

Chapter Four Outline

Bringing Travelers and Tourism Service Suppliers Together

- i. Quote: Theodore Levitt
- ii. Chapter Opener: One Stop Does It All!
- I. Introduction
 - A. Travel necessitates a variety of services
 - B. Goal of service suppliers is reaching, serving, and satisfying travelers
 - C. Chapter 3 introduces the variety of tourism service suppliers and how travelers obtain information about them
- II. Serving Traveler Needs
 - A. Thomas Cook is credited with being the first tourism intermediary, packaging tourism services and then selling the package to tourists
 - B. To attract business, tourism suppliers must provide prospective customers with information on which they will base tourism choice decisions
 - C. There are many alternative ways to provide information and services to prospective guests
 - D. Three types of distribution channels can be used
- III. Why Use Intermediaries?
 - A. Intermediaries make information and services widely available cost-effectively
 - B. They perform a variety of value-added functions such as:
 - 1. Provide information about types and availability of services
 - 2. Contact current and potential customers
 - 3. Make reservations and other travel arrangements
 - 4. Assemble packages of services
 - 5. Prepare tickets
 - 6. Bear financial risk by buying services in bulk for resale to individuals/groups
 - C. Intermediaries are frequently paid on commission (earn a percentage of service price)
 - D. May also charge customer modest fee
 - E. Intermediaries exist where they perform a necessary role more cost-effectively than the supplier could perform the same function
- IV. One-Level (direct) Distribution Channels
 - A. Simplest form of distribution, no intermediary between supplier and customer
 - B. Most tourism suppliers utilize one-level distribution channels as well as other levels
 - C. Purchase directly from the supplier; e.g., via 800 numbers or personal computer
 - D. The Internet is increasing the direct availability of information and purchase
- V. Two-Level Distribution Channels

-
- A. Intermediary between tourism supplier and tourist, either brick-and-mortar or via Internet
 - B. Cruise lines use travel agencies extensively
 - C. Travel agencies are the department stores of the travel industry
 - 1. Agents perform many of the functions mentioned in III(B) but do not take title to services and then resell (function #6)
 - 2. Flow of payment is from customer to agent to supplier, with the agent retaining the commission as payment for his/her service to both parties
 - 3. Agents may specialize by market segment (business travelers) or by supplier (cruise lines)
 - 4. Agents no longer limited geographically; compete with all other agents
 - 5. Travel agencies
 - a. Large can grant overrides, converting full-fare seats to discount fare seats when all discount seats have been sold out (called conversion ability)
 - b. Agency owners affiliate with large agencies by franchise or consortium
 - c. Internet agencies
 - d. Change in role due to Internet
 - 6. Small agencies
 - a. Trend toward agency alliances has not seen demise of small agencies
 - b. Majority of U.S. agencies have total sales of less than \$1million
 - c. In-house agents more competitive due to Internet
 - D. Improving service delivery through cooperative systems
 - 1. Agencies big and small use global distribution systems (GDSs)
 - 2. Via GDSs agents have on-line information about schedules, availability, and fares, and allow booking of some reservations and printing tickets
 - 3. Two airline GDSs; Sabre and TravelPort
 - 4. These GDSs are also used as databases/reservation systems for many other tourism services such as hotels and rental cars
 - 5. Two important cooperative systems for airline ticketing
 - a. Airlines Reporting Corporation (ARC)
 - b. International Airline Travel Agency Network (IATAN)
- VI. One-Level (direct) Distribution Channels
- A. Simplest form of distribution, no intermediary between supplier and customer
 - B. Most tourism suppliers utilize one-level distribution channels as well as other levels
 - C. Purchase directly from the supplier; e.g., via 800 numbers or personal computer
 - D. The Internet is increasing the direct availability of information and purchase
- VII. Two-Level Distribution Channels
- A. Intermediary between tourism supplier and tourist, either brick-and-mortar or via Internet
 - B. Cruise lines use travel agencies extensively
 - C. Travel agencies are the department stores of the travel industry
 - 1. Agents perform many of the functions mentioned in III(B) but do not take title to

