

**Industry Report:
Expanding Your Business – Utilizing Travel Agents**

**Presented by:
NTA's Research & Development Council
April 2002**

In this post-Sept. 11 economy, companies in the travel industry are looking for any opportunity to expand their scope and attract new business. While not a new outlet, travel agents do offer a new opportunity for many NTA tour operators. The recent move by almost every major airline and, most recently, rental car companies to suspend commissions has made the travel agent community – like many other segments of the industry – begin looking to other means of revenue generation. Therein lies the opportunity for NTA tour operators to capitalize.

Although the hit to the travel agency world is not as devastating as many in the industry press would report, it has definitely hurt. Many agencies did not look to airline commissions as their bread and butter, but it was a large part. According to William Maloney, executive vice president and CEO of the American Society of Travel Agents, airline commissions have totaled fully half of agent revenues with rental cars accounting for about 10 percent. They sold other items such as cruises and hotels. Those agencies may feel a bit of a sting by the commission cuts, but they won't be closing their doors. According to Maloney, 30 to 40 percent of the typical travel agent's income comes from cruise and hotel bookings.

But there are many agents who had never expanded their business, had not looked for other outlets in which to make money and are seeking such resources now. With most agencies looking to replace as much as 60 percent of their overall revenue, the idea of selling tours and packaged travel is much more appealing. With cruises, the business has remained for the agents because many cruise passengers are booking for the first time and want the guidance.¹ Selling tours can be a similar form of steady income for a travel agents and an outlet for tour operators to find new business that, prior to now, may never have been realized.

Travel agents and tour operators working together can create a win-win situation. The tour operator has product ready to sell, offering the agents and their clients convenience, choice, consumer protection through the Consumer Protection Plan and, perhaps most importantly for agents, commissions. Agents, in turn, have clients who – similar to cruising – want to take a tour or an independent packaged vacation, have never done that before and trust their agent and his or

¹ *Travel Advance*, "Cruise Lines, Hotels, Need Travel Agents," April 10, 2002.

her expertise to find the right one for them. This translates to new business for the tour operator that they may not have found otherwise.

While many argue that travel agents are becoming an unnecessary middleman with the Internet and the “do it yourself” attitude of today’s consumers, agents are doing everything they can to combat that idea and positioning themselves as travel experts. Redefining themselves as travel specialists has spawned a trend of self-appointed experts in everything from fly-fishing to archaeological digs.² While agents are working to make themselves indispensable to consumers and the source for travel advice, tour operators can capitalize on the dollars being spent by large agencies, such as American Express, who launched a nationwide campaign on May 1 to build consumer awareness of the value of travel agents. As the large companies work to drive the consumer back to travel agents, the tour operator can be educating agents on selling packaged travel. Add to that ASTA’s most recent plans to launch a broad-based nationwide consumer-awareness campaign that has been described by ASTA president Richard Copland as a “grassroots effort that would involve affordable ad placements in local markets, public relations project and other elements meant to ‘get the public talking about the value of using an agent.’”³

There are any number of travel agent publications that routinely come to NTA for content. While NTA is always happy to provide these publications with articles on ways to partner with NTA tour operators, operators can look to these publications for editorial and/or advertising opportunities and to educate themselves on what agents are discussing and what they need in a partner. *Travel Trade*, *Travel Weekly* and *Travel Agent* magazines all monitor the industry from the agent’s perspective and can provide a great deal of insight into the agent community.

In addition, many NTA tour operators who currently work with agents have offered several ideas on the best ways in which to partner with agents. Naturally, commission incentives top the list. The following are some ideas tour operators can consider when working with agents:

- Offer commissions based on volume
- Offer higher commissions for agents who book pre-arranged packages
- Bonus commissions for booking online
- Provide the package and collateral materials to the agents, allowing them to brand the trip themselves instead of selling it under the tour operator’s name
- Agreements not to directly market to clients who are booked through agencies in order to secure the business themselves
- Offer independent vacation packages to capture a greater share of the agents’ customers

² *Travel Advance*, “Travel Agents Turn Specialists,” April 17, 2002.

³ TWCCrossroads.com, “ASTA to Fund Consumer-Awareness Campaign,” May 9, 2002.

As with the consumer, many agents also had the “do it yourself” attitude. They now are understanding that not only is there money to be made by partnering with tour operators, it is an easy and convenient way to offer packages to their clients without having to do all of the footwork and at a much lower overall cost. NTA tour operators should use this point to educate the agent community on the advantages of selling their tours.

There are many ways to educate agents and develop lucrative relationships. Some ideas include:

- Attendance at travel agent trade shows
- Host local agents for a travel fair at your own company – not only show the agents the various product lines offered but how they can make money by partnering with you
- Work with travel agent organizations such as ASTA or ARTA – these organizations can provide a great deal of information on agents, their priorities and their needs. Tour operators also can look to such groups for mailing lists for direct-mail or e-mail promotions
- Send information on unique, specialized itineraries to agent publications along with information on commission structure – these will often be printed in the magazines.
- Permission marketing – utilize the theories behind permission marketing to create a database of agents in which you can develop great partnerships. For more ideas on utilizing permission marketing, see the industry report released in October 2001
- Create an agent-only area on your company’s Web site where interesting new tours and other activities of interest to agents can be posted
- Develop an agent newsletter to promote new commission scales, special offers, etc.
- Offer 24-hour help and/or customer service lines

A tour operator who works with group leaders or other outside sources of business can take past ideas and translate them to the travel agents. One can even take consumer marketing ideas, tailor them to the agent community and start developing those relationships.

Summary

According to the 2002 Forward Together survey, tour operators report that only 9 percent of their sales volume comes from working through travel agents. That is a decrease from the 2000 Tour Operator Profile, where sales volume through travel agents was reported to be at 11 percent. However, a search performed on NTA Online for tour operators who offer commissionable packages shows that 60 percent of operators do. Those two figures show that although tour operators are

offering the commissions, they're not really working the travel agent market to the fullest.

In this new economy, everyone is searching for ways to obtain new business. The recent developments in the travel agent community has made them much more aware of packaged travel which opens a door for NTA tour operators who might wish to give the agent avenue a try.

Even agents, many of whom had a narrow focus, are understanding the need for other travel products that offer commissions and new sources of both funding for them and experiences for their clients. As illustrated with the cruise industry, selling tours can insulate agents from such devastating economic trends like the ones many are seeing with airlines and rental car companies. The agent community now understands this, making now the opportune time for tour operators to extend their sales force through the use of travel agents.