AN INDUSTRY PERSPECTIVE OF TRAVEL AND TOURISM DISTRIBUTION CHANNELS

BY

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DECLARATION:

I Peter Shelley hereby declare that the presented work has not been previously submitted by me for the award of any academic degree.

[redacted]

30-7-91
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Peter D. Shelley

Date

To Catherine for her encouragement and support

"FOR MY PART, I TRAVEL NOT TO GO.
I TRAVEL FOR TRAVEL'S SAKE.
THE GREAT AFFAIR IS TO MOVE"

Travels with a Donkey (1879), Cheylard and Luc.

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Overview

The objective of this thesis is to identify the various external influences affecting travel and tourism distribution channels in Australia. Particular reference is paid to the issue of whether the retail travel agent and the tour wholesaler will retain their respective roles as major distribution intermediaries. The external influences identified for this discussion include computer reservation systems, other new technologies and domestic airline deregulation.

Primary and secondary research methods were used by the author. These included a survey which was distributed to a broad cross section of the travel and tourism industry including principals/suppliers, tour wholesalers, retail travel agents, speciality channelers and industry observers and analysts.

Of those surveyed seventeen percent (17%) of the respondents were either principal operators or product suppliers, twenty three percent (23%) were tour wholesalers, twenty-one percent (21%) were retail travel agents and the remaining thirty-three percent (33%) represented a cross-section of industry observers and analysts. These included representatives from tourism commissions, industry associations, academic institutions, government bodies and professional consultancies.

The study tested the validity of two research assumptions designed to assess the impact of a changing business environment on the existing channels of distribution. The research findings indicate that the changing business environment is creating operational uncertainty for travel and tourism businesses.

The following research outcomes support this statement.

* The majority of respondents to the industry survey indicated that they were continually assessing and revising their options for product distribution.
* There is an increased recognition of the lmportance of Computer Reservation Systems (CRS) (or Global Distribution Systems (GDS) as they are often called), which have become a necessary development given the reliance of the travel and tourism industry on international communications.
* Ninety nine percent of the respondents agreed that retail travel agents need to invest in CRS/GDS to remain competitive in the face of domestic airline deregulation.
* CRS/GDS will act as additional intermediaries within the channels of product distribution. They will also complement and not compete with present intermediaries operating within the distribution system in Australia.
* Non-automated travel agents are expected to experience difficulty in servicing clients and in maintaining service provided by principals following the deregulation of domestic aviation primarily because of the rapidity of air fare changes. This indicates that the trend towards automation is one of business survival.

* There is a degree of evidence provided by suppliers and tour wholesalers to suggest a trend towards direct marketing of travel product to potential travel buyers via mail and telemarketing.
* A trend is evident towards increased vertical integration of distribution channels with suppliers, wholesalers and retailers closely related through equity participation or full membership.
* There is an emerging trend towards specialised channels of product distribution providing niche marketing facilities for travel product.
* An increasingly sophisticated and educated travel public is seeking travel information which can be rapidly sourced. Confirmations of bookings need to be made quickly and conveniently.
* Responses indicate that the Australian distribution network will experience some different outcomes to those experienced in North America following deregulation due to differences in the population base and tourism infrastructure ownership in the two countries.

First Research Assumption

The first research assumption is that retail travel agents will remain the ***primary*** distribution intermediary for leisure travel product. There is some conjecture evidenced by the survey responses over this issue. It is evident that retail travel agents will retain their role as primary distribution intermediaries, but may lose some ground in the face of increased levels of direct sales and marketing by suppliers.

Although there is evidence of experimentation with various methods of product distribution, it can be concluded that retail travel agents will remain the ***primary*** intermediary facilitating the purchase of leisure travel product. New developments will be most relevant for specialist products and markets. This outcome supports the first research assumption.

A summary of the survey outcomes suggests that:-

* A greater percentage of product will be distributed directly to the travel buyer in the future.
* There is an emerging trend for product suppliers and principals to reduce the percentage of product distributed via retail agents in preference for an increased use of direct marketing.
* Tour wholesaler responses suggested a similar outcome to the above statement, with a number of wholesalers decreasing the percentage of product distributed via retail agencies in favour of a more direct approach to distribution.
* It is believed that retail travel agents need to increase their competitiveness and efficiency. This should be bought about by;
  - embracing modern distribution technology
  - an emphasis on product specialisation and increased levels of travel product knowledge by travel consultants
  - the need for operator competency and efficiency when handling CRS/GDS
* There would appear to be minimal threat to travel agents emanating from the direct sale of leisure travel via home computer/television monitors. Respondents expressed the view that leisure travel is a personal purchase and requires an element of human interaction.
* It is suggested that CRS/GDS will provide additional amounts of leisure travel information to retail agents. It is hoped that this may inspire greater buyer confidence to deal with travel agents.

* Approximately fifty nine percent (59%) of the respondents believe that retail travel agents will become a more important intermediary as CRS/GDS become established in Australia. Tour wholesalers however disagreed with this outcome.
* There is evidence that some retail travel agents are increasing their product specialisation and providing unique services for niche markets.
* There is a recognition that retail travel agents will lose some share of minimum servicing products to automated transaction procedures and to other new technologies.
* Increased involvement by the major domestic airlines in retail distribution may result in domestic airlines becoming less dependant upon independent retail travel agents to distribute their product.
* The increasing number of travel products available from an increasing number of suppliers will create a greater need for retail travel agents to offer expert product knowledge and advice for travel purchasers.
* Retail travel agents will need to "add value" to their product through service and experience to become more competitive in the future and to differentiate their product from that of their competitors.
* Retail travel agents will retain their role as ***primary*** distribution intermediaries, but their degree of dominance in the distribution system may decrease.

Second Research Assumption

The second research assumption is that the role of the tour wholesaler as a travel product intermediary will become **less important** in the distribution network as a result of the changing industry environment.

It is suggested that the future role of the tour wholesaler as a travel product intermediary may decrease, although it is expected that they will retain their role (to a lesser extent) as distribution intermediaries which bulkbuy product and develop travel packages for sale in retail agencies. The precise nature of their future role in the industry however will alter as it is subject to the changing demands of CRS, electronic brochuring and the type of leisure travel product required by the traveller.

A summary of trends from the research relating to the future role of the wholesalers include;

* That the tour wholesaler will remain an important distribution intermediary of the future.
* That the introduction of CRS/GDS is not perceived as a direct threat to the existence of the tour wholesaler and that both the CRS and the tour wholesaler may become mutually inclusive for packaged leisure product as distribution channels develop.
* Eighty three percent of the respondents indicated that there is a future need for tour wholesalers to invest in "electronic brochuring" as a means of future product distribution.
* There is a real expectation that tour wholesalers need to become familiar with advanced forms of technology including "electronic brochuring" techniques in order to distribute packaged product via CRS/GDS. However, it is suggested that there will always be a need for product information in hardcopy format (brochure). Electronic brochures may be seen as an additional source of product information, and not necessarily a replacement for hardcopy brochures. The conclusion is that travel, being an intangible product will always require tangible evidence of the purchase.

* Tour wholesalers will remain important intermediaries because of their product packaging expertise and bulk purchasing power which provides the industry with package tours at acceptable prices.

INTRODUCTION

INTRODUCTION

This dissertation examines the changing nature of distribution channels with particular reference to leisure travel. Leisure travel for the purposes of this study is defined as *the activity of consumers using their discretionary leisure time to visit a destination which encompasses at least an airline ticket and accommodation as a part of the leisure travel experience.* The dissertation will highlight the importance of various intermediaries which operate within these channels and assess the extent to which the role of traditional intermediaries (tour wholesalers and retail travel agents) will alter as a result of the changing business environment in which they exist. The issue of Computer Reservations Systems and packaged holidays has not been discussed falling outside the set objectives of this research. This issue may well be worthy of a specific future study. The research concentrates on two main assumptions which relate to:-

a) The future role of the retail travel agent and

b) The future role of the tour wholesaler.

A theoretical background is provided on traditional retail distribution channels with emphasis on the application of marketing theory to (intangible) travel and tourism products. There are many recognised channels of travel and tourism product distribution comprising various intermediaries. It is anticipated that these will alter as a result of technological developments such as Computer Reservations Systems (CRS's), developing new technologies and the arrival of domestic airline deregulation in Australia.

A full description of travel and tourism intermediaries has been provided in order to understand their role and function within product distribution channels. The distribution intermediaries examined include suppliers/principals, tour wholesalers, retail travel agents, speciality channelers, consolidators and general sales agents.

An overview of distribution channels operating in other Western countries is also presented. This overview draws out similarities, relationships and trends taking place in international travel product distribution. Although a detailed comparative analysis is not within the scope of this research paper, an understanding of international developments in the distribution process was considered to be essential in order to identify past and present international distribution trends.

Both primary and secondary research data have been used. Secondary data was collected from a variety of national and international articles and publications. Primary data was gathered by implementing a travel and tourism questionnaire. This involved the collection of expert opinion from key members of the travel and tourism industry. An interpretation of the likely developments in travel distribution in Australia has been extrapolated from this data.

The findings presented in the executive summary have proven to be consistent with previous research on general trends in the industry, on developments of technology and on the perceived preparedness of the industry to accept and adapt to change.

SECTION 1.
METHODOLOGY

SECTION 1
METHODOLOGY

This thesis has been undertaken to collect, review and critically analyse the views of key members of the Australian travel and tourism industry towards present and future distribution channels of leisure product. Section one provides a research framework.

OVERVIEW

A postal questionnaire was used for data collection. This technique has been selected as a method commonly used to collect expert opinion and knowledge and then to arrive at an informed interpretation about the likely occurrence of a certain trend.

An analysis and interpretation of responses provided an understanding of industry attitudes towards recent changes within Australian travel and tourism distribution.

1.1 PROCEDURES

Conceptual

The research area identified concerns the changing patterns of tourism product distribution in Australia. This situation has resulted from an increasingly uncertain working environment which includes the introduction of CRS/GDS, new information technologies and the advent of domestic airline deregulation. It is suggested that these factors of change will have a significant influence over the shape and configuration of travel and tourism distribution channels. The study examines these changes and nominates future outcomes.

First Research Assumption

That retail travel agents will retain their role as **primary** distribution intermediaries of leisure travel product. Leisure travel for the purpose of this study is defined as *a person or persons using their discretionary leisure time to visit a destination which requires both an airline ticket and accommodation component as part of leisure travel.*

Second Research Assumption

That the role of the tour wholesaler as a travel product distribution intermediary will become less important as a result of the changing industry environment.

1.2 DATA COLLECTION

Data has been collected from various sources and by the following methods of collection.

a) **Secondary Data**

Phase one of the study was devoted to collating and analysing relevant secondary data. Limited recognised research has been undertaken in this area of Australian travel and tourism. Bibliographical searches were undertaken in an attempt to locate relevant secondary data. The results of the search appear in the extensive bibliography referenced at the end of this document.

b) Primary Data:

Primary data was collected via the implementation of a postal questionnaire directed at the travel and tourism industry. The objective of the questionnaire was to evaluate the present role played by intermediaries operating within the travel and tourism distribution system and to solicit informed predictions as to how this role may alter in the future.

A pilot questionnaire was developed and implemented at the Victorian Holiday and Travel Show held in Melbourne. As a result of information received from this exercise the final questions were then modified and focused to meet the objectives outlined. Following this assessment and subsequent revision the questionnaire was distributed to 120 industry members accompanied by a pre–addressed postage paid return envelope to generate a high percentage return. A brief cover letter on Victorian University of Technology letterhead explained the purpose of the survey and requested participation. Of 120 surveys distributed, 52 (approximately 43%) were returned. A broad cross section of responses were received (table 1) from various industry members including individual retail travel agents, representatives of agent organisations and collectives (chart 1). Product principals, tour wholesalers, industry administrators and analysts including management consultants, tourism commission representatives, tourism educationalists and industry commentators also responded. An overview of individual respondents can be viewed in appendix A.

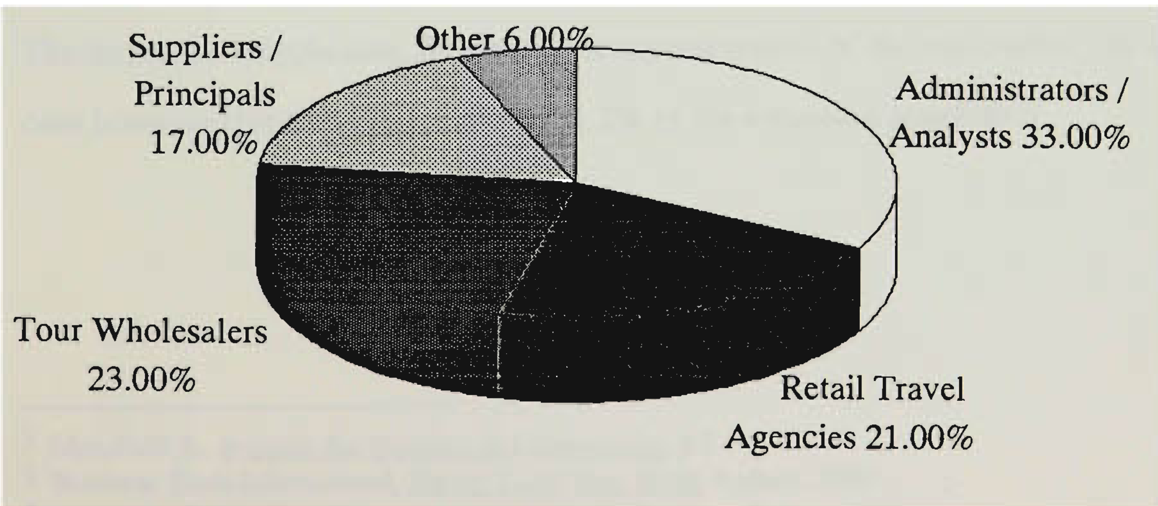
Table 1.

REGISTER OF SURVEYS POSTED AND PERCENTAGE RETURNED

	Number Posted	Number Returned	As % of Return	As % of Results
Suppliers/Principals	29	9	31.0%	17.0%
Tour Wholesalers	23	12	52.2%	23.0%
Retail Travel Agencies	27	11	40.7%	21.0%
Administrators/Analysts	41	17	41.5%	33.0%
Other		3		6.0%
	120	52	43.3%	100.0%

THTABLES

CHART 1. SURVEY RESPONDENTS BY CATAGORY



Sampling Frame

A sampling frame is a list of the sampling units available for selection at the stage of the sampling process. At the final stage the actual sample is drawn from a list.(1) The frame used in this case relates to a list taken from the index of travel and tourism publications which included;

- Travel Trade Year Book (2)
- Australian Federation of Travel Agents "List of Members" (3)
- The Interdata Leisure and Tourism Handbook (4)
- Melbourne Tourism Authority Business Directory (5)

The population was estimated at 4,200. From this population a sample was selected by choosing a simple random sampling method.

The sample of 52 responses received was calculated at 1.2% of the population. In certain cases follow up action was implemented to encourage prospective respondents to complete surveys. In some cases the respondents expressed an indifference to complete and return the survey. Due to limited resources of time and money available , it was decided to terminate the collection of data after receiving the 52 responses.

The Sample Size

The larger the sample size, the better the representation of the population. In this case however that sample size of 52 is 1.2% of the estimated population.

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1 Mansfield,E., Stasticts for Business and Economics, p.7.
2 Business Press International, Travel Trade Year Book, Sydney, 1990.
3 Australian Federation of Travel Agents, List of Members, Sydney, 1989.
4 The Interdata Leisure and Tourism Handbook, 2nd. Edition, Interdata, Sydney, 1989.
5 Melbourne Tourism Authority, Tourism Business Directory, Melbourne, 1990.

However, while the sample was not a large sample numerically, the responses were detailed therefore providing significant information. As indicated by Mansfield,"the sample size is indeed one determinant of how much confidence you can put in a sample result but that it is by no means the only determinant.(6) Bladock provides support for Mansfields statement by stating that " a factor that is large enough to produce differences that are stastically significant in a small sample is therefore much more worthy of one's attention than a factor that produces small differences that can only be shown to be stastically significant with a very large sample"(7).

Questionnaire Design/Selection Criteria

The postal questionnaire was divided into four main sections including;

A. Current travel and tourism distribution channels

B. The changing business environment

C. Future travel and tourism distribution channels

D. Influences on Australian channels of distribution

A total of fifteen questions were asked. Diagrammatic, short answer and agree/disagree style responses were requested.

c) Data Analysis

A computerised analysis was undertaken utilizing the SPSSX program available at Victoria University. The IBM compatible Microsoft Excel program was also used to generate percentage outcomes and charts from the results provided.

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[6] Mansfield,E., Stasticts for Business and Economics, p.7.
[7] Bladock, H.M, Social Stasticts, p.163.

d) Data Interpretation

Both secondary and primary data collected were analysed and interpretations made relating the new research findings to the secondary information obtained. These interpretations are included in the body of this report.

SECTION 2
DISTRIBUTION CHANNELS AND MARKETING THEORY

SECTION 2
DISTRIBUTION CHANNELS

Section two provides an understanding of marketing distribution theory. This theory is then applied to travel and tourism distribution channels with specific reference to intermediaries used.

2.1 DEFINING DISTRIBUTION

The link between the suppliers of tourism product and the buyers of the product is known as the Tourism Distribution System. The reason for its existence is to provide buyers with information on the various components of travel product, so that a buying decision can be made.

Distribution is part of the marketing process. **Kotler** (1984: p.545)[8] states that;

> "The concept of marketing channels is not only limited to the distribution of physical goods. Producers of services also face the problem of making their output available and accessible to target populations".

Bucklin (1966)[9] provides a more specific definition of distribution channels stating that distribution is;

> "a set of institutions which performs all the activities utilized to move a product and its title from production to consumption."

8 Kotler.P., Marketing Management: Analysis, Planning and Control, 1984, p.545.
9 Bucklin, in Middleton, V.C., Marketing in Travel and Tourism, Oxford, 1988, p.184.

Middleton (1988: p.186)[10] suggests that Bucklin's definition of distribution is based on physical goods and that it does not provide for an adequate definition of tourism related services. In order to provide a more precise definition of distribution for travel and tourism he states the following;

> "A distribution channel is any organised and serviced system, created or utilized to provide convenient points of sale and/or access to consumers away from the location of production and consumption, and paid for out of marketing budgets."

Middleton's definition is broader than that of Bucklin and also the often referred to definition of distribution for services by **Donelly** (1976: p.57)[(11)] in which he introduces the role of the distribution intermediary. Donelly states that;

> "Any extra corporate entity between the producer of a service and the prospective users that is utilized to make the service available and/or more convenient is a marketing intermediary for that purpose."

The purpose of distribution therefore is to provide a link between supply and demand, producer and consumer, thus providing product availability. **McIntosh** (1979: p.400)[12] defines channels of tourism distribution as;

> "an operating structure or system of linkages of various combinations of travel organisations through which a producer of travel products describes and confirms travel arrangements to the buyer".

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10 Middleton, V.T.C., Marketing in Travel and Tourism, Oxford, 1988, p.186.

11 Donnelly, J.H., "Marketing Intermediaries in Channels of Distribution for Services", Journal of Marketing, January 1987, p.57.

12 McIntosh, R.W., "Definitions" unpublished (1979) in Mill, R.C, and Morrison, A.M., The Tourism System, 1985, p.400.

In summary it is suggested that the reason for any system of distribution is to facilitate the sale of a product via a recognised channel (or path) which provides for product flow. Marketing activities are therefore directly related to the process of distribution in that they influence this product flow.[13]

Travel product distribution can be viewed as a system of linkages involving a variety of travel organisations through which travel products are created, promoted, assessed and purchased. **Welburn** (1987)[14] in discussing product distribution suggests that distribution channels contribute as many as nine separate ways to the purchase of a product, commencing at product demonstration through to physical distribution of the product.

1. *Demonstration*

   Enabling the customer to assess the product easily, gathering information (brochures) which can be then discussed and assessed at home.

2. *Comparison*

   Assembling together other similar products from other sources by which comparisons may be made and choice may be exercised.

3. *Parallel Purchase*

   This is the purchase of different but related products, thus offering the consumer the convenience of one–stop shopping.

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13 Middleton, V.T.C., 1988, p.188.
14 Welburn, H., "Travel Selling and Distribution", Travel and Tourism Analyst, 1987.

4. *Merchandising*

In this case the distribution channel adapts and packages the product to meet the specific needs of markets. This may vary from language variations through to adopting the specific product for different environments.

5. *Breaking Bulk*

A marketing term whereby the distribution channel enables the customer to purchase what is specifically needed (an individual item of a bulk purchase made by distributor), while the distributor handles the larger volumes of the product.

6. *Selling*

The appropriate distribution channel seeks out buyers and sells to them, bringing local knowledge and finesse to selling, pricing, promotion, advertising etc. This factor provides for credibility and accountability for the product.

7. *Stockholding*

Again in traditional market theory, the distribution channel (the intermediaries) have the facility to finance the stocks held in the pipeline, thus making the product readily available to the consumer.

8. *Access*

The distribution channel should offer the consumer a convenient local point of purchase. This saves the producer from handling a multiplicity of retail transactions which may be globally related.

9. *Physical Distribution*

The distribution bridges the geographical gap between producer and consumer. This refers to the physical transportation of goods.

This distribution mix (choice of distribution channels by principals), like other marketing mixes may vary greatly, but often some permutation of these activities which **Welburn** describes is applied to all products sold.

Distribution Theory Applied to Travel and Tourism Products

In adapting the application of marketing distribution theory to the sale of leisure travel product we must recognise the contribution of the different travel and tourism intermediaries.

Demonstration and Comparison

Information about leisure travel is provided via various mediums including advertising and merchandising and the information brochures typically found in travel agencies. These brochures, accompanied by supporting information provided by travel consultants and information centres satisfy the distribution functions of *demonstration* and *comparison*.

Parallel Purchase

The third function of distribution theory, *parallel purchase* may be relevant for some forms of travel purchase yet absent for others. An independent traveller may for example may intend to purchase an airline ticket only, but be persuaded to *parallel purchase* one night's accommodation at the destination along with coach transfer from the airport to the place of accommodation. Alternatively a traveller may chose to purchase a fully inclusive package tour which may include all of the individual components of the travel experience from the airline ticket to meal and touring costs. In the case of inclusive tour packaging, the function of *comparison* has been performed previously by the tour operator who has developed the package.

Merchandising and Bulkbreaking

The *merchandising* and *bulkbreaking* requirements are also performed by the tour operator or wholesaler, in the case of an inclusive tour, but are often handled by the travel agent for the more independent traveller.

Selling

The function of *selling* is a shared responsibility by the various intermediaries, most often occurring at the retail travel end.

Stockholding

Tour Wholesalers are usually involved in *stockholding* of product in preparation for packaging. This is usually achieved by wholesalers negotiating with the product principals to purchase large stocks of product (seats on planes, hotel rooms etc) well ahead of time so that they can package up product and have time then to sell the packaged product to potential leisure travellers.

Access

The major role of the travel agent, when making a comparative assessment of marketing theory, is that of convenient access by which the consumer can assess an international product and make a purchasing decision.

Physical Distribution

Physical delivery of travel product, (unlike more tangible product) is not available (except for the brochure) to the travel purchaser via the travel distribution channel. The reason for this is simply that the consumer must travel to the product in order to actually "consume" what is purchased. Physical distribution of the brochure etc does

The preceding summary tends to support the first research assumption that retail travel agents are an integral part of tourism product distribution. Of the nine distribution functions nominated by **Welburn**, retail travel agents contribute to at least seven including demonstration, comparison, parallel purchase, merchandising, selling, access and physical distribution.

There are many alternative combinations of distribution channels or "pipelines" which use intermediaries to handle travel and tourism products. The main influences in selecting a distribution network suitable for the sale of a travel product are:-

a) nominating target markets,

b) selecting the expanse of distribution (geographical) required

c) budgetary constraints.

These factors of channel selection will be explained in more detail later in this thesis.

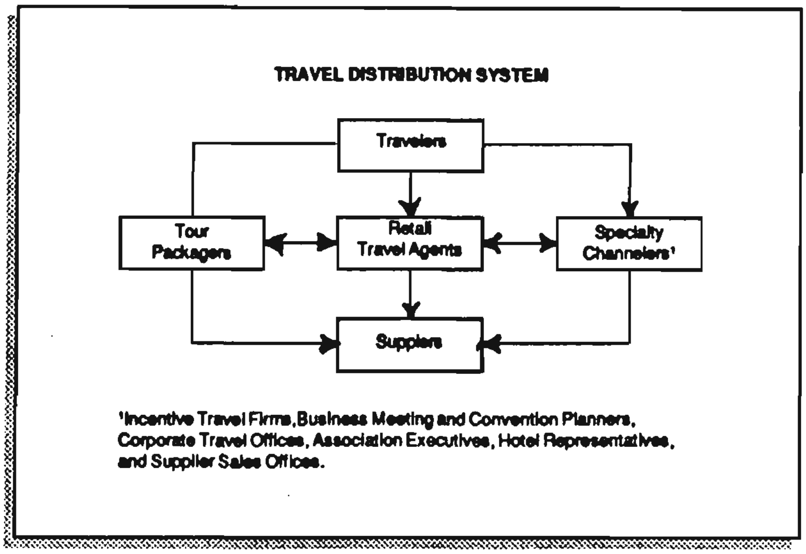
In discussing the specifics of travel and tourism product distribution it is integral to understand the structure of the tourism industry. It is best at this stage to view the industry under the three major categories of Principals, Intermediaries and Customers.

According to **Middleton** (1988: p.187))[15] a *Principal* is defined as "any producer who has product to sell to the customer or to achieve sales through one or more third parties" and *Intermediaries* are the middlemen in the sale of travel and tourism product and can be defined as any third party or organisation interacting between producers and customers which facilitate the purchase of travel products. *Customers* are of course the buyers and consumers of the travel product. The focus of this discussion however relates to the role of the distribution intermediaries.

2.2 DISTRIBUTION INTERMEDIARIES

Diagram 1

TRAVEL DISTRIBUTION SYSTEM



Travel Distribution System, Bitner and Booms, "Trends in Travel and Tourism Marketing", 1982, p.39.

15 Middleton, V.T.C., 1988, p.187.

Bitner and Booms (1982)[16] suggest that there are three main categories of travel intermediaries influencing the travel and tourism distribution network - Tour Wholesalers, Retail Travel Agents and Speciality Channellers. These are displayed in diagram 1. Various levels of interaction exist between these major intermediaries, the product principals and the customers. This results in an extended range of channel configurations.

According to a report on distribution published in 1978 by the World Tourism Organisation[17] the role and importance of distribution intermediaries is directly linked to the benefits that they provide for the producers of tourism services and to the functions they perform on their behalf. Suggested benefits include;

* It is in the producers' interest to be able to concentrate on furnishing the services he specialises in, to control and improve their quality and to use his marketing expertise to make sure that the service he offers corresponds to the needs and expectations of his customers.
* Intermediaries can, through specialisation, achieve better results in the field of distribution and selling than the producer; they have direct contact with the markets and potential customers, which would be difficult and more costly for the producer.
* Intermediaries create a complete package of tourist services, although this is their most important function. From the point of view of the tourist, they also serve as sources of information about destinations, types of services and their advantages and disadvantages, thus confronting the potential tourist with a range of choices and alternatives.

