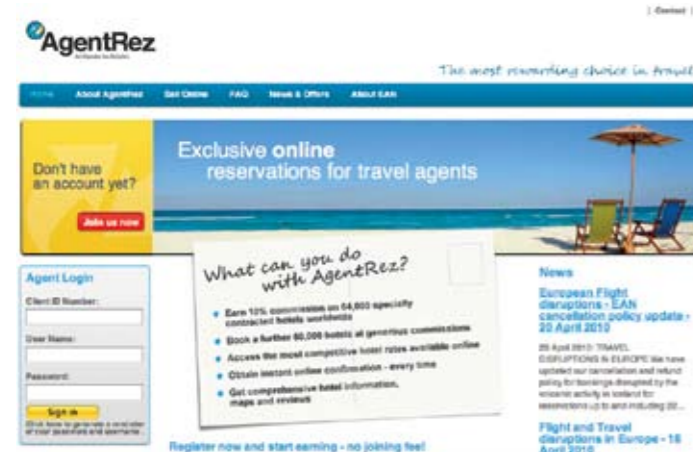


RETAIL VS. VIRTUAL: THE FLIGHT OF THE TRAVEL AGENT

Despite the growth of online bookings, traditional travel agents are still fighting for their share of the market

BY CATHERINE MONTHIENVICHENHAI



clicks of the mouse to call up a host of flight, accommodation and tour options, compare prices and check out user reviews, why would you even bother stepping out of your front door?

In the UK and the US, at least, evidence suggests that many traditional travel agents are being squeezed out by the convenience of the online world. A recent survey in the UK by HolidayExtras.com found that only 16% of Brits want to book face-to-face with an agent as online bookings dominate, while only 5% said they are influenced by an agent's advice, compared to last year's 12%.

In the US, meanwhile, the number of 'brick and mortar' travel agents has fallen from 37,000 in 1995 to 18,000 today, according to the American Society of Travel Agents.

But is this same shift from offline to online taking place in Asia Pacific? According to Jens Uwe Parkitny, Managing Director of the Expedia Affiliate Network APAC, Asia Pacific is currently experiencing a trend witnessed

It often takes a crisis for people to realise the value of something. That was certainly the case during April's lengthy closure of large sections of European air space due to lingering ash clouds from Iceland's erupting Eyjafjallajökull volcano. Millions of passengers around the world were stranded as flights in and out of Northern Europe were grounded for over a week.

Those passengers who'd booked their flights independently via online travel sites were left to their own devices, forced to re-book tickets, find accommodation and/or alternative means of transport to get home. Those who'd used the services of a travel agent, however, had a less stressful experience. For these lucky travellers there was someone at the other end of the phone who could do as much booking and re-booking of flights and accommodation as they required; someone who, with years of travel industry knowledge, could find an alternative route home, or help their client find accommodation that suited their budget and needs on short notice.

In a recent interview with Travelagentcentral.com Billy McDonough, President of Liberty Travel – an agent with more than 160 leisure travel shops in the US – explained that they did everything they could to help passengers stranded during the volcanic ash crisis. They even received calls from people who hadn't originally booked with them. "Obviously, we do everything we can to help anyone who calls us. Flying was completely out of the question from some airports, but we were able to assist many travellers in finding affordable accommodation. They may not be able to get home, but at least they can be comfortable and maybe even enjoy a few days in the city they happen to be in," Mr McDonough said.

He noted that some travellers were willing to explore other means of getting home, such as a cruise ship or travelling overland to an airport where flights were operating. These were all options Liberty Travel's agents were well-prepared enough to handle.

Travel agents may be best placed to help clients out in a crisis, but is this enough to ensure their survival in today's increasingly digital world? With the ability to search, book and review travel online, there has been much talk about the future of retail travel agents. If all it takes is a few



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in Europe a few years back when marketing campaigns from low cost carriers drove people to their websites and, indirectly, to other online travel agents to book flights.

“And as more people turn to book flights online, less will use a traditional retail agent. In this context, the question must be asked: how much value can a traditional agent still add to a simple flight or hotel booking process?” he asks.

Robert Khoo, CEO of the National Association of Travel Agents Singapore (NATAS), says that the number of online bookings has certainly increased (within Singapore from 2-3% of all bookings five years ago to 15-20% now), however, he says there still remains a degree of uncertainty about booking travel online. “People worry whether there will really be a room for them when they arrive,” he explains.

Robert Bailey, Abacus International President and CEO, says that it is still a typical phenomenon in some Asian markets for travellers to check and research online and then book offline. He explains that several factors contribute to this, including the familiarity of the destination, language barriers as well as personal preferences.

In India, says Zubin Karkaria, CEO & Managing Director, Kuoni India & South Asia, travellers also have security concerns about online payments, while most simply feel more comfortable sitting across the table with travel counsellors to finalise their itinerary.

“Travel in India is still relatively complex compared to developed markets; travellers need a host of related services such as visas, insurance, foreign exchange, car transfers, clearing of airline bookings, as there is always a capacity-crunch in peak periods or for lower-fare classes, and that is one more reason why they prefer to deal with brick-and-mortar tour operators or travel agents,” he comments.

Another contributing factor in India, says Mr Karkaria, is that the Group Tour (GIT) segment still accounts for a significant share of the leisure travel market, which involves travel agents/tour operators planning complex itineraries.

Nevertheless, many in the industry believe that it is question of when, not if, the Asia Pacific region fully embraces online travel.

“Market research data from various sources suggests that internet penetration as well as online travel penetration continues across all Asia Pacific countries. Though the penetration speed might vary from country to country, the overall trend is very clear. It is therefore just a question of time before more consumers in the region turn to the web to book their travel,” comments Expedia's Jens Uwe Parkitny.

