DISTRIBUTION CHANNELS - THE TRAVEL AGENT

BY

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A thesis submitted in fulfilment of the requirements for the award of the Degree of Master of Philosophy.
SUMMARY

DISTRIBUTION CHANNELS - THE TRAVEL AGENT

The primary aim of the thesis is to "examine the role of the travel agent as a distributive channel for the travel and tourism product" and to challenge the notion that "direct marketing linked to new technology will reduce the need for them". The hypothesis is therefore that "the travel agent has a secure future to the Year 2000".

The choice of topic came about as a result of the author's experience in the travel business, subsequent teaching of travel and tourism to both further and higher education students and recommendations from the University.

The thesis identifies and distinguishes the major players in the industry within a distribution framework, defines their role and function and quantifies their markets. To appreciate the present day industry structure, an historic overview is given. Distribution options for each product area is investigated with evidence from suppliers on channel effectiveness and efficiency. The work is underpinned and related to travel by a review of current literature on distribution, retailing theory and consumer behaviour. Supplier/agent/customer relationships are examined, linked to new technological developments.

The investigations have revealed that the travel agent operates within a distribution system similar in many ways to those found in other manufacturing and services industries though they are fundamentally not retailers. Their channel enjoys having the lion's share of the major travel products. They exist because of the historic need from suppliers and consumers for a convenient place to transact business. Distribution channels are different for each product area and can be complex. On balance, although expressing some dissatisfaction, suppliers found the agent the most efficient and cost effective way of getting the product to the consumer. They did not believe that direct marketing and new technology would change supplier/agent relationships in the 1990s.
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<td>ABC</td>
<td>Advance Booking Charter</td>
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<tr>
<td>ABTA</td>
<td>Association of British Travel Agents</td>
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<tr>
<td>AITO</td>
<td>Association of Independent Tour Operators</td>
</tr>
<tr>
<td>ATRF</td>
<td>Air Travel Reserve Fund</td>
</tr>
<tr>
<td>BEA</td>
<td>British European Airways</td>
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<tr>
<td>BOAC</td>
<td>British Overseas Airways Corporation</td>
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<tr>
<td>CAA</td>
<td>Civil Aviation Authority</td>
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<tr>
<td>CAB</td>
<td>Civil Aeronautics Board</td>
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<tr>
<td>CRS</td>
<td>Computer Reservation System</td>
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<tr>
<td>CTAC</td>
<td>Creative Travel Agents Conference</td>
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<tr>
<td>EDI</td>
<td>Electronic Data Interchange</td>
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<tr>
<td>EEC</td>
<td>European Economic Community</td>
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<tr>
<td>EFTPOS</td>
<td>Electronic Funds Transfer at Point of Sale</td>
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<tr>
<td>GDS</td>
<td>Global Distribution System</td>
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<tr>
<td>HMSO</td>
<td>Her Majesty's Stationery Office</td>
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<td>IATA</td>
<td>International Air Transport Association</td>
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<td>ILG</td>
<td>International Leisure Group</td>
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<td>IT</td>
<td>Inclusive Tour</td>
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<tr>
<td>ITA</td>
<td>Institute of Travel Agents</td>
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<tr>
<td>ITPS</td>
<td>Interactive Transaction Processing Systems</td>
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<td>ITT</td>
<td>Institute of Travel and Tourism</td>
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<td>ITX</td>
<td>Inclusive Tour Fares</td>
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<td>MMC</td>
<td>Monopolies and Mergers Commission</td>
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<td>NAITA</td>
<td>National Association of Independent Travel Agents</td>
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<tr>
<td>OPEC</td>
<td>Organisation of Petroleum Exporting Countries</td>
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<tr>
<td>PC</td>
<td>Personal Computer</td>
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<td>RPM</td>
<td>Retail Price Maintenance</td>
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<td>TOSG</td>
<td>Tour Operators Study Group</td>
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<td>TTG</td>
<td>Travel Trade Gazette</td>
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<td>TTI</td>
<td>Travel Technology Initiative</td>
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<tr>
<td>VDU</td>
<td>Visual Display Unit</td>
</tr>
<tr>
<td>VFR</td>
<td>Visiting Friends and Relatives</td>
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1. **Reasons for Choice**

The idea to complete this thesis came about as a result of a number of factors. First and foremost I wished to improve my academic qualifications and encouraged to do this by my employer, Durham County Council. Second I hoped that the study and work would greatly enhance my teaching input and expertise in the area of travel and tourism. Finally it was to be a subject area in which I had an intense personal interest.

Once the mechanics of the course were put into place, serious thought had to be given as to the actual topic which was to be the focus of the research. The travel business is wide and complex with a multitude of problematic issues embracing many industries. The parameters of study would have to be closely identified or there would be a risk of not being able to do the subject justice. My personal background and experiences seemed to be the key to choice.

Before entering education I was employed for some 11 years in the industry within the travel agency sector. During this time I often came across criticism both within work and outside as to the value and purpose of being a "travel agent". For example, an acquaintance of mine often said that he would never deal with an agent, preferring the excitement of putting together his own travel arrangements. If he could do this, what was the purpose of travel agents? In his opinion they were simply order takers, middlemen in the chain of distribution, taking out a commission, making the purchase more expensive. They could be dispensed with and in his words "were as obsolete as the corner grocery shop".

Being employed as a travel agent I found this unsettling and began to think of reasons to "justify the existence of agents". Why were they there, what advantages did they bring to suppliers of the travel product and consumers? Would the world be a better place without them?
During the late sixties and early seventies, the UK agency sector was attacked by new and powerful direct sell tour operators who cut out the travel agent, passing on the saving in commission to the consumer in the form of cheaper prices. They made no secret of the fact that they considered travel agents to be surplus to requirements and costly to the consumer. These developments at the time seemed to undermine the whole distribution system developed within the UK travel industry. As a practising travel agent it was a very worrying scenario.

On entering education, the subject of travel agency operation has been a key element of my teaching and for students, agencies provided the prime source of first destination employment opportunities. It would be difficult to guide, advise and promote the sector to young people if I had serious misgivings about its role, value and future. This research therefore gave a valuable opportunity to find some answers to these questions.

Finally, in this personal overview of the rationale for choice, it would be the influence of my original supervisor, Victor T. Middleton. As a leading authority in travel marketing he suggested that a focus on distribution, aimed at the travel agent, was a gap in publications to be filled. It would be beyond the scope of this thesis to expect an investigation into the whole distribution system of all sectors involved in the total travel and tourism industry. He himself was sceptical about the need for an agent within the chain as expounded in his recent book, "Marketing for Travel and Tourism". In his epilogue he states the following: "Retailers will endeavour to close their ranks to defeat the actions of Principals who resort to direct selling, but the balance of advantage appears likely to swing towards these alternative channels, given their many advantages and cost saving potential". (Middleton, 1988)

It appeared to me therefore, at the time of topic selection, that the position of the travel agent as a major channel of distribution was in some doubt with conflicting arguments emanating from both industry leaders and academics. But what was the real truth behind these stories, were there any foundation to them or pure speculation? Considering the historical development of the travel agency, the thousands of jobs they now support and public acceptance they have
it seemed inconceivable that they could disappear from the high streets, yet that seemed to be what was being suggested. My objective was therefore clear as expounded by the following hypothesis which sets out to prove that:

"the retail travel agent has a secure future as a distributive system for the travel product"

2. Thesis Format and Referencing

It is intended that the thesis should evolve as a story of the travel from its early beginnings to its present day role. Initially the focus is one of "setting the scene" by placing the agent into an industrial context within the marketing chain of distribution, then comparing the roles of the players within the chain. For example, there has been great debate about whether or not the travel agent is a retailer in the true sense and should a tour operator be likened to a wholesaler? It is important that the reader appreciates the parameters of the study, therefore an overview of the market within which the agent operates, is given together with its size.

To understand the present day role and function of the travel agent it is necessary to appreciate the historical development that has taken place which is so closely linked to advances in transport and accommodation services. Only when this is done can attention be turned to the distribution system that now exists and the options that suppliers have in getting their products to the consumer. A cross-section of evidence was sought from leading suppliers on these options, the advantages and disadvantages and the performance and future of travel agent. Many of the interviews touched on issues of a highly sensitive commercial nature and to some interviewees, an assurance of confidentiality was given. In some instances therefore there is no direct quotation, but rather an overview of all the comments made by a specific industry sector.

There had to be a format whereby the reader could distinguish between interview quotes, where permitted by the interviewee, and textbook, journal references etc. To overcome this problem any quotation from interviews will be followed by (*Interviewees name, date).
As with all work of this nature it is essential there is a substantial element of "academic underpinning" and in this case it was thought best that it could be achieved by an examination of the concept of distribution channels and their relevance to the travel business. Therefore, a number of marketing works have been examined and references to channels of distribution isolated. In an attempt to answer the question of a travel agent being a retailer, aspects of the modern day retailing practices are examined and related to travel.

As the story unfolds it was thought appropriate that a whole Chapter should be devoted to the travel agency industry outlining its present structure, problems and issues of the day. In particular emphasis is given to the new role of marketing that the travel agents themselves have embarked upon in the last decade. New innovations such as preferred operator selection, the holiday credit card clubs, and phonecentres have been brought about partly due to the growth of the sector, both in size and power and excessive competition. Supplier opinions are discussed and so too are the responses given by the agents themselves.

New technology can be both complex and confusing to agents yet it is essential that systems are installed into shops to meet the challenges of the future. In hard economic times, cost inhibits and delays investment, pressure comes from technology suppliers anxious to enrol agents into their systems. The spectre of "home buying" and sales through independent computer machines located at non-travel points are said to be a most serious potential threat to the future existence of agents, but is this really so? The thesis attempts to address these issues and come to conclusions about the travel agents viability and prospects to the year 2000.

3. Acknowledgements

In the initial stages of this work the ideas and support of Victor Middleton, Supervisor at the University of Surrey and nearer home Norman Richardson, Chairman of ABTA National Training Board were invaluable in providing the focus of study. When Victor left the University I was grateful to be placed in the professional and expert hands of Professor Steve Wanhill, a leading authority on Tourism
matters both in the UK and abroad. His advice and guidance has been much appreciated.