16 Bitner, M., Booms B., "Trends in Travel and Tourism Marketing: The Changing Structure of Distribution Channels", Journal of Travel Research, 1982.
17 "Distribution Channels", World Tourism Organisation, 1978.

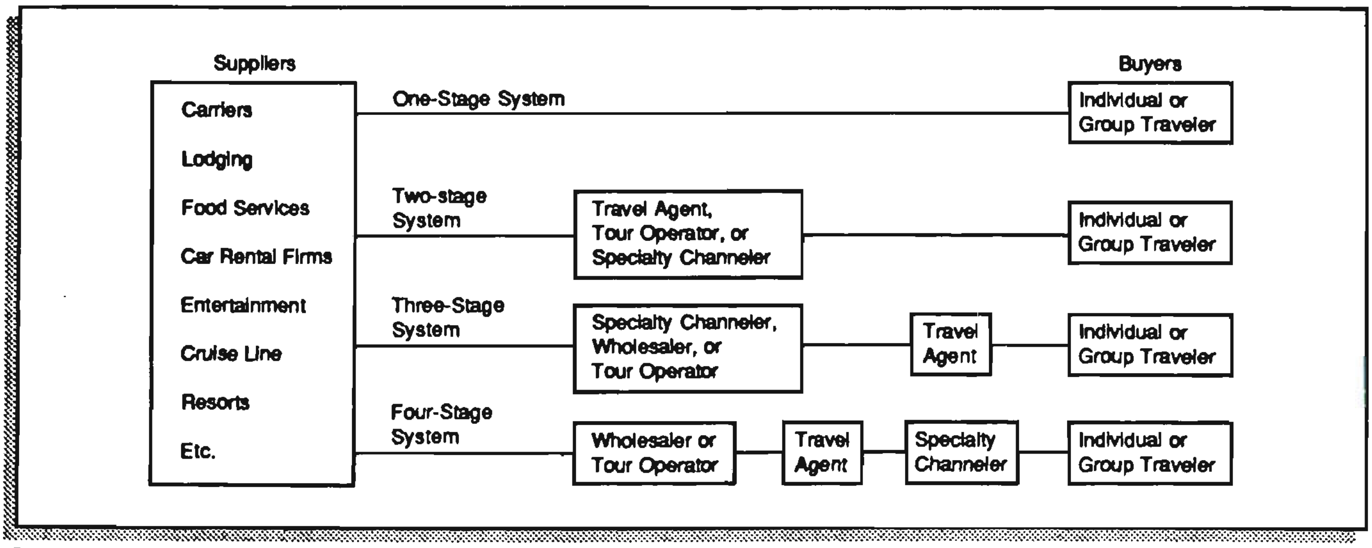
In most cases, no single distribution channel will be suitable for the sale of a given tourist service. Usually several channels are used in combination to ensure that the potential market(s) is adequately covered and that various customer segments (individual travellers, buyers of package tours, incentive and conference travel for example) are provided with the sales, services and information that they require.

Distribution channels and their eventual effectiveness in providing access to travel and tourism product relate directly to the mode of distribution channel being used which in turn are influenced by the role of the intermediaries operating with a particular channel configuration.

Diagram 2 below provides an insight into the several intermediaries which contribute to the distribution system. These interact through a variety of combinations (channels) to pass the product from its original source to the consumer. An explanation of the individual intermediaries follows.

Diagram 2

TRAVEL DISTRIBUTION CHANNELS



Source: Chuck Y. Gee, James C. Makens, and Dexter J. L. Choy, **The Travel Industry**, 2nd ed. Van Nostrand Reinhold, New York, 1989, p. 178.

Suppliers (Principals)

A supplier provides a product and/or service for use by wholesalers, travel retailers or travel consumers who are the end users of the product. There is an ever present need for product suppliers to provide quality product which possesses a unique selling position and therefore a competitive edge in the market.

Examples of suppliers include :

Transport	Accommodation	Sightseeing	Meals
Planes	Hotels	Museums	Restaurants
Trains	Hostels	Churches	Cafes
Coaches	Motels	Galleries	Hotel/Motels
Ships	Guest Houses	Shops	
Bicycles	Trains	Gardens	
Horses	Ships	Beaches	
Hire cars	House Boats	National Parks	
		Theme Parks/Zoo	

Tour Wholesalers

Tour Wholesalers negotiate with suppliers to purchase a series of products and/or services in order "package" them into a tour program and then market this product to retailers and speciality channelers at a wholesale (nett) price. The products packaged may include airline seats, hotel beds, coach transfers, sightseeing tours and meals etc. The wholesaler then "packages" together these product/services into a tour and promotes them to the potential traveller in a variety of structures ranging from fully escorted tours through to packaged tours. Tour wholesalers may specialise in a specific product area (a destination such as Bali), a specific market (eg. adventure travellers) or in a type of transportation used (such as coach tours). Wholesalers offer three types of tours:

Escorted Tours : A type of organised tour that includes the services of a professional travel escort who accompanies an individual or group throughout the tour.

Hosted Tours : An organised tour that includes the services of a tour host who meets an individual or group at each destination to make local arrangements, but does not accompany the tour.

Packaged Tours : An organised tour, individual or group that includes airfare and some ground arrangements, but does not necessarily include the services of anyone meeting the individual or group at the destination.

Advancing information technology, the development of computer reservation systems and the increasing sophistication and independent demands of the Australian traveller indicate that the role of the tour wholesaler may experience future change.

This statement is supported by Clarke of Jetset Tours who states in **King and Hyde**[(18)] that Jetset is now using a distribution technology system known as "Worldlink" (Jetsets land–leisure booking system). Worldlink has the ability to electronically access a choice of airfares from international airline "megasystems" plus land products and prices therefore providing for desktop packaging of

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18 King.B., Hyde.G., Tourism Marketing in Australia, 1989.

simplified travel product at retail agency level. It is suggested that such developments threaten the traditional role of the wholesaler as a product intermediary? The second research assumption of this study concentrates on these proposed changes.

Retail Travel Agents

Retail travel agencies actually process the sale of the tours, air tickets and other travel services to the customer. The retail travel agency enters into contractural relationships with suppliers, clients, and sometimes employees. With regard to suppliers, the relationship is usually one of "agency'. Gee (1990:p.257) suggests that the legal concept of "agency" defines a "relationship that is fiduciary in nature (based on trust, confidence and loyalty) and is between two companies or persons where one, the seller, known as the agent, is authorised by the other, the supplier, known as the principal, to deal with third persons. In the travel and tourism industry, this means the travel agency represents the various principals and is able to act for and in the place of these principals in the sale of their products."(19)

The retail travel agencies make reservations on behalf of airlines, tour operators, hotels, cruises and car rental companies; sells package tours, travel insurance, and travellers cheques; develops travel itineraries, and provides one-stop convenience in planning and collecting payment for all services associated with planning a holiday. They are normally conveniently located with a shopfront.

The retail travel agent operates on a commission basis and is compensated by the supplier for sales made. A retail travel agency will usually not purchase services from an airline, hotel or any other supplier until a client has already paid for the travel services he or she has requested.

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19 Gee et al., Professional Travel Agency Management, 1990, p.257.

The changing business environment in which retail travel agents operate suggests that there may be a need to re-assess their future operational strategy. The first research assumption supports this statement by suggesting that retail travel agents will retain their role as **primary** distribution intermediaries of leisure travel product as they adapt to their changing business environment.

Speciality Channelers

These can be described as intermediaries functioning between the retailer and the customer. Recognized speciality channelers include Incentive Travel Firms, Business Meetings and Convention Planners, Corporate Travel Offices and Supplier Sales Offices.

Speciality Channelers unlike retail travel agents, do not receive commissions or act as middlemen in reselling travel services, but instead they act as intermediaries in contracting for travel services at efficient costs on behalf of the organization they represent.

Speciality channelers are growing in number throughout the travel and tourism industry as a result of rapid growth in the conventions, conference, meetings and incentive markets over the last decade. An increasing percentage of tour wholesalers and retail travel agents are beginning to view speciality channelers as an expanding target market for the distribution of travel product.

Consolidators

Consolidators refers to travel companies that receive maximum overrides (an extra commission paid for frequent bookings with a particular company) in return for an annual volume of substantial size or lower contracted rates. Consolidators unlike tour wholesalers, a consolidator sells only one of the travel components, such as airline seats or hotel rooms. The term in practice is often associated with airline seats but conceptually can be applied to other areas as well.

General Sales Agents

A General Sales Agent (GSA) is the exclusive representative of a principal for a given area. The principal will normally contract a GSA and specify the terms and conditions of the representation. With regard to travel suppliers, GSA's may be authorised to act on behalf of the principal in taking reservations, completing sales transactions, and making sales calls. In essence, the GSA may function as the local sales and reservations office for the principal. This enables the principal to extend the product distribution network without incurring the expense of additional staff and provision of offices.

Direct Sales

The soaring costs of distribution for suppliers is a major reasons for the emergence of direct selling.[20] This situation already exists in many overseas countries including Europe and North America. Suppliers in these countries are now pressing the travel agency industry to prove that its system of distribution is more cost effective than the direct sales systems being developed by suppliers.[21]

An additional pressure on travel agents is the increasing use of toll free 008 numbers by principals and wholesalers for the promotion of sales inquiries and bookings.

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20 Middleton,V.T.C.,"Marketing Implications of Direct Selling" in International Tourism Quarterly, No.2, 1980.

21 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

The system of tourism distribution has a powerful influence on travel behaviour with each intermediary possessing the ability to influence when, where and how people travel. It would appear however, that some intermediaries are more influential than others ie. retail travel agents compared with speciality channelers.

SECTION 3
TRAVEL DISTRIBUTION AND THE CHANGING BUSINESS ENVIRONMENT

SECTION 3
TRAVEL DISTRIBUTION AND THE CHANGING BUSINESS ENVIRONMENT

The first part of this section provides an overview of international travel distribution including the North American and European experiences, as well as the current Australian situation. The discussion then focuses upon the changing business environment with specific reference to the instigators of change which will impact on the future operations of both retail travel agents and tour wholesalers.

3.1 VARIATIONS IN TRAVEL DISTRIBUTION

Travel and tourism distribution channels vary from one country to another depending on historical or other influences.

The North American Experience

The North American Experience is characterised by large population and a very competitive operating environment. The airlines or "carriers", although powerful have not integrated vertically as has happened in Australia, where the domestic airlines control infrastructure, tour wholesalers and an increasing share of the retail travel market. The North American Airlines have devoted their distribution dollars to becoming the leaders in the development of CRS, with the dominant airlines (American and Pan Am) achieving a substantial control over distribution of airline product in the United States.

Tour operators are powerful members of the travel distribution process. There are a number of ways in which U.S. tour operators distribute their product to travellers but the key selling tool is the brochure. According to **Sheldon** (1988)[22] it is estimated that brochure costs account for two to five percent of the total tour price and a conversion rate of one booking for eight to ten brochures is suggested to be the industry norm.

The U.S. tour operators or principal suppliers have various distribution channel choices through which to promote their product. Once brochure production is completed, the tour operator can sell the product through the retail travel outlets, by direct mail, by direct promotion, or to pre–organised groups (speciality channelers). A large percentage of operators sell via the retail travel agency network including 75 percent of the National Tour Association (NTA) members and 100 percent of the United State Tour Operators Association (USTOA).[23] However only 30–40 percent of total tour sales are sold via the travel agents implying that many tour operators who are not members of the main associations (NTA and USTOA) sell their product directly to the consumers. This would seem to be a growing trend given the expense involved in distributing product via additional intermediaries. Economies of scale are being achieved through the use of strategic data base management and direct marketing as an alternative product distribution option.[24]

Some tour operators use direct mail techniques as their major distribution method. These operators focus heavily on repeat business, and are usually the luxury tour operators who often enjoy up to 50 percent repeat business. Operators who promote directly to the consumer usually use travel agents to book the tours in order to reduce the expense of handling the booking inquiries.

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22 Sheldon P.J., "The U.S. Tour Operator Industry" Travel and Tourism Analyst, 1988, p.52.
23 Sheldon P.J., "The U.S. Tour Operator Industry", p.54.
24 Sheldon P.J., "The U.S. Tour Operator Industry", p.55.

The European Experience

In the ***U.K.*** travel and tourism distribution is dominated by tour operators and travel agents. Tour operating companies grew out of, or are closely linked with airlines. The tour operator Enterprise for example is owned by British Airways. Many large operators own and operate their own charter airlines. Virtually all U.K. tour operators sell exclusively through conventional travel agencies, although a few of them own small chains of retail outlets. Since success is dependant upon extensive retail distribution, co-operation with British travel agent outlets is essential.

The ***German*** tour operator industry (prior to recent German reunification) has been massive, selling to the largest outbound market in the world.[25] The channels of travel product distribution however vary from those previously discussed. The major outlets for travel product are located in banks and department stores. According to **Drexl and Agel** (1987)[26] this system of distribution is in place largely as a result of the ownership structure of the largest three tour operators which have their origin with the major banks. The link with department stores relates to the fact that two of the major tour operators are owned by major department stores (Karstadt and Kaufhof), which in turn are owned by the three major banks (Deutsche Bank, Commerzbank and Dresdner Bank). See Diagram 3 below. The banks and department stores therefore offer retail space to cater for travel product sales.

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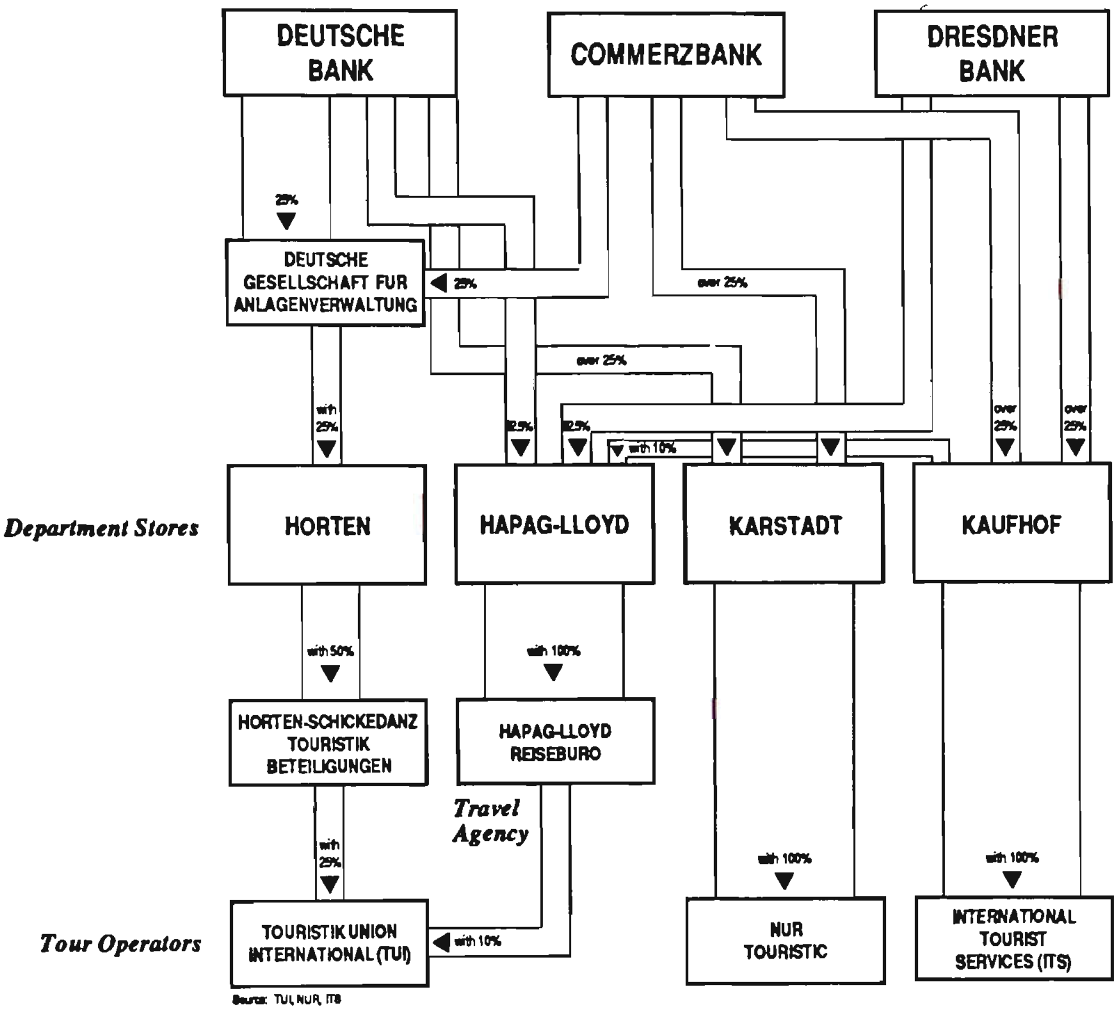
[25] Drexl. C., Agel.P, "Tour Operators in West Germany", Travel and Tourism Analyst, 1987., p.29.
[26] Drexl. C., Agel. P., p.38.

Diagram 3

INTERCONNECTING STRUCTURE OF WEST GERMAN TOUR OPERATORS



Source: **Travel & Tourism Analyst, May 1987 The Economist Publications Limited, p. 38.**

The major tour operators possess a close relationship with the travel agency sector as a result of the ownership structure. In addition to these alignments by ownership, the major operators also have contracts with other agency chains or independent retailers. The other major form of distribution and purchase of travel product is via numerous booking agencies selling travel either on a non-profit basis, or for which travel forms a minority proportion of turnover. There is a clear indication however that the major operators wish to distribute their product through travel agencies. Despite a close "preferred outlet" relationship with travel agencies, competition is strong, and the development of on-line reservation systems has been significant and characteristically dominated by the larger operators. Smaller and medium sized operators face huge selling difficulties if they are unable to invest in electronic booking systems. This, is one of the main contributing reasons for the significant growth in direct sales, estimated at between 30 to 40 percent of product sold.[27]

The Australian Experience

The Australian travel industry and its means of distributing travel product has been heavily influenced by ownerships and alliances which have formed during the post-war development of the industry.

Traditionally the controlling influences have been executed by the airlines both domestic (Ansett and Australia) and international particularly (Qantas and Air New Zealand). The carriers have developed their control over product distribution through a mixture of governmental policy, alignments, purchase of infrastructure (resorts, transport) and control of intermediary operations such as (wholesalers, retail outlets and speciality channelers). Diagram 4 is a recently constructed representation of Australia's travel and tourism industry's commercial relationships. The types of relationships range from simple marketing agreements

[27] Drexl. C., Agel. P., p.39.

Diagram 4

TRAVEL AND TOURISM COMMERCIAL RELATIONSHIPS

Facilities Owned/ Aligned	Ansett	Qantas	Australian	Air NZ
Hotels/Resorts	Gateway Hotels Hamiliton Island Hayman Island South Molle Island SPHC (aligned)	Capt. Cook Cruises	Baderra Island Barrier Reef Islands Brampton Island Dunk Island Great Keppel Isl. Hilton Lizard Island Sheraton Whitsundays Wilderness Lodge	
Coach Coy's.	Australian Pacific Bus Australia Pioneer		Page McGeary Gp Pioneer Newmans	Mt. Cook Lines Newmans
Hire Car Coy's.	Avis (Aligned) TNT	Avis (Mkting A'ment)	Hertz (Aligned) Budget	Budget
Tour Wholesaler (owned/aligned)	Ansett Holidays Destination Aust. Mkting Traveland	Creative Tours Jetabout Jetset Viva	Australian Holidays Jetset	Jetset (50%)
Retail Chains (owned)	ANZ Travel CMAT Concorde Travel David Jones Travelland Elders IXL Travel Show Travel Stewart Moffatt Traveland	Jetset Group Qantas/Ansett Network Travelstrength	Own Outlets (53) Australian Airlines Australian Travel Agents	Jetset
Retail Chains (aligned)	Jayes Travel Metro Travel Group Own Outlets (84) Thomas Cook Traveland Coles Myer Wandana TTP	Ansett (Joint Offices) CMAT Creative Tours Harvey World Travel Thomas Cook U.T.A.G. Viva Westpac	American Express Harvey World Jetset National Travel Thomas Cook Travel Strength U.T.A.G. Westpac	Gulliver's Jetset Tvl C. Various Indep. Agencies
Speciality Channels (owned/aligned)	Coles Myer Elders Travel Metro Travel Show Travel Traveland	Air New Zealand American Express British Airways Thomas Cook Viva Holidays	Concorde	
CRS System preferred	Ansamatic Galileo Southern Cross/ Travelex	Fantasia/Sabre QDS	Galileo Southern Cross/	Sabre(Undecided?)
Other affiliations/ alignments	Aero Pelican Ansett New Zealand Ansett Wridgways Concorde Diners Club East West Kenwards Metro Overseas Airlines TNT	Air New Zealand American Airlines Ansett Jetset (Global Mkting	British Airlines	British Airways Japan Airlines Maars Qantas

Glossary
ANZ - Australian & New Zealand
CMAT - Coles/Myer ANZ Travel
QDS - Qantas Distribution Systems
SPHC - South Pacific Hotel Corporation
TNT - Trans National Transport
UTAG - United Travel Agents Group

and alignments in which preferred products are sold by industry intermediaries in return for access to discounted product from principals, through to full ownership of intermediaries by principal operators which creates a vertically integrated effect which means a transport provider may also own a tour wholesale company along with several retail travel outlets. This arrangement creates the facility for large operators to develop, control and channel product at their discretion without reliance on and cost of other intermediaries.

Early computerisation advances in the Australian travel and tourism industry commenced with the development of the Travel Industry Airline System (T.I.A.S.), an Australian booking system available since 1981 which was developed co-operatively by the two domestic airlines (Australian Airlines and Ansett Australian Airlines). This co-operative development of a computerised reservations system by the two airlines which compete against each other for market share was a necessary outcome given the relatively small population base which they both service.

T.I.A.S. provided a switchboard for retail travel agents to access the global airline operators providing instantaneous confirmation of booking invoice and ticketing facilities. Advanced global destination technology has now surpassed the early advances provided by T.I.A.S. to the Australian travel and tourism industry.

Two main systems of Computer reservations are competing for market share in the Australian environment. The two systems are Galileo, which is linked to the American Apollo system and owned by Southern Cross, (a joint venture between Australian Airlines and Ansett), and Fantasia, which is linked with the US Sabre system and owned by Qantas Distribution Services (QDS). These systems are being introduced into the travel market to replace the simpler system TIAS which served travel agents in the 1980's.

Australian banks have also been extensively involved in travel product distribution. The major trading banks have developed an extensive number of retail travel outlets operating out of bank branches. More recently there has been a shift in policy however, with banks now moving out of retail travel notably ANZ and Westpac.

The number of intermediaries engaged by product suppliers to distribute their goods and services varies as to the type of target market selected, the depth of market penetration required and usually financial affordability. The major outlet for travel product in Australia is the retail travel agent. Retail travel agents (of which there are over 4,000 presently operating in Australia)[(28)] are responsible for booking a greater percentage of airline tickets and hotel accommodations than any other single intermediary group. Diagram 5 below provides a breakdown of revenue sources for travel agents as documented in a report from the Australian Travel Task Force, AFTA/ATIA, in 1987[(29)]

The role of the retail travel agent however is in the process of change. The Australian Federation of Travel Agents (AFTA) study of 1990, titled "Australian Retailing into the 1990's – Evolution and Revolution" [(30)] stated that in 1990, 70%

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28 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

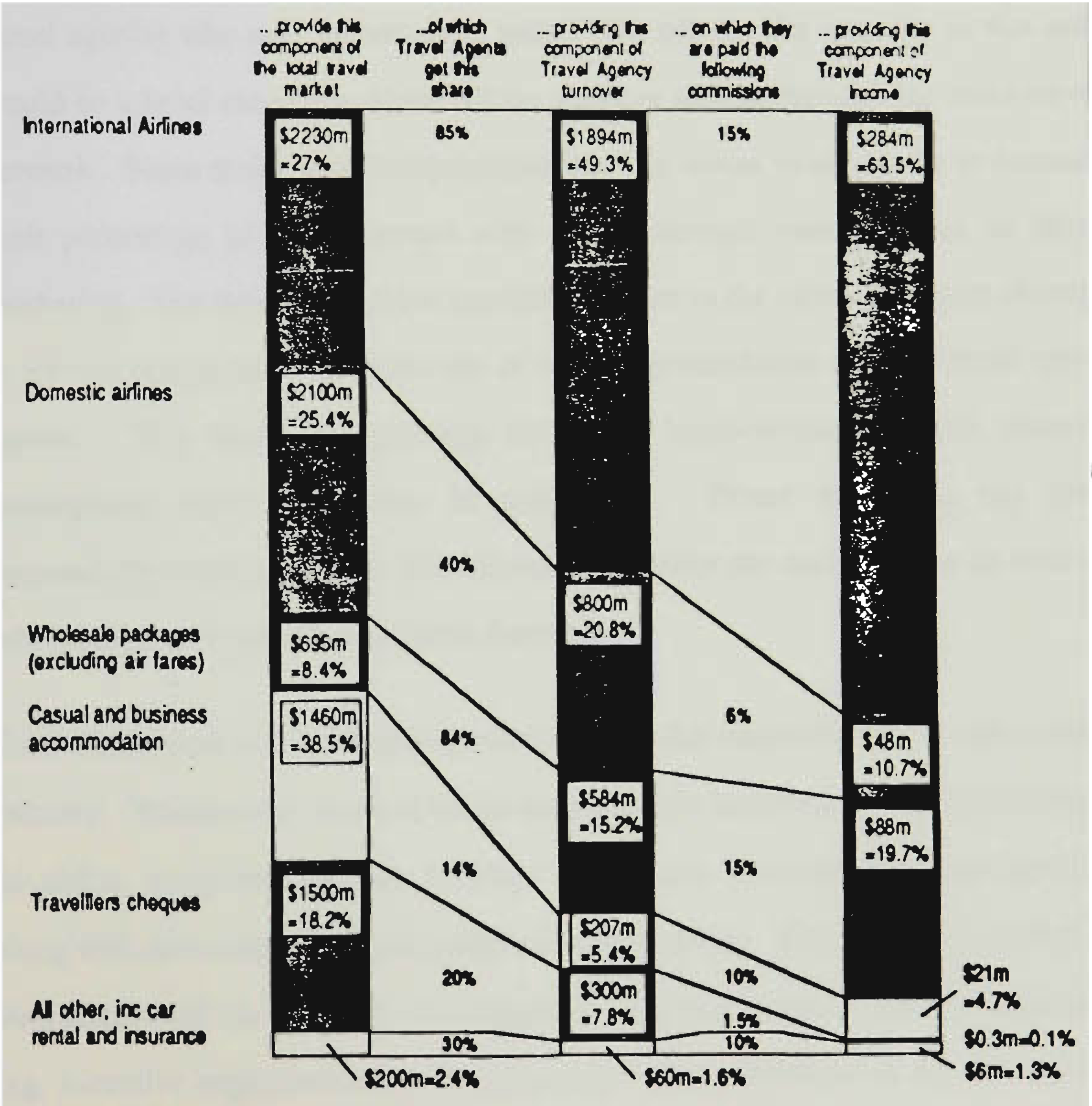
29 "Report of Australian Tourism Taskforce", Australian Federation of Travel Agents/Australian Tourism Industry Association, 1987.