However, he says that where offline agents will continue to add value is when customers have to deal with more complex bookings, which go beyond a simple flight and hotel.

Brian Tan, Founder and CEO of Zicasso – a website that connects customers with travel agents to help them create their ideal trip (see box out), is of a similar opinion. “When a trip is both complex and clients have more money than time, that's the segment of the market that will always have a role for travel agents.

“For such trips, no matter how much information and technology is available online, there are simply so many components and decisions to make that it will take lots of time for clients to plan/book such trips themselves... and luxury clients value their time highly, so they would prefer to ‘outsource’ trip planning to a specialist,” he adds.

As a result, says Ram Badrinathan, General Manager Asia Pacific & Vice President of Learning Solutions at PhoCusWright, many travel agencies have turned their focus to the package and cruise market, because travellers are more inclined to seek out agent guidance for such bookings as they represent a more expensive and complex purchase.



(Opposite) Robert Khoo. (Above) Pictured at Machu Picchu, Brian Tan is of the opinion that agents need to remake and rebrand themselves as 'travel specialists'.



According to Abacus' Robert Bailey, the adoption of technology gives travel agencies a competitive edge in terms of increased front and back office efficiencies, and a reduction in key process through automation

"AgentRez.com enables agents to research and book the widest choice of hotels, destinations and travel products at great rates that customers would find online. We provide real-time rates and availability to agents, with instant booking confirmation and no strict cancellation terms," explains Jens Uwe Parkitny, Managing Director of the Expedia Affiliate Network APAC.

Despite such tools, Mr Parkitny says that traditional travel agents cannot ignore the online world.



Simply focusing on certain segments of the market, however, is not enough to survive in today's consumer-led market. Travel agents need to specialise, argues Zicasso's Brian Tan.

"They should really call themselves travel specialists. Pick the market segment(s) that you are passionate about and can get to know thoroughly. This is the only way to become an expert and clients will primarily buy from you because of your expert knowledge," he says.

With such small profit margins, however, having the right business approach is not a guarantee of success. Offline travel agents also need to develop processes that allow them to build complex custom itineraries, pricing and other operational processes efficiently. According to Abacus' Robert Bailey, the adoption of technology gives travel agencies a competitive edge in terms of increased front and back office efficiencies, and a reduction in key process through automation. "In the last Abacus Asia Travel Sentiment Survey (Feb 2010), 30% of travel agents surveyed indicated that technology investments have sustained their business during the economic downturn last year and they are likely to continue with this investment," he comments.

He adds that they saw an increase in the adoption of front, mid- and back office solutions such as Abacus PowerSuite, which improves both agency productivity and the quality of service delivered through tight integration between the agency Point of Sale (POS) and the mid and back office data. "Already, Abacus PowerSuite customers are reporting an increase in productivity by almost 50%," says Mr Bailey.

Meanwhile, Expedia offers a web-based platform – AgentRez.com – which allows traditional agents to access the online travel giant's global inventory.



"The most successful traditional travel agents – and I am thinking of examples from Singapore – have already established an online presence and are about to converge their online and offline services – to meet their customer needs," he explains.

Abacus' Robert Bailey says that 30% of travel agents surveyed in the last Abacus Travel Sentiment Index (Feb 2010) indicated that allocating more resources to online travel had brought about improvements to their business.

"Over 71% of those who currently do not have any online presence is seriously thinking of setting up one this year," he adds.

Not everyone is quite so convinced. Zubin Karkaria, of Kuoni India and South Asia, says that while they use their website aggressively for information and promotion purposes, they only offer limited online booking options.

Meanwhile, Robert Khoo of the National Association of Travel Agents Singapore says that, despite the fact 94% of their members already have a website, the next step of adding a booking engine is not as straightforward.

"The main problem with travel agents going online is not the lack of technical know-how, but as 'middle men' they have to absorb the high cost of online transactions. Airlines and hotels own the product so they can afford the 2-3% credit card fee, but travel agents operate with very small margins and that 2-3% is a lot. But things are moving in the right direction with alternative payment options being explored," he explains.

Whether they remain offline, or combine their traditional business with online capabilities, brick and mortar travel agents are no longer the staple of the tourism industry they once were. If they are to survive, they need to evolve their business to meet today's increasingly consumer-led world. "Travel is a highly fragmented marketplace and individuals have varied interests and expectations," says PhoCusWright's Ram Badrinathan. "With the support of technology, personalised service and goodwill, a traditional agent can take on the online world."

(Opposite page above) Robert Bailey believes that the future of the retail travel agent will depend on the survival of the tech-savviest.

(Opposite page below) Zubin Karkaria says that the complications of travelling in India, and the prevalence of group tours, means there is still a place for 'bricks and mortar' travel agents.

(This page) The human touch is still a great comfort in times of strife.

Narrowing the search

Aiming to connect discerning travellers with top travel specialists, Zicasso is one of a handful of marketplace-style websites offering an internet-based solution for traditional travel agents.

"By filling out a simple form to describe their trip, travellers can now be easily matched with up to three top specialists —specialists that have been thoroughly vetted by us and have ratings and reviews from other travellers," explains Founder and CEO, Brian Tan.

In addition, he explains that Zicasso works closely with all of their travel partners to provide advice and guidance on areas such as sales skills, operations processes and website design. "In personalised training programs, we share the best sales and operational processes as well as feedback on agents' websites....all with the goal of helping them increase sales conversion."

He says their biggest measures of success are the large number of positive reviews they've received from travellers and the successful business reported by Zicasso's travel partners.

"Many of our partners tell us that Zicasso is now their primary and preferred lead source; some agents are working full time on Zicasso leads," he adds.