To all those in the travel industry who gave up their valuable time to speak to me in person on the issues raised in the work, I give my grateful thanks. Their openness and frank opinions have provided a unique insight into the workings and business relationships within the industry, thus providing me with the opportunity to produce something new.

Finally my thanks go to my employer, Durham County Council, and New College Durham for granting me a full year's secondment for research and the support in time and money to complete the three year programme. There is no doubt in my mind that it has had a profound effect on my perceptions of the industry, thus improving my understanding of the subject and consequently my delivery to students of tourism.

M B RENSHAW
June 1991
CHAPTER 1 RESEARCH AIMS, CONCEPTS AND DEFINITIONS

This chapter attempts to "set the scene" by acquainting the reader with the aims and objectives of the study as set out at the beginning of the work in 1988. The methodology adopted is also given to show the reader the variety of sources used. In order to fully understand the content of the work to follow it is necessary in this first Chapter to state and explain the basic concepts and definitions surrounding the activities of the UK travel agent. For example, the distribution framework, agency role and function, types of agency etc. A breakdown of the travel market that agents are involved in gives the reader a notion of the dimensions and value of the business available, major product areas and agency shares. Finally an overview of the reasons for agency development is given. A review of the research programme, its problems, difficulties and resulting changes to the original ideas are given in Chapter 7.

1.1 ORIGINAL AIMS AND OBJECTIVES

The following is a summary from the original aims and objectives that were written in the synopsis for the thesis dated September 1988:

The primary aim of the research will be to "examine the role of the retail travel agent as a distributive system for the travel and tourism product".

There has been relatively little research done on the UK retail travel agency sector, yet it was estimated that in 1987 the total turnover was in the region of £586m with over 7,000 outlets. (Mintel, 1988g). Thousands of people rely on this sector for employment and it is a major form of distribution for suppliers of the travel product. For example, approximately 87% of all inclusive tour package holidays sold in the UK were via the travel agent.

Compared to many industries, the travel agency sector is relatively new, as before World War II only a handful of organisations existed such as Thomas Cook, Lunns, Frames
and American Express. Today the Association of British Travel Agents has over 3,000 retail agency members with over 7,000 branch offices. This meteoric rise is poorly documented and therefore one aim of the research is to produce a concise, post-war, historic overview.

The suppliers of the travel product, known in the trade as the "Principals" of the travel agent, can exercise choice in the way their products are distributed to the consumer. What are the factors that influence that choice and what advantages and disadvantages derive from each channel available to them? Opinion from the major suppliers of travel agents was to be sought on major areas for concern and the possible future role agents may play. Are they to be replaced by direct marketing techniques as predicted by a number of academics?

The selling of travel has many similarities with other high street retailing activities in goods and services and there already exists a large body of knowledge in marketing and related issues such as distribution management. However, very little in the way of academic research has been given to the application of marketing principles and in particular the theory and concept of distribution channels to travel. The critical review of previous work in this area can therefore only be applied to retailing and distribution in general terms and then to attempt to illustrate its application to the retail travel sector.

The ever increasing number of travel retailers has dramatically intensified competition over the last decade. The sector has become divided into three distinct groups, national multiples, regional multiples and small independents. Why is this so and who will win the battle for supremacy between these groups? Aggressive marketing policies have been adopted unheard of ten years ago such as discounting, low deposits, incentive offers, direct response and financial links with credit card organisations. How did this change come about and how do suppliers feel about it?
Technology now affects the daily lives of everyone and the travel and tourism business is no exception. The suppliers, especially airlines, have pioneered technological advances in respect of reservation and automatic ticketing machines. UK travel agents have been the largest users of British Telecom's Prestel Viewdata service. Direct purchase of travel products at transportation terminals and home buying is seen to be a major threat to the existing travel agency distribution network. But is it? The research will identify existing systems, review development and application and predict likely impacts.

The overall aim of this thesis will therefore be to "provide the reader with a new and unique view of the current state of the travel agent as a distributive system. To challenge the proposition that direct response marketing and new technology will eliminate the need for travel agents. To underpin the analysis with theoretical and empirical evidence and to give a prognosis for the future".

Based on the aims and objectives outlined above the proposed hypothesis for this work is:

"The retail travel agent has a secure future as a distributive system for the travel and tourism product".

1.2 THE DISTRIBUTIVE FRAMEWORK

In understanding the place of the travel agent within the distribution framework, it is useful to compare that framework with that of other industries involved in the supply of goods and services. This distribution framework is often referred to as "the chain of distribution" or a "distribution channel". Basically it is the route taken by the product from its origin with the manufacturer or supplier to the end consumer. As Middleton (1988) proposes "A distribution channel is any organised and serviced system, created or utilised 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".

Figure 1 shows a very simplistic and uncomplicated view of how it might appear when compared to other industries. As can be seen there are a variety of routes, or channels, through which the product can pass on its way from production to consumer. Some are described as being "direct" such as an airline ticket being bought from the airline at the airport to "indirect" where one or a number of "intermediaries" are involved.

**Figure 1 - Distribution Channels - A Comparison**

<table>
<thead>
<tr>
<th>Other Industries</th>
<th>Travel Industry</th>
</tr>
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<tr>
<td>Manufacturers</td>
<td>Principal (Transport/Accommodation)</td>
</tr>
<tr>
<td>Wholesalers</td>
<td>Tour Operators</td>
</tr>
<tr>
<td>Retailers</td>
<td>Travel Agents</td>
</tr>
<tr>
<td>Consumers</td>
<td>Consumers</td>
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</tbody>
</table>

Although at first glance it would appear that the players in the travel chain fit nicely into well known industrial categories, there are essential differences in the way in which they conduct their businesses. Therefore comparing and referring to travel
channel members as manufacturers, wholesalers and in particular retailers have brought into question the relevance of such comparisons.

1.2.1 **Principals**

At the top of the chain are the providers of the basic and essential ingredient of the travel product such as all forms of transport and accommodation, amenity providers etc. The word principal, in this context, means first in rank of importance, without whose basic ingredients there would be no further organisations down the chain of distribution. These organisations are therefore the "Principals" to the tour operators and travel agents.

However they are very dissimilar to the manufacturers in other industries as their product is an intangible one. For example, an airline seat or hotel bed cannot be inspected before purchase, it cannot be taken away by the consumer and returned after use if unsatisfactory. From an operating point of view it is immediately perishable once the date of travel is passed.

 Principals in travel have a variety of opportunities to distribute their product, for example, and the most common, is by direct sale to the consumer through airline offices, railway and coach stations and hotels. So in this situation they are also acting as retailers in their own right. Unlike many other industries, e.g. car manufacturers, there is no necessity to go through a network of dealers and retail outlets. Another important channel is via the travel agent who is rewarded by commission on each sale. However an important factor not often appreciated is that the consumer does not bear the cost of that commission and therefore pays no more than if he had purchased direct.
Finally, the principal may be asked by the tour operator for his product which in turn will be packaged together to produce an inclusive arrangement. Some principals create their own packages, e.g. British Airways, and therefore become tour operators in their own right.

1.2.2 Tour Operators

In Business Economic Notes (BEN 1, 1987) published by the Inland Revenue on Travel Agents, it states that "tour operators can be described as assemblers of bought in parts who produce the holiday package which the travel agent retails. They plan, organise, finance and sell the complete holiday package, which includes transport, accommodation and food". In this way they are creating an entirely new product so could be classed as a principal. In respect of business relationships they are the principal to the travel agent.

In the United States, tour operators are often referred to as "wholesalers", "a business entity which consolidates the services of airlines or other transportation carriers and ground service suppliers into a tour which is sold through a sales channel to the public". (Tour Wholesaler Industry Study, Touche Ross & Co. 1976.) To refer to them as wholesalers however is somewhat ambiguous as the dictionary defines wholesaling as "selling of articles in large quantities to be retailed by others". Conventional wholesalers buy in very large amounts from manufacturers and "break bulk" to retailers, as in cash and carry. Retailers have to purchase and pay the wholesaler up front for smaller yet substantial amounts. This is different from tour operators who sell on single units of product when requested by the consumer either direct or via the travel agent. "Tour operators are retailers, in the sense that they sell individually to individual members of the public. They do not bulk sell to anybody and they take the risk". (*East 5/2/89.*)
If the tour operator is selling via the agent then he pays commission and builds this into the selling price and even if the package is sold direct there is no saving to the consumer in most cases. However some operators purposely cut out the agent and pass on the commission saving directly to the consumer as with Portland Holidays.

1.2.3 The Travel Agent

At the final level of the distribution chain, before we reach the consumer, is the travel agent, often referred to as the retail travel agent (Burkhart & Medlik, 1981). However there are many aspects of the business which differs from conventional high street retailing and it has therefore been the subject of much debate as to the actual definition of the agent.

Unlike its high street neighbours the travel agent carries no stock and therefore no financial risk. He never actually purchases the product but simply acts on behalf of a request from a consumer. There is no financial purchase and no mark-up before sale. He receives a commission on sales and is therefore more akin to an insurance broker or estate agent. It would appear therefore that to use the title retail travel agency is technically incorrect.

Recent attempts by ABTA to define a travel agent has resulted in the following "supplying prospective travellers with details of travel and related services (available through them from principals from which they can secure documentation and tickets or issue these on their behalf) and, when requested, provide advice about the suitability of services available in relation to individual requirements". (ABTA, 1990.) No mention is made of the word retailer and later in 1990, ABTA dropped the idea stating "there is no legal definition necessary".
The dictionary defines to retail as "the sale of goods in small quantities" so the problem here is that the travel agent does not sell goods but rather a service. It was stated by a highly regarded consultant that until such time that the travel agent buys stock from a Principal, for example taking a sizable chunk of a tour operator's programme of holidays, and is financially accountable for selling them, then he should not be referred to as a retailer. Take a typical clothes shop, the proprietor has gone out to markets or wholesalers and made a judgement on what he thinks he can sell and at what price. He then returns with his stocks and calculates what he thinks is a suitable mark-up and then retails to the public. Travel agents do not do this which is taking a position and selling at a profit.