-
- services and then resell (function #6)
 - 2. Flow of payment is from customer to agent to supplier, with the agent retaining the commission as payment for his/her service to both parties
 - 3. Agents may specialize by market segment (business travelers) or by supplier (cruise lines)
 - 4. Agents no longer limited geographically; compete with all other agents
 - 5. Travel agencies
 - a. Large can grant overrides, converting full-fare seats to discount fare seats when all discount seats have been sold out (called conversion ability)
 - b. Agency owners affiliate with large agencies by franchise or consortium
 - c. Internet agencies
 - d. Change in role due to Internet
 - 6. Small agencies
 - a. Trend toward agency alliances has not seen demise of small agencies
 - b. Majority of U.S. agencies have total sales of less than \$1million
 - c. In-house agents more competitive due to Internet
 - D. Improving service delivery through cooperative systems
 - 1. Agencies big and small use global distribution systems (GDSs)
 - 2. Via GDSs agents have on-line information about schedules, availability, and fares, and allow booking of some reservations and printing tickets
 - 3. Two airline GDSs; Sabre and TravelPort
 - 4. These GDSs are also used as databases/reservation systems for many other tourism services such as hotels and rental cars
 - 5. Two important cooperative systems for airline ticketing
 - a. Airlines Reporting Corporation (ARC)
 - b. International Airline Travel Agency Network (IATAN)

- c. Act as financial clearinghouses for airlines and agencies
- d. Due to decline of airline commissions as revenue source, agencies now striving to increase sale of other tourism services; e.g., hotel rooms

VIII. Three-Level Distribution Channels

- A. Add another level of intermediary such as tour operators to two-level channel
- B. Some travel agencies have entered tour packaging business

C. Tours

A package of two or more tourism services priced together

Four primary forms of tours; independent, foreign/domestic independent, hosted, escorted

Five major reasons for purchasing a tour

- a. Convenience
- b. One-stop shopping
- c. Cost-savings
- d. Special treatment
- e. Worry-free

Travel agents are primary sellers of tours

D. Dynamic Packaging

- 1. Bundling of all components chosen by traveler to create one reservation
- 2. One price/payment
- 3. Sell on value, features, and benefits; not lowest(commodity) price

E. Tour operators

- 1. Purchase tourism services in bulk and then mark up the price and resell in packaged form
- 2. Plan, prepare, market, and often operate vacation tours
- 3. Also termed tour packager or tour wholesaler
- 4. Many financial risks in the tour packaging business
 - a. Highly perishable product (once tour starts no more sales)
 - b. Services paid for in advance and if not sold cannot be “returned”
 - c. Services paid for (or prices committed to) far in advance so have risks due to inflation, foreign currency fluctuation, and unforeseen circumstances
 - d. Markup is often only 20%
- 5. Receptive service operator is local company that handles group’s needs while in its location

4. Consolidators and Travel Clubs

- 1. Consolidators buy excess airline capacity and resell at discounted prices
- 2. Travel clubs perform similar function for their members plus offer discounts on other tourism services

5. Event Planners

- 1. Organizations and individuals who plan, promote, and deliver meetings, incentive travel, conventions, and events (often referred to as MICE) bring together every component of the travel industry

2. Professionals in event planning must master skills in administration, design, marketing, operations, and risk management
 3. Table 4.5 lists meeting planner decisions
 4. Meeting planner must balance meeting costs with meeting attendee desires
 5. Incentive trip planners are basically tour wholesalers
 6. The objective of an incentive trip is to not only recognize top performers within a company or organization, but to also promote morale and motivation within the attendees
- IX. Tapping the Power of Multiple Distribution
- A. Internet is increasing the use of the direct channel by tourism suppliers
 - B. General result of Internet is that tourism suppliers have more channel options
- X. Tourism Boards and Other Intermediaries
- A. Popular use of blogs, sponsored and non-sponsored
 - B. Tourism offices provide general information about certain area; nation, region, state/province, city
 - C. Often operate tourist information centers and central reservations offices
 - D. Large cities have convention and visitors bureaus; small cities use chambers of commerce; both funded at least in part by local tourism service suppliers
 - E. These information sources periodically offer familiarization tours to tourism intermediaries, designed to promote sale of the area as a tourist destination
- XI. The Internet: It's Not One-Stop Shopping.
- A. Omnibus sites f Expedia, Travelocity, and Orbitz
 - B. Consolidator sites such as Hotel.com
 - C. Destination sites
 - D. Use of fam trips and trade shows to inform tourism intermediaries
 - E. Consumer trade shows such as ITB Berlin
- XII. Selling Adds a Personal Touch
- A. Most tourism suppliers have their own sales force
 - B. Often conduct missionary sales activities supplying information and brochures to other sales people and industry members to aid in their sales efforts
 - C. Personal selling is especially critical to travel agents and meeting planners
 - D. Personal selling involves discovering customer needs and matching those needs with the most satisfying services
 - E. Steps in the selling process
 1. Acquiring Product Knowledge -- gather knowledge useful to clients
 2. Approaching the client -- first contact with potential client
 3. Qualifying the client -- determining client's needs and whether have service to fulfill those needs
 4. Making the sales presentation -- present benefits of service that fulfills client's

- needs
- 5. Closing the sale – responding to objections and booking the sale
- 6. Following up – service after the sale builds client loyalty
- 7. Building relationships – professional behaviors when dealing with clients, time and time again
- 8. The use of social media influences value creation both for customers and salespersons

XIII. Summary

You Decide

Major Topic: Familiarization Trip: Yes or No?