30 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

of the retail dollar was controlled by the top twenty Multi's (an alliance formed via ownership, franchise or buying consortium). This exerts pressure on small retailers (the traditional form of travel outlet) to combine with others, join a larger group, or disappear from the industry. The introduction of advanced CRS/GDS coupled with the productivity gains achieved in the automated and larger agencies

Diagram 5.

TRAVEL AGENTS INCOME BY SOURCE 1987



Source: King. B., Hyde, G., Tourism Marketing in Australia, 1989,p.43.

are driving this change and may quickly accelerate the demise of the small operators at the end of the distribution chain according to travel industry analysts[31]. Pressures to change the present form of distribution by advances in technology will be discussed in more detail later in this thesis.

Product suppliers such as carriers, accommodation providers, food service organisations, car rental firms, cruise lines and resorts usually distribute their travel product via one or more channels. These may be direct or indirect. Accommodation houses and car rental companies for example receive business both via direct customer inquiry and also via other intermediaries (such as retail travel agents) who may be acting on behalf of a client. An example in this case would be a hotel receiving clients off the street as well as through the retail travel network. Some major suppliers/principals have in recent years chosen to increase their percentage of direct contact with clients through various forms of direct marketing. The concept of direct marketing relates to the sales of product directly to travel consumers without the use of travel intermediaries such as retail travel agents. This small but growing trend has implications for both research assumptions under discussion in this paper. Direct marketing has been successfully employed in the Scandinavian countries for several years as well as other European countries and North America.

Tour wholesalers are significant operators within the Australian travel and tourism industry. Wholesalers, some of which form part of a larger travel organisation (eg, an airline company) package holidays which may promote their own product along with other associated and complementary product. This packaged product is then distributed via the retail travel agency or in some cases a speciality channeler (eg, Incentive organisations) to the consumer. Some wholesalers (eg.Destination Australia) promote their product directly to the consumer and then encourage inquiries to be handled via the retail agency network.

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31 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990. p.33.

3.2 THE CHANGING BUSINESS ENVIRONMENT

The environment under discussion in this paper is defined as the *specific environment* which is the part of that environment directly relevant to any organisation in achieving its goals.(**Robbins** 1987)[32] The travel and tourism environment therefore includes *the clients or customers with their ever changing demands, suppliers of product with alternative distribution strategies, advancing forms of developing technology*, plus unions and trade associations. For the purposes of this dissertation, the environment refers to the first three categorise noted above.

The Australian travel and tourism industry can be assured of at least one certainty as it prepares for future survival and that is change. Developments in computerisation for the industry, transportation(especially following airline deregulation late 1990), advancing information technology, innovative marketing techniques and an increasingly sophisticated and demanding clientele are the symptoms of today's rapidly changing industry environment. The two research assumptions of this paper address the influence of this changing business environment upon the continued operation of retail travel agents and tour wholesalers.

Computerised Reservations Systems

The impact of computers in the travel industry and more specifically reservations systems has created, and is continuing to bring about great change. The introduction of CRS and its subsequent development into a Global Distribution System (GDS) has meant that reservations can be made for travel needs quickly and efficiently via a computer which is interlinked with an extensive range of

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32 Robbins. S.P., Organisational Theory: Structure Design and Application, 1987.

travel items including transport, accommodation, attractions and the numerous services which the traveller may request when making a booking. This significant advance in the computerisation of travel arrangements has been heavily influenced by the globalisation of the world's telecommunications systems thus influencing the business environment in which the industry operates.

As previously stated, CRS's were developed in the U.S. as airline information and booking systems for the processing of airline schedules. The CRS expanded from an airline seat inventory system to a complete product distribution network and a source of competitive advantage when United Airlines and American Airlines introduced their CRS's to travel agents in the early to mid 1970's.

Following U.S. airline deregulation in 1978, new horizons opened up opportunities for the traveller. This placed new demands on retailers to provide information about products other than airline seat availability. The result of this change has led to the expansion of CRS from purely an information and booking system into a complete marketing and distribution system. CRS are now an essential component of the industry and will significantly influence the method of distributing travel and tourism product into the future.

CRS/GDS have evolved into a key technology for the travel industry. They can now accept and process bookings on behalf of product suppliers and provide precise information on travel destinations. The CRS/GDS systems provide information on numerous services including airlines and accommodation availability, car hire, cruise lines, destination information, exchange rates, weather reports, package tours and transport connection information. These functions constitute an entire information system, offering important distribution networks for the total tourism and travel industry.

Travel Agents in the United States, Europe and the United Kingdom are now able to access information on the availability of services, prices, quality, arrival and departure times from a number of travel suppliers. Most importantly, retail travel agents can interactively communicate with these data bases in order to make or confirm bookings. Australian travel agents are quickly adapting as this form of technology advances to become a global concept.

It is suggested by AFTA (1990) that the pace of adopting CRS in Australia is expected to be fast in the early nineties amongst major travel agency groups and smaller but progressive operators seeking improved productivity. It is anticipated that by mid to early nineties over 60% of the retail travel agents will be converted.[33] There is at present much indecision by tour operators and travel retailers over the most appropriate CRS to adopt, as there are more than one to choose from each offering different benefits. Appendix 1 at the end of this thesis provides an informative insight into the complex decision making process required when deciding to purchase a CRS appropriate to the travel retailer's needs.

The sales methods used for travel and tourism products in Australia are likely to follow the USA and European experience. The development of CRS's by the airlines has provided the travel and tourism industry with exciting new channels of distribution. Will this new technology make traditional travel product intermediaries redundant ?

The CRS will provide the future traveller with access to an increased range of information on travel and tourism products throughout the world via a television monitor. Industry analysts suggest that the travel product distribution network will

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33 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

also undergo additional transformation as the CRS/GDS developments continue. AFTA (1990)[34] suggested that product providers may need to invest in their own "electronic brochures" to link the products that they offer into the broader distribution system. In doing so, ground services (coach transfers, tours etc) provided could be viewed on the travel consultants screen, thus assisting in providing information for the future traveller and generating greater immediacy of the travel purchase.

The concept of electronic brochures is not veiwed as a replacement for the present brochure format however, but more as an instrument to create holiday images, rather than being a "product specific" or "holiday – itinerary – specific" according to **Clarke**[35] of Jetset. This future development will however alter traditional brochuring requirements thus impacting upon and influencing the future operations of tour wholesalers.

The introduction of CRS signals a new era for the operation of a small business travel agent. The travel consultant can now access through a single terminal, nearly all the information required to create a comprehensive itinerary for a client. According to **Gee** (1990)[36] the end result will mean:

* increased productivity in routine requirements
* increased selling time with more customers
* enhanced reputation for customer service
* increased profitability

These points are widely recognised in literature on this subject as positive outcomes associated with the introduction of CRS.

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34 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

35 Clarke,D., in "Automation Will Put Agents in Box Seat", in Tourism and Travel Management, December, 1990, p.16.

36 Gee.C, Boberg.K, Choy.D, Makens.J, Professional Travel Agency Management, Prentice Hall, New Jersey, 1990.

The tourism industry is ideally suited for computerisation. It requires a system of registering availability of transport and accommodation at short notice; of making immediate reservations, amendments and cancellations; of quoting complex fares (which may change daily) and of rapidly processing documents such as tickets, invoices, vouchers and itineraries, and of providing accounting and other management information.

As well as the introduction of CRS, the travel industry will also be influenced by various other forms of information technology which will revolutionise the way travel is purchased. These technologies are discussed below.

Alternative Methods of Purchase

It must be recognized that the major link with the traveller is provided by the retail travel agent. Retail travel agents are accessed via telephones as well as in person. There is however an international trend towards automatic ticketing and satellite ticket printers as well as interactive data bases accessible to consumers via their own personal computers at home or at the office. This means that travel transactions can take place away from the traditional point of sale. A number of these technologies are being introduced into the travel industry, though development is likely to take place more rapidly in the business travel sector than in the leisure travel segment which is the focus of this study. **Naisbitt** (1984)[37] suggests that technology "is not likely to have as large an impact on leisure travel because this form of travel arrangement relies on intense human interaction between the producer/consumer linkages and on the tourism service in general". This statement supports the belief that the introduction of new technologies and

[37] Naisbitt.J., Megatrends: Ten New Directions Transforming Our Lives, 1984.

CRS will not replace traditional travel product facilitators, but will act more to complement and improve the efficiency of leisure product distribution.

New technologies are being deployed to improve the quality and efficiency of the service provided to clients by retail travel agents. Research commissioned by AFTA in (1990)[38] nominated the following forms of new technology as having a significant influence on leisure travel distribution in the next decade.

Compact Disk Technology

The AFTA Research anticipated that the industry would experience tremendous advances in "point of sale" presentation technology. This would involve the linking of software availability and compact disk (CD) visual presentation technology. As a complement to speedy and efficient CRS, data bases with wide ranging information on holiday destinations, products and services, will provide a whole new visual medium as an agency selling tool. CD videos operating within travel agencies will provide means of dramatising visual presentation at the point of sale. This is expected to result in increased productivity levels for travel consultants when discussing travel destinations with their clients. On-line information from central data sources will be provided in conjunction with visual images of destinations. This will assist customers in the buying decision process.

Yield Management and Discretionary Pricing

Electronic technology will also enable retailers to manage their pricing and discounting more effectively. Diverse, complex and fast changing price structures are being offered by airlines following deregulation. In due course yield management techniques will be taken up by the retail sector to deal with such

38 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

fluctuations. Yield Management predicts profitability by using the likely number of buyers and costs of each product and ensures that an appropriate ratio of full and discounted prices are offered to the market. Multi–outlet travel organisations will be best placed to exploit this technique. By the mid 90's, it is anticipated that little airline product sold to the travel retailer will be operated on a fixed price basis. It is likely that other travel products and services will become more price elastic. This will result in better value products for the client and will allow the agent more discretion over price.

Remote Automated Distribution by Agents

During the early to mid 1990's, travel agents will start to use credit and debit card technology both in the office and at automated city based locations in order to provide convenience for consumers and gain extra sales.[39] The distribution of products such as travellers cheque packs, airline tickets and travel insurance which require minimal servicing, will be made available by agent companies as the second generation of automated distribution technology filters down from the financial services community into other products.

CRS bookings and Electronic Funds Transfer Links.(EFT)

In the future travel agents will be able to handle holiday sales through the introduction of Electronic Funds Transfer (EFT). EFT can take place when the buyer and seller can communicate electronically via a plastic card. EFT can also be used to pay for flights from ticket dispensers as is already the case in overseas countries. This will be especially useful for the traveller who wishes to purchase the transport component only, airflight in this case.

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39 "Australian Retailing in the 1990's – Evolution and Revolution", Australian Federation of Travel Agents, 1990.

Introduction of Smart Credit/Debit Cards

Smart card technology, refers to the introduction of a micro-chip into both debit and credit cards carried by travel agency customers. It can also be used by travellers in transit (eg, at the airport). Smart card technology will complement the existing credit payment systems of American Express, Diners Club, Visa and Master Card systems around the world by extending greater control into the hands of travellers. Key uses are likely to be in the areas of health insurance and itinerary confirmations. This technology could facilitate and accelerate airport procedures. This would improve the efficiency and effectiveness of travel movements at entry and exit points throughout the world. Traditional passports and boarding passes may well be superseded by smart card technology.

Domestic Airline Deregulation

Tourism and travel product has altered following the introduction of a deregulated domestic airline market in Australia in November 1990. This is best demonstrated by the rapidly changing airline fare structures the market has experienced since deregulation was implemented. An analysis of the effects of deregulation in the U.S. suggest that the airline industry changed fundamentally in the way product was distributed and how CRS's were used to take advantage of this change.[40]

As has been the case in Australia, CRS systems in the U.S. were developed initially as airline information and booking systems, processing airline schedules and a limited number of fares. These CRS networks did not access a central data base providing information about fares available from a number of different carriers, but was dedicated to a single carrier.

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40 Collier.D., "Expansion and Development of CRS", Tourism Management, June 1989.

Deregulation placed new demands on retailers to provide extra product information. This change led to the evolution of CRS from purely an information and booking system into a complete Global marketing and distribution system (GDS). "They are now an industry in their own right and will significantly alter the pattern of tourism distribution over the next decade"[(41)]

U.S. Retail Travel Agents Experience

For the U.S. retail travel agents, deregulation proved to be very beneficial. The airlines relied upon the public's increased use of travel agents to sell their products. The major airlines competing for market share did not have an established vested interest or ownership in the U.S. retail travel outlets, and were therefore reliant on travel agency owners and operators to support them in gaining market share. In 1978 there were 16,000 travel agencies in America but by the end of 1987 the number had swelled to over 31,000. In 1976 (prior to deregulation), 50% of domestic airline tickets were sold to the public by retail travel agents, but by the end of 1989 the travel agents were selling over 80% of the tickets with over 90% of these tickets sold by agents being handled through CRS[(42)] . Deregulation provided two main benefits for the U.S. travel agents, namely the increased volume of business, and secondly, as airlines outbid each other to win the loyalty of travel agents, the average commission levels moved upwards.

Some industry analysts are of the opinion that the Australian tourism product distribution system is very different to the system which prevails in the

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41 Hickey.J., "Hotel Reservation Systems and Sources of Business", Travel and Tourism Analyst, 1988.
42 Prehn.E., "What Deregulation Means to You", Tourism and Travel Management, October, 1989.

U.S. Any comparison between Australia and the U.S. must be viewed in the light of both geographic, demographic and industrial/business characteristics. Both countries comprise a large land mass but Australia possesses a much smaller population base and a lower population density. These factors are significant considerations when discussing methods of product distribution. It is to be anticipated that the effects of airline deregulation will differ widely. It has been argued that airlines in Australia possess an established retail network which has continued to expand through recent buyouts and takeovers (eg, Ansett Australia took over Coles Myer and ANZ Travel and Australian Airlines bought Westpac). As a result of this situation it is suggested that the domestic airlines in Australia will be less reliant on retail agents for ticket sales than the situation which occurred in the U.S.A. The domestic airlines have the facility to be more independent in their product distribution strategy because of the number of retail outlets that they now control.

This increased participation by the domestic airlines in retail travel operations is an obvious change taking place in the business environment. Such changes will influence the future competitiveness of other retail travel agents. It is suggested by industry analysts however that airline deregulation will not prove to be a direct influence upon the future operations of travel agents, but rather a catalyst of change in bringing about an increased orientation towards the use of CRS. The tourism wholesaler may also be affected in an indirect fashion as suggested in the second research assumption.

SECTION 4.
ANALYSIS AND INTERPRETATION OF SURVEY RESULTS

SECTION 4
SURVEY RESULTS, ANALYSIS AND INTERPRETATION

SURVEY RATIONALE

The research questionnaire consisted of fifteen questions associated with three main categories which were;

* Current travel and tourism distribution patterns
* The changing business environment
* Future distribution systems

The survey was distributed to a wide cross-section of managers in the tourism industry in an attempt to solicit informed opinion regarding the distribution of travel and tourism product in Australia. The industry groups surveyed included principals/suppliers, tour wholesalers, retail travel agents, industry observers and analysts.

Statistical Analysis

It is not proposed to make inferences from the sample to the population from which it was drawn. In other words it is not proposed to perform a hypothesis test based on statistical analysis. However, the perception of the tourism and travel industry that retail travel agents will remain important **primary** travel product intermediaries in the future could be tested by interpreting the results provided in table 8.

The interpretation indicated here is that retail travel agents will remain important in the future as supported by the responses;

Strongly Agree	1.8%
Agree	57.1%
Disagree	34.5%
Strongly Disagree	3.2%

According to the statistical sample above nearly 60% agree and nearly 40% disagree thereby indicating that the perception has been proven valid.

4.1 PART A

CURRENT DISTRIBUTION PATTERNS

This section examines current tourism and travel product distribution in Australia. The following questions were used to extract information from industry members to ascertain their understanding of current channels of product distribution. A copy of the survey appears in Appendix 2.

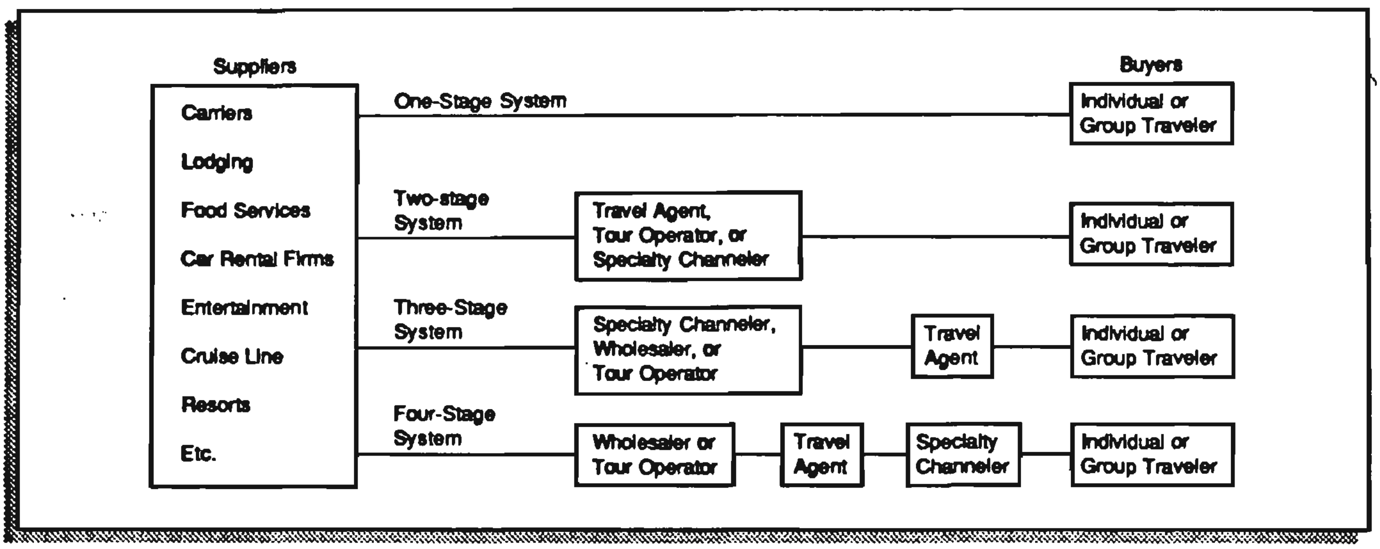
Question 1.

Do you agree with the table below as being a representation of tourism product distribution in Australia?

The first question of the survey requested that respondents study the chart below

Diagram 6.

TRAVEL DISTRIBUTION CHANNELS



Source: Chuck Y. Gee, James C. Makens, and Dexter J. L. Choy, The Travel Industry, 2nd ed. Van Nostrand Reinhold, New York, 1989, p. 178.

in diagram 6 on distribution channels, and indicate whether they agreed or disagreed with the diagram.

Ninety percent (90%) of respondents either strongly agreed or agreed with the diagram of distribution channels provided, with the remaining ten percent (10%) either disagreeing or not knowing. The percentages which appear in table 2 below indicate that most respondents selected the 'agree' response (64%) indicating that the intermediaries believed that the diagram of distribution channels provided was a fair representation of the present Australian situation. This result supports previous writings in chapter three of this thesis which demonstrated that the present Australian situation consisted of a variety of distribution channels including one, two, three and four stage systems.

Table 2.

RESPONSES TO DIAGRAM ON DISTRIBUTION CHANNELS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	22.2%	33.0%	9.1%	35.3%	33.3%	**26.6%**
Agree	66.7%	58.3%	90.9%	47.1%	66.7%	**65.9%**
Disagree	0.0%	8.3%	0.0%	5.9%	0.0%	**2.8%**
Strongly Disagree	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Don't Know	11.1%	0.0%	0.0%	11.8%	0.0%	**4.6%**
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS2

Question 2.

Pencil into the space below an alternative channel of distribution which you may be familiar with.

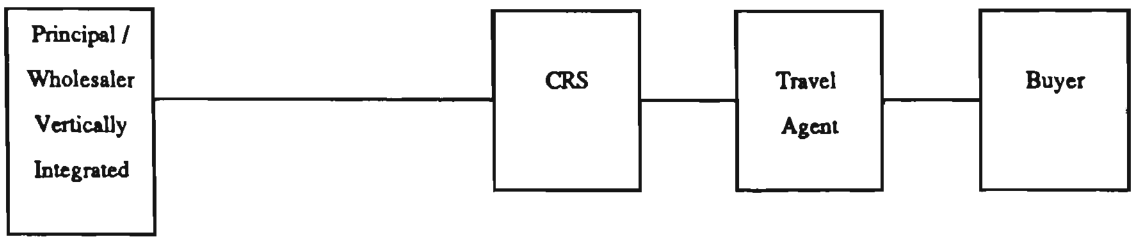
The overall response to question two was small, indicating that the participants were either satisfied with the diagram provided, or had not been introduced to alternative channels of distribution which presently operate within the industry. The responses received may be viewed below.

Diagram 7

OTHER DISTRIBUTION CHANNELS SUGGESTED BY RESPONDENTS

TRAVEL AGENT RESPONSES

a).



A vertically integrated principal/wholesaler distributing product via CRS to retail agent.

b).

The use of General Sales Agents and Consolidators as channel intermediaries.

INDUSTRY ADMINISTRATORS AND ANALYSTS RESPONSES

c).

Consolidators acting as an additional intermediary within the distribution channel

THQ2

Scenario (a) presented above indicates that the *principal/supplier* is also performing the role of *wholesaler.* This removes the need for an independent *wholesaler* as an intermediary and creates a vertically integrated approach to product distribution. Scenarios b and c indicate that *consolidators and general sales agents* also play a significant role in distributing product. This fact is not highlighted in **Gee's** diagram above and indicates a special characteristic of the Australian situation. It is of interest also that diagram (a) indicates an awareness of CRS as being an additional intermediary in the product distribution channel.

Question 3.

Indicate in the box's below the percentage of your product which you sell via the various intermediary outlets.

Question three provided respondents with a table (table 3) requesting that they nominate the percentage of travel product which they distribute via the various intermediaries now and how they will distribute their product in the future. By this means, it was hoped to ascertain possible changes in emphasis towards the various distribution options.

Table 3

PRESENT AND FUTURE DISTRIBUTION INTERMEDIARIES

		Tour Wholesaler	Travel Agent	Speciality Channeler	Direct to Customer
Supplier	Present				
	Future				
Tour Wholesaler	Present				
	Future				
Travel Agent	Present				
	Future				
Speciality Channeler	Present				
	Future				

SURVEY

Not all participants were able to answer this question, as a number belong to the category of Industry administrators/analysts comprising of management consultants, tourism commission representatives, travel and tourism educators and industry commentators. Participants from this category do not have product upon which to comment for this particular question. The responses which were received have been collated and presented in the following tables. The first table (table 4) below provides a statistical analysis of the present and future distribution avenues of travel product for *principals and suppliers.*

Table 4

PRINCIPALS/SUPPLIERS AVENUES OF PRODUCT DISTRIBUTION

	Tour W'salers		**Retail Agents**		**Speciality Channelers**		**Direct to Public**	
% Use	**Pres.**	**Future**	**Pres.**	**Future**	**Pres.**	**Future**	**Pres.**	**Future**
1-10	50.00%	50.00%	12.50%	12.50%	75.00%	75.00%	12.50%	12.50%
11-20	37.50%	25.00%	12.50%	12.50%	12.50%	12.50%	25.00%	25.00%
21-30		12.50%	12.50%	12.50%		12.50%		12.50%
31-40			25.00%	12.50%				12.50%
41-50				25.00%	12.50%		25.00%	
51-60							12.50%	12.50%
61-70			12.50%					
71-80	12.50%	12.50%	12.50%	12.50%				
81-90				12.50%				
91-100			12.50%				25.00%	25.00%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	N=8	N=8	N=8	N=8	N=8	N=8	N=8	N=8

THQ3ANS1

In analysing the responses received it can be stated that a variety of intermediaries are utilised to distribute product.

* *Suppliers – Tour Wholesalers*

Approximately 90% of *suppliers* distribute 0–20% of their product via a *tour wholesaler.* In viewing future distribution trends it is indicated that approximately 85% of the *principals* who responded will continue to distribute their product via *wholesalers* in similar proportions as is experienced at present, with approximately 15% of the respondents indicating an intention to increase the percentage of product distributed via this channel in the future. It can be concluded therefore that suppliers view wholesalers as important and worthwhile product distribution intermediaries.

* *Suppliers – Retail Agents*

A great deal of variation exists in this area. Approximately 60% of *suppliers* are presently distributing up to 40% of their product via *retail agent*. The remaining *suppliers* (40%) distribute between 60%–100% of their product via *retail agents*. Future indications are that a large percentage of suppliers (75%) may continue to distribute their product via *retail agents* but to a lesser extent. The results indicate that 37% of the suppliers presently distributing 60%–100% of their product via retail agents, approximately 12% envisage that the percentage of product distributed in this way will be reduced in the future. A clear trend however has not emerged.

* *Suppliers – Speciality Channelers*

Over 85% of *suppliers* use *speciality channelers* (professional conference organisers, incentive houses etc.) for a small percentage of their distribution mix (approximately 10–20%). This situation is expected to remain the same in the future.

* *Suppliers – Direct to Public*

A variety of responses were received with all suppliers distributing a percentage of their product direct to the public. The majority of *suppliers* (75%) distribute up to 60% of their product direct to the public. Responses relating to the future trend indicate that a similar percentage of suppliers (75%) will distribute up to 60% of product direct to the public in the future with some suppliers falling within this bracket nominating a definite increase in the percentage of product distributed in this way.

The significance of this data is that travel product *suppliers* may in the future distribute a smaller proportion of their product via *retail agents*, and that more product may be distributed direct to the end user. The effect of such a trend within the industry, should it occur, would be significant.

The above results provide solid support for the first assumption of this paper that *retail travel agents* will retain their role as the ***primary*** distribution intermediaries of leisure travel product though there is a perceived decrease and a trend towards more direct forms of product distribution by suppliers.

Tour Wholesalers have nominated the various methods of product distribution they prefer in table 5 below. The responses received from *tour wholesalers* include:-

* *Tour Wholesalers – Retail Agents*

The majority of wholesalers (65%) presently distribute between 80%-100% of their product via *retail agents*.