There were many however, at interview, thought this issue was unimportant and irrelevant or supported the notion of the title, retailer. Their arguments included that the travel agent has so many similarities with its high street neighbours that it is justifiable. For example they share the same prime sites, they have goods on display, although intangible and in the form of a brochure. They advertise products, offer discount and marketing deals and employ sales staff. They have gone to a great deal of effort, especially the larger chains, to become retail orientated and have employed Sales and Marketing Directors brought in from outside retailers or manufacturers. They have buyers who, like High street chain stores, negotiate deals with suppliers. It is for these reasons that supporters of the term "retail" travel agent use rather than the concept and theory of retailing.

In law the primary duty of the agent is to his principal (Corke, 1987), but he also owes duties of professional competence to the client he introduces. Any contact is between the parties, i.e. airline and customer, who are joined together by it. If issues arise from the terms of
the contract, they are to be resolved between operator and client as the agent is not a party to the agreement. An agent is required to adhere to the terms of his agreement with the principal which may be contained in a document creating the agency, or arise from established customs and trade practices. In other retailing establishments such as clothing and electrical shops, they are obliged by law to take a measure of responsibility for the goods he has bought from a supplier and sold on to the customer.

1.2.4 Direct/Indirect Selling

As with other industries, suppliers have two basic options of distributing their products to the consumers, that is either direct or indirect using intermediaries.

a. Direct

During the research it was found that people often referred to direct sell as direct marketing and/or direct response marketing. Both theorists and practitioners views are considered here.

Direct sell is seen simply as selling the product directly to the consumer without the use of intermediaries. There is no attempt to actually communicate with the customer either, apart from actually supplying the product in the form of tickets, vouchers, etc. Middleton (1988) states that "direct selling is any form of selling to the general public which involves direct communication between producers and customers such as direct mail and telephone sales".

Playford (THF) put it in a more practical context, she stated that "I would see direct sell as employing tactical advertising in major newspapers offering last minute cut price deals where we put
the hotel 'phone numbers in, that's direct selling". "Any activity I carry out where all I am doing is putting a brochure into the customers' hands or increasing their awareness of the product is direct marketing".

Price (Rainbow Holidays) said that direct marketing did not necessarily mean customers could only book direct. "Direct marketing is where you create a desire to purchase your product by a direct communication but you can then have the choice of routing the response through your retail network". This is known in marketing distribution as the "pull" strategy where the supplier promotes aggressively to the consumer, directing the potential purchaser to the agent. The opposite is the "push" strategy in which the supplier promotes aggressively to the agents who in turn promotes to the customer.

Middleton (1988) places great store on the difference between direct sell and direct response marketing stating that the latter is "two way communications, linking producers and their customers in continuing contact". The key to successful direct response marketing is to build up a profile of the customer using sophisticated computerised database techniques enabling accurate targeting for sales promotion activities. Deutch and Shepard (1988) describe it as "a marketing strategy based on the premise that by gathering, maintaining and analysing detailed information about customers or prospects, marketeers can identify key market segments within their house files and/or prospect segments within outside rented lists and modify their marketing strategies accordingly".
One of the companies most successful in this field is Saga Holidays of Folkestone. (See Chapter 3.3.) The main direct response marketing techniques in travel are direct mail and telephone sales.

b. **Indirect**

"Indirect means that sales are achieved through a third party distribution channel created and maintained for that purpose". (Middleton, 1988.) Sometimes these third parties are referred to as "Middlemen" that is to say they occupy positions in the distribution channel between supplier and final buyer. In travel this means that suppliers such as transport and accommodation providers use tour operators and travel agents as middlemen. As tour operators can also be classified as a supplier of a new product they too would consider the travel agent as their middleman.
1.3 TRAVEL AGENCY ROLE AND FUNCTION

Having discussed in the previous section the definition of a travel agent, attention is now given to the roles and functions that they carry out. One method is to identify those who benefit from the existence of travel agencies. These are basically the general public, the business community and the principals/suppliers. Taking these groups in turn, what are the benefits that they derive from agencies whilst at the same time comparing the direct sell option.

1.3.1 The General Public

Despite advances in new technology to enable home booking, computerised bookings machines in airports, hotels etc. and the development of the direct sell tour operator, research suggests that most people do prefer personal service when arranging their holidays and travel needs. In a recent survey by Mintel (1989h) respondents rated personal service as the number one reason in making the choice of which method of booking to use. Travel agents are therefore in an extremely strong position to meet this need, especially when the customer prefers a physical meeting between themselves and the agent as opposed to a telephone conversation with a direct sell operator.

Although not mentioned in the Mintel survey, one of the prime reasons why the public go to an agency must be to seek the advice of an expert in travel. This expertise should range from extensive knowledge of the products available, geography, the price range, reservations and ticketing skills. It has to be said however, that direct sell suppliers will usually have far more expertise, as they represent only their particular product.
Although it may sometimes be difficult to be completely unbiased due to personal experiences, customer opinion and commercial agreements with suppliers, agents are able to give advice on a wide range of product. This is in contrast to advice from a direct sell supplier who will only present their own product and obviously not discuss products of their competitors. Airlines however have to present unbiased alternatives through computer reservation systems (CRS). See Chapter 6.

The travel agent can also provide a range of ancillary services such as information on passports, visas and health requirements, recommendations and advice on insurance, travellers cheques and foreign currency, local transportation to the departure point, overnight accommodation or car hire. Direct sell operators and transportation suppliers can do this, but it adds to their communication charges and administration costs, most would prefer customers to undertake these responsibilities themselves.

The public benefit from the convenience of the travel agent. With over 7,000 agents in the UK spread over every City, Town, suburban area and Village the majority of citizens have an agent within easy reach. The agent will save the public time and money as they are willing, at no extra charge, to contact suppliers, most using quick and efficient computerised reservation systems. One of the major problems facing direct sell suppliers is communication links and costs, substantial investment must be made in providing a system which allows the minimum of inconvenience for potential customers trying to contact them.

1.3.2 The Principals/Suppliers

The principals benefit as it provides them with a widespread network of product distribution points. This in turn saves them the trouble and expense of
operating their own sales outlets. Compared to the direct sell supplier, who must spend a substantial amount on direct mail and advertising, it is a relatively easy and low cost way of placing their product in front of the consumer. (See Chapter 3).

For most suppliers it is a major selling method which can stimulate sales, produce more business and hopefully the profit the company needs. It is a free marketing point as brochures, timetables, posters etc. can be on display. The agent will allow suppliers to place displays in their shop window and arrange for the operator's sales representatives to meet the public for sales promotion. Joint sales promotions will be held, for example holiday exhibitions and film shows. This is especially true if the supplier is on the agents "preferred" list. (See Chapter 5.)

1.3.3 The Business Community

An essential activity for the UK is to export goods and services to the rest of the World. To obtain the orders for these goods, companies must send their representatives away to both domestic and international destinations. The representatives need travel advice, reservations and ancillary services and many business organisations turn to the travel agent to fulfil this need.

Just like the public the business traveller can benefit from the expertise of an agent who can find the best possible itinerary at the price level required, make all the reservations quickly using new technology and supply all the necessary tickets and vouchers. It saves time and money for the business as without the agent someone in the organisation would have to contact suppliers direct.
A further and important economic advantage is that services can usually be obtained on an extended credit basis. Most agents have to offer credit facilities in a very competitive environment to obtain or retain the business accounts.

1.3.4 The Economic Benefits

Before leaving this section, it is worth pointing out that virtually everyone benefits from the existence of travel agents even though they may not use them. As organisations occupying high street locations, they have to pay local rent, rates and taxes etc. which helps the local, regional and national economies. There is also a considerable effect on employment, if you take over 7,000 agency units each employing on average five people that is a significant number. In turn these employees spend their salaries, some of which will work back through the local economy. A proportion will find its way to central Government through the personal taxation and value added tax and some will be saved.
1.4 TYPES OF AGENCY

There will be many references in this thesis to the different types of travel agency that exist in the UK. It is therefore important, in this first chapter, to set out clearly the characteristics of the various types to be found. In doing so the agency sector can be divided as follows:

i. by size of organisation
ii. by type of business conducted
iii. by appointment.

1.4.1 By Size of Organisation

To the outsider, the industry is now clearly split between a number of very large organisations known as "Multiple" travel agents, and numerous small companies referred to as "Independents".

Multiples can be sub-divided into three categories, (see Table 1), Multinational, National Multiples and Regional Multiples.

Table 1 - Types of Agency - By Size (September, 1990)

<table>
<thead>
<tr>
<th>National Multiple</th>
<th>Branches</th>
<th>Parent Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunn Poly</td>
<td>504</td>
<td>Thomson Travel</td>
</tr>
<tr>
<td>Thomas Cook</td>
<td>350</td>
<td>Midland Bank</td>
</tr>
<tr>
<td>Pickfords</td>
<td>325</td>
<td>National Freight Con.</td>
</tr>
<tr>
<td>A.T. Mays</td>
<td>266</td>
<td>Carlson (USA)</td>
</tr>
<tr>
<td>Hogg Robinson</td>
<td>216</td>
<td>Hogg Robinson PLC</td>
</tr>
<tr>
<td>W.H. Smith</td>
<td>151</td>
<td>W.H. Smith Group</td>
</tr>
<tr>
<td>Co-op Travelcare</td>
<td>92</td>
<td>C.W.S. Travel Group</td>
</tr>
</tbody>
</table>
Regional Multiples        Branches        Region

R.E. Bath                  45               South and South West
Woodcock Travel            38               South Yorkshire
Hilary (John) Travel       29               East Anglia
Althams                   28               North West
Everall Transglobe         27               Midlands
Travelwise (NE Co-op)      21               North East

Source: Company

Note: Figures do not include Business Travel Centres.

Multinational agents have offices Worldwide, Thomas Cook for example being represented in most European Countries, North America, the Middle East, the Indian sub-continent, the Far East, South Africa and Australasia. American Express is the Thomas Cook equivalent in the USA and part of a large banking and financial institution. Both these organisations are household names on a Worldwide scale and can provide "on the spot" services for their customers which cannot be matched by other travel agents.