Suggestions for In-class Discussion:

Ask students to outline the situation of the case. Is this a familiarization trip? Why or why not?

How might Brenda benefit from this trip? How might she be harmed? In other words, what are the future dangers of accepting the invitation?

What might John Smithers expect from Brenda in the future?

Does a business relationship warrant this invitation? Why or why not?

Note: You may find that male students tend to respond differently than female students to this You Decide. An interesting exercise is to reverse the gender of the two main characters to see if students think the same way when the roles are reversed.

Discussion Questions

1. Describe how services are different from goods.
 - Services are actions, goods are material objects.
 - Services are often accompanied by facilitating goods which support the service.
 - Differences between goods and services:
 1. Services are intangible: Actions not objects
 2. Services are highly perishable
 - a. Cannot be inventoried (airplane seat once the plane has left the gate)
 - b. Revenue potential perishes with passage of time
 3. Customer is often active participant in producing the service (salad bar)
2. Explain the functions of intermediaries in tourism distribution channels.
 - Intermediaries make information and services widely available cost-effectively.
 - They may perform a variety of value-added functions such as:
 1. Provide information about types and availability of services
 2. Contact current and potential customers
 3. Make reservations and other travel arrangements
 4. Assemble packages of services
 5. Prepare tickets
 6. Bear financial risk by buying services in bulk for resale to individuals/groups
 - Intermediaries exist where they perform a necessary role more cost-effectively than the supplier could perform the same function.
3. What are the differences in one-level, two-level and three-level tourism distribution channels?

The One-Level (direct) Distribution Channel is the simplest form of distribution; no intermediary between supplier and customer. Most tourism suppliers utilize one-level distribution channels in addition to other levels. Consumers may purchase the service directly from the supplier via 800 numbers or personal computer.

The Two-Level Distribution Channel involves an intermediary between tourism supplier and tourist. This is the most common form of tourism service distribution, and the travel agent is the most commonly used intermediary. Travel agencies are the department stores of the travel industry.

The Three-Level Distribution Channel has two intermediaries between the tourist supplier and the consumer. Often the two (or more) intermediaries include a tour operator and a travel agent.

4. Why have travel agents remained an important link in the distribution of tourism services?

Agents perform many functions; most importantly they match suppliers and consumers by providing information and counseling to prospective travelers. A significant portion of most travel service reservations are made through travel agents.

5. How has the Internet changed the distribution of travel services?

Traditional channels of distribution of tourism services have evolved to incorporate Internet technologies. As travelers have become comfortable with information technology and the power of the Internet, they view it as a do-it-yourself means to search for tourism service information and for the booking and purchase of travel services.

6. Explain the functions of tour operators and wholesalers.

Tour operators and wholesalers purchase tourism services in bulk and then mark up the price and resell them in packaged form. Among their specific functions are to plan, prepare, market, and often operate vacation tours. They also bear some of the financial risks in the tourism business by purchasing blocks of a service in advance which if not sold cannot be “returned.”

7. How is information about tourism services made available to the traveling public?

The traveling public has many ways of obtaining tourism service information including:

- Direct contact with tourism suppliers concerning their offerings through 800 numbers, web sites, etc.
- Visiting/contacting a local or online travel agent
- Contacting organizations such as convention and visitors bureaus and/or national, state/provincial, or local tourism offices/chambers of commerce
- Visiting social media sites
- Miscellaneous other sources such as travel clubs

8. Why have personal selling skills remained important for tourism services professionals?

With the commoditization of many tourism services that has been brought about by widespread Internet access, personal selling skills have become more important than ever. Individuals with extensive product knowledge and the ability to identify and meet customer needs can differentiate their offerings taking them from order taker to problem-solver status.

Additional Short Answer Questions

1. Why would tourism service suppliers consider using intermediaries?
2. How can travel agencies successfully compete in today’s competitive tourism environment?

3. Describe the components that would be brought together to create a successful escorted tour.
4. Describe how tourism suppliers can successfully tap the benefits of dual distribution channels.
5. Explain the meaning of the statement, “Effective salespeople are more than just order-takers.”
6. Explain how and why a salesperson should qualify a client.
7. Even though you may never hold a sales position, why is it important to learn the basics of personal selling?