Table 5

TOUR WHOLESALER AVENUES OF PRODUCT DISTRIBUTION

	Retail Agents		Speciality Channelers		Direct to Public	
% Use	Pres.	Future	Pres.	Future	Pres.	Future
1-10			33.30%	24.90%	100.00%	33.30%
11-20				24.90%		33.30%
21-30				24.90%		
31-40				24.90%		33.30%
41-50	16.66%		33.30%			
51-60	16.66%	33.30%	33.30%			
61-70		33.30%				
71-80						
81-90	49.99%	16.66%				
91-100	16.66%	16.66%				
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	N=12	N=12	N=12	N=12	N=12	N=12

THQ3ANS3

The future trend indicates that the majority of *wholesalers* (65%) will reduce the percentage of their product distributed via *retail agents.* This is a noticeable reduction in the percentage of product nominated for retail distribution, however the anticipated percentage of product distributed in this way remains high. A significant change occurs in the 80%–90% usage group. The results indicate that 33% of the wholesalers will significantly reduce the percentage of product distributed via travel retailer channels in the future.

* *Tour Wholesalers – Speciality Channelers*

  Responses received indicate that all *tour wholesalers* presently distribute between 1%–60% of their product via *speciality channelers*.

  It appears that *tour wholesalers* will continue to distribute a percentage of their product via this intermediary into the future but to a lesser extent.

* *Tour Wholesalers – Direct to Public*

  Responses indicate that 100% of *tour wholesalers* presently distribute a small percentage (10%) of their travel product directly.

  There is a noticeable trend by wholesalers to increase the percentage of product distributed via this method in the future. The results observed in table 5 indicate that approximately 67% of the responding wholesalers intend to increase product distribution via this channel in the future.

  Responses received indicate that *wholesalers* will continue using present distribution intermediaries (*retail agents, speciality channelers*) but for a decreasing percentage of their total product distribution. There would appear here to be a second developing trend towards direct methods of distribution by *tour wholesalers.*

The distribution methods preferred by *retail agents* are displayed in table 6 below. An interpretation of the information received indicates that *retail agents* use *speciality channelers* to distribute a small percentage of travel product as well as the traditional form of retail sales to the public.

Table 6

RETAIL AGENTS AVENUES OF PRODUCT DISTRIBUTION

	Speciality Channelers		Direct to Public	
% Use	Pres.	Future	Pres.	Future
1-10	100%	100%		
11-20				
21-30				
31-40				
41-50				
51-60				
61-70				
71-80				
81-90			20%	20%
91-100			80%	80%
Totals	100%	100%	100%	100%
	N=10	N=10	N=10	N=10

THQ3ANS4

Retail Agents – Speciality Channelers

Speciality Channelers (including conference, meetings and incentives groups) account for approximately 10% of product distributed by retail travel agents. Information received indicates that there will be no change to this percentage in the future.

* *Retail Agents – Direct to Public*

This is typically the major avenue of product distribution for *retail agents* with 80%–100% of their travel product distributed directly to the travel consumer. Indications are that this situation will continue.

A summary of the above question would indicate that opinions vary as to which form of intermediary best suits the distribution requirements of the various players in the travel and tourism industry. One should note that almost all respondents revise their options for distributing product continuously.

There is some indication that a greater percentage of product will be distributed directly to the travel buyer in the future. This statement is supported by the responses received from product suppliers and tour wholesalers.

Although there is evidence of experimentation with various methods of product distribution, it would appear that retail travel agents will remain the ***primary*** intermediary for delivering leisure travel product. This outcome supports the first research assumption of this thesis.

4.2 PART B

A CHANGING BUSINESS ENVIRONMENT

Part B of the survey concentrated on the factors at work in the external environment (CRS, new technologies and airline deregulation) with a concentration upon how these influences will alter the future role of retail travel agents and tour wholesalers.

Question 4.

The tour wholesaler will become a less important intermediary.

Question four focuses on the *tour wholesaler*. The assertion is that this intermediary will become **less important** in the future. The responses received can be viewed in table 7 below and in chart 2.

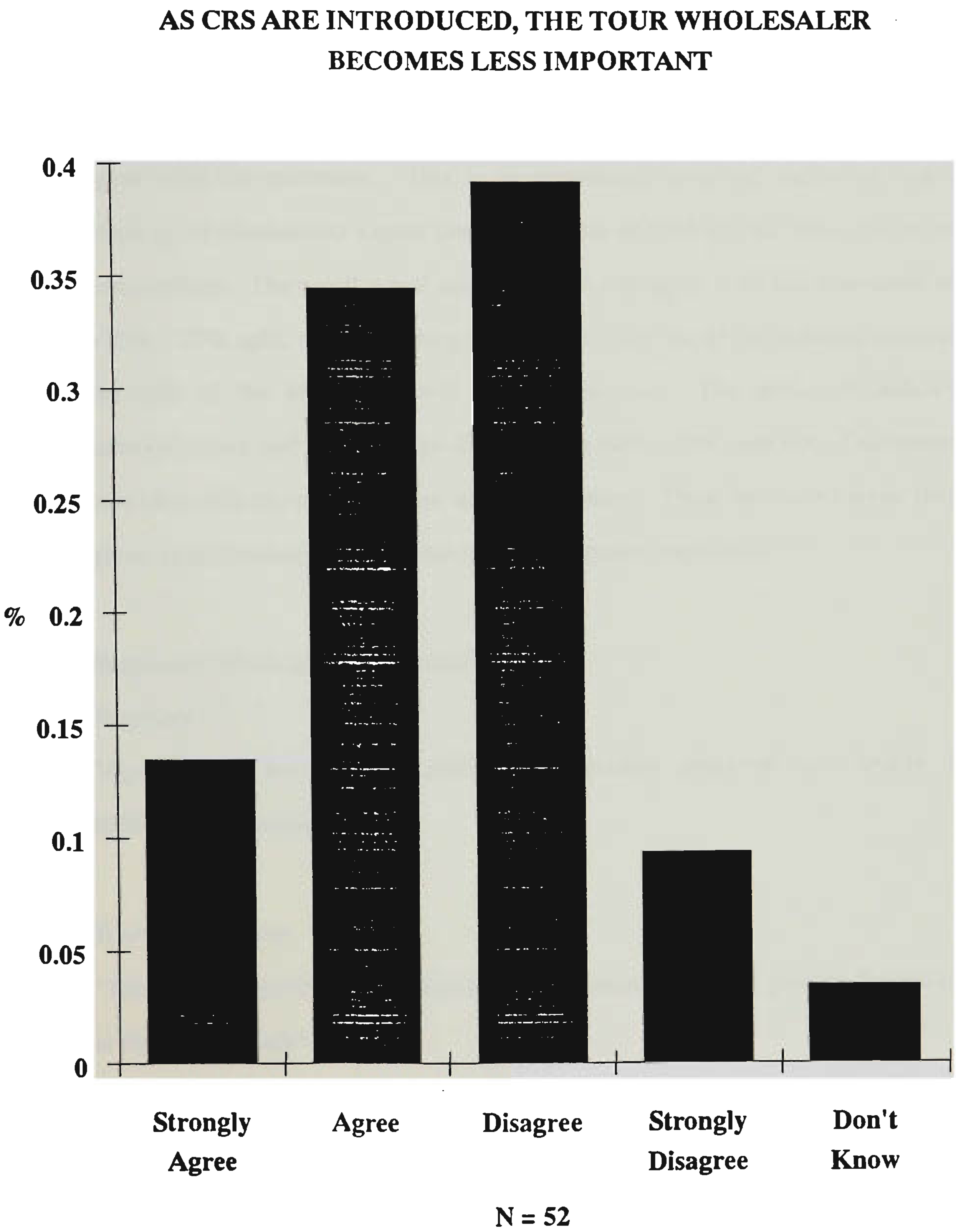
Table 7

THE WHOLESALER BECOMES A LESS IMPORTANT INTERMEDIARY

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	11.1%	8.3%	9.1%	5.9%	33.3%	13.5%
Agree	33.3%	58.3%	18.2%	29.4%	33.3%	34.5%
Disagree	44.4%	16.7%	54.5%	47.1%	33.3%	39.2%
Strongly Disagree	0.0%	16.7%	18.2%	11.8%	0.0%	9.3%
Don't Know	11.1%	0.0%	0.0%	5.9%	0.0%	3.4%
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS3

Chart 2.


AS CRS ARE INTRODUCED, THE TOUR WHOLESALER
BECOMES LESS IMPORTANT
0.4
0.35
0.3
0.25
%
0.2
0.15
0.1
0.05
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N = 52

This question provided a wide divergence of opinion as to what the role of the *tour wholesaler* would be in the future. 48% of respondents agreed with the statement, whilst 49% disagreed. The outcome was indecisive.

Of the individual intermediary groups the *supplier/principal* category was split evenly with 44% agreeing (of which 11% strongly agree) and 44% disagreeing. *Tour wholesalers* themselves were divided but the majority (66%) chose to agree with the statement. This is an interesting outcome indicating that a majority of *wholesalers* expect the introduction of CRS to alter their role as an intermediary. The *retail travel agents* however disagree with this statement on a 73% / 27% split, thus indicating that the retail section of the industry believes the role of the *wholesaler* will remain the same. The group of *industry administrators and analysts* also disagree on a 60% / 35% response. Comments provided with the responses are displayed below. These are listed since they given an indication of the various shades of opinion expressed.

Responses which affirmed the statement.

Suppliers

"Agents will have wider access to individual products and ability to individually customise".

Tour Wholesalers

"Technology provides the access to the information (giving greater flexibility) at the point of sale".

"Change has created the facility for agents/consumers to go direct with their travel purchases"

Retail Travel Agents

"Hotels and airfares can be accessed through CRS. Why use the wholesaler ?"

"*Travel Agents* will be able to tailor and book tours through CRS in the future"

Industry Administrators/ Analysts

"Yes for minimum servicing product, but not so for complex product"

"Travellers can now do their own packaging"

"*Travel agents* will be able to put together tour modules themselves"

Responses which disagreed with the statement

Suppliers

"Wrong – CRS can't supply all types of information efficiently"

"Doubt whether there will be any significant changes in distribution system period!"

"Customers want a choice which the wholesalers offer".

"The Industry will always require "experts" to package product".

"There is no reason why *tour wholesalers* won't use CRS to maintain/increase their share of business".

Wholesalers

"*Wholesalers* have buying power, and therefore distribution, control of CRS"

"*Wholesalers* provide volume to suppliers on guarantied yearly basis thus allowing suppliers to 'yield manage' their product."

Retail Travel Agents

"*Wholesalers* will continue to put product together, only their method of distribution may alter"

"*Wholesalers* will remain a prime source of travel packages"

"Someone will need to package the product and make bookings with suppliers"

"Clients will continue to request an all inclusive package"

Industry Administrators/Analysts

"Packages will become more important as there is too much travel information for the consumer to digest".

"The major function of CRS's is to act as the intermediary between the *wholesaler* and the *agent*"

"*Travel Agents* will require some form of consultation in order to on-sell to clients"

"*Wholesalers* who move with the times will survive. *Travel agents* will only really handle simple reservation and ticketing procedures not packaging."

"*Wholesalers* will always be needed for complex ground content and for negotiating price advantages via bulk buying which can the be passed on"

"*Wholesalers* do more than process the sale. The itinerary preparation and organisation is their function and this participation is still required in any future distribution system"

"Strongly disagree because the role of the *wholesaler* and CRS is interdependent. CRS technology will still rely on wholesalers to provide product"

"Will still need the 'bulk buying' capability of the wholesaler to package tours at acceptable prices"

Upon interpreting the responses it is evident that there is a variety of opinion within the industry regarding the future of *tour wholesalers*.

The statistical data indicates support for the original statement that *tour wholesalers* will become less important product intermediaries following the acceptance of CRS. On the other hand, many of the accompanying comments suggest that the wholesaler will remain an important intermediary and that the introduction of CRS is not a major threat to the distribution of leisure travel product via tour wholesalers.

This result indicates indecision within the industry. Most respondents suggest that there will always be a need for specialist in tour packaging. The wholesaler provides stability and consistency to the travel industry by the forward purchase of product (by bulk buying and discounting) and by packaging and promoting travel opportunities. A number of responses however supported the comments made previously by Clarke of Jetset Tours[(43)] who stated that with the introduction of computer technology into the industry simplified desktop packaging now becomes a reality.

[43] King. B., Hyde, G., Tourism Marketing in Australia, 1989.

Question 5.

The retail travel agent will become a more important travel product intermediary

The fifth question relates to the *retail travel agents* and to their role as product intermediaries in the future to which various responses were received, the results of which are displayed below in table 8 and chart 3.

Table 8

THE TRAVEL AGENT WILL BECOME A MORE IMPORTANT INTERMEDIARY

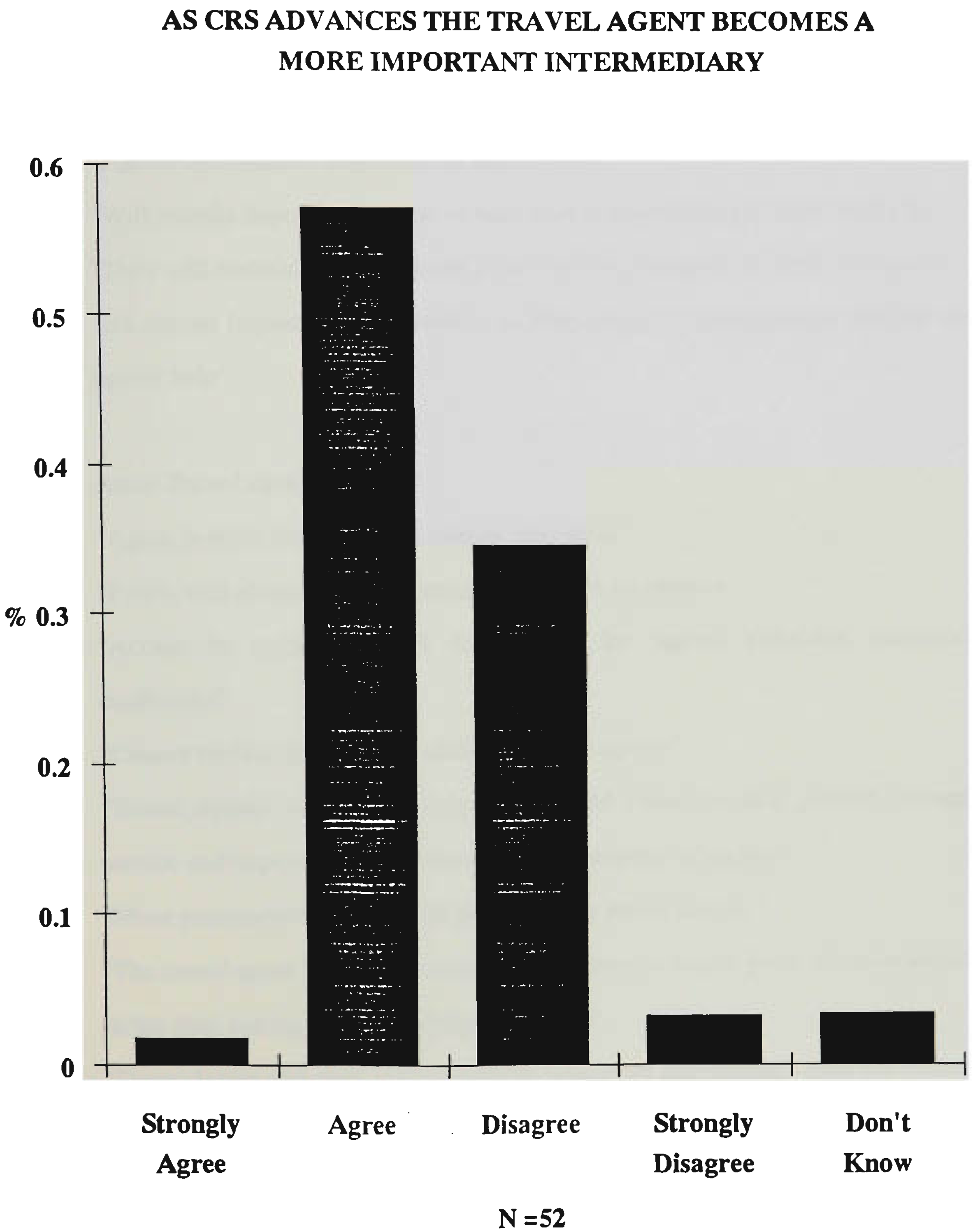
	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	0.0%	9.1%	0.0%	0.0%	**1.8%**
Agree	55.6%	28.4%	81.8%	52.9%	66.7%	**57.1%**
Disagree	33.3%	61.7%	9.1%	35.3%	33.3%	**34.5%**
Strongly Disagree	0.0%	10.0%	0.0%	5.9%	0.0%	**3.2%**
Don't Know	11.1%	0.0%	0.0%	5.9%	0.0%	**3.4%**
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS4

Responses to this question by the individual industry groups again varied with the totals indicating that approximately 59% agreed with the statement with 38% disagreeing and leaving 3% undecided.

Responses representing *suppliers/principals* supported the statement (56%–33%), with a significant percentage (11%) not wishing to indicate one way or the other. *Tour wholesaler* responses strongly disagreed with the proposed scenario 90% to 10%. *Retail Travel Agents* responded keenly to this question with 90% of the respondents agreeing with the statement as may well have been

Chart 3.


AS CRS ADVANCES THE TRAVEL AGENT BECOMES A MORE IMPORTANT INTERMEDIARY
0.6
0.5
0.4
% 0.3
0.2
0.1
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N =52

expected. The results provided by the *Industry administrators and analysts* resembled the average of all respondents with 53% agreeing and 41% disagreeing. Comments accompanying this statement including the following.

Responses which affirmed the statement.

Suppliers

"Agents can confirm requirements immediately"

"Will remain important because of the variety of fares and products available"

"They will maintain their business if they service the needs of their customers"

"It's almost impossible for travellers to keep track of travel options without travel agents help"

Retail Travel Agents

"Agree in short term, but may change long term"

"Public will always require "experts" to advise on options"

"Access to unlimited CRS information by agents generates consumer confidence"

"Cannot replace the valuable advice of *travel agents*"

"*Travel Agents* will prosper only if they "add value" to their product through service and experience, otherwise they will become redundant"

"More personalised service will be offered by *travel agents*"

"The *travel agent* has an important role as a central access point for information rather than having to use a variety of sources"

"Deregulation and costs make agents an important distribution outlet for airlines and principals"

Industry Administrators/Analysts

"Yes at present, but increased direct marketing by suppliers will eventually counter this"

"Agents will align with CRS as people want choice"

"Assuming the consultant is trained and possesses the skills to utilise the system effectively"

"A greater range of products will make *travel agent* advice most important in the buying decision"

"*Travel agents* with CRS information will provide better consumer services. They are also local and more accessible, and will therefore attract customers"

Responses which disagreed with the statement;

Suppliers

"All intermediaries gain similar benefits from CRS, no real change to status quo"

"Only well organised/professional *travel agents* will survive"

Wholesalers

"No image or distinctive advantage"

"With electronic distribution and electronic brochuring, the future travel purchase will be transacted at home, having no need for *travel agents*"

"Don't envisage a change in the retail agents role"

"Will remain important, but other technology methods will be used"

Industry Administrators/Analysts

"Will become extinct unless strongly group aligned. Consumers will also learn to buy direct"

"*Retail agent* will disappear"

"The *travel agent* will need to provide more specialised/unique services for niche markets"

An analysis of the responses indicates that *retail travel agents* will retain their role as important product distribution intermediaries, but it is crucial that they recognise their weaknesses and work to remedy these in order to survive in an increasingly competitive environment. The concept of "value added" service is strongly promoted throughout the responses received.

Reasons attributed to the increasing importance of retail agents may include the perception that consumers need expert advice at a centralised point. It is assumed that travel agents can provide experience and professional advice on travel product choice. Convenience of advice is also of major importance to travel buyers. Travel advice will become more specialised and personalised as computerisation increases throughout the industry according to the responses. This contradicts the often expressed view that computerisation will lessen the personal element. The cost of distributing product via alternative means indicate that there will always be a place for an efficiently operated and informative retail travel agency business. It would appear that the concept of purchasing leisure travel product direct via a home computer linked to a CRS has not as yet been fully embraced by the industry.

Question 6.

In the not too distant future suppliers and wholesalers will be required to invest in "electronic brochuring" so that their product may be sold effectively via computer screens.

The concept of "electronic brochuring" was the topic of question six under the heading of **a changing business environment.** The results displayed below in table 9 and chart 4 indicate that this statement has strong support with over 80% of the respondents agreeing.

Table 9

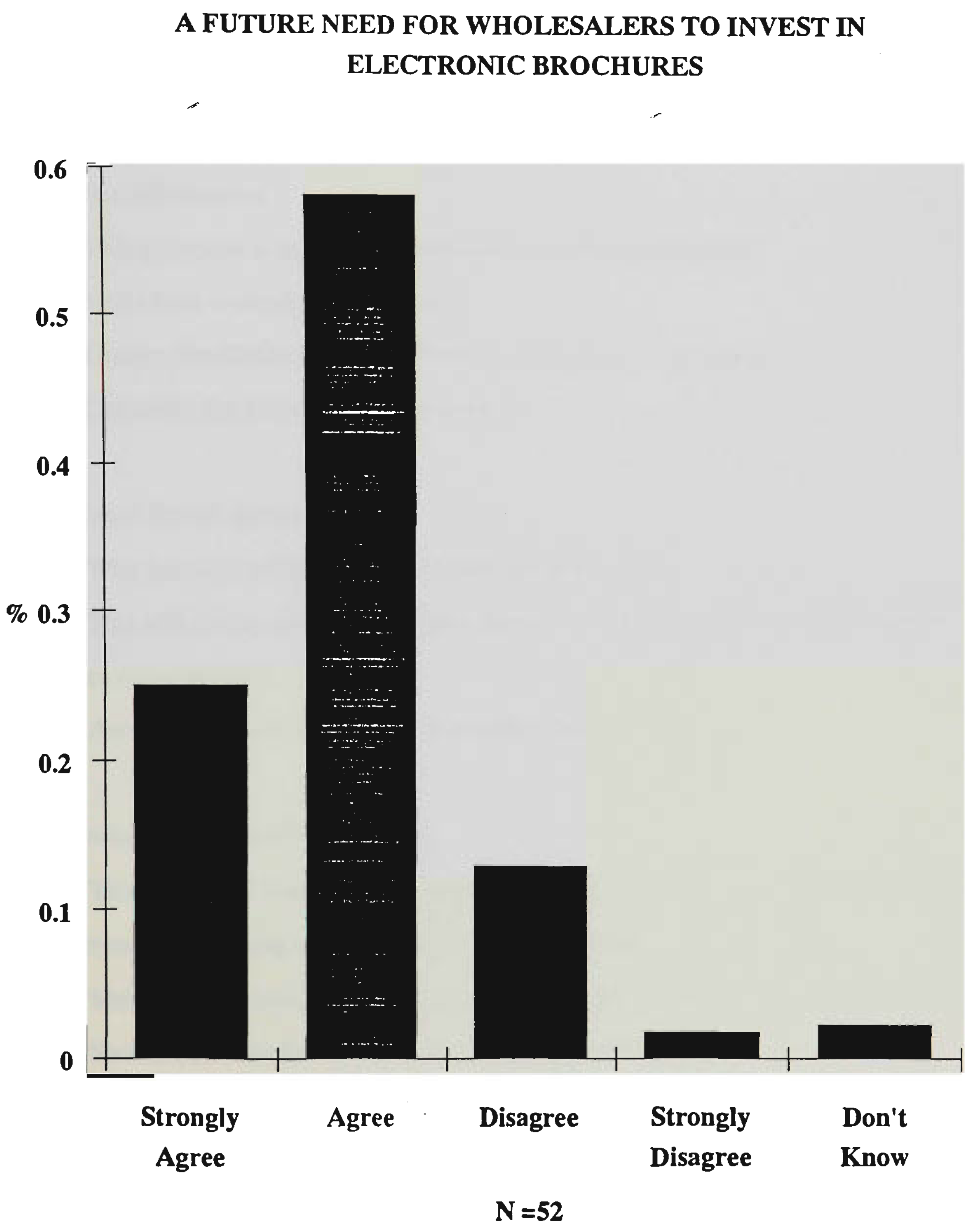
WHOLESALERS WILL NEED TO INVEST IN ELECTRONIC BROCHURES IN THE FUTURE

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	50.0%	18.2%	23.5%	33.3%	25.0%
Agree	77.8%	33.3%	54.5%	58.8%	66.7%	58.2%
Disagree	11.1%	8.3%	27.3%	17.6%	0.0%	12.9%
Strongly Disagree	0.0%	8.3%	0.0%	0.0%	0.0%	1.7%
Don't Know	11.1%	0.0%	0.0%	0.0%	0.0%	2.2%
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS5

The strongest industry supporters for this concept were in fact the *tour wholesalers* who displayed 100% support, with 83% indicating that they strongly agree. This is an indication that *wholesalers* are aware of the changing environment in which they operate. The *Industry administrators and analysts* were also very supportive with 82% agreeing. Both the suppliers and retail agents also provided strong support for this statement. Accompanying comments received can be viewed below.

Chart 4.


A FUTURE NEED FOR WHOLESALERS TO INVEST IN ELECTRONIC BROCHURES
0.6
0.5
0.4
% 0.3
0.2
0.1
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N =52

Responses which affirmed the statement.

Suppliers

"We need cost effectiveness in a low margin Industry and ability to get product out quickly"

"Yes, but some suppliers however will still rely on the hard copy method"

Tour Wholesalers

"This statement is logical, but realistically maybe 5 years away"

"Jetset have basically done it already"

"Greater distribution gained and will be convenient for agents to use"

"Definitely the gateway to future markets"

Retail Travel Agents

"Why invest in a CRS if product is not available on it ?"

"This will be the most cost effective form of distribution when all travel agents are computerised"

"Automation has made it the only possible way to move"

Industry Administrators/Analysts

"The public will learn to expect it and be educated towards it. Existing brochure costs are becoming excessive and often non targeted"

"More cost efficient; changes can be made quickly, hence a perpetual shelf life"

"Should be useful for ease of sales and 'free sale capacity' "

"This is an economical approach of the future, but it's a way off yet"

"Strongly agree due to present cost factor"

"Market forces dictate that automation will be the only efficient and cost effective way to do business"

It will be cheaper and faster, however clients will still want to take some printed information away, (or a disk)"

"Cost of production and physical distribution of brochures as well as the over proliferation of competing brochures"

Responses which disagreed with the statement;

Suppliers

"This concept is a long way off – dependent upon access to and usage of computer screens by consumers"

Tour Wholesalers

"Will not suit majority of travellers because 95% of sales are made across the table."

"Will never be successful, certainly not in the short term"

"This is applicable when consumers are willing to buy direct through computers, but is not likely beforehand"

"Customer will still require a brochure"

Retail Travel Agents

"Emphasis will remain on portable print material"

"Unsure whether customers will accept this style of presentation as a brochure alternative"

"You can't take an electronic brochure home and keep it"

Industry Administrators/Analysts

"Ignores other point of sale areas (travel shows, Info. centres). "Brochures are more user friendly"

In summarising the supporting comments it must be stated, that although most industry members agree that "electronic brochuring" is the direction in which to move, there will still be a need for supporting hard copy (tangible) information. The problem of selling an intangible product will always require some tangible evidence of the purchase, therefore a brochure of some form will still be a necessity.