The category of National Multiple refers to those agencies which have offices spread across the length and breadth of the UK. Many are owned by large parent organisations and they dominate the market both in terms of branch offices and sales. For example, the top five national multiples account for 22% of the total number of travel agency offices and 45% of all business conducted. (Mintel, 1990 i.) The expansion has become known as the "March of the Multiples" and is recorded in Chapter 2.

There can be found a distinct group of companies which have multiple offices but concentrated in one region of the country. They are referred to as Regional Multiples or Mintipples. They enjoy a high profile with
local communities, business and media in the region. Many have grown from a one-shop family business which has spread out across the locality to a natural boundary, for example a county line. These organisations can be very successful when measured against national multiples but are vulnerable to takeover or merger by them.

Finally, the category of Independent can be identified. Often a single shop agency, although those with up to say six shops are classed as independents, will usually be run by a sole proprietor or partners. These people have often come from multiples to set up their own business or an established local business person who is looking for diversification. Unlike multiples who usually occupy prime high street sites in city and town locations, independents are found almost everywhere especially in suburbs and villages. They are vulnerable to takeover and merger from both regional and national multiples.

1.4.2 By Type of Business Conducted

a. General Agent

This term is used to denote that the agency will attempt to deal with all forms of travel product from inclusive tours to rail and coach tickets. It has acquired all the necessary licences and appointments to trade. One such licence is from IATA which allows them to sell international airline tickets. This is quite difficult to obtain with strict rules on qualified staff, payment and security. At a general agent the customer should be able to find the answer to any problem or request, for example, a short coach journey from London to Birmingham to a rail ticket from Sydney to Adelaide. A theatre seat in London to a car hire in Delhi. The majority of multiple agents are
in this category but also well established independents.

b. Holiday Agent

The holiday agent has decided to specialise in the inclusive tour market as his principal source of business to the exclusion of others. Many small independent travel agents are holiday specialists, as it is accepted they would probably have great difficulty securing other licences such as IATA and British Rail. It is also a high revenue producing product compared to others, and with limited markets and severe competition from multiples, this concentration is essential for survival. The top multiple, Lunn Poly, is the exception to the general rule and decided in the mid eighties to adopt this "Holiday Shop" concept.

c. Business Agent

This agent, often part of a multiple or well established independent, derives its business from commercial organisations, not the general public. It has to obtain these accounts by offering a highly specialised and expert service with all the product range of a full general agent. In some cases, where the value of the account is very high, the agent will take office space within the premises of that organisation with travel staff and computerised reservation equipment. This is termed as an in-plant operation. It is a highly competitive market which is difficult to break into especially for the small independent.

1.4.3 By Appointment

There are two major appointments sought after by travel agents in the UK, these are the ABTA and IATA licences.
a. **ABTA Agent**

This agent has applied for, and been accepted into membership of the Association of British Travel Agents. The agent has agreed to abide by the Associations Articles of Association which include the agreement not to sell the foreign inclusive tours of anyone who is not a member of ABTA's Tour Operators Class. This agreement is known as the "Stabilizer" rule. (See Chapter 2.2.5.) As the majority of tour operators are themselves members of ABTA, it is extremely difficult for agents to trade without joining the Association. Through this agreement consumer protection schemes are enforced. Other rules include suitability of owners, financial stability, staff qualifications and an acceptance to abide by a Code of Conduct produced in close co-operation with the Office of Fair Trading.

b. **Non-ABTA Agent**

This agent either prefers the freedom to trade with whom he likes or has been rejected by ABTA. The agent does not have to conform to rules and regulations, except whose laid down by principals as part of an agency agreement. These agents cannot sell foreign inclusive tours produced by ABTA operators, but is free to sell others including all domestic inclusive tours which are not covered by the "Stabilizer" agreement. Although its customers will not enjoy ABTA's consumer protection schemes they will still however be covered if they take a package holiday by air under the Civil Aviations Air Travel Organisers Licence (ATOL). Other non-ABTA tour operators using surface travel may also have taken out their own customer protection scheme.
c. **IATA Agent**

The agent has applied for, and been accepted into membership of the International Air Transport Association. An agency investigation panel will have examined the agent in respect of financial record and standing, staff qualifications and experience, quality, security and accessibility of premises and ability to promote and sell international passenger air transportation.

Once the licence has been obtained the agency will be able to offer the customer the full services of worldwide air transportation. The majority of multiples and leading independents hold this licence being essential for those engaged in the business travel market.

d. **Non-IATA Agent**

Usually these are small independent agencies or multiples that specialise in selling inclusive package holidays. Although unable to offer international scheduled airline travel they can however deal with all domestic services, Advance Booking Charters (ABC) and deals connected with package tour market.
1.5 **THE MARKET**

The aim is to provide the reader with an approximation of the value of the travel market available to UK travel agents and the shares that they hold. To achieve this it is first necessary to find the total market value figures for both outbound and domestic tourism. These figures are available from the British Tourist Authorities', British Tourism Survey. Latest figures at the time of writing and a review of the last five years are given in Table 2. These show that the travel market was worth approximately £18.4bn in 1989. This does not include incoming tourism as this is not a market in which the UK travel agent has a significant share.

**Table 2**

<table>
<thead>
<tr>
<th>Year</th>
<th>In Britain £bn</th>
<th>Abroad £bn</th>
<th>Total £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>6.3</td>
<td>5.4</td>
<td>11.7</td>
</tr>
<tr>
<td>1986</td>
<td>7.2</td>
<td>7.1</td>
<td>14.3</td>
</tr>
<tr>
<td>1987</td>
<td>6.8</td>
<td>7.5</td>
<td>14.3</td>
</tr>
<tr>
<td>1988</td>
<td>7.9</td>
<td>8.5</td>
<td>16.4</td>
</tr>
<tr>
<td>1989 (est)</td>
<td>9.1</td>
<td>9.3</td>
<td>18.4</td>
</tr>
</tbody>
</table>


The difficulty is to try and quantify the share of this vast and growing market held by the travel agent. It is only possible to do this by either revealing the total turnover figures for all UK agents now totalling some 7,000, by using information from each supplier or information supplied by major retail survey organisations.

Mintel, for example, believed that the total agency income derived from travel services in 1988 was around £6.45bn (Table 3).
Table 3

Agency income from travel services 1985-88

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>4.5</td>
</tr>
<tr>
<td>1986</td>
<td>5.1</td>
</tr>
<tr>
<td>1987</td>
<td>5.8</td>
</tr>
<tr>
<td>1988</td>
<td>6.4</td>
</tr>
</tbody>
</table>


It can be estimated that the travel agency share of the total market, excluding incoming tourism is therefore around 39%. However, this must be tempered by two major considerations:

a. that the tourism statistics as expressed in Table 2 include such items as shopping, entertainments, eating and drinking which are not within the travel agents business income mix.

b. a large proportion of expenditure on domestic tourism by the British is done direct. For example the vast amount of business generated by car travel to UK destinations, purchase of transportation tickets direct from suppliers locations such as rail, coach stations and airports. In 1986 the BTA estimated that only 6% of UK domestic tourists used a travel agency for their booking compared to 71% for overseas visits.

To give a more accurate picture of the division between tourism products sold direct and those via a travel agent and respective values, it is necessary to concentrate on the markets for which the travel agents have a legitimate claim both domestic and international. These markets are identifiable within the product breakdown of agency business. In the early eighties, ABTA
carried out a remuneration survey, the results of which are shown in Table 34. An estimate of today's figures has been obtained after a survey of leading travel agency multiples.

### Table 4

**Agency product breakdown**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Inclusive Tours</td>
<td>52.3</td>
<td>54.5</td>
<td>66.0</td>
</tr>
<tr>
<td>Air</td>
<td>33.0</td>
<td>31.1</td>
<td>20.0</td>
</tr>
<tr>
<td>Rail</td>
<td>2.7</td>
<td>2.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Ferry</td>
<td>2.4</td>
<td>2.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.8</td>
<td>1.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Car Hire</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Others</td>
<td>8.5</td>
<td>8.2</td>
<td>5.6</td>
</tr>
</tbody>
</table>

100.0 100.0 100.0


1.5.1 **Inclusive Tours**

As far as travel agents are concerned, the inclusive tour market divides once again into the domestic market for UK residents and the outbound international market. As stated previously, in 1986 it was estimated that only 6% of the public used an agency for their UK holiday booking - the share in this market is extremely low. This has probably increased slightly in the last few years due to the fall off in the overseas market and the attempts by both ABTA and the UK Tourist Boards to stimulate interest in the domestic product. The author estimated that the share now going through agencies is between 7 and 9%.
However, within certain UK domestic market segments the position is quite the reverse, in particular the short break inclusive tour market. According to Rainbow Holidays, the size of the hotel based short break market is approximately 4m people of which 25% or 1m booked through an agent. About half of this figure wanted an inclusive package from a specialist operator rather than from a hotel group. These specialist operators stated that between 80 and 90% of business was coming from the agents.

By far the most important market for the agent, and without which most would not survive, is the overseas inclusive tour market. This has been the bedrock of agency development since the first tour took place in the fifties. The value of overseas package holidays has been closely monitored over the years as can be seen in the appendices. In 1987 for example, approximately 12 million inclusive tours were sold and of this figure some 84% were booked through travel agents with revenue in excess of £300m.

1.5.2 Air

The market for airline travel to and from the UK including domestic was estimated at £2.3bn in 1988 and travel agents are a principal player in the distribution process. As 75% of this figure is attributed to holiday travel, and travel agents account for an estimated 95% of this type of booking, the reason is clear. In fact around 80% of all air tickets purchased in 1988 were attributed to agents as can be seen in Table 5. At interview the importance of the agent was underlined, British Airways stating that Worldwide 80% of its business was coming through the agency channel and in the UK in 1988 77%, up from 67% in 1980. Dan Air reported a 90% share and 80% in the case of Pan Am.
Table 5 Sources of all air ticket purchases, 1988

<table>
<thead>
<tr>
<th>% of Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel agents</td>
</tr>
<tr>
<td>Discount agents</td>
</tr>
<tr>
<td>Airlines</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>


1.5.3 Surface Transportation

Of significantly lesser importance for the agent is the markets related to independent surface transportation which covers rail, sea and car hire.

