travel in their own cars, in India it is an unheard segment. Tour operators could look at operating user-friendly cars and buses, while organising a guide or a helper to take them around. A coach service is an option never considered in the Indian travel industry. Travel agents could operate coach services across just south India or north India with multi-destinations on their travel agenda. People could be given travel passes where they could hop on and hop off anywhere in the country.

Corporate or escorted coach tours could be started with agents offering tours through an entire state. Tour operators and travel agents could initiate this process by exploring the possibility of developing lesser-known destinations by partnering with players from different industries like telecom, hotels and IT in the private sector, while seeking government aid for subsidies and other incentives. Many agents are looking at backward integration, where they are developing their own tourism products to offer the consumer variety at affordable rates. Farm tourism and rural tourism can be nurtured where agents can offer day trips or even weekend trips to tourists, while simultaneously developing

infrastructure like getting private players to set up hotels.

Technology: Key to the future

Sample this: fastest-growing distribution channel, the Internet is generating annual bookings upwards of US \$35 billion in the US alone. In 2005, 25 per cent of all hospitality revenues globally were Internet generated, and in 2006 this figure is expected to reach between 27 and 29 per cent. However, just about five per cent of Indians have Internet access and it could take a long time before the interface gains critical mass.



Come 2010, what innovations in technology will make the biggest impact on the travel trade? Arjun Sharma, managing director of Le Passage to India Tours & Travel responds, "Online travel portals, low-cost airlines and integrated package deals are some of the emerging areas which will dramatically reduce the travel cost for the end customer. Technology will surely dominate the price of the holiday as the per transaction cost for the agent will be reduced in turn reducing agent commissions. The biggest advantage will be for the customers who will pay less and enjoy more. The usage of mobile technology, kiosks, handheld devices will be the in thing. By 2010 we will have the final shift from e-commerce to m-commerce. A customer will be able to book all travel and related services from their mobile phones."

As of now travel agents, tour operators, airlines, hotels and all other travel service providers are automated and are using some or the other form of technology solutions to run their part of business. Upcoming online travel portals, upcoming call centers and upcoming travel shops are in the rat race of trying to integrate various travel services to their Web site to make it look like a single point shop for purchase. The advent of e-commerce and m-commerce technology will have a great impact on the future of travel industry in India and abroad. Click-and-fly mode is gaining popularity among prospective travellers, which presently comprise 29 per cent of all air bookings. This percentage is expected to rise further to 46 per cent by next year.

Next on the agenda will be bookings on mobile phones (m-commerce), which will further raise the share of travellers using e-booking by 50 per cent. Diversified travel agencies have now emerged that sell multiple products all of which can be booked in real time. Online travel agencies are taking over from traditional travel agencies. They have the advantage of being able to access multiple real-time reservation systems, to group product offerings and to provide preferential pricing through strategic alliances with various online reservation system firms. This will also increase the scope of revenue for travel agents currently functioning as ticketing agents. The convenience and availability of information has translated into massive cost savings and the potential of additional revenue

streams. This tags in with the looming fear of a zero commissions regime forced by the airlines that will compel agents to make the transition to travel consultancy. "Indian travel agents and tour operators are becoming increasingly aware of the importance of a well established brand in today's market, and that they will definitely want to be affiliated with the top brands. Also, technology in general and IT in particular will play a significant role in the network. Participants will greatly benefit because of reduced operational costs and increased efficiency," says Praveen Chugh, managing director, Travel Services International.

According to Beatrice Tarka, co-founder and CEO of Mobissimo, "Technology simplifies the process of searching and will empower users all over the world to see more options and get a better view on all travel offers. Users will be able to easily access fares and information from the hotels and airlines that do not participate in GDS." GDS is still an expensive option, which is why many hotels don't link to it. Currently, traditional travel agencies and even the old-school online travel agencies access only a fraction of the available air and hotel inventory. For example, only 70,000 hotel properties out of 4,00,000 worldwide propose their inventory via GDS. By 2010, online business could grow up to 60 per cent of volumes across all verticals. "

Traditional travel agents to stay in business will increasingly package multiple services in bundled offerings. They will not be tied to major GDS and so will be free to innovate with IT. Some innovations that will come into play are:

- **Digital kiosks:** These will enable booking of tours, selecting options and choosing worldwide options through technology CRM modules.
- **Loyalty programmes:** Each will store client history, their likes and dislikes, travel preferences, budget categories, etc to bring value for their next travel plan. Also one will see travel/smart cards playing an active role.
- **Yield management:** Technology will be used extensively across all products and will be interlinked with hotels and airlines for this purpose.

Travel agents on their part will have to aggregate data on one screen in order to be able to answer customer queries. An electronic distribution can either enhance functionality or actually turn counterproductive if it is not able to deliver value as perceived by the customer. Currently, the Indian market is going through a great flux and travel agents apart from using technology to their benefit will also have to change from file handling to client handling. Greater focus will be required on the quality of services delivered.

Business expansion through technology

Many travel companies are leveraging online channels to the hilt including keywords search via Google and SEO, besides using electronic and print media for branding and tactical marketing from time to time. Companies are exploring

India-specific marketing options and developing synergies with market players. To enhance its business through technology, Kuoni plans to get into effective SEO promotions. It plans to get in touch with all portals (worldwide) that are offering India and seek business possibilities. Apart from embracing new technologies, it will try and promote the usage of the solutions, which it would provide to its agents and suppliers worldwide. Going online to get more business, implement best practices in all areas of business using technological solutions and ensure quality delivery of services to its customers. This will be done both by online and offline mediums of promotions.

Galileo has always worked closely with travel agents association of India (TAAI) and Travel Agents Federation of India (TAFI). Bruce Hanna, CEO (India Operations) at Galileo India, informs, "We continue to support these associations and have also organised idea exchange forums and conducted seminars in India. We want to provide our travel partners opportunities to see what is happening globally and have an opportunity to pick up best practices from across the world." So, the future is about better, more personalised products that enable users to make a fast decision, save time and money, and eliminate the frustration factor when users can't find the options he or she is looking for. Tarka says, "The growth trend in online travel (more travel sites, more airlines, more hotel inventory - all available in disparate places) will make the end-user search experience more and more complicated. Specialised travel search engines such as Mobissimo will simplify the process and organise information for the end user - in one single search."



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