The high cost of present brochure production coupled with increased distribution convenience via "electronic brochuring" indicates that this futuristic method is one of the most cost effective/efficient directions to move. However, it is strongly emphasised that this process of change may be slow as travel customers will take some time to be re–educated towards differing methods of travel information provision. It is also indicated that electronic brochuring will develop as a supporting sales tool for travel product, but not necessarily as a replacement for the traditional brochure as it is known. This is a new area of concentration and one which intermediaries should approach in a pro–active fashion.

Question 7.

Retail travel agents will require a CRS to remain competitive following deregulation because of constantly changing fares and conditions in the market.

The responses to this question were somewhat uniform in that 97% of all respondents agreed with the statement, with 52% strongly agreeing.

Table 10 below and chart 5 provide breakdowns of the various industry groups and their responses indicating that although 97% agree with the statement, the strength of agreement differs between the various industry groups.

Table 10

THE NEED TO INVEST IN CRS TO REMAIN COMPETITIVE

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	44.4%	50.0%	36.4%	64.7%	66.7%	52.4%
Agree	55.6%	41.7%	63.6%	29.4%	33.3%	44.7%
Disagree	0.0%	8.3%	0.0%	5.9%	0.0%	2.8%
Strongly Disagree	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Don't Know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS6

The travel and tourism industry is generally in strong agreement on this topic apart from a small percentage of wholesalers and some industry analysts. This may indicate that while the statement is a true assessment of the situation, those who disagree do not believe that the 'survival' of Australian *travel agents* is totally dependent upon having a CRS with which to handle changing information. A selection of short answer responses listed below provide support to this observation.

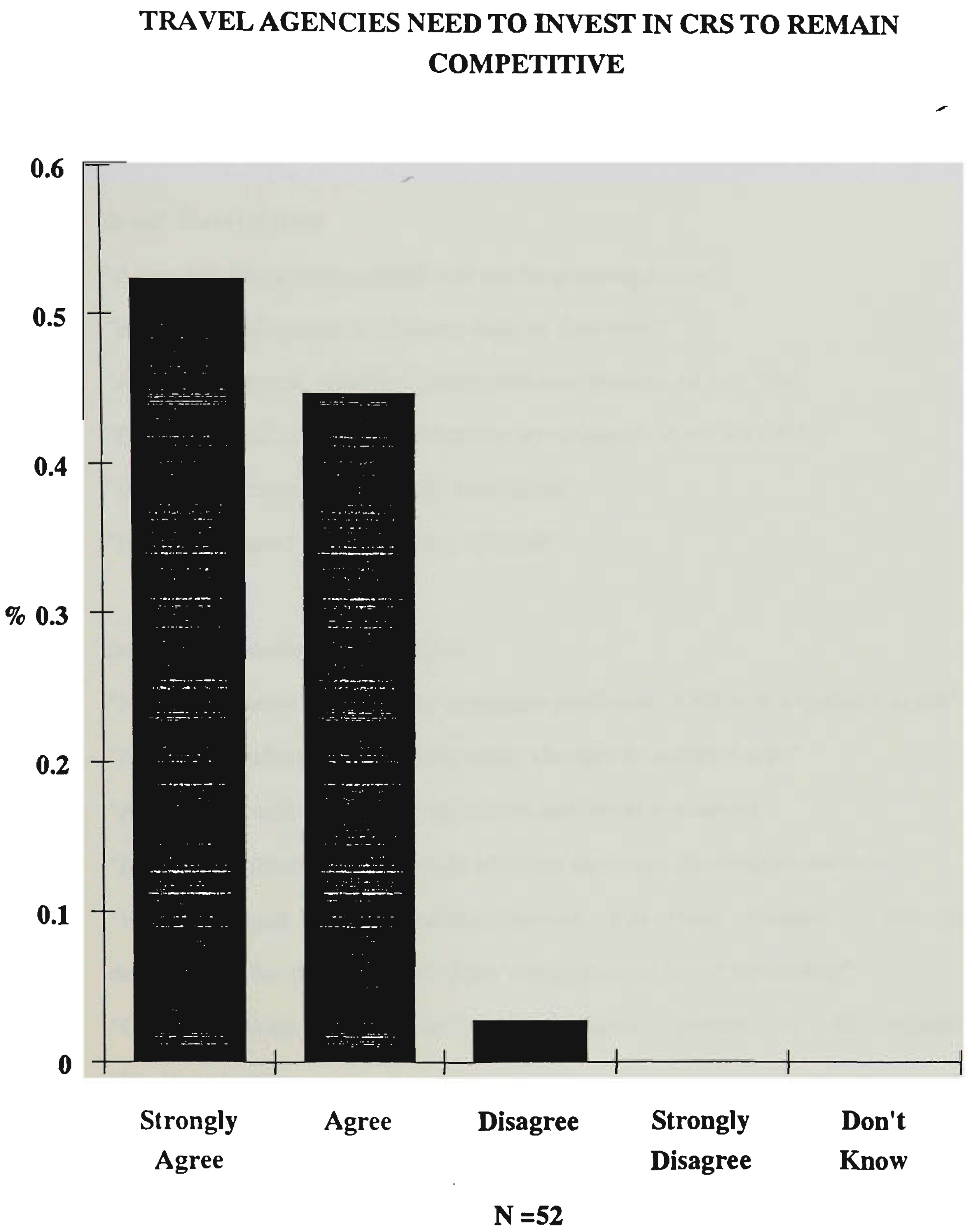
Responses which affirmed the statement.

Suppliers

"Must have instant access to primary airline availability"

"Cannot compete if unable to access information quickly"

Chart 5.



TRAVEL AGENCIES NEED TO INVEST IN CRS TO REMAIN COMPETITIVE
0.6
0.5
0.4
% 0.3
0.2
0.1
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N =52

Tour Wholesalers

"Yes but, if the old system is cheaper then it will have a resurgence until the costs of CRS come down"

"The U.S. Market is testimony to this"

"A must for agents"

Retail Travel Agents

"Agree but deregulation itself will not be a strong factor"

"Hard copy information takes too long to distribute"

"Access to current, reliable information best performed by CRS"

"Principals will not be able to service travel agents if not on CRS"

"Because of changing fares and conditions"

"If not automated , survival very difficult"

Industry Administrators/Analysts

"Need to improve productivity to remain profitable, CRS will hopefully assist"

"Need CRS before deregulation, many changes to contend with"

"Automation will increase productivity and lower overheads"

"Impossible otherwise to provide efficient customer information/service"

"Huge volumes of information/schedules and rapid changes – not just deregulation but symptomatic of the complexity of travel operations"

"CRS provides instant and unambiguous updates to all agencies simultaneously"

Responses which disagreed with the statement;

Industry Administrators/Analysts

"Inability of CRS systems to supply anything other than basic seat reservation"

In summarizing question seven, there would seem to be a strong awareness of CRS and their associated efficiencies. This is supported by the recent AFTA commissioned survey produced by Horwath and Horwath[44] on "Travel Agent Automation". The results of this survey indicated that travel retailers are well aware of the benefits of computerised reservation systems but are experiencing difficulty in deciding which type of system best accommodates their needs (type of network to belong to and financial affordability).

The comments provided indicate that long term survival will be very difficult for the non–automated *travel agent* because *principals* will find it difficult to service them, and it will become impossible to provide efficient up–to–date information for clients. As indicated previously, the U.S. experience for *travel agents* following deregulation is testimony to the above sentiments. However it may take some time before the Australian travel industry as a whole becomes technologically orientated enough to take advantage of the efficiencies on offer.

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[44] Howath and Howath, "Assessing Travel Agents CRS Needs", 1990

4.3 PART C

FUTURE DISTRIBUTION SYSTEMS

It has been suggested that travel and tourism systems of distribution will vary in the future as a result of the changing environment in which they operate. This section addresses these envisaged future changes

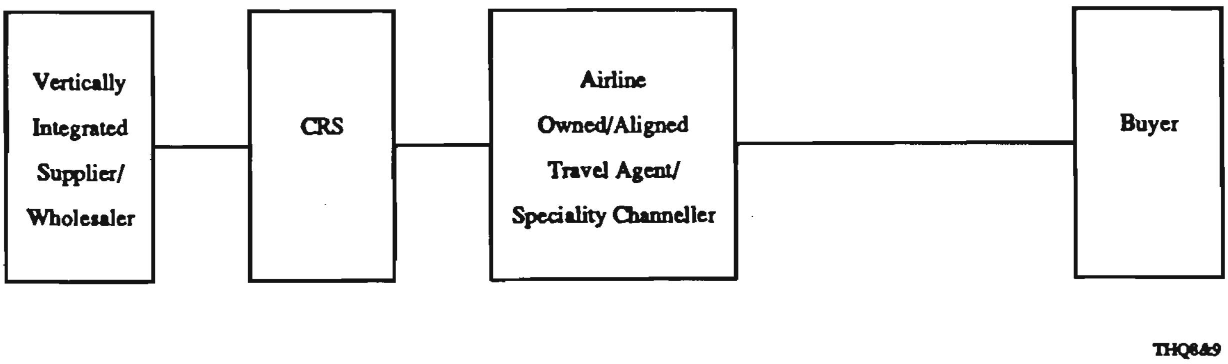
Question 8.

It is suggested that tourism distribution channels will be different in the future. Below are two possible future distribution scenarios.

Question eight stated that tourism distribution channels will be different in the future, and provided two diagrams which were said to be possible scenarios of future travel distribution channels to which the respondents were requested to either agree or disagree with.

Diagram 8

SUGGESTED FUTURE DISTRIBUTION CHANNELS - SCENARIO 1.



Scenario 1, portrayed in diagram 8 advocates that CRS will become an additional member of the distribution channel operating between the *supplier, wholesaler* and the *retail agent* or *speciality channeller*.

Table 11 below indicates that approximately 80% of the respondents agree that the scenario illustrated is a possible future distribution channel.

Table 11

RESPONSES TO FUTURE DISTRIBUTION CHANNELS - SCENARIO 1.

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	0.0%	0.0%	11.8%	0.0%	**2.4%**
Agree	77.8%	83.3%	90.9%	64.7%	66.7%	**76.7%**
Disagree	22.2%	0.0%	9.1%	23.5%	33.3%	**17.6%**
Strongly Disagree	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Don't Know	0.0%	16.7%	0.0%	0.0%	0.0%	**3.3%**
	N=9	N=12	N=11	N=17	N=3	**N=52**

THTABS7

Most responses to this scenario fell under the agree classification. Both *retail travel agents* (91%) and *wholesalers* (83%) were the most supportive of this scenario. Comments provided in support of the statistical results include:–

Responses which affirmed the statement.

Tour Wholesalers

"Seems logical"

Retail Travel Agents

"Most *travel agents* are becoming more strongly aligned with airlines"

"Agree but *travel agents* may not necessarily be aligned"

"Agree, especially if CRS provides access to sufficient non–airline travel information and reservations"

"It's happening now with Jetset/Jetlink"

Industry Administrators/Analysts

"This scenario will take place, however we will see an oligopolistic (controlled by a few) market develop."

"This is becoming apparent with the growth of alignments / franchises"

"This is a likely scenario, because, some face to face will always be sought"

"CRS is an information provider, not a product provider"

Responses which disagreed with the statement;

Suppliers

"No sign yet that wholesaler facilities will be available on CRS, but agree in concept for suppliers distributing to agent retailers only"

"Do not believe that CRS will function as such a strong distribution channel"

Retail Travel Agents

"Unless the system changes CRS will be airline dominated"

Industry Administrators/Analysts

"As a trend I agree, but opportunities will always exist for enterprising *wholesalers* and packages. The two key issues are improving margins and creating a competitive edge through superior customer service, (are these incompatible objectives, increased distribution efficiency at expense of customer service ?)"

"Only well travelled consumers will buy direct from CRS. Most clients require consultation when purchasing the 'intangible' travel product"

In summarising responses to question eight it should be said that although 80% of respondents agreed with this scenario, the grounds for agreement ranged from those supporting the concept that CRS was very much part of future product distribution, through to the belief that alignment for retail agents was essential for future business survival. One of the above responses indicated that "CRS is an information provider, not a product provider". This comment the argument that although CRS's will become an important feature in product distribution, their intention is not to provide product, and therefore should not threaten the *wholesaler* function.

An important issue identified was the lack of computerised facilities for wholesalers. It is difficult to imagine a wholesale and technology dominated distribution channel until wholesalers have the systems in place.

A strong emphasis was placed on the concept of alignment with *principals* Action by the airlines in particular will influence the development of distribution channels. This scenario is seen as non–threatening by the industry players, since they anticipate that all intermediaries will continue to exist and perform a similar role.

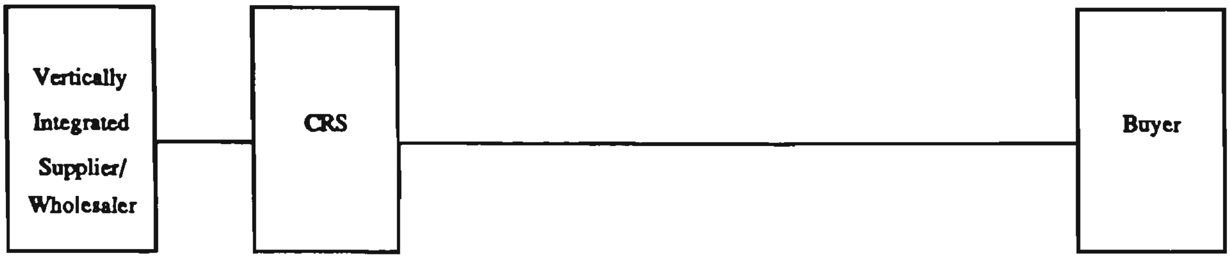
Question 9.

Future Distribution Channels – Scenario 2.

Question nine relates to a scenario 2 indicating that a future distribution channel may comprise of the suppliers at one end with the consumers at the other. The CRS is the major interface between the two. See diagram 9.

Diagram 9

SUGGESTED FUTURE DISTRIBUTION CHANNELS - SCENARIO 2.



THQ8&9

Responses to this scenario recorded in table 12 below indicate that this outcome is not strongly supported, especially for leisure travel product. The results clearly indicate that the organisation of leisure travel arrangements directly by a consumer and via a computer terminal is still a concept of the future.

Table 12
RESPONSES TO FUTURE DISTRIBUTION CHANNELS - SCENARIO 2.

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	8.3%	0.0%	0.0%	0.0%	**1.7%**
Agree	33.0%	33.3%	27.3%	29.4%	0.0%	**24.6%**
Disagree	55.6%	50.0%	54.5%	52.9%	100.0%	**62.6%**
Strongly Disagree	0.0%	0.0%	18.2%	5.9%	0.0%	**4.8%**
Don't Know	11.1%	8.3%	0.0%	11.8%	0.0%	**6.2%**
	N=9	N=12	N=11	N=17	N=3	**N=52**

THTABS8

The *retail travel agents* were most united in their non–acceptance of scenario 2 with 73% voting to disagree. This is not a surprising outcome given that scenario 2 threatens the role of the *retail travel agent*. It is of interest to note that although 67% of the respondents indicated that they disagreed with this scenario, more than 26% of the respondents were positive in their nomination of this scenario as being a possible future outcome. Comments relating to this question are listed below.

Responses which affirmed the statement;

Tour Wholesalers

"Possibility for simple requirements"

Travel Agent has a role via CRS, may become a supplier of information to the consumer via a CRS (product suppliers/agents/CRS/consumers)"

Retail Travel Agents

"Increased attempts to go direct to consumer with product"

Industry Administrators/Analysts

"When ticketing and reservations systems are user friendly yes, until then no".

"Yes there will be places that distribute this way but not in the majority, especially not leisure travel"

Responses which disagreed with the statement;

Suppliers

"A great deal of education required before this is a possible outcome"

"CRS is expensive and complicated, unlikely to displace retail agents to any significant extent because agents will offer greater choice and flexibility"

"Unlikely that enough consumers would have access to travel product from home in the foreseeable future. This scenario is only applicable for uncomplicated product"

Wholesalers

"Would only apply with the introduction of home access"

Retail Travel Agents

"Does not apply to leisure travel. Most travellers wish to discuss travel options. Technology will remain intimidating. Some inroads to be made however"

"Consumer confidence in dealing directly with computers is still a decade away"

"You simply cannot discuss with a CRS"

"The distribution system will have to alter for this to be a possible outcome"

Industry Administrators/Analysts

"Still need a level to advise/counsel on differences. Specialist expertise required.

"Doubt the airline owned distribution through CRS would allow direct, unskilled consumer access to their CRS"

"Consumer basically uneducated"

"CRS does not have the infrastructure (or the desire to have) to become a retailer. There will have to be a segment of the market willing to accept small returns for providing the consumer interface (credit, itinerary change, one stop travel etc)

The strength of argument against the development of this scenario relates to the opinion that leisure product will always require a level of advice/counselling to be provided by travel experts. Leisure travel is a human experience. The product is often complex with numerous choices and decisions to be made. Consumer confidence in dealing with computers for leisure travel requirements may take some time to develop. Technology is intimidating to most. As the computer literate generation (which have experienced school based education programs) mature and information technology becomes increasingly 'user friendly', this proposed scenario will become more likely. As indicated above however there are some logistical impediments to the development of this distribution channel.

Question 10.

Outline a future travel product distribution channel.

Question ten required the respondents to outline what they considered to be the likely product distribution channels. The large number of responses indicated that many industry members acknowledge the importance of distribution channels and recognise that future change is inevitable.

A selection of responses from each industry category are provided in diagram 10 located in the following pages..

Different emphasis is placed on the various intermediaries depending upon the industry category that they represent. It was suggested that several existing channels of distribution would continue as useful channels.

The *suppliers* category suggested a three stage distribution channel incorporating the introduction of direct mail marketing as a means of product distribution. This is a trend which has been observed earlier when discussing the changing business environment. As was stated in chapter three of this paper direct marketing techniques have been successfully employed in other countries.

Diagram 10.

FUTURE TRAVEL PRODUCT DISTRIBUTION CHANNELS

SUPPLIER RESPONSES

a).

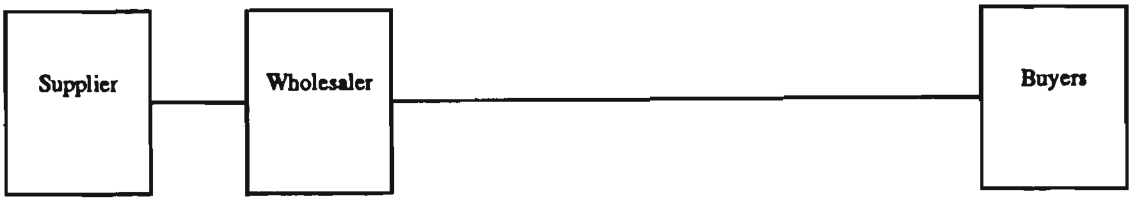
The introduction of direct mail, thus removing the need for some intermediaries

TOUR WHOLESALER RESPONSES

b).

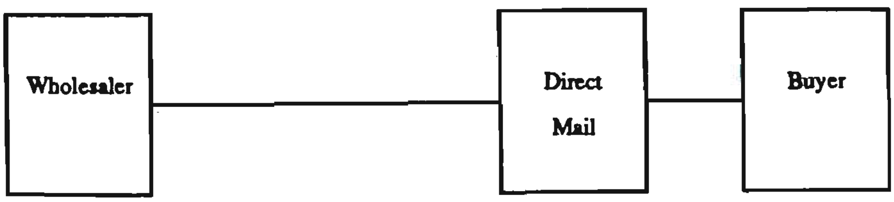
Buyer purchasing direct through CRS (for simplified product)

c).



Wholesaler selling direct to the buyer without using an intermediary

d).



Not unlike (a) above with the wholesaler distributing product to the buyer via direct mail.

Diagram 10. Continued....

e).

Supplier promoting individual travel product via retail agent as intermediary to buyer

f).

CRS's becoming an additional intermediary within the traditional system of distribution.

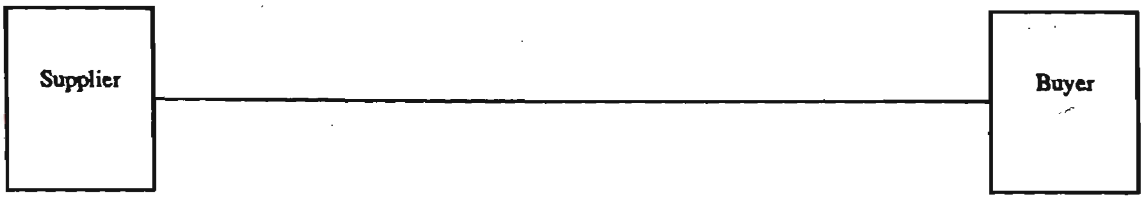
g).

A traditional travel distribution channel

Diagram 10. Continued....

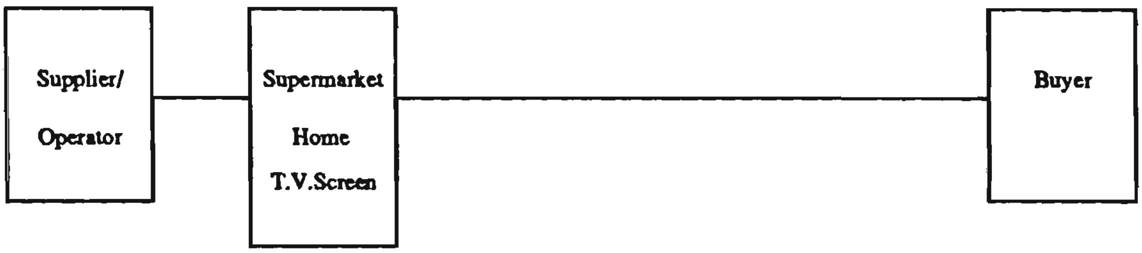
TRAVEL AGENT RESPONSES

h).



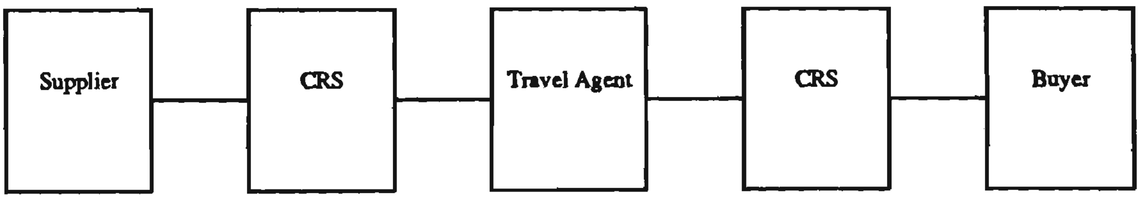
A simple channel of distribution which will always exist.

i).



A channel of the future with vertically integrated supplier distributing product directly via supermarket outlets and home computers.

j).

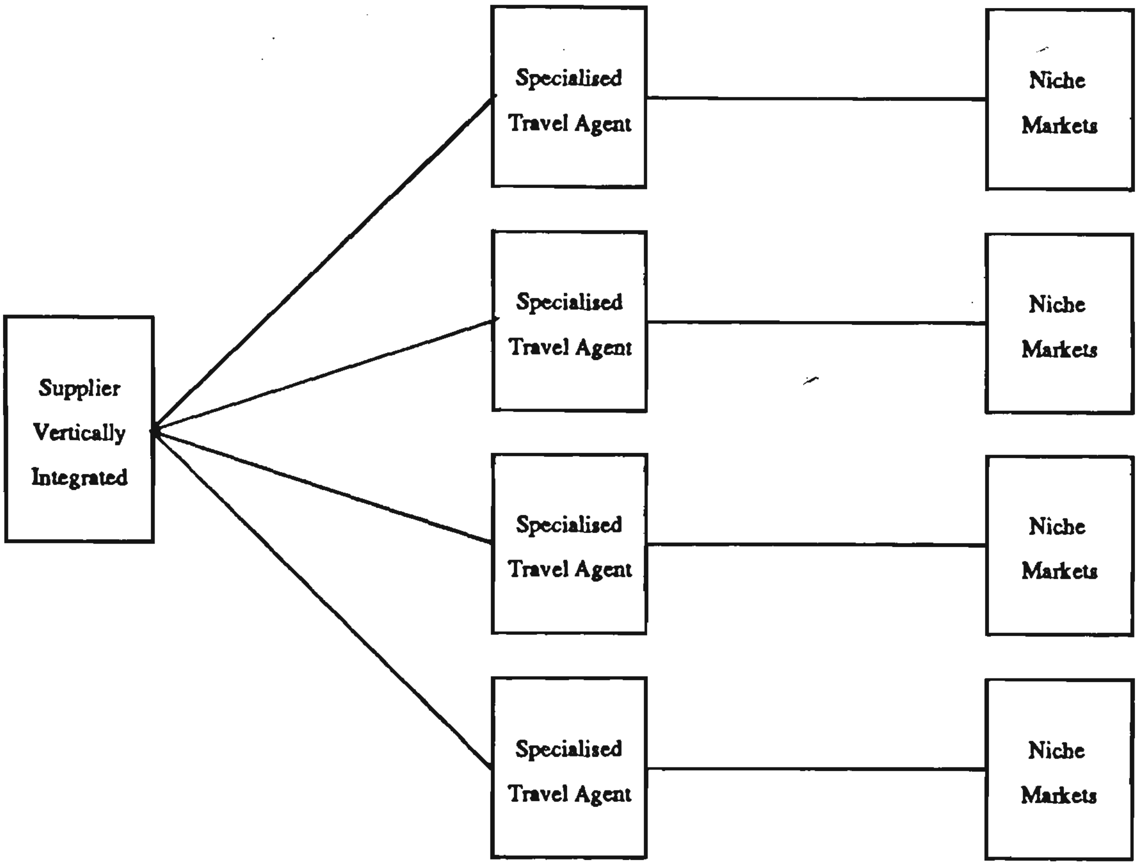


A complex system of distribution whereby CRS can be utilized by the retail agent as well as the independent leisure traveller (FIT's) directly.

Diagram 10. Continued....

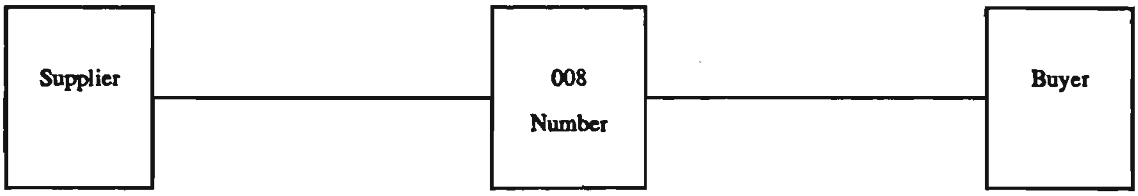
INDUSTRY ADMINISTRATORS AND ANALYSTS RESPONSE

k).



A selective distribution channel incorporating a vertically integrated supplier / wholesaler with either strongly aligned or owned specialised reatil outlets which target niche markets.

l).



A modern information and product distribution channel which bypasses the traditional process of retail travel sales by using the 008 direct dial numbers

THQ10

Tour wholesalers provided a variety of scenarios in response to this question including two, three and four stage channels of product distribution. A feature of these channels was the acceptance of CRS as an intermediary in both scenarios *(b)* and *(c)*. The concept of direct marketing by wholesalers to the public was also recognised as a definite distribution channel in scenario *(h)*.