Although a huge market, valued at around £15bn in 1986, rail contributes only a small percentage of agents' income, except in the case of specialised business travel units dealing solely with commercial accounts. It is estimated that agents produce about 9% of total rail revenues, which in 1986/87 amounted to some £1.429m, but if you exclude season ticket sales which agents cannot book, then the figure is somewhere between 20% and 25%. In other areas however, they are far more important, for example in the first class market where they produce about 40% of all passenger business.

North Sea Ferries estimate that the market for the UK ferry market is valued at around £26m and approximately 60% of all passengers use an agency to book as opposed to direct. It is easy for passengers, especially in the off season, just to turn up on the spur of the moment.

A very lucrative source of income for agents, in terms of commission earnings, is the cruise market and when,
excluding line services, e.g. Southampton to New York QEII, mini cruises by ferry operators, a figure of 125,000 passengers was quoted by leading operator P&O. If the average spend is £1,000, this gives an approximate value of £12.5m of which P&O estimated 88% was derived via the travel agent.

British car hire market is estimated to be worth around £600m, second only to Germany, but much to the regret of leading car hire firms such as Hertz, travel agents only pick up approximately 60% of that business.

1.5.4 Summary

On the basis of the figures supplied by industry, it is estimated that travel agencies account for the sale of some 66% of the major products indicated in table 4, valued at around £6.45bn. Direct sales account for the rest 34% valued at around £3.30bn. Agencies therefore do have the lion's share of the potential market, despite the fact that many organisations, in particular the multiples, have adopted policies of product selection or preference. These policies will prevent certain products, such as rail and coach, ever reaching their true potential, but this is by commercial choice rather than the inability to gain market share.
Finally in this introduction is a summary of the important external developments and changes that have had an influence on the industries development since 1950. A more in depth study is made in Chapter 2.

The three major stimuli to the growth of tourism, as identified by Burkhart and Medlik (1981) were: the wealth of the industrialised society, developments in transport and the organisation and servicing of travel. Taken together, these factors have been crucial in the dramatic growth of the travel agency sector since 1950. From a figure of 97 members when ABTA was formed in that year to 2,932 by the end of 1989 with some 7,484 branches. (ABTA)

Since World War II the UK has enjoyed a period of relative growth and prosperity, dented only slightly by the effects of temporary recessions caused mainly by limitations and escalating costs of oil supplies. With this prosperity has come increased discretionary incomes, especially in the pockets of the so-called average working man who previously did not see holidays and travel abroad as an essential part of day to day life. Changes in the economic and social wellbeing of the population can be seen across the whole spectrum of the family life cycle.

Continuing improvements in education have seen better qualified younger people seeking higher paid jobs and with a keen interest in travelling abroad either to seek the sun or experience alternative cultures and history. Many have tried and succeeded in climbing out of their parents socio-economic group. Foreign holidays for them have become a way of life like the motor car, washing machine, microwave and home ownership.

The higher earners when married have not only considered it essential to take their family away on holiday every Summer, but many now consider the possibility of a second holiday, perhaps winter sun or a domestic short break. In turn the
children of these families have grown up taking foreign holidays and travel for granted and so it goes on.

The income of the average family has been boosted in a change of social attitudes towards the working wife which is now a much more acceptable role. Better educated and career seeking women now wish to combine their job with the family which now has fewer children enabling a higher proportion of income to be spent on leisure.

The working population are now much more demanding in terms of their pay and conditions of service. At each successive pay round, the trade unions have negotiated for annual pay increases at least in line with inflation and increased holiday entitlements plus other benefits such as pensions and health care. At senior executive level these conditions have improved dramatically, as each organisation tries to attract the best qualified people. Consequently, there is more leisure time available and for most, at least four weeks annual holiday with pay.

Most people now try to prepare financially for their retirement by contributing to a company pension plan and taking advantage of the many insurance endowment schemes available. As a result, we have seen an increase in the number of holiday takers of pensionable age. This number has been stimulated by advances in medical care and new drugs which has extended life expectancy. There is now a higher proportion of the population who are elderly, fit and relatively well off and who are taking advantage of special offers made available for holidays, especially winter long stay breaks. By the year 2000, one in four of the UK population will be over 55.

Linked to economic and social changes has been developments in transport and the travel industry both of which will be discussed in greater depth in Chapter 3. Man's ingenuity produced in the 1950's, the first commercial jet aircraft offering speed and comfort, undreamed of by the travelling public. By the seventies, the capacity of aircraft soared with the
introduction of the Boeing 747 Jumbo jet carrying over 300 passengers. As a consequence the average cost per mile of air travel has actually reduced relative to yearly increases of other products. Inclusive tour operations have emerged to take advantage of the availability of air travel and linked it to overseas hotel developments. One of the major attractions of the package holiday is the flight portion, offering excitement and personal esteem.

On the surface the car has become the symbol of status and independence. Being mobile is most peoples' ambition taking with them, when they choose, a little bit of home. Private care ownership has shot up from 2 million in 1950 to 19 million in 1989. Motorways have been built in an attempt to cope with this volume and large technologically advanced jumbo ferries and hovercraft to transport them to the European continent. Elegant cruise ships have been built offering the highest standards of comfort, food and leisure facilities.

Road and rail organisations continue to compete for the surface traveller each year trying to improve on speed and performance by introducing new advanced equipment whilst maintaining a competitive price. The coach operators have taken advantage of motorway development by introducing high speed luxury vehicles offering reclining seats, entertainments, toilets and refreshment facilities. Rail travel on inter-city routes is by high speed trains such as the 125 soon to be replaced by faster electric traction. Rail coaches are more comfortable, quieter and trains include more modern catering facilities.

To take advantage and to service all these developments, organisations such as tour operators and travel agents have flourished. They have become an accepted part of the countries commercial activity, many being household names and controlled by multinational organisations. They have been helped by a media which has stimulated an interest in travel by producing weekly travel shows on TV and radio, colour supplements in newspapers and magazines with a new breed of travel writers. The travel agents were needed to help the
emerging tour operators distribute their new products, the only other channel would have been direct selling, an expensive alternative with so many operators in the marketplace.

This brings us back to the focus of the thesis, has the travel agent lived up to the expectations of the suppliers, is it doing the job, has its role changed over the last forty years and can it survive in the future?
CHAPTER 2 - TRAVEL RETAILING DEVELOPMENT

INTRODUCTION

As previously mentioned in Chapter 1, the development of the travel agent is not just as a result of a developing travel industry, but inextricably linked to changes in the economic, social and technological environment within which the British people have lived in recent decades. A tremendous change in attitudes towards travel has occurred in the space of just 30 years bringing the idea of foreign holidays and travel to millions. From a position of being just for the wealthy few, this activity is now accepted as part of everyday life. Children have been brought up with the idea of the annual holiday and they, in turn, are now passing this message along to their children. For those early pioneers of travel like Thomas Cook, Sir Henry Lunn and John Frame, it would have been quite impossible for them to comprehend the speed and progression of travel developments in the middle to late twentieth century.

In the years immediately following the Second World War, the weariness of the war years were fast receding and with it went the memories of pre-war depression and unemployment. It was a time of change, of revolutionary thoughts and ideas. Each new breakthrough created further momentum. Nowhere was this more apparent than in the travel business. The challenge of the growing supremacy of air travel generated a belated but sustained response from the older established forms of transport. Reduced times in covering distance became an important factor. Obsolete, yet still effective, aircraft equipment opened up a new cost dimension with low priced foreign resort holidays.

This Chapter therefore is concerned with these changes that have shaped the travel agency industry of today, first looking at general economic and social trends, then transport, tour operators and finally the agents themselves.
2.1 TOURISM AND CHANGE

2.1.1 Economic Trends

The state of the UK and destination economies can have a dramatic effect on the tourism business and the last 40 years have been no exception. In the fifties the major problem for the country was to recover from the devastation and financial ruin caused by the war. The UK was heavily in debt to the rest of the World and therefore wished to keep its currency under tight control to prevent the outflow of funds. Exchange controls were therefore in force and have been used since as a method of dampening down foreign travel demands by UK citizens.

It was not until 1959 that the UK saw a virtual lifting of the travel allowance to £250 per person, the amount permitted to be taken out of the country and changed into foreign currency. Until then the fluctuating travel allowance had been a barometer of Britain's solvency starting at £100 after the war, sinking to nil in 1947! It fluctuated wildly between 1948 and 1953 from £25 to £100. Later the so-called "travel year" was abolished and travellers were allowed to retain unused foreign currency for future use.

The big shock came in 1966 when the economy took a dive, the balance of payments deteriorated and the then Labour Government of Harold Wilson imposed a £50 travel allowance. This amount had to cover all expenditure including hotel and other travel services paid in sterling to UK travel agents. This created immediate problems for long haul and high cost accommodation. Operators had to state the "foreign content" in the brochure, agents had to issue what was called a "V" form and the amount was stamped in the passport to prevent travellers cheques and foreign currency being issued over the £50 limit.
Hotel accommodation abroad for example, costing £40, left the traveller with only a £10 balance on his travel allowance plus a small amount of cash in sterling. Tour Operators responded by dropping all their up-market properties and substituted low cost, low grade accommodation. A further blow came in 1967 when the pound sterling was devalued, pushing up prices for foreign holidays. Fortunately this was followed almost immediately by the devaluation of the Spanish peseta which softened the effect.

The period of the late sixties was one of the most difficult times for the travel trade with a major economic squeeze, higher inflation resulting in higher prices, fuel costs and excise duties. The severe problems of the late eighties and early nineties are nothing new, these economic troughs and peaks have bedevilled the industry throughout its post-war development period. However, virtually all forms of restrictions on currency movements were finally lifted by the Conservative Government in 1979. (See Appendix A)

When the members of the oil cartel, OPEC, decided in 1973 to raise the cost of fuel, the West, including the UK, were once again thrown into recession. It was predicted that over 500 agencies would go out of business due to the drop in disposable incomes. (TTG, 1973) The inclusive tour market fell 18% between 1973 and 1974. Capacity was cut back and operators moved towards a more selective distribution policy in respect of agency appointments. However, by the late seventies the country was back on track and the holiday boom was on again. This boom, some say the "halcyon days" continued until 1988 when some say our over generous Chancellor of the Exchequer sparked off an unprecedented consumer and credit boom resulting in high inflation, interest rates and mortgages etc. Once again the end result was another squeeze on the holiday
and travel business as people tried to economise on their discretionary spending.

Despite variations in the economic fortunes of the UK, two factors in relation to holiday taking are clear, that both in terms of numbers and spending trends have always been upwards as is clearly illustrated in Table 6.

Table 6 - Overseas Holiday Taking and Spending 1951-88

<table>
<thead>
<tr>
<th>Year</th>
<th>No. (m)</th>
<th>Expenditure (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>1.5</td>
<td>60</td>
</tr>
<tr>
<td>1961</td>
<td>4.0</td>
<td>180</td>
</tr>
<tr>
<td>1971</td>
<td>7.25</td>
<td>630</td>
</tr>
<tr>
<td>1981</td>
<td>13.25</td>
<td>4,320</td>
</tr>
<tr>
<td>1988</td>
<td>20.25</td>
<td>9,140</td>
</tr>
</tbody>
</table>

Source: Digest of Tourist Statistics, BTA.

Finally, it must be remembered that currency exchange rates have a significant bearing on the attractiveness of foreign travel. Potential visitors will be put off if the value of sterling is weak against the destination currency making accommodation and local purchases expensive. Of particular interest are the so-called "sunshine currencies" the Peseta, Lire and Drachma. Sterling has had mixed fortunes against these currencies in recent years as can be seen in Table 7. The traditional destination of Spain has seen the weakening of Sterling, this linked to other problems such as poor quality standards, unruly behaviour by British youths has undermined the product. Undoubtedly the success story has been in respect of Greece where Sterling has increased its value against the Drachma some 46%. As aviation fuel is purchased in US dollars this makes the relationship with Sterling
important, as does the actual price of oil at source. The dollar has been much more volatile against sterling over the period under review but in the late eighties weakened to make the States a much more attractive proposition.

Table 7 - Value of Sterling Against Major Holiday Currencies 1987-1991

<table>
<thead>
<tr>
<th>Year</th>
<th>Peseta</th>
<th>Lire</th>
<th>Drachma</th>
<th>US Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 87</td>
<td>206.58</td>
<td>2094.75</td>
<td>215.68</td>
<td>1.61</td>
</tr>
<tr>
<td>March 88</td>
<td>206.75</td>
<td>2284.00</td>
<td>247.40</td>
<td>1.82</td>
</tr>
<tr>
<td>March 89</td>
<td>200.25</td>
<td>2366.00</td>
<td>271.20</td>
<td>1.72</td>
</tr>
<tr>
<td>March 90</td>
<td>176.60</td>
<td>2035.25</td>
<td>265.20</td>
<td>1.61</td>
</tr>
<tr>
<td>March 91</td>
<td>181.90</td>
<td>2182.75</td>
<td>315.20</td>
<td>1.85</td>
</tr>
</tbody>
</table>

Source: Travel Trade Gazette.

2.1.2 Social Trends

In 1956, James Maxwell then General Manager of Thomas Cook, reported that a record number of people had gone abroad in the previous year, some 1.4 million, a mere fraction of the potential. He estimated that at least 10 million could afford to undertake foreign travel and that it was possible to achieve this figure in the space of ten years. This figure was not in fact achieved until 1972 (see Table 8). From then on it climbed steadily to reach a staggering 30 million visits by the end of the eighties.
Table 8 - Visits Abroad by UK Residents (all purposes) 1956-1989

<table>
<thead>
<tr>
<th>Year</th>
<th>No (m)</th>
<th>£(m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>1.4</td>
<td>-</td>
</tr>
<tr>
<td>1966</td>
<td>6.9</td>
<td>297</td>
</tr>
<tr>
<td>1972</td>
<td>10.5</td>
<td>526</td>
</tr>
<tr>
<td>1982</td>
<td>20.6</td>
<td>3,640</td>
</tr>
<tr>
<td>1989</td>
<td>30.8</td>
<td>7,665</td>
</tr>
</tbody>
</table>

Source: Business Monitor, MQ6.

The fifties were seen as the decade when mankind really got on the move. New milestones of progress were reached in every field of transportation, in international and popular tourism. The jet age arrived for pleasure purposes, more people from more countries visited each other by more ways and more routes than ever before. The jungle of red tape and regulations which had hindered the freedom to travel was beginning to be dismantled.

British resorts were told to "wake up" and bring themselves up to date to compete with Continental resorts offering new luxury accommodation coupled with sunshine and leisure amenities. It became "fashionable" to take a foreign holiday, much to the distress of the UK tourism business. The Director of the British Hotels and Restaurants Association said in June 1960, "that much of the urge to holiday abroad comes from a strange snobbishness which arises from the fashionable hobby of keeping up with the Jones'. It is so much more impressive to be able to talk of the pension we found at some Mediterranean resort with an unpronounceable name, where sanitation does not exist and where a visit to the chemist is almost a daily necessity than to admit to having had a grand holiday at a boarding house with good English food at one of our seaside resorts". (TTG, 1960)
By 1973 the inclusive tour market represented over 65% of all consumer spending overseas. (TTG) There was an increasing number of second and additional holidays taken and low prices offered for off season short duration breaks. Growth was now strongest among the 16 to 24 and 45 to 54 age groups due to freedom from family ties, increasing disposable income, the swing away from domestic to overseas tourism and the relative low cost of package deals.

The eighties was said to be the decade when "the global village became a reality and the great British travelling public took its sunscreen and sandals to the four corners of the earth" (Brookes, TTG, 1990). A mixture of high disposable income, technology and some clever marketing made countries which were previously obscure into desirable destinations and resorts. These had once been the preserve of the rich and they were now opened up by charters to the mass market.

Leading the way was the U.S., starting with Florida. The Disney phenomenon and vast clean beaches began to tempt holidaymakers away from the familiar shores of the Mediterranean. Spending at least 12 hours on an aircraft to reach your destination became more acceptable and cruise companies used special deals to persuade customers to fly to Miami to start Caribbean cruises, making that city the cruise capital of the World. The Caribbean underwent a transformation from the exclusive to a contender for mass market business. Further away, Australasia and Canada started to discard their VFR (Visiting Friends and Relatives) labels and attract more holiday traffic. The big success story was the Far East, with Thailand being top of the league with its blend of the exotic, cheap prices, good service and fine beaches. Virtually everywhere in the World was colonised by glossy brochures with highly specialised operators coming to the fore to meet the growing demand from increasingly sophisticated holidaymakers for a "travel experience".
With the growing sophistication of travellers, demands were changing, quality became an important issue, they were no longer prepared to be flown away through the night to areas which, in the high season resembled their own town centre on a Saturday night. Accommodation and meals had to be upgraded or rejected in the traditional Mediterranean resorts. Activity and cultural tours were favoured as was the boom in timeshare, villas and apartments. For many the package was out and the freedom to do your own thing in.

Another, and equally important factor in the examination of social trends is the changing demographic profile of Britons and their socio-economic groupings. Key Note analysts (1989) cite two specific events that have shaped population distribution during the period under review. First the effect of the last war, which wiped out a large segment of the population and the birth rate dropped due to absent men and uncertainty about the future. Secondly, and more recent was the introduction of the birth control pill in the 1960's. This coupled with the increase in working wives and the trend to postpone pregnancy, has had a significant effect. The population segments therefore show that there is a heavy peaking of population bands commencing with those who were born in post-war years, now aged between 40 and 50 and a substantial decline of those born in the early seventies now aged between 10 and 20. (See Appendix B.)

It is possible therefore to anticipate the changing volumes of potential purchasers in each age sector and this can be cross referenced to the analysis of income bands. People are divided into "socio-economic" groupings according to occupation. (See Appendix C.) In recent years the British Tourist Authority have analysed these groups related to holiday taking, as illustrated in Table 9. Findings are as might be expected, that those in the top band AB, produce the
highest proportion of overseas holiday takers. Overall they are the better educated, obtaining jobs in the professions, earning higher wages and thus having more disposable income to spend on holidays and travel. Being upwardly mobile has been the trend with people moving up into higher socio-economic groupings, trying to do better than their parents, wives providing a second income, all of which is set to continue and thus aiding the development of the travel and tourism business.

Table 9 - Profile of British Holiday Takers 1987

<table>
<thead>
<tr>
<th>Socio-econ Groups</th>
<th>% of Adult Pop</th>
<th>% of Holiday</th>
<th>% UK Holiday</th>
<th>% Overseas Holiday</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB</td>
<td>17</td>
<td>9</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>C1</td>
<td>22</td>
<td>19</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>C2</td>
<td>29</td>
<td>29</td>
<td>30</td>
<td>26</td>
</tr>
<tr>
<td>DE</td>
<td>31</td>
<td>43</td>
<td>25</td>
<td>15</td>
</tr>
</tbody>
</table>


Finally, it is worthy to note that over the past 25 years there has been a trend in the reduction of working hours and an increase in holiday entitlement. For example over the period 1961 to 1987 the normal basic weekly hours worked by full-time manual employees fell from 42.8 to 38.9 hours. Average holiday entitlement with pay for this group in 1961 was only two weeks but by the 1980's had risen to three weeks and by 1987 91% were entitled to four weeks or more!
2.2 TRANSPORT DEVELOPMENTS

2.2.1 Air Transport

In the space of a little over a quarter of a century the airline industry has changed from being the prerogative of the wealthy few, to what the majority of consumers now regard as almost an everyday right. It has evolved from being a novelty to a necessity.

Without doubt it was the introduction of the World's first commercial passenger jet, the Comet, in 1953 which completely transformed the business. It cut flying times dramatically and opened up a new era in civil aviation. Despite earlier technical difficulties it was to become the workhorse for the then British Overseas Airways Corporation. Whilst modifications were being made to the Comet, BOAC introduced one of the most comfortable aircraft of all, the Britannia, affectionately known as the "whispering giant".