Retail Travel Agents also suggested the likely development of the direct sell concept, this time from the supplier to the buyer *(j)*, thereby by–passing the retail agent. Another future distribution channel nominated is the sale of product to the consumer via retail outlets in supermarkets *(i)*, and also via home computers.

Industry analysts predicted the development of specialised channels of distribution *(l)*, servicing niche markets. They also alluded to the likely use of 008 telephone numbers (payment at the local rate for calls made from anywhere in Australia) to generate inexpensive and convenient inquiries.

To summarise the key trends which emerge from these responses it can be stated that many respondents viewed CRS as an addition to established distribution channels, rather than a replacement for present intermediaries. All categories recognised the emergence of direct sales and marketing either by mail, home computer or by telephone.

Question 11.

Intending leisure travellers will always require retail travel agents to perform their travel arrangements.

Question eleven assesses the role of the retail agent in the future following the impact of advancing information technology, the introduction of CRS and the increasingly independent and demanding travel public. The responses to this question are recorded in table 13 below and chart 7 on the following page.

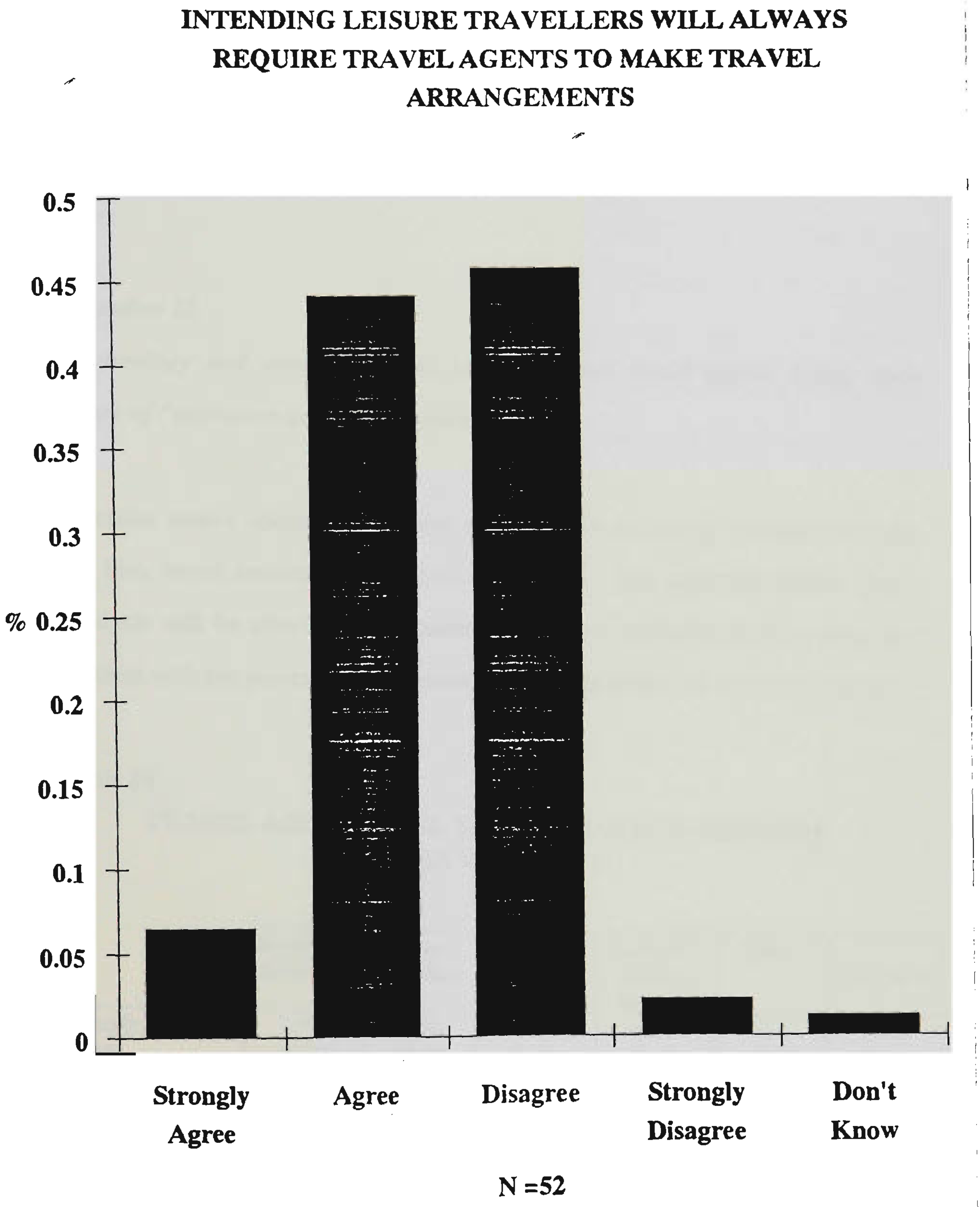
Table 13
LEISURE TRAVELLERS WILL ALWAYS USE TRAVEL AGENTS FOR TRAVEL ARRANGEMENTS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	8.3%	18.2%	5.9%	0.0%	**6.5%**
Agree	44.4%	41.7%	54.5%	47.1%	33.3%	**44.2%**
Disagree	44.4%	50.0%	27.3%	41.2%	66.7%	**45.9%**
Strongly Disagree	11.1%	0.0%	0.0%	0.0%	0.0%	**2.2%**
Don't Know	0.0%	0.0%	0.0%	5.9%	0.0%	**1.2%**
	N=9	N=12	N=11	N=17	N=3	**N=52**

THTABS9

The totals provided in table 13 above indicate that the industry is undecided on this question with 51% agreeing and 48% disagreeing. *Retail travel agents* were predictably supportive of this statement with 73% agreeing, although 27% disagreed indicating that travel agents are not uniformly confident about their future. A large percentage of respondents in the *suppliers/principal* category (56%) and the *tour wholesalers* (50%) category did not agree with the statement, thereby contradicting the opinion of the *retail travel agent. Industry administrators and analysts* were also undecided on this issue. *Retail travel agents* (as they presently exist) may have difficulty sustaining their current

Chart 7.


INTENDING LEISURE TRAVELLERS WILL ALWAYS REQUIRE TRAVEL AGENTS TO MAKE TRAVEL ARRANGEMENTS
%
0.5
0.45
0.4
0.35
0.3
0.25
0.2
0.15
0.1
0.05
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N =52

dominance as booking agents and providers of travel information, for the more experienced and fully independent travellers, but will continue to dominate the servicing of less experienced travellers. The results relating to this question are inconclusive, but there would appear to be a strong feeling of "self worth" amongst *retail travel agents*, along with a degree of uncertainty expressed by other industry groups.

Question 12.

Technology and automation will result in retail travel agents losing their share of "minimum servicing" products

Question twelve addresses the issue of "minimum servicing" products such as car hire, travel insurance and travellers cheques. The question of how these products will be affected by technology has been answered in three separate sections with the percentage outcomes displayed in tables 14, 15 and 16 below.

Table 14

TRAVEL AGENTS WILL LOSE A SHARE OF CAR HIRE ARRANGEMENTS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	8.3%	0.0%	5.9%	0.0%	2.8%
Agree	55.6%	58.3%	36.4%	29.4%	100.0%	55.9%
Disagree	33.3%	33.3%	45.5%	41.2%	0.0%	30.7%
Strongly Disagree	11.1%	0.0%	18.2%	17.6%	0.0%	9.4%
Don't Know	0.0%	0.0%	0.0%	5.9%	0.0%	1.2%
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS10

NB: It would appear that the responses to this question may have confused the needs of business/corporate travel as opposed to the needs of the leisure traveller. It is recognized that a large percentage of business travellers have direct booking services with car hire companies.

The responses to this question did not provide a definitive direction with 59% supporting the statement and 40% not agreeing. These total percentage outcomes indicate that *travel agents* will lose a share of "car hire" possibly to automated car hire transaction facilities. Several sections of the Industry support this scenario including *suppliers and tour wholesalers.* However the total result is disputed by respondents from both the *retail travel agents* group as well as the group of *Industry administrators and analysts* indicating that "car hire" will remain the domain of the *retail travel agent.*

Table 15

TRAVEL AGENTS WILL LOSE SHARE OF TRAVEL INSURANCE ARRANGEMENTS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Agree	44.4%	66.7%	27.3%	41.2%	66.7%	**49.3%**
Disagree	22.2%	16.7%	54.5%	41.2%	33.3%	**33.6%**
Strongly Disagree	11.1%	0.0%	18.2%	11.8%	0.0%	**8.2%**
Don't Know	22.2%	16.7%	0.0%	5.9%	0.0%	**9.0%**
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS11

The indecisive outcome provided by the responses to the question of car hire carried through to the second part of this question relating to "travel insurance". The totals as displayed in table 14 above indicates that 49% of the survey participants agreed with the statement that *travel agents* will lose some share of processing travel insurance with 41% disagreeing and 9% not knowing.

Table 16

TRAVEL AGENTS WILL LOSE SHARE OF TRAVELLERS CHEQUE ARRANGEMENTS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	11.1%	8.3%	0.0%	0.0%	0.0%	**3.9%**
Agree	66.7%	58.3%	18.2%	64.7%	66.7%	**54.9%**
Disagree	0.0%	16.7%	72.7%	17.6%	33.0%	**28.0%**
Strongly Disagree	11.1%	8.3%	9.1%	5.9%	0.0%	**6.9%**
Don't Know	11.1%	8.3%	0.0%	11.8%	0.0%	**6.2%**
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS12

The response to the same question but with reference to "travellers cheques" provided the most definitive outcome with 59% of those surveyed agreeing with the statement, 35% disagreeing and 6% not knowing. The *Industry analysts* category strongly supported this scenario along with all other industry categories with the exception of the *retail travel agents* whereby 82% of the respondents disagreed with this statement. It would appear that the bulk of *retail travel agencies* are either incorrect in their assumptions or simply do not wish to accept that the onset of technology will alter the role of *travel agents* in this area.

Question 13.

An increasing growth in telephone sales and direct marketing of travel product will alter channels of tourism product distribution

Question thirteen makes refers to the increasing growth in telephone sales and direct marketing of travel product, indicating that these activities have the potential to influence future channels of travel product distribution.

Table 17

DIRECT MARKETING TECHNIQUES WILL ALTER TRADITIONAL DISTRIBUTION CHANNELS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	11.1%	8.0%	0.0%	5.9%	0.0%	5.0%
Agree	33.3%	66.7%	63.6%	41.2%	66.7%	54.3%
Disagree	44.4%	16.7%	27.3%	41.2%	33.3%	32.6%
Strongly Disagree	11.1%	0.0%	0.0%	0.0%	0.0%	2.2%
Don't Know	11.1%	8.3%	9.1%	11.8%	0.0%	8.1%
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS13

Table 17 above and chart 8 demonstrate that there is general support for this assumption by all industry categories apart from the *suppliers/principals* group. A total of 60% of all respondents agreed, with the most dominant supporters being the *tour wholesalers*. This may indicate that an increasing emphasis will be placed on more direct forms of distribution by these industry categories in the future at the expense of the traditional retail intermediaries.

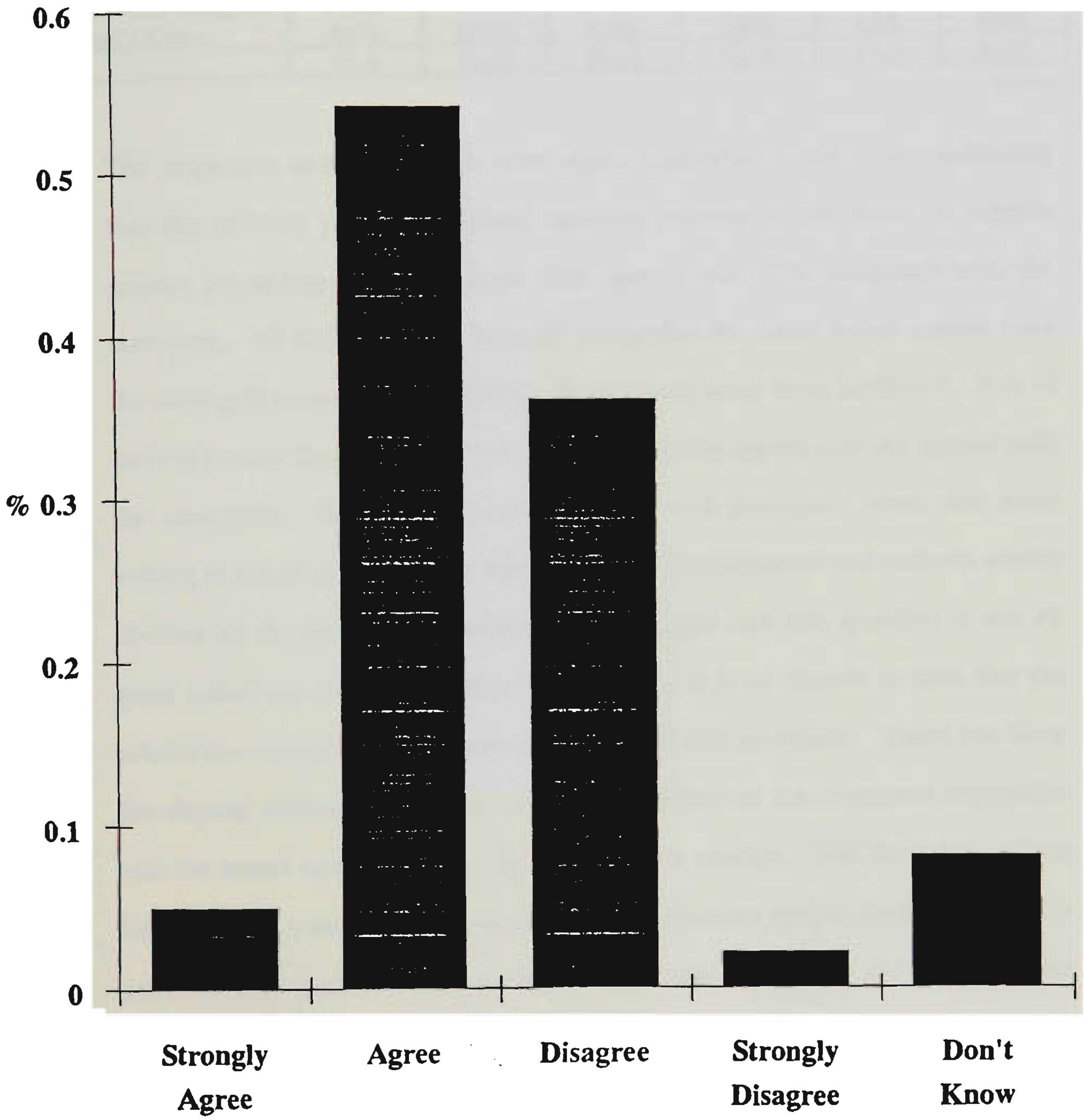
Question 14.

It is predicted that Australian domestic airlines will become less dependant on retail travel agents to distribute their product in the future, thus altering channels of distribution.

Question fourteen touched on a delicate issue in the realms of Australian travel and tourism. The respondents were somewhat divided on the issue under question, the results of which are displayed in table 18 and chart 9.

Chart 8.

THE GROWTH IN DIRECT MARKETING WILL ALTER TRADITIONAL CHANNELS OF TOURISM DISTRIBUTION



N = 52

Table 18

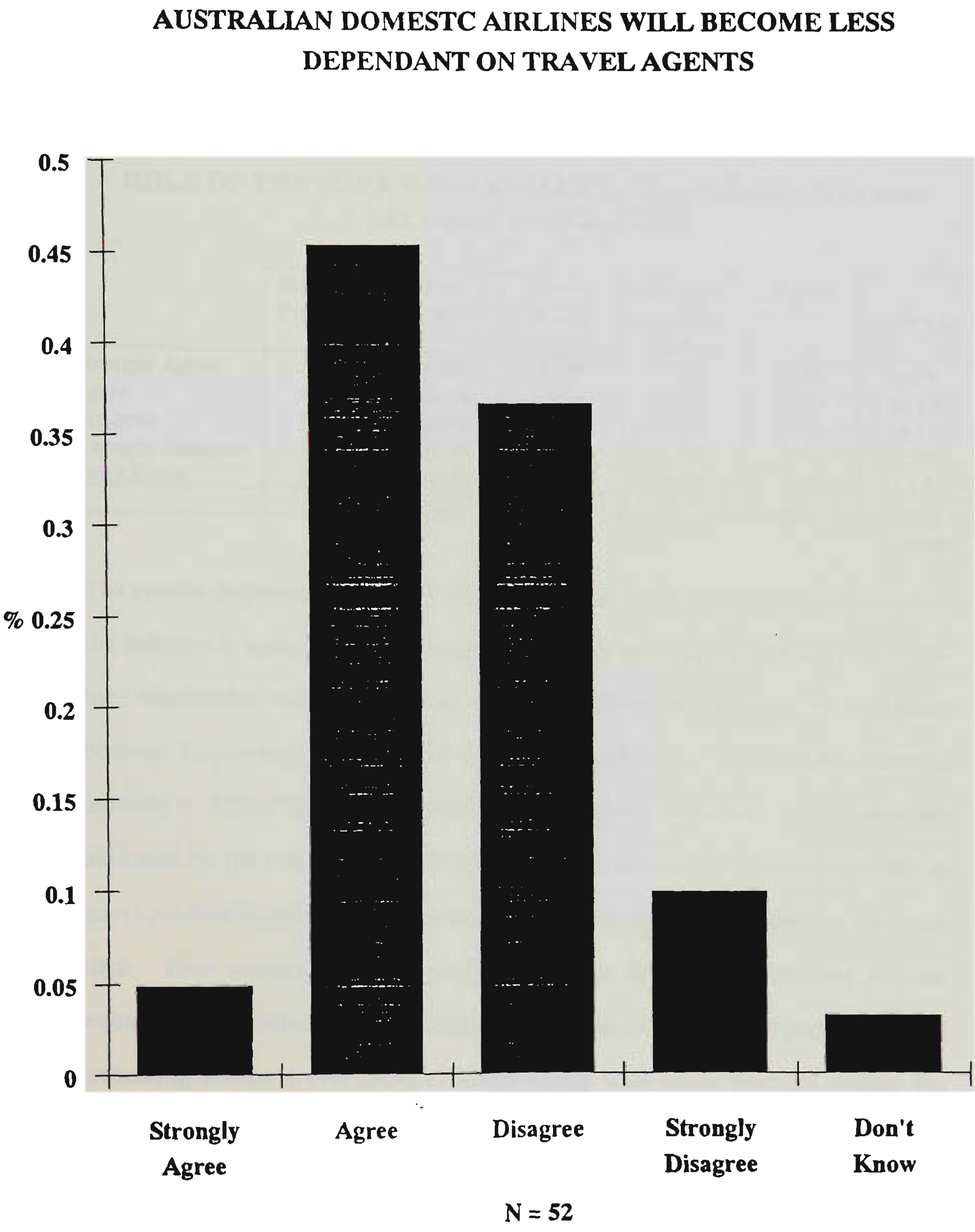
AUSTRALIAN DOMESTIC AIRLINES WILL BECOME LESS DEPENDANT ON TRAVEL AGENTS

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	18.4%	0.0%	5.9%	0.0%	4.9%
Agree	44.4%	38.4%	36.4%	41.2%	66.7%	45.4%
Disagree	44.4%	25.0%	45.5%	35.3%	33.3%	36.7%
Strongly Disagree	11.2%	8.4%	18.1%	11.8%	0.0%	9.9%
Don't Know	0.0%	10.0%	0.0%	5.8%	0.0%	3.2%
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS14

The responses to this question were again somewhat inconclusive indicating that the industry possesses various opinions relating to this issue. A slightly greater percentage of respondents 50% agreed and 47% disagreed with the statement. Of the individual industry categories the *retail travel agents* were the strongest non-supporters (64%), as may well have been predicted. It is of interest to note however that 36% of the responding agents actually agreed with the statement. *Tour wholesalers, suppliers and principals* were also more willing to refute this statement with *industry administrators* and *analysts* evenly divided on the issue, thus reinforcing the thought that this question is one of great indecision for many within the industry. It is of interest to note that the *wholesalers* category were most supportive of this statement. There has been developing concern within the industry as a result of the continued expansion into the travel retail sales area by the domestic carriers. The domestic airlines have secured a large proportion of direct distribution outlets through which to promote their products at a preferred rate, thus competing directly with the *retail travel agents*.

Chart 9.


AUSTRALIAN DOMESTC AIRLINES WILL BECOME LESS DEPENDANT ON TRAVEL AGENTS
0.5
0.45
0.4
0.35
0.3
% 0.25
0.2
0.15
0.1
0.05
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N = 52

Question 15.

The future role of the tour wholesaler in packaging product will diminish as CRS and electronic brochuring become increasingly established within the industry.

Table 19

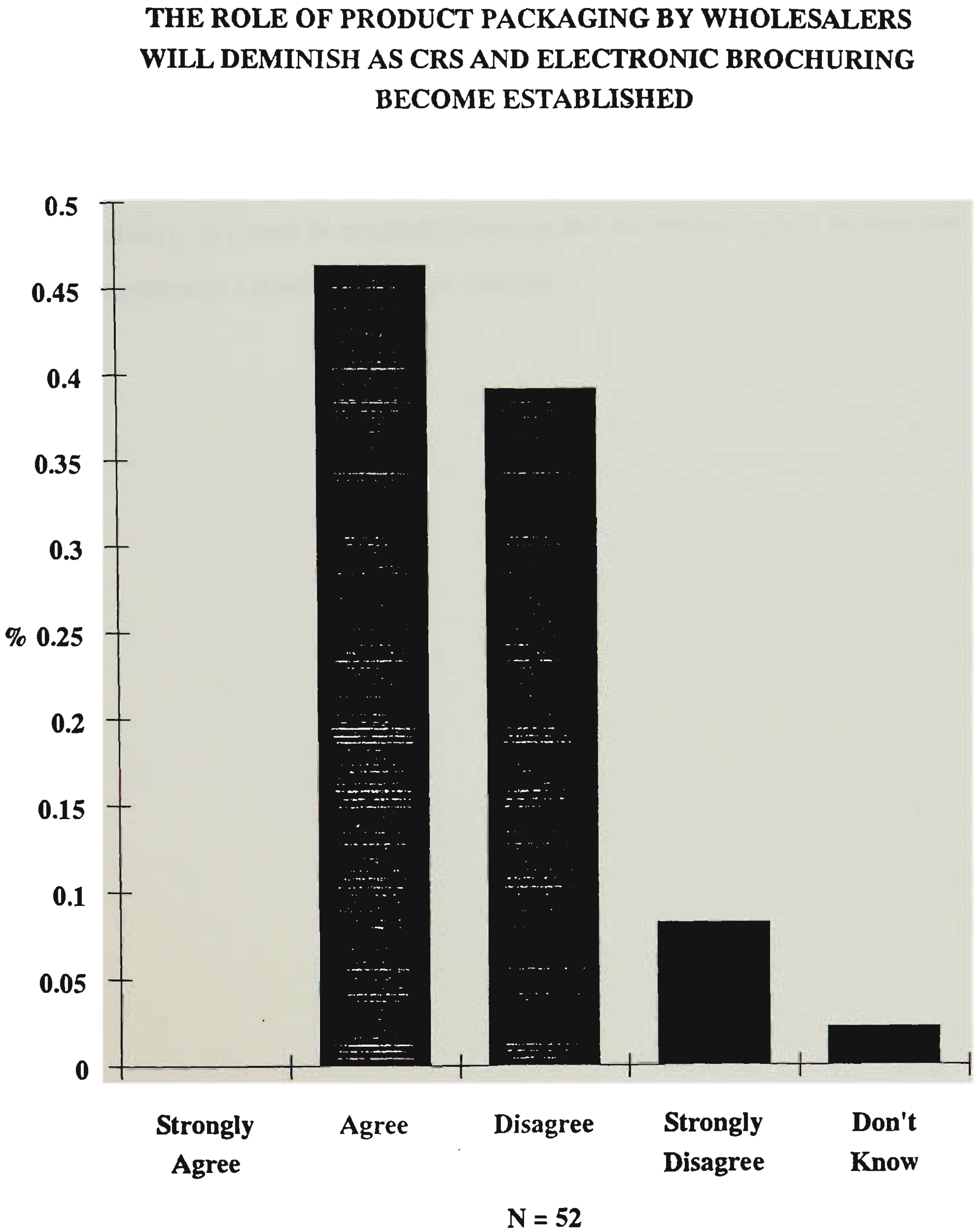
ROLE OF THE TOUR WHOLESALER WILL DECREASE AS CRS BECOMES ESTABLISHED

	Suppliers/ Principals	Tour W'salers	Retail Travel Agencies	Industry Admin./ Analysts	Other	TOTALS
Strongly Agree	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Agree	44.4%	28.4%	45.5%	47.1%	66.7%	**46.4%**
Disagree	33.3%	55.0%	27.3%	47.1%	33.3%	**39.2%**
Strongly Disagree	0.0%	16.7%	18.2%	5.9%	0.0%	**8.2%**
Don't Know	11.1%	0.0%	0.0%	0.0%	0.0%	**2.2%**
	N=9	N=12	N=11	N=17	N=3	N=52

THTABS15

The results displayed in table 19 above and chart 10 over the page indicate that the industry is undecided in their support for this assumption that the role of the tour wholesaler will diminish as CRS and electronic imaging of brochures become increasingly established within the industry. The results received indicate a 46%/47% split between agree/disagree responses. It is strongly indicated by the *tour wholesalers* that there will always be a place for them as travel product intermediaries, but it is recognized that their facilitating role may alter. *Tour wholesalers* will need to become increasingly attuned to new technologies associated with brochure production as their role in packaging and presenting leisure travel product alters along with other changes within the industry. It would appear that the concept of "electronic imaging of brochures" and advanced forms of information technology used to display product in a computerised audio visual format is still a distant vision for many respondents.

Chart 10.


THE ROLE OF PRODUCT PACKAGING BY WHOLESALERS WILL DEMINISH AS CRS AND ELECTRONIC BROCHURING BECOME ESTABLISHED
0.5
0.45
0.4
0.35
0.3
% 0.25
0.2
0.15
0.1
0.05
0
Strongly Agree
Agree
Disagree
Strongly Disagree
Don't Know
N = 52

The results, although inconclusive do indicate that the role of the tour wholesaler is undergoing change and that a pro–active approach is required in adapting to this changing business environment. This statement lends support to the second research assumption of this paper that the role of the tour wholesaler (as a product distribution intermediary) may change as the age of information and computerisation dawns upon the Australian travel and tourism industry. It cannot be concluded however that the wholesaler will become less important as a result of the above changes.

SECTION 5
SUMMARY AND CONCLUSIONS

SECTION 5
SUMMARY AND CONCLUSIONS

This section has two major objectives. The first is a summary of the results which relate to the research assumptions made. The second is to identify some key trends.

Summary

The initial section of the summary emphasises those broad changes taking place in the business environment which have a direct influence over product distribution. It is suggested that the changes being experienced by the Australian travel and tourism industry reflect international developments in the areas of computer reservation systems, other new technology aimed at achieving improved efficiency and domestic airline deregulation. The following research findings support the suggestion that the business environment is undergoing change.

* The majority of respondents indicated that they were continually assessing and revising their options for product distribution.
* There is an increased orientation towards embracing the benefits of CRS because of the increased reliance by the travel and tourism industry upon international communications.
* Computer reservation systems will act as additional intermediaries within the channels of product distribution. They will complement rather than compete with present intermediaries.

* Non–automated agents are expected to experience difficulty in servicing clients and in being serviced by principals following domestic airline deregulation. The trend towards automation is related to business survival for this group.
* Evidence provided by suppliers and tour wholesalers suggests a trend towards direct marketing of travel product to potential travel buyers via mail and telemarketing.
* A trend is evident towards increased vertical integration of distribution channels. Suppliers, wholesalers and retailers will be more closely affiliated thus emphasising the efficiencies which may be generated via this structure.
* Specialist channels of product distribution are expected to provide niche marketing facilities for travel product.
* An increasingly sophisticated and educated travel public is seeking information which can be rapidly retrieved with confirmations of bookings made quickly and conveniently.
* It is doubtful whether the Australian distribution network will experience the same outcomes as North America following its airline deregulation due to the different population base and ownership of infrastructure in the two countries.

The **first research assumption** was that retail travel agents would retain their role as the ***primary*** distribution intermediaries for leisure travel product. The research results indicate that there is a division of industry opinion on this issue. Specific outcomes which support this statement include;

i). That 50% of the respondents agreed that the airlines would become less dependant on retail agents to distribute their product while 40% disagreed.

ii). That only 60% of the respondents thought that retail agents would not lose a share of their travellers cheque arrangements with 40% either disagreeing or uncertain.

iii). Only 50% thought that travel agents would lose market share regarding travel insurance arrangements.

iv). That only 50% thought that leisure travellers would use retail travel agents to perform their travel arrangements in the future.

The results indicate therefore that it would appear retail travel agents will retain their role as primary distribution intermediaries, but their dominance will be reduced as direct selling and marketing by suppliers increases. Although there is evidence of experimentation with various methods of product distribution, it can be concluded that retail travel agents will remain the ***primary*** intermediary for leisure travel product. This outcome supports the first research assumption under discussion.

A summary of the survey analysis indicates that:-

* A bigger percentage of product will be distributed directly to the travel buyer by principals in future.
* Principals intend to reduce the percentage of product distributed via retail agents in preference for a direct marketing emphasis.
* Tour wholesaler responses provided a similar outcome. A number of wholesalers expect to decrease the percentage of product distributed via retail agencies in favour of direct selling.

* There is a strong emphasis by industry administrators and analysts on retail agents needing to increase their competitiveness and efficiency. This is to be achieved by;
  - embracing modern distribution technology
  - emphasising product specialisation and increasing the level of travel product knowledge by travel consultants
  - achieving competence and efficiency when handling CRS
* There would appear to be negligible threat to travel agents emanating from the direct sale of leisure travel via home computers and television monitors. It is suggested that leisure travel is a personal purchase, and requires human interaction.
* It is suggested that CRS/GDS will provide additional leisure travel information to retail agents. It is hoped that this may inspire greater buyer confidence in dealing with travel agents.
* Retail travel agents will need to engage in product specialisation and provide unique services for niche markets.
* Retail agents will lose some share of minimum servicing products to automated transactions which have begun to advance into the travel and tourism industry.
* Increased involvement by the major domestic airlines in retail distribution may result in domestic airlines becoming less dependant upon independent retail travel agents to distribute their product.
* The increasing numbers of travel products available may result in an increased consumer need for retail travel agents as providers of expert product knowledge and advice for travel purchasers.
* Retail agents will need to "add value" to their product through service and experience to become more competitive in the future and to differentiate their product.

* Retail travel agents will retain their role as primary distribution intermediaries, but their level of industry dominance may decrease.

The **second research assumption** is that the role of the tour wholesaler as a travel product intermediary would decrease as a result of the changing industry environment.

The research results indicate that the traditional role of the tour wholesaler as a travel product intermediary may decrease in the future. This is supported by the following outcomes;

i). In question 4 only 48% of the respondents thought that the role of the wholesaler would not decrease, with a greater percentage indicating that it would decrease.

ii). In question 15 only 47% of the respondents suggested that the role of the wholesaler would not decrease, again with a large percentage indicating an envisaged decrease in the future role of the tour wholesaler in travel product distribution.

It is suggested that the future role of the tour wholesaler as a travel product intermediary may decrease, although it is expected that they will retain their role (to a lesser extent) as distribution intermediaries which bulkbuy product and develop travel packages for sale in retail agencies. The precise nature of their future role in the industry however will alter as it is subject to the changing demands of CRS, electronic brochuring and the type of leisure travel product required by the traveller.

A summary of trends which have evolved from the research and relate to the future role of the wholesalers include;

* That the tour wholesaler will remain an important distribution intermediary of the future.
* That the introduction of CRS is not perceived as a direct threat to the future existence of the tour wholesaler and that they may both become mutually inclusive for packaged leisure product as distribution channels develop. This outcome concurs with previous statements by Clarke of Jetset when discussing computerisation, wholesalers and the development of "Worldlink"
* A real expectation that tour wholesalers need to become familiar with futuristic technology including "electronic brochuring" techniques in order to distribute packaged product via CRS. However, it is suggested that there will always be a need for product information in hardcopy format (brochure). Electronic brochures should be regarded as an additional source of product information, and not necessarily a replacement for hardcopy brochures. Since travel is an intangible product it will always require tangible evidence of purchase.
* Tour wholesalers will remain important intermediaries because of their product packaging expertise and bulk purchasing power which provides the industry with package tours at acceptable prices.

Conclusions

The two assumptions discussed during this paper received mixed views from members of the tourism industry.

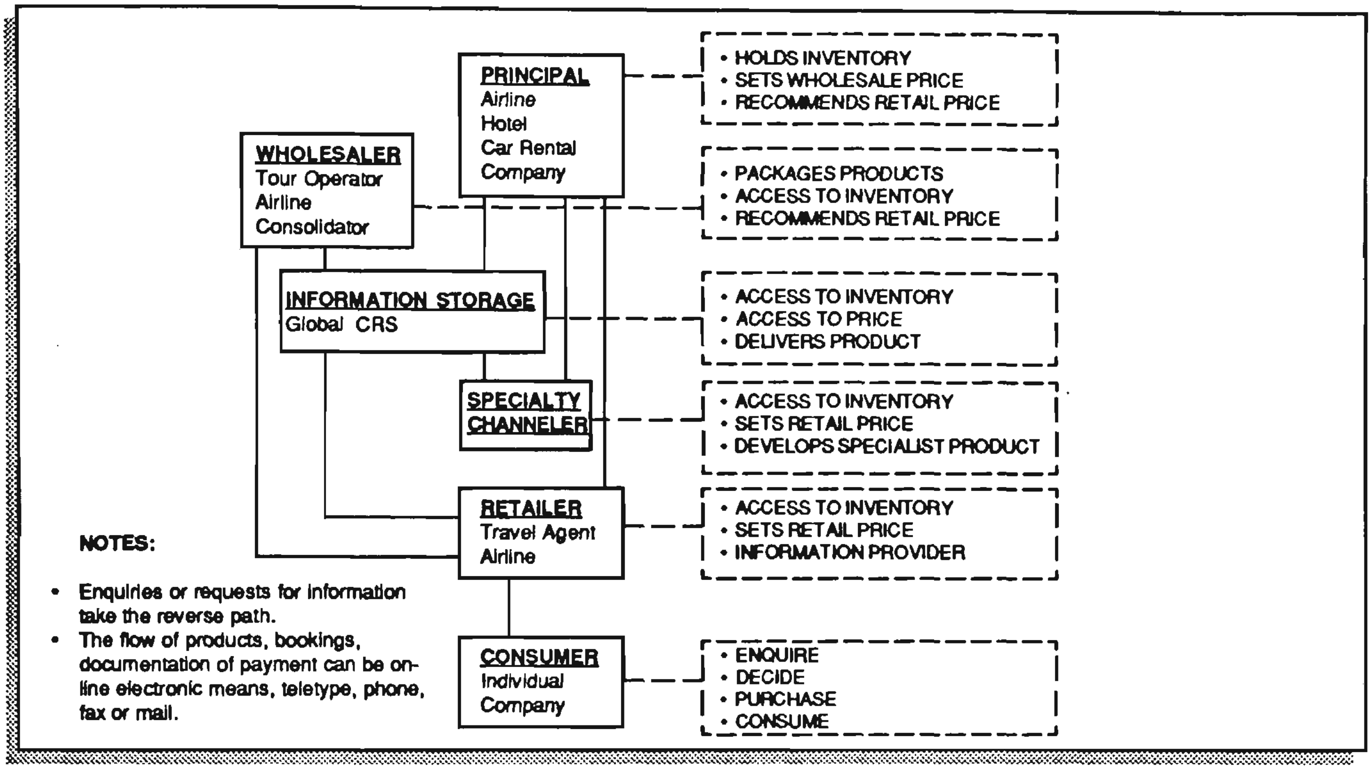
The present channels of product distribution were discussed in earlier sections of this paper and have been well documented. According to the secondary literature, and the views of the industry commentators the present channels will change in two main ways; both of which reflect the influences of international distribution trends. These include the developing technologies of Computer Reservations Systems, Global Distribution Systems and novel methods of purchase, plus the international trend to deregulate markets as in Australia's domestic airlines. Together, these influences will continue to impact upon and alter the way in which leisure product is distributed. In addition to these considerations, increased distribution efficiencies are also being sought internationally. Many organisations are attempting to increase their emphasis on direct forms of product distribution, thereby reducing the number of intermediaries.

These changes which are impacting on Australian distribution channels have evolved from the overseas experience which has been documented in earlier sections. It is suggested finally that future channels of distribution will gain one additional intermediary, CRS, with the concept of direct selling being a choice for individual product suppliers and packagers. Diagram 11 below provides the reader with a future distribution scenario for interaction between different intermediaries which may operate during the sale of leisure travel products in the future.

The research has indicated support for the first research assumption that *retail travel agents* will retain their role as *primary* distributors of leisure travel product, but that their support base may be reduced as a result of increased

Diagram 11

INFORMATION FLOWS BETWEEN DISTRIBUTION CHANNELS



Source: Adapted from "Global Distribution Systems", SRI International, Singapore, May 1990, p.17.

levels of direct marketing by suppliers and wholesalers. This will be compounded by an increasing percentage of independent travellers who choose not to use *retail travel agents* to organise their travel arrangements.

The research results conclude that retail agents will continue to have a major role in the distribution of leisure travel (travel agents would appear to be less vulnerable in the leisure than in the business market). CRS will assist the retail agent in future by providing large amounts of travel information, thereby helping retail agents to provide expert advice on travel decisions. In addition, airline deregulation and the increasing frequency of fare discounts will result in the domestic leisure traveller looking to the retail agent to provide advice on the best deals available.

The above changes coupled with traditional benefits usually provided by agents including advice/counselling, product comparisons and convenience all indicate support for the first research assumption.

Changes within the industry which threaten the dominance of retail travel agents include a tendency by product suppliers to direct an increasing percentage of their distribution resources towards direct marketing.

In addition to the increased market penetration achievable via direct marketing there is concern expressed about the expansion of the Australian domestic airlines into retail travel, thus competing directly with retail travel agents. Of particular concern (expressed by B.Grey of Compass Airlines) is that consumers in Australia are often unaware of ownership links between airlines and travel agents.

The research indicates that retail agents must adapt to change if they wish to maintain their role as primary distributors of leisure product in the future.

Industry comments suggest that travel agents may need to specialise in a certain product range and to target niche markets. This will enable them to develop greater expertise over a smaller range of product.

Travel counselling will always be required. Retail agents which can provide a valued service through expert advice and counselling, will not be substituted by ticket dispensing machines, direct mailing efforts or discounted airline offers. At the same time retail agents must understand that the industry is changing and that flexibility and creativity is required for future success.

Whatever shape the industry takes in the future, there seems to be general agreement that travel agents will need to concentrate on being good business managers, effective salespersons, and expert travel advisers. More sophisticated research will also be necessary to segment the travel market more effectively and allow agents to better understand and service their clients. Agents will need to be sales people as well as travel counsellors.

Specialised travel agents of the future will need to be a true travel experts and communicate this effectively to their target markets. If they can't communicate their travel expertise, potential customers may see no advantage in using them, and may choose to make their travel arrangements directly with suppliers or through other distribution intermediaries.

Several conclusions can be arrived at in discussing the **second research assumption** relating to the future role of the wholesalers. Research outcomes suggest that the tour wholesaler as a travel product intermediary may be reduced in the future. The tour wholesaler however, will remain an important intermediary because of the packaging expertise they offer to the industry. Such expertise provides a packaged travel product at a reasonable price and injects a stabilizing influence unto the industry via the long term planning which they undertake.

The role of the tour wholesaler as a distribution intermediary may decrease as methods of product packaging and the communication of product information alters. This will occur as the industry embraces the efficiencies of CRS and other new methods of purchase. This suggestion indicates strong support for the new brochuring techniques which will use new forms of communication, and provide cost effective information about travel products.

A major challenge for the Australian wholesaler in the future is to service a travelling public which is becoming increasingly independent, sophisticated and demanding in their needs. Adventurous and exotic destinations which currently offer the security of a group tour for the consumer's peace of mind in the tour brochure, may be more easily accessible to the more confident independent travellers in the future. Therein lies a challenge and an opportunity for retailers, and for the wholesalers..

The older age bracket has always been an important market for group tours and continues to increase. By the time today's middle aged traveller reaches old age (the primary age group that purchases packages), they will already have travelled many times to several different places and may be less appreciative of the benefits associated with standard package tours. Innovation will be required by the tour wholesaler to retain this market. Domestic tour operators will have to deal with a population which has an increasing desire to travel abroad as well as an increasing desire for independence and flexibility when travelling. The trend by travellers to take a number of shorter excursions rather than (or in addition to) one major trip per year has increased the demand for shorter length packages. This is another indication that the tour wholesaler of the future will need to be innovative.

There are many undeveloped opportunities. The future direction for tour wholesalers if they wish to remain important intermediaries is to embark on a similar path as that suggested for travel retailers. There is a need to provide excellent product knowledge as a service to other intermediaries, a need for innovative product packaging and product specialisation and a thorough understanding of the principles of niche marketing.

It can be concluded that the tour wholesaler may remain an important distribution intermediary but the degree of importance may be reduced in the future. The wholesaler of the future must be flexible in his/her approach and innovative enough to adapt to, as well as assist in shaping the changing travel and tourism environment in which they exist.

The research has concluded that the retail travel agent will remain the primary distribution intermediary in the short term, with the long term role of this intermediary being influenced strongly by what unique buying and selling opportunities can be developed by the retail agency network which will benefit both the travel consumer and the product principals.

GLOSSARY

Airline Deregulation

The elimination of governmental regulation of the airlines and other suppliers with regard to routes, fares and other specifics.

Ancillary Travel Information:

Travel Insurance, Travellers cheques, travel tips etc.

Automated Ticket Machines (ATM):

Automated vending machines selling computer airline tickets, generally located in airport terminals.

Brochure:

Printed folder containing descriptions and conditions of a tour.

Computerised Reservation System (CRS):

An electronic information system connecting individual travel agencies to a central computer, making immediate inquiries and reservations on an airline, hotel, car rental or other possible travel services.

Conducted Tour:

A prepaid, prearranged vacation in which a group of people travel together under the guidance of a tour leader who stays with them from the start to the end of the trip. Also referred to as the escorted tour.

Consolidator:

A person or company that forms groups to travel on air charters or at group fares on scheduled flights to increase sales, earn override commissions, or reduce the possibility of tour cancellations.

Contractor:

A person, firm or corporation who provides vehicles, guides and/or local services to a tour operator or travel agent for the benefit of the passengers. Contractors operate in every stage of a tour, and their contracted services are co-ordinated by the tour operator into a complete itinerary. Sometimes called local operator. A hotel for example, is a contractor.

Ground Operator:

A company that provides local travel services to client at destination; receiving agent.

Cruise:

A pleasure voyage as opposed to one solely for transport. Sea cruises usually depart from and return to the same port.

Direct Selling:

The sale of travel products directly to the consumers, without the use of travel intermediaries such as travel agents.

Domestic Airlines:

A carrier providing service within its own country.

Electronic Brochures:

Product information stored on computer disk. Detailed information relating to individual products which can be accessed by computer terminals.

Horizontal Integration:

Ownership and control of intermediaries above and below in the channel of distribution.

Intangible:

Unable to touch, a non–material product which is elusive and must be visualised.

Incentive Travel:

Travel providing an incentive reward for sales or work performed by sales staff, distributors or members of other organisations when the sales or work performed exceeds particular quota levels.

Itinerary:

The travel schedule provided by a travel agents for his or her client. A proposed or preliminary itinerary may be rather vague or very specific. A final itinerary, however, spells out all details – flight numbers, departure times, and so on – as well as describing planned activities.

Package:

Prearranged elements of a trip such as hotel accommodations, meals, sightseeing and transfers, less inclusive than a tour.

Packager:

A wholesaler; one who organises and advertises a tour or package.

Principal:

The dominant participant in any given situation. More specifically in travel: (1) a primary producer of any unit of travel merchandise – an airline, a hotel, a shipline; (2) any person (or company) who assumes responsibility for a travel program; (3) anyone who pays a commission to another for selling a travel program.

Product:

An item available for purchase by buyer.

Retail Travel Agency:

A travel agency that sells travel products on a retail basis on behalf of his or her principals – airlines, cruise lines, hotels, car rentals, etc., for a commission to the general public.

Special Interest Tour:

A prearranged, packaged itinerary designed to appeal to or respond to a request by a group of persons who have a particular interest area of study or activity, for example, culture and the arts, sports, preservation, wilderness, shopping, cuisine, etc.

Tourist:

A temporary visitor staying at least twenty–four hours in the country visited and the purpose of whose journey can be classified as leisure – recreation, holiday, health, study, religion, sport, business, family, mission or meeting.

Tour Guide:

Professional who leads a tour, usually at an attraction or destination.

Tourism:

All activities involved with attracting, servicing and satisfying tourists.

Tourists:

Person who travels for reasons other than employment or personal business. The United Nations defines tourist as one who spends more than one night but less than a year away from home for pleasure or business.

Tour Operator:

An operator that provides services including responsibility for the delivery and/or operation of all facets of the tour, usually providing an escort. Tour operators may also be wholesalers as well as local operators.

Tour Package:

A joint service that gives a traveller a significantly lower price for a combination of services than could be obtained if each had to be purchased separately by the traveller. Thus, the total price of a tour package might include a round–trip plane ticket, hotel accommodations, meals, sightseeing bus tours and admission fees.

Travel –(Business)

The activity of travel for the purpose of conducting business.

Travel –(Leisure)

Leisure travel is defined (in this study) as the activity of consumers using their discretionary leisure time to visit a destination which encompasses at least an airline ticket and accommodation as a part of the leisure travel experience.

Travel Industry Distribution System:

The process of moving travel products and services from suppliers to ultimate consumers.

Travel Insurance:

Regular insurance tailored to cover travellers and their personal effects. May be sold by a regular broker; however, most travel agents and tour carrier personnel are specially licensed insurance agents with the power to issue such policies and immediately bind the insurance company.

VFR:

Classification of travellers whose purpose for travel is to Visit Friends and Relatives.

Vertical Integration:

Ownership and control of numerous businesses operating at one level of the distribution process.

Wholesaler:

A company that usually creates and markets inclusive tours and packages or buys services in bulk for sale (or resale) through travel agents.

Yield Management:

Yield Management predicts, using the likely number of buyers and costs of each product, the product profitability and ensures that the right ratio of different price deals are offered to the market

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Mr. Geoff Hyde, Manager, Tourism Services, Destination Australia Marketing & Consultancy

Mr. John Spiden: Chairman AFTA Automation Committee, Melbourne

Mr. John Rafferty, Manager "Gulliver" Commercial, Board Failte: Irish Tourism Board, Dublin

APPENDIX

APPENDIX A:

LIST OF RESPONDENTS

TYPE OF ORGANISATION

Suppliers/Principals
Accommodation Supplier
Accommodation Supplier
Tour Operator
Cruise Ship Supplier
Large Fauna Park Product Supplier
Domestic Airline (large)
Domestic Airline (large)
Specialist Tour Operator
Coach Transport Operator

Tour Wholesalers
Domestic Tour Wholesaler (large)
Domestic Tour Wholesaler (mid–sized)
International Tour Wholesaler (mid–sized)
International Tour Wholesaler (mid–sized)
Domestic Airline (wholesale division)
Travel Wholesaler/Retailer
State Tourism Commission (wholesale division)
Regional Tourism Product Wholesaler
Motoring Organisation
Special Interest Wholesaler
Adventure Tour Wholesalers
Ski Tour Wholesaler

Retail Travel Agents
Independent Retail Travel Agent
Independent Retail Travel Agent
Independent Retail Travel Agent
Independent Retail Travel Agent
Independent Retail Travel Agent

Retail Travel Agents (continued)

Member of Small Retail Travel Chain
Member of mid–sized Retail Travel Chain
Member of mid–sized Retail Travel Chain
Member of large Retail Travel Chain
Member of large Retail Travel Chain
Member of large Retail Travel Chain

Industry Administrators/Analysts

Tertiary Educational Institution Offering Tourism Courses
Tafe Educational Institution Offering Tourism Courses
Commercial Travel Industry Training Organisation
State Tourism Commission
State Tourism Commission
State Tourism Commission
State Travel and Tourism Corporation
Computer Reservations Systems Consultant
Computer Reservations Systems Distributor
Computer Reservations Systems Distributor
Retail Travel Agents Federation
Travel and Hospitality Adviser
Tourism Association
Tourism Consultancy (small)
Tourism Consultancy (medium sized)
Government Tourism and Travel Adviser
Travel Association

Other

Retail Agents Support Services for Computer Reservations Systems
Travel Educational Organisation (no name)
Retail Agent (no–name)

SPECIAL REPORT

TRAVEL AGENCY AUTOMATION

How long can agents delay CRS decisions?

The commercial future of agents hinges on the way they resolve the dilemma over automation. They are being advised to put automation decisions on hold. And they are also being advised that there is no future for agents who fail to automate. Unravelling the issues, CHRISTINE McCABE reports on an AFTA survey of agency needs and how the key players are revamping existing products, and developing new ones, to meet those needs at an acceptable cost.

CRS GATEWAY VIA JETLINK OR TRAVTEL CAPITAL COST COMPARISON

SYSTEM	GATEWAYS	COST
JETLINK	Jetlink interfaces with Fantasia to provide access to the worldwide SABRE computer reservations system.	Free to Jetset agents and selected non-Jetset agents. Agents pay for installation of dedicated telephone line.
TRAVTEL	Currently a gateway to TIAS. Negotiating for access to all CRSs.	Estimated one-off cost of around $4000-$6000 for suitable PC, modem and printer including customised Travtel software. Travtel PC/software package can be rented for around $284 per month including installation and service contract or purchased outright for around $6000.

IN THE PAST 12 months, the major CRS companies have engaged in a savage price war and reversed earlier firmly stated policies in a bid to provide agents with cheaper versions of their products.

In the process, they have persuaded significant numbers of retailers to sign with them. But the bulk of agents remain unautomated and a detailed AFTA survey, to be released at the federation's convention in Hobart this month, purports to show that no CRS as yet fills all the automation needs of Australian agents.

AFTA, while acknowledging that automation will be crucial to agents' survival particularly after domestic air deregulation, is advising agents not to make any decision yet. And it is urging the CRS companies to expedite a low cost "one box" solution for smaller agents by providing Travtel gateways.

The bottom line is that most smaller agents remain confused and just a little overwhelmed by the wealth of information and mis-information churned out by an industry both complex and rapidly evolving.

Qantas Distribution Services, the marketer of Fantasia, the "regionalised" Asia-Pacific version of American Airlines' Sabre CRS, has been forced to capitulate on its initial stance of supplying only the top line "professional Sabre" version of its product in conjunction with IBM PS2 PCs.

As well as securing Jetset's business by making "Commercial Sabre" available through the IBM clone hardware of the retail giant's family agents, QDS now offers three low entry or option products which enable agents to access Fantasia through their existing TIAS dumb terminals or their own PC equipment.

The former option was once decried as an "investment in the past" by QDS executives.

In recent months Fantasia's published prices have dropped dramatically with single terminal monthly leases falling from $500 to $350 (PC with VGA screen and hard copy printer), $650 to $500 (with ticketing) and $825 to $700 (full system including front and back office enhancements). Sabrelink, which delivers Sabre to any IBM compatible PC, is cheaper again.

System One, which initially led the price initiatives with a productivity based incentive scheme, has increased its prices marginally and upped productivity parameters.

Galileo's published prices remain static but the company admits that almost all its sales are being made at the top end of the market and it has flagged the release of a cheaper dial-up option for smaller agents — the initially promised release date of April now revised to August.

Additionally it is claimed (and also denied) that substantial overrides are being offered by Continental Airlines and Qantas to encourage agency groups to to align with their associated CRS operations.

While Mr Hill denied that "Qantas is out there offering

Continued page 36

SMALL AGENTS: AIRLINE CRS CAPITAL COST COMPARISON

OPTION	QDS/FANTASIA	GALILEO	SYSTEM ONE	TIAS
1. Agents own dumb terminal or PC	OPTION A: Sabre conversion, price on application (Sabre Access on most TIAS equipment). OPTION B: Sabre Link (Sabre Access on most IBM compatible PC's) $225 per month. Sabre X: Sabre Access on (UNIX equipment) TBA	Price on application	Price on productivity basis — not recommended	From $390 per month (TIAS Access)
2. Agent leases PC with VGA screen and hard copy printer	Professional Sabre $350 per month	$337 per month	Productivity based on flown passenger segments, per month. Includes line charges: +605 segments free; 604-455 segments $185; 454-305 segments $320; 304-155 segments $480; 154-0 segments $614	Cost of PC plus $275 per month (TIAS Access PC)
3. Option 1,2 & 3 plus ticketing	1. Sabre Conversion & Ticketing P.O.A.; 2. Sabre Link & Ticketing $375 per month & Sabre X & Ticketing TBA; 3. Professional Sabre & Ticketing $500 per month	$439 per month	Productivity based on flown passenger segments, per month. Includes line charges: +715 segments free; 714-535 segments $195; 534-360 segments $380; 359-180 segments $575; 179-0 segments $614	Additional $280 per month (Premier Products only)
4. Option 2 plus front/back office enhancements	Professional Sabre + Tarmaq $550 per month	$417 per month with Sales Manager front office system $492 per month with Sales Manager plus Business Manager back office system	Productivity based on System One plus approved vendor's price. Soon to release new packages	N/A
5. Full system — PC, printer, ticketing, front/back office enhancements	Fantasia $700 per month	$594 per month	Productivity based on System One plus approved vendor's price. Soon to release new packages	N/A

N.B. System One prices include communication costs. Other prices do not.

Source:
Travel Week, July 25, 1990.
p. 34-37

Distribution dilemma: How long can agents delay CRS decisions?

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overrides or additional deals" he did note that "Qantas (had) business associations or commercial associations with almost all organisations that we've been marketing to of the group or network nature."

System One, on the other hand, is adamant it is "not giving anything away." Mr Smith said: "We've moved out of some very public negotiations when figures accommodated by other CRSs did not make business sense to us." Mr Smith said.

Meanwhile AFTA chief executive John Dart is advising agents: "The longer they wait the better and cheaper the systems will become."

But the federation also realises that without effective automation and access to national and international computerised distribution systems, market forces will hasten the demise of many smaller agents.

Mr Dart said it was "very disappointing" to be entering an era of deregulation "without a system which meets the needs of 85 per cent of the federation's members.

"There are 2000 agents in this country employing less than three consultants and they have not been presented with a reasonably priced CRS solution."

AFTA will recommend these agents to "hold off" but in the interim, said Mr Dart, smaller outlets should look to Travtel which "provides an adequate solution at a reasonable cost."

Major

But the major CRS companies are in no rush to grant gateways to Travtel — for a variety of political, rather than technical, reasons. (See separate story.)

And despite all the flurry over providing low cost options, there is no commercial imperative for them to find automation solutions for the bottom 20 per cent of the market.

Fantasia's chief executive Maurice Hill spelled out the cold, hard facts.

He said. "This lower end of the market is of little real value to the CRSs which are transaction driven — they invoice per transaction regardless of the value of each booking.

"Small agents making between one and five international bookings per day are likely to net a CRS less than $50 a week.

"Yet it is these agents whose very survival will depend on their ability to automate.

"If they (the agents) want an automated service they are going to have to pay some money for it ... we understand that the travel agent population is in difficult times in this country ... one of the reasons is that there are far too many of them."

The AFTA report, which assesses agents' CRS needs through a national survey of 22 per cent of the agency network (some 1600 agents), found that CRS investment and communication costs, fare accuracy and improved productivity and profitability were the most important overall considerations listed by agents when selecting a CRS.

Product features such as Last Seat Availability (LSA) and compatible hardware were deemed less important overall.

However agency needs vary from marketplace to marketplace.

Ranking

The report found that country agents were most sensitive to the issue of cost, ranking information accuracy, system reliability and communication costs as the most important issues; their suburban counterparts focussed on improved profitability and demonstrated the greatest preference for LSA, while agencies located in the CBD (typically larger multi-outlets) were preoccupied with labor productivity, training and profitability, and were more inclined to prefer longer CRS contracts and the ability to use their own hardware.

Smaller agencies in general placed greater importance on the availability of local product, the integration of the CRS into other systems, LSA, staff training and system reliability while larger agencies opted for labor productivity, the ability to use their own hardware, access to worldwide information (wholesale product) and the frequency of information update.

Late last year and earlier this year, it seemed that the market was being rapidly carved up with a number of major groups aligning with one or more of the systems.

Fantasia won over the country's largest retail chain, Jetset, and the smallest of the major bank travel services (Travelstrength) but it was taken by surprise when Galileo snared American Express.

Harvey World Travel has endorsed both System One and Galileo while after almost 12 months of preparation UTAG is finally poised to connect with Fantasia through U-NET, a purpose built product devised by U-TAS.

However it is problematical how rapidly the independent retail chains will be able to impose automation upon their members and there have been well-publicised instances of Amex and UTAG agents linking with systems other than those recommended by "head office".

Meanwhile other major groups are showing no inclination to rush into decisions.

Traveland, despite being owned by Galileo prime mov-

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AIRLINE CRS OPTIONS FOR AUSTRALIAN AGENTS

CRS COMPANY	Asia Pacific Distribution	Galileo	System One Direct Access	Travel Industries Automated Systems
SYSTEM NAME	Fantasia	Currently Apollo Galileo being phased in now	System One	TIAS
DISTRIBUTION COMPANY	Qantas Distribution Services.	Southern Cross Distribution Systems	System One Direct Access	Travel Industries Automated Systems
PRODUCTS (a) Reservations	Regionalised Sabre	Apollo, Galileo flight availability	System One Direct Access	TIAS Premier, TIAS Premier Plus, TIAS Premier PC, TIAS Access, TIAS Access PC, TIAS VTX, Automated ticketing
(b) Front office	Tarmaq (fully integrated with Professional Sabre)	Sales Manager	System One inbuilt features including customer profiles, searchone queue/office management, plus optional software soon to be released	None. But booking info can be transferred to agents own PC or mainframe
(c) Back office	Tarmaq (fully integrated with Professional Sabre)	Business Manager	At present have two standard Australian options — TRAVPAK & ATAAC. Others under development. Also have interface with TRAMS & TAURUS wholesale systems	
HARDWARE	Intelligent workstations: IBM PS/2; VGA color monitor; document printer. Optional peripherals: Ticket and report printers; back-up tape units	Unisys PW 30s, 50s and 80s; IBM PS2, and any PC certified by Galileo	Memorex Telex 7045 P.C. & IBM PS2 P.C. Memorex Telex 080-A FFT option	Depending on system, Memorex Telex or agent's own IBM-compatible PC or videotex terminal or ICL Unix processors
HOW AGENTS LINK	Digital dedicated line	Dedicated Telecom lines (Dial-up option also available)	Dedicated circuit or private network connection. Dial up under review	Depending on system, dedicated line or dial-up or dial-up videotex
SUPPORT SERVICES	Training: Five days Professional Sabre for unautomated agents or three days Professional Sabre for automated agents, two days Tarmaq	Basic training prior to installation, cut-over support on agent's premises, regular updating of users, maintanance contract for immediate remedial maintenance during normal working hours, help desk		
SYSTEMS AVAILABILITY	90 days from contract	90 days from contract	90 days (under review)	60-90 days from contract
AIRLINES ON SYSTEM	669 airlines with 308 offering availability status	300 currently connected, with a further 350 projected	Access approximately 650 schedules, of which over 300 are Participating Carriers, and 40 Direct Access	See panel below
AIRLINES WITH LAST SEAT AVAILABILITY	Air Canada, Air Europe, Air France, Air India, Air New Zealand, Alaska Airlines, Amtrak, Aria, British Airways, Canadian Airlines Intl, Club Med, Continental Airlines, Cruisematch, Delta Airlines, Eastern Airlines, El Al Airlines, Korean Airlines, KLM, Lufthansa Airlines, Midway Airlines, Northwest Airlines, Pan American World Airways, Qantas Airways, South African Airways, Trans World Airlines, United Airlines, USAIR, UTA French Airlines, Varig Airlines, Virgin Atlantic	Aer Lingus, *Aerolineas Argentinas, Air France, *Air Lanka, *Alitalia, *All Nippon, *American Airlines, *Ansett, *Ansett New Zealand, *Ansett NT, *Ansett WA, ATI Aero Transporte Italini, *Australian Airlines, *Air NSW, Air New Zealand Domestic, *Air New Zealand International, Air UK, *Canadian Airlines, *Continental Airlines, Austrian Airlines, Austrian Air Services, *British Airways, Brymon Airways, Cameroon Airlines, Air Sardinia, *Aeropelican, Air Botswana, Air Europe, Alibiu SPA, Alinord SPA, Crossair, Cruzeiro Do Sul, Cyprus Airways, Dan Air, Delta Airlines, Eagle Air, *East-West, Eastern Airlines Inc, Emirates, Ethiopian Airlines, Euro Berlin France, Finnair, GB Airways, German Wings, Guernsey Airlines, *Hazelton, Hamburg Airlines, *Japan Airlines *Kendell Airlines, *KLM Royal Dutch, *Korean, *Lufthansa, Namib Air, Netherlines BV, NLM City Hopper, *Norfolk Airlines, Northwest Airlines, *Olympic, Polynesian Airlines, *Qantas, *Queensland Pacific, Rheintalflug Seewald, Royal Nepal, Ryanair, Sabena, SAS, Saudia, TWA, South African Airways, Stateswest, *Sunbird, *Sunstate, Swissair, TACA International, TAP Air Portugal, *Thai International, Transavia, Transavio, Trump Shuttle, *United Airlines, Varig, *Virgin, Wardair (* Denotes online or coming online)	Aerolineas Argentinas, Aer Lingus, Aeroperu, Air France, Alaska Air, Alitalia, Aloha Airlines, American Airlines, America West, British Airways, Canadian Pacific, Continental Airlines, Dan Air, Delta Airlines, Eastern Airlines, Ecuatoriana, Finnair, Hawaiian Airlines, Iceland Air, Iberian, KLM, Lloyd Aero Boliviano, Lufthansa, Midway, Northwest Airlines, Pan American, Philippine Airlines, Qantas Airways, Sabena, Sahsa, SAS, Swissair, TACA, TAN, TWA, United Airlines, UTA, Varig, Virgin Atalantic	Air New Zealand, Air Niugini, Air Pacific, Alitalia, All Nippon, American, Ansett, Ansett NZ, Australian, British Airways, Canadian Airlines, Cathay Pacific, Continental, Eastern Airlines Aust., East West, Flight West, Garuda, Hazelton, JAL, Kendell, KLM, Lloyd Aviation, Lufthansa, MAS, Pan American, Qantas, SIA, Sunbird, Sungold, Sunstate, Thai International, United, JAT.
LAND CONTENT BOOKABLE BY SYSTEM	Jetset; Rosies The Travel Service; Rydges Hotels; Southern Pacific Hotel Corp.; 53 car rental companies represented in over 100 countries; over 22,000 hotel properties representing 154 hotel chains. Other services include theatre tickets, special sevents and the official recreation guide.	Tickets and sporting events; rail such as Amtrak and Eurail; cruises and the system also has capacity to offer air/wholesale packages, sightseeing, hotel and car rental. Car Master available now. Room Master launched at AFTA convention	Touring: Only complete automated tour system available on a CRS — over 100 tour programs. Worldwide hotels, cars, theatre bookings, yachts, Amtrak, Britail	Atlas, Jetset, Transport Technology

How long can agents delay CRS decisions?

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er Ansett, is in discussion with Fantasia as well as Galileo. Thomas Cook's interrogation of Fantasia continues; consolidators Concorde and Metro have made no commitment to a CRS, although Concorde is half-owned by Galileo shareholder British Airways.

The major bank travel services of Westpac, National and ANZ also remain uncommitted. Their decisions will be very much tied to the mainframe solutions of their parent banks, to the compatibility of CRSs with appropriate back office software and, according to some sources, domestic airline last seat availability which is seen as important to the optimal servicing of commercial accounts.

Some 30 per cent of the agents covered by the AFTA survey were not automated and almost half of those have still made no decision to automate. Of the remainder, the AFTA report reveals that 23 per cent intend to install Fantasia, six per cent Galileo and two per cent System One.

Of the 70 per cent of respondents with some form of automation, the majority (42 per-cent) use TIAS, representing a large potential market for the CRSs. 19 per cent used Travtel, 11 per cent Galileo and four per cent Sabre (Fantasia). (It should be noted that of the remaining 24 per cent, 14 per cent use Jetlink which gives access to Sabre).

After securing the coveted Jetset account (830 Jetlink sites rising to 1000 within nine months) it would seem QDS is well ahead in the agency count (It has been suggested this could be due in part to general agency antagonism towards the Galileo-aligned domestic carriers).

QDS claims to have signed more than 500 agents with a further 1400 committed. Galileo says it has more than 400 agency sites contracted with another 500 poised to sign while System One lists 95 retail outlets on its books with a further 200 due to come on line before the end of the year. (This latter figure is heavily dependent on the bulk of Harvey World's agents selecting System One above Galileo.)

The figures are in line with Access Research's prediction 12 months ago that barely 500 of Australia's 3700 travel agents will remain unautomated by 1993.

The company's managing director, Graeme Ross-Smith estimates that some 1700 to 1800 outlets are already automated and within six months only those agents deterred by cost and holding out for a cheaper telephone driven (or dial-up) alternative, will remain out in the cold.

Mr Hill is confident Fantasia will corner 60 per cent of the market in Australia within two years.

Convinced

Southern Cross Distribution Systems general manager Alec Pratt believes Galileo will account for more than 40 per cent while Dennis Smith, System One's regional manager Australia, is convinced his company can secure a 20 per cent stake.

Both Fantasia and Galileo are sceptical of System One's ability to carve out the small niche market predicted 12 months ago

"I can't understand why System One is in the marketplace," Mr Hill said

"It seems an awfully expensive way to put passengers on Continental aeroplanes."

Mr Smith said that System One has deliberately maintained a low profile and noted that "when we entered the market last July both our competitors were claiming 75 per cent market share."

The company is now embarking on a gradual expansion program opening a demonstration site in Brisbane, a training facility in Melbourne, moving to new and larger premises in Sydney and implementing the placement of additional personnel throughout Australia.

The lack of a preferred back office system has been addressed. System One now offers two standard Australian options — TRAVPAK (marketed by Design Data Systems) or ATAAC Plus with other systems currently under development.

In the meantime Galileo is pressing ahead with a series of product enhancements. Car Master (a modified Apollo booking service) is now available while RoomMaster (giving access to more than 14,000 hotels, including many Australian ones) will be launched at the AFTA convention.

A product to assist with the design and management of group departures as well as an on-line tour booking facility (similar to Sabre's Tourfinder) will be released later this year.

The range will add to Galileo's recently introduced "Flight Availability" package which claims to make city pairs obsolete while also being able to display LSA for up to eight airlines on the one screen at the one time.

According to Mr Pratt, the cutover from United Airlines' Apollo system is proceeding according to schedule with Galileo due to launch in the UK in September and to be fully operational in Australia by the end of next year, at which point TIAS will be phased out. (TIAS guarantees existing contracts until December 1991 and can provide additional sites and equipment to existing clients until then).

Mr Pratt denied that Galileo had experienced more teething problems than expected — "It's not a matter of Australianising Apollo but of building a whole new system in the UK which gives it an international rather than American focus," he said.

He does not believe the Sabre-based Fantasia can offer international breadth of vision which will be available from the new generation Galileo and he predicts that, ultimately, Galileo's only real competition will be the rival European-based CRS — Amadeus.

TRAVEL AGENCY FRONT AND BACK OFFICE OPTIONS

SYSTEM	FUNCTIONS COMPATIBILITY/AFFILIATION	CRS	COST
Sales Manager Marketed by: Southern Cross Distribution Systems, 275 George St, Sydney, NSW 2000	Front office system. Features include client file management, PNR handling, word processing, calculator, local database, point of sale reports	Available only in conjunction with Apollo/Galileo	For single PC user, an additional $80 per month on top of monthly payment for basic Apollo/Galileo
Business Manager Marketed by: Southern Cross Distribution Systems, 275 George St, Sydney, NSW 2000	Back office system. Features include sales reporting, commission tracking, accounts payable and receivable, general ledger, trust accounting, BSP reporting and ticket stock administration	Available only in conjunction with Apollo/Galileo	For single PC user, an additional $155 per month on top of monthly payment for basic Apollo/Galileo
ATAAC Plus (Australian Travel Agents Administration Computer Plus). Marketed by: Travel Marketing and Automation Services (TMAS), 3/92 Windsor Crescent, Mont Albert, Victoria 3127	Integrated front and back office system offering complete agency accounting package including BSP. Consolidation of branch office accounts (if required) is a feature. Client profiles with their travel history instantly accessible	Currently interfacing with System One. Also plans to interface with Galileo and Fantasia	One-off cost of $3,990 for single user system and $4,490 for multi-user system irrespective of number of terminals. Annual maintenance and support fee of $800 (payable after the first three months)
Global Travel Software. Marketed by Global Travel Software, 4/232 Barkly Street, St Kilda, Victoria 3182 (PO Box 2184)	Integrated front and back office system performing functions automatically upon input of front office data. Comprehensive accounting package with functions ranging from the inputting of itinerary to production of profit and loss statements. Tracking of overrides a feature. Built in fax system	Claims to be compatible with all CRSs	One-off cost of $5,000. Annual maintenance fee of $750. Includes Software Support by Modem as well as system upgrades
STAR (Simple Travel Accounting Resources) Marketed by STAR Accounting, Jetset Centre, 5 Queens Road, Melbourne, Victoria 3000	Complete agency accounting package including BSP and budgeting functions	Endorsed by Jetset and Fantasia for use in small to medium-sized travel agencies	$1,000 installation fee for first site plus $250 for other sites. $200 per month maintenance fee for first site plus $75 for each additional site for 36 months (maintenance fee covers training, updates and Help Desk services)
TARTAS Marketed by Computer Task Force, Suite 103, Scottish Australia Building, 38 Oxley Street, St Leonards NSW 2065	Airline integrated front and back office system offering client files, itineraries, document processing, complete accounting package, etc. Optional features include — 1. Telex/Fax/Email OTC Interface; 2. Electronic BSP Ticket Transfer Interface; 3. Proration/Flown Revenue Reporting; 4. Consolidator Interface; 5. Satellite Ticket Printing. Special versions for — Wholesalers, Land Product GSA's, Airline GSA's, Consolidators	TARTAS Retail MS-DOS version is linked to Galileo and is distributed by Southern Cross. TARTAS Retail Unix/Xenix multi-user version is linked to TIAS and linked to Galileo	TARTAS Retail MS-DOS version — See AS5000 Business Manager. TARTAS Retail Unix/Xenix version — $2500 per VDU
TARMAQ Marketed by Qantas Distribution Services, 985 Botany Road, Mascot, NSW 2020.	Award winning integrated front & back office agency system developed by Qantas. Automatic integration of client files & PNR's, automated itinerary production & pricing, complete agency accounting package, management reports, full audit trail and financial reports, commission (incl. override) tracking and follow up.	Available only in conjunction with professional Sabre	Additional $175 a month on top of monthly payment for Sabre/Fantasia
TIM (The Incredible Machine) Marketed by: Jetset Tours Doncaster, principal Peter Kagan, 600 Doncaster Rd, Doncaster, Victoria 3108	Fully integrated front and back office system offering full agency accounting system, including BSP and trust and general accounting, word processing, invoicing, diary, yield, itineraries, "atlas" (comprehensive fact files on 177 countries), hotels database, etc.	Can interface with TIAS and Travtel. Plans to interface with Sabre Professional	One-off cost from $7,000 depending on modules chosen. Price includes training in TIM office for one month with on-site follow-up after installation. Plus support and upgrades
TRAVPAK Marketed by Design Data Systems, PO Box 52, Roseville, NSW 2069	A retail system that establishes client files with the ability to post transactions such as invoices, receipts, payments to suppliers, issuing of tickets & reimbursing trust accounts. System includes diary functions, sales receipting & budgeting by product & consultant with the ability to issue client itineraries as required	Available with System One	TRAVPAK from $4950 depending on options selected
Corinthians L Marketed by Manfred Trial Pty Ltd, 29 The Circuit, Gladstone Park, Vic 3043	In-house product & tariff system; client file system; reservations/booking file system; basic accounting package (invoice & receipt); management reports; banking facilities; itinerary documentation; and many more	Independent from any airline/travel computerised organization	$1,500 — software only, $6,537 — hardware and software (AT386-16SX, 40MB, VGA/color monitor & printer). 6 months back-up support, 1 day training

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I appeal to you to take a few minutes of your time to read, complete and return the accompanying survey at your earliest convenience.

I am completing a Masters Degree Thesis Research at Victoria University of Technology (FIT) and request your co-operation in providing valuable data to formulate my research outcomes. As a senior person in the travel and tourism industry your opinions on this research area are of particular importance.

The area of research concentrates on leisure travel product with a view to understanding the **Distribution Channels** used by these products. I am attempting to assess the various types of distribution channels and make comparisons with some international models of product distribution. A major emphasis of the study is to assess how the present channels of distribution may alter as global computerised reservation systems become more accepted by both the industry and the travelling public plus the advancement of other forms of information technology including automated ticketing smart cards, electronic brochuring etc. An additional influence on Australian travel product distribution is the deregulation of the Australian airline system therefore your opinion will be sought in this area.

Please find on the back of this sheet a series of definitions which may assist you in completing the survey.

I would be most grateful if you would take a few minutes of your valuable time to complete the survey and return it in the accompanying envelope.

Thank you for your generous assistance.

[redacted]

Peter D Shelley
Tourism Masters Degree Candidate

The following definitions have been nominated to provide a guide for you while completing the survey.

Future
The foreseeable next five years

Tourism Product (leisure product)
Inclusive holiday product only. Must involve at least air ticket and accommodation component.

Distribution Channels
Channels through which travel product is sold. The process of producing, marketing, selling and delivering travel related products and services from suppliers to consumers

Electronic Brochuring
Traditional brochure information stored on computer disk. Detailed information relating to individual products can be assessed and client buying decisions made by viewing the computer screen.

Automated ticketing
A form of passenger ticket designed for issue in various printing devices for which data is computer generated.

Suppliers
They are operators who supply a service for use by either tour operators, wholesalers, travel retailers or travel consumers.

Tour Operators
Tour operators plan and operate a tour package by combining more than one service (transport, accommodation, sightseeing, meals) into a single product.

Tour Wholesalers
Tour wholesalers are operators who negotiate with suppliers or tour operators in order to package a product which is then marketed to travel retail outlets speciality channelers and the travelling public.

Retail Travel Agents
Retail travel agencies process the sale of the tours, air tickets and other travel services to the customer.

Speciality Channelers
Recognized speciality channelers include Incentive Travel Firms, Business Meetings and Convention Planners, Corporate Travel Offices etc.

Consolidators
Consolidators refers to travel companies that receive maximum overrides in return for an annual volume of substantial size or lower contracted rates.

General Sales Agents
A general sales agent (GSA) is the exclusive representative of a principal for a given area.

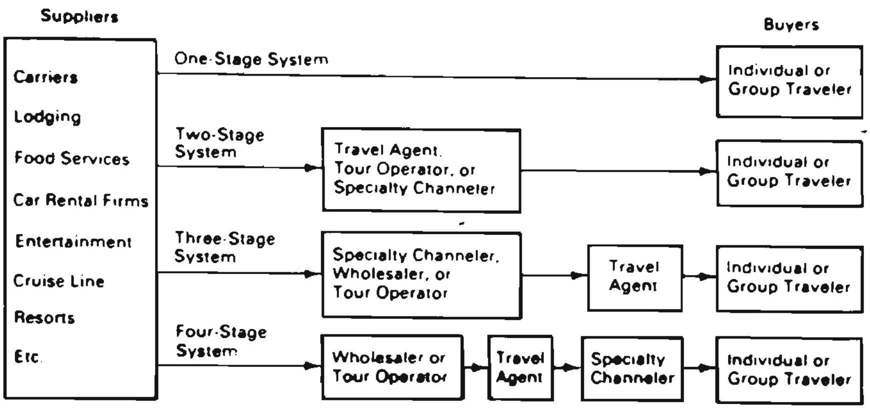
TOURISM DISTRIBUTION SURVEY

Please attempt to complete all questions by circling the appropriate response

SECTION A

Assessing present tourism product distribution channels in Australia.

1. Do you agree with the table below as being a representation of tourism product distribution channels in Australia ?.
   1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know



2. Pencil into the space below an alternative channel of distribution that you may be familiar with.

3. Indicate in the box's below the percentage of your product which you sell via the various intermediary outlets (view example). Please fill in percentages for present sales and also future sales.

EXAMPLE:

		Tour Operator	Tour Wholesaler	Travel Agent	Speciality Channeler	Direct to Customer	Total %
Supplier	Present	25%	30%	10%	10%	25%	100%
	Future	15%	20%	30%	10%	25%	100%

PERCENTAGE OF PRODUCT SOLD THROUGH INTERMEDIARIES

		Tour Operator	Tour Wholesaler	Travel Agent	Speciality Channeler	Direct to Customer	Total
Supplier	Present						
	Future						
Tour Operator	Present						
	Future						
Tour Wholesaler	Present						
	Future						
Travel Agent	Present						
	Future						
Speciality Channeler	Present						
	Future						

SECTION B:
A CHANGING ENVIRONMENT.

Statement: Information Technology including Computer Reservation Systems, smart cards, automated ticketing procedures etc., plus the introduction of airline deregulation will combine to substantially influence the channels of Australian Tourism Product Distribution.

The advancement of CRS technology and it's ability to provide endless amounts of information for the traveller may result in;

4. The Tour Wholesaler becoming a **less important** intermediary.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

Why?.____

5. The Travel Agent becoming a **more important** travel product intermediary.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

Why?____

6. In the not too distant future Suppliers, Tour Operators and Wholesalers will be required to invest in "electronic brochuring" so that their product may be sold effectively via computer screens.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

Why?____

7. Travel Agents will require a CRS system to remain competitive following deregulation because of constantly changing fares and conditions in the market.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

Why?____

SECTION C:
FUTURE DISTRIBUTION SYSTEMS
It is suggested that tourism distribution channels will be different in the future !

Possible scenarios;

8. Supplier / Tour Operator / Wholesaler → CRS → Airline owned/aligned travel agent, speciality channeler → Consumer

1.Strongly Agree 2.Agree 3.Disagree 4.Strongly Disagree 5.Don't Know

Comment____

9. Supplier / Tour Operator / Wholesaler → CRS → Consumer

1.Strongly Agree 2.Agree 3.Disagree 4.Strongly Disagree 5.Don't Know

Comment____

10. Can you outline a future travel product distribution channel in the space below?

SECTION D:
Agree or disagree with the following statements

11. Intending leisure travellers will always require Travel Agents to perform their travel arrangements.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

12. Technology and automation will result in Travel Agents losing their share of "minimum servicing products"

i). Car Hire
1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

ii). Travel Insurance
1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

iii). Travellers Cheques
1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

13. An increasing growth in telephone sales and direct marketing of travel product will alter channels of tourism product distribution.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

14. It is predicted that Australian domestic airlines will become less dependant on Travel Agents to distribute their product in the future, thus altering channels of distribution.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

15. The future role of the tour wholesaler in packaging product will diminish as CRS and electronic brochuring become increasingly established in the industry.

1. Strongly Agree 2. Agree 3. Disagree 4. Strongly Disagree 5. Don't Know

SECTION E:
Statement: **The channels of Australian tourism product distribution are influenced by various ownerships, vested interests and alignments within the industry.**

16. What do you know about the table below? How many additions do you think you can make to it?

AUSTRALIAN TOURISM OWNERSHIP AND ALIGNMENTS

Facilities Owned/ Aligned	Ansett	Qantas	Australian	Air NZ
Hotels/Resorts				
Coach Coy's.				
Hire Car Coy's.				
Tour Wholesaler		Jetabout		Jetset
Retail Chains (owned)				
Retail Chains (aligned)			Thomas Cook	
Speciality Channels (owned/aligned)				
CRS System preferred				Sabre
Other affiliations/ alignments				

17. Are you aware of any other studies on the topic of distribution, or other supporting documentation?
1. Yes 2. No

If Yes, please list and/or forward.

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SECTION F.
Contact Name:________________________
Organisation: ________________________
PH: ____________ FAX: ____________

Thankyou