As mentioned in the introduction, after World War II there was a surplus of ex-military propeller driven aircraft and many were bought up by independent small businesses. These initially carried cargo but increasingly turned to passenger movements to expand their businesses. One such company, Airwork Limited, opened up in 1954, a new network of air routes linking the South and East of England with the Continent using Viking and Dakota aircraft. This challenged the ferry operators to cross channel destinations. Aquila Airways gained approval to operate from Southampton to Genoa/ Santa Margherita so opening up the Italian Riviera from only £19 single and £34 return. Silver City introduced a road, air and rail service to Paris and Brussels from £4.15s single; journey time 7 hours 40 minutes.

By the mid fifties, attention had turned to the Atlantic and the possible introduction of the first jet flights.
From a position in 1939 when a Clipper flying boat took 20 passengers across to the UK from the USA in four days, by 1959 BOAC were flying from London to New York in 10 hours 30 minutes using Comet equipment. They were followed by Pan American using the now historically famous Boeing 707. This company promoted tourist fares, credit plans, low cost tickets aimed at families, trying to make it possible for the average American working man to take his family to Europe during the normal two week vacation period. The jet made it possible to fly routes never before dreamed of, such as the first non-stop trans-polar air service from London to the West Coast of America by TWA in 18 hours.

The problem for the newly emerging independents in those early days was the dominance of the State operators on scheduled routes. This monopoly was not broken until 1960 when independents were given equal rights in applying for new services. Early operators included Cambrian, Jersey Airlines, Silver City and British United Airways, all now part of history. In 1963 the monopoly on domestic routes was broken when British Eagle commenced operations between London to Glasgow and Belfast.

As more independent charter flights came on stream to take tourists to foreign destinations, the State carriers became concerned about their lack of activity in this market. In 1963 British European Airways (BEA) decided to sell tours of the top UK operators using seats on their scheduled services. Tours were selected from a number of leading ABTA operators and sold under a newly formed Silver Wing Holiday brand. This marked a significant change in policy by the then State carrier whose involvement in inclusive tours remains to this day.
The development of air charter services were of course closely linked to the emergence of the inclusive tour and until 1967 this was hampered by a licensing rule known as "Provision One". This stated that inclusive tours could not be sold below the normal scheduled (return) fare. The reason was to protect the existing scheduled routes from charter competition, which if allowed to offer a cheaper deal, would undermine the very fabric of the scheduled network. However, in that year the authorities decided to allow certain operators to offer tours to the Continent and East Africa at below normal scheduled fares. This marked the beginning of the end for Provision One and a new era for independent charter operators.

In 1969, two very significant events took place with the maiden flight of two aircraft which were to change the face of passenger aviation. The first was the introduction of the now famous "Jumbo" jet, the Boeing 747, capable of carrying over 300 passengers. This was followed by the supersonic "Concorde" with a national investment of over £600m. Both aircraft stimulated great public interest, yet another spur to aviation development. Concorde however, did not actually carry passengers on scheduled services until January 21st, 1976, when British Airways introduced the plane onto the London - Bahrain service.

Until the 1970s, price had always been an inhibiting factor in the attempt to encourage more people to fly. Prices on scheduled routes were often said to be artificially high, due to the virtual monopoly scheduled carriers had enjoyed. These carriers, in particular the so called "flag carriers" would meet within their own association, IATA (International Air Transport Association), and fix fares which would then be recommended to their respective Governments. A challenge to the establishment came from Freddie Laker, an airline and tour operator, who wished to introduce a
low cost, walk on, no frills "Sky train" service from London to New York for only £75. It took him six years to get the approval from the respective authorities introducing his service in September 1977 at a remarkable fare of only £59 one way, about a quarter of the normal rate. His services lasted until 1982 when he was forced to close down due to alleged unfair co-operative price cutting by his competitors. At the time of the collapse Laker's fare was still only £109 but a year later the remaining competitors had taken it up to £257. Despite these events the attention that Laker brought to commercial aviation has resulted in a continuous process of fare reductions and review with a myriad of opportunities for the travelling public.

Group charters without accommodation were permitted prior to 1973, provided that each passenger was a member of a genuine club or society. These were known as "affinity" charters and operated by many of the leading scheduled carriers. Unfortunately the system came in for abuse with fictitious groups or with passengers who were not genuine members or substituting for members. This was allowing certain people to enjoy cut price travel and the rest paying higher scheduled rates, in particular over the North Atlantic. The Civil Aeronautes Board (CAB) intervened and caused a major row between the Governments whose airlines were involved. This was settled in 1973 when the UK's Civil Aviation Authority (CAA) introduced the Advanced Booking Charter (ABC), which did away with the need to belong to a club. Now all that was required was an advanced booking, with full payment and no refund on cancellation. It immediately strengthened the market and encouraged the development of tour operators who specialised in this sector, for example Jetsave and Poundstretcher.

When Laker folded in 1982 it seemed as if British Airways domination was complete, however fresh
competition emerged through Richard Branson's Virgin Atlantic and Harry Goodman's charter carrier, Air Europe. Thomson's Britannia Airways remained number one supplier of seats to the growing package tour holiday market. The liberalising influence of the USA was felt in the UK when the Government allowed traditional charter operators such as Britannia and Air Europe to fly scheduled services on selected routes. By now the gap in relation to different type and age of aircraft between scheduled and charter operators had completely closed. No longer was the charter seen as offering an inferior product and being the butt of music hall jokes. The aircraft were as modern, and in many cases, newer than those operated by scheduled carriers. The charter airlines and with it the tour operators had truly come of age.

The airline business has shown sustained and remarkable growth over a period of 20 years from 1968 to 1988 with international scheduled service passengers increasing by over 184% and non-scheduled which includes inclusive tour charters, showing over 600%. Non-scheduled services overtook and then exceeded scheduled by the early 1980s, as shown in Table 10.

Table 10 - Air Passengers Travelling Abroad by UK Airlines 1968 - 1988

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled</td>
<td>7.0</td>
<td>10.9</td>
<td>13.9</td>
<td>13.2</td>
<td>20.2</td>
</tr>
<tr>
<td>Inclusive Tours</td>
<td>2.7</td>
<td>8.4</td>
<td>7.7</td>
<td>13.0</td>
<td>21.2</td>
</tr>
<tr>
<td>Others incl. ABCs</td>
<td>0.4</td>
<td>1.2</td>
<td>1.5</td>
<td>0.6</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: CSO Annual Abstract of Statistics, HMSO.
2.2.2 Shipping

The primary change in the shipping industry over the last 40 years has been the gradual rundown of ocean liner services brought about by the development of air transport and the emergence of a new and vibrant cruise and ferry sector. Ocean liner services out of the UK are now virtually extinct, with the exception of the QEII service from Southampton to New York in the Summer. In contrast, multi-million pound cruise ships offer the highest standards of comfort and entertainment whilst car ferries have become almost mini-cruise ships in their own right.

In 1953, the minimum first class fare, Southampton to New York on Cunard's Queen Elizabeth was £130 off season. Orient Line, yet to merge with P&O, sailed up to six large liners every month to Sydney from £76. Sea travel was still well in front of air in terms of passenger numbers carried. It was the halcyon days for operators with ports such as Southampton and Liverpool bristling with ships and activity. Daily boat trains departed from London terminals packed with passengers and luggage. Famous historic companies fought for business using prestige ships such as Cunard's "Queen Elizabeth" and "Queen Mary", French Lines "France", and United States Lines "United States". New York harbour was filled with ships from many nations and operators such as Greek Line, Hamburg America, Matson, Holland America - today the wharfs are empty! It is very difficult for passengers who will not fly to find an alternative by sea.

When, in 1959, passengers by sea to the States dropped for the first time to below one million, shipping owners realised that they had a fight on their hands. Their response to air sales offering high speed, get-you-there services, was to capitalise on higher standards and quality with the maximum in creative comforts, combined
with lower fares. Shaw Saville announced a £6 million order for a new round-the-World liner. French Lines, 60,500 ton "France" was launched and the £10 million Union Castle flagship, "Windsor Castle" started its regular service between the UK and South Africa. However, by the mid-sixties services were starting to close, Cunard withdrew its two major vessels due to size and expense, they lost £7 million in 1966. In that year line services dropped 10%, the worst since 1948, and operators once again sought to improve selling and marketing techniques in an attempt to survive.

The final nail in the coffin of line services was the oil price rises of 1973. The large ships were just not economic to operate. The luxury liner "France" went out of service only 13 years old. Passenger shipping out of Liverpool stopped altogether and Southampton was reduced to a trickle. The airlines had won a decisive victory and a renaissance of line services is highly unlikely.

Fortunately for the emerging travel agents however, exactly the opposite was happening in respect of cruise and ferry operations. Perhaps it was the influence of Max Wilson, a South African financier, which marked the turning point when he formed the Travel Savings Association (TSA) in 1964. The original concept was not welcomed by ABTA being a "cruise now, pay later" scheme sold by door-to-door salesmen. Although it did not last long it introduced many new sales ideas to cruising both from the operational and marketing point of view. For example, the undoubted success of the "Reina Del Mar" of Union Castle was largely due to Max Wilson's influence. A relatively low cost, high quality, one class cruising ship which built up a very loyal following.
The pioneering of cruising with custom-built ships from the new port of Miami was another major development. By 1978 it had moved from a nil-position to 14 ships sailing regular cruises carrying more than 500,000 passengers a year. The focus for attention by leading cruise operators is now firmly fixed on a very lucrative American market and futuristic new tonnage has been introduced and planned.

New technology and the advance of the motorcar has been the major stimuli for the rapid development of car ferry services. The design concept of the roll-on, roll-off vessel was to revolutionise the services making for higher capacities and quicker turnaround times. As the popularity of motoring holidays grew, particularly to France and the near Continent, new companies and routes emerged. Ports such as Dover and Harwich were expanded and rebuilt to allow for better facilities for waiting, checking-in airport style, modern lounges and eating areas. With each launch ships have become larger, many now are so-called "jumbo" ferries carrying over 1,000 passengers and 400 cars with on-board facilities and design features resembling cruise ships. Indeed the Scandinavian and Dutch services offer mini-cruises and all companies have short break package tour programmes.

Figure 2 shows that in 1987, 3.9 million accompanied cars were carried by roll-on/off ferries, some 2.5 times greater than in 1970 reflecting the growth in motoring holidays abroad and day tripping.
Today then, the travel agent has the opportunity to sell a very high quality, high revenue earning cruise product plus a comprehensive network of ferry routes. Ships provide the very last word in comfort and facilities. Marketing and reservation systems are aimed at the travel agent which will probably ensure that they will remain the primary distribution channel.

2.2.3 Road

As far as the travel agent is concerned, the passenger road transport industry divides into two markets, coach services including tours and express services and car hire.

The coach business was already firmly established in the 1950's, express services, tours and excursions existed much as we know them today. Coach operators had been offering package tours at home and abroad since the 1920s. However the 1950s and 60s saw tremendous growth before charter aircraft, flying deep into Europe, at low cost, virtually ended this type of operation. Operators were forced to turn their attention to the domestic market where traditionally, people did not buy a package or use a travel agent.
One company, Wallace Arnold of Leeds, has been very successful building up a sound and loyal client base, the majority of whom are 40 years plus.

Advances in engine technology and interior design brought something of a renaissance for European coach holidays in the eighties. Very well appointed, highly expensive vehicles were introduced such as the 72 seater double-decker offering reclining seats, air conditioning, video, toilet and hostess service. These coaches are able to transport holidaymakers to the Spanish resorts in just over 24 hours and linked to lower graded hotels, camping sites offer an extremely competitive product. For example two weeks on the Costa Brava for under £100. They are also popular for transport to European ski centres reducing the cost of alternative flying packages.

The opening of Britain's first motorway, the M1 between Birmingham and London in 1960, marked a major change for the UK express coach industry. Until then, they were loosing the battle against alternative rail and air competition. It was all about journey time between major cities, for example before the motorway Manchester to London was covered by coach in 9 hours 50 minutes but by 1965 the 198 miles could be covered in 5 hours 30 minutes using the M6 and M1.

Since then the motorway network has grown and so too has express services using the new coaches as described previously. However, one of the major constraints against growth in this sector has been regulation. The National Bus Company had a virtual monopoly on express inter-city services but this was swept away by the 1986 Transport Act which allowed independent operators to compete on equal terms. There was an explosion of additional services, bringing thousands of extra vehicles onto the already
overstretched motorways. Newcastle to London for example, has three major operators all using double
deckers and together providing a virtual hourly service
for prices as little as £15 return.

Although brought into the modern age by the
construction of new and highly technical vehicles,
travel agents still view the industry with some
scepticism regarding it as a low grade, low revenue
earning product. For example, as far as the sale of
couch inclusive packages are concerned only 55% were
booked through agents in 1989 compared with 86% for
air shorthaul sun/beach holidays. (Keynote. Travel
Agents and Overseas Tour Operators 1990.) The
express services still only attract a limited number of
agents mainly small independents.

2.2.4 Rail

In the early fifties the majority of Britons travelled by
train and the sale of railway tickets was therefore a
very important part of the travel business. This was
the era when the Thomas Cook inspired Creative Travel
Agents Conference (CTAC) operations were under way
and major agencies chartered special holiday trains to
European destinations.

Despite a massive injection of £1.5 million to convert
from steam to electric and diesel traction in 1955,
overall traffic never showed growth. Holidaymakers
turned more and more to the private motor car and long
distance business travellers to air. In an effort to
curb losses the Government in 1961 briefed a Doctor
Richard Beeching of I.C.I. to cut out the "dead wood".
The system was cut back to some 12,000 miles of route,
half its pre-war length. Overall during the last 20
years total passenger journeys have declined some 15%
but began a recovery in the late eighties as can be
seen in Table 11.
Table 11 - British Rail Passenger Journeys 1967-1987

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passenger Journeys (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>837.4</td>
</tr>
<tr>
<td>1972</td>
<td>753.6</td>
</tr>
<tr>
<td>1977</td>
<td>702.1</td>
</tr>
<tr>
<td>1982</td>
<td>630.1</td>
</tr>
<tr>
<td>1987</td>
<td>710.5</td>
</tr>
<tr>
<td>1988</td>
<td>824.0</td>
</tr>
</tbody>
</table>

Source: CSO

Reasons for this recovery include the introduction of new high speed rail stock, electrification and improved marketing techniques. The "Inter-City" concept for example has gone from strength to strength and now is the prime revenue earning sector for the railways. However, it is expensive to operate and therefore its main market is the business traveller. Apart from Germany and Japan, Britain carries the highest proportion of business travellers on its rail network. Travel agents are particularly interested in this side of the business as an average executive ticket is well over £100 on prime routes giving a reasonable return in commission.

Without doubt, one of British Rail's success stories has been the introduction of the Inter-City 125, offering new and high standards of comfort and speed. Newcastle to London can be covered in just over three hours in air-conditioned, double-glazed, air-suspension coaches with restaurant and buffet facilities. Pullmans are making a comeback with executive lounges at main-line terminals. New electric locomotives will increase speeds beyond 125 miles per hour bringing the fastest journey time between Edinburgh and London down to only four hours providing a viable alternative to flying.
The channel tunnel is expected to bring a revival of interest as far as the travel agent is concerned, with the introduction of through services from UK provincial cities to major European Capitals and resort areas. There is little doubt that once the tunnel is open, the interest in rail products will undergo a revival as far as travel agents are concerned. It is already being said that bookings for the tunnel trains will be available through the agency network. In the meantime, business travel agents continue to make a significant contribution to rail sales in the UK.
2.3 THE TOUR OPERATORS

The growth of the package tour industry has mirrored very much that of the aviation business. As aircraft become more economic to operate, the advantages in cost savings has brought the opportunity to travel to a wider market. However, the original concept of the inclusive tour was developed much earlier by the now famous pioneers such as Thomas Cook and his son who chartered a train to run from Leicester to Loughborough in 1841. In the early twentieth century, travel tended to be the province of the rich and educated. It was not until after the second World War that the package tours we know it today, was born and developed. This section therefore is devoted to that period taking each decade as a focus for discussion.

2.3.1 The 1950s

In 1950, as companies like Cooks, Frames, Pickfords and Poly continued to promote holidays by rail, a young journalist called Vladimir Raitz launched the first holiday charter flight to Corsica for £32.10s including transfers and accommodation. Over the following years the package holiday business established its own foundations. It was able to do so because at this time the aircraft manufacturers of the World were engaged in a non-stop battle to produce the next generation of more efficient aircraft. As each new model was sold to scheduled airlines they in turn sold older equipment to an army of independent operators, eager to establish themselves as the second force of British aviation.

However in the fifties, train travel still reigned supreme, one of the most popular destinations being St Aygulf on the French Riviera which CTAC members offered from only £22 fully inclusive for ten days. When Raitz developed his new Horizon Holidays using air charter the CTAC members responded by using cheaper air seats on the scheduled services of the national carrier British European Airways.
In 1958 a company called Blue Cars had become a very significant name in travel. Formed by a Captain Ted Langton, who became known as the "father" of today's inclusive tours, he was one of the first people to see the economies that existed in combining both air with coach. He went on to form Universal Sky Tours, later to become Thomson Holidays. As the decade came to a close the number of operators was increasing fast including Global, Sir Henry Lunn, Milbank, Flair, Poly Travel and Swans. Global, the largest coach operator, offered seven days inclusive tours to Europe from £29gns, Horizon ski-ing to Zermatt, two weeks from £44gns.

2.3.2 The 1960s

Things started to go wrong in the early sixties mainly due to the failures of a number of airline operators. Companies such as Overseas Aviation and Pegasus left tour operators seeking alternative arrangements to prevent passengers from being stranded abroad. Tour operators were urged to be more selective in their choice of airline and the authorities to be more careful in granting licences. There were far too many independent airlines flying out-dated aircraft on over-optimistic schedules. In 1961 the Sales Manager of Sir Henry Lunn said "It was a season of disaster, not a week passed without reports of stranded passengers and poor hotel accommodation. It is the shabbiest story of inadequacy, inefficiency and sometimes downright dishonesty" (TTG). There were calls for ABTA to act as a clearing house where only approved members could sell their tours through ABTA travel agents. In turn, the operators were told to stop selling through "hole in the corner" addresses. It was suggested that unless this was done, public opinion would force the Government into legislation.
The early sixties saw some significant developments. John Bloom, who had brought a revolution in automatic washing machines to British housewives, now turned his attention to the travel business with cheap operations to the Black Sea resorts. Millions of trading stamps were printed bearing his head and these were given away in their thousands to purchasers of washing machines to offset holiday costs. A mini revolution was created by the arrival of South African, Max Wilson, who set up a travel savings club. He chartered ships and brought about a complete reshaping and restyling of the cruise holiday market and brochures.

At this time it is interesting to note that today's multiple travel agents, with the exception of Thomas Cook, were still in their infancy. The major activities of Lunn Poly for example were in tour operations. These organisations along with Global, Swans and Horizon made up the top five operators.

With the ever expanding industry, the question of quality became a major issue and has remarkable similarities with the mid-eighties when major operators went for volume and market share of the expense of quality. In the December 1962 TTG editorial, it was announced that the prices of holidays during the following Summer would be lower and this would bring travel within easier reach of the man in the street. However it was only the big companies who could do this due to volume and this pushed smaller organisations into using inferior accommodation and offering facilities which fell below what was expected by the customer. The end result was public disappointment and general condemnation of the whole industry. Criticism of supplementary charges and inadequate brochure information with the claim that "an elegant brochure with pretty coloured pictures is no measure of efficiency".
The amazing sequence of major tour operator failures, which was to culminate in the demise of the International Leisure Group (ILG) in March, 1991 started back in 1964 when a non-ABTA operator called Fiesta Tours ceased trading. ABTA had to step in and rescue customers who were stranded abroad, and following this there were calls for statutory controls with financial guarantees. ABTA responded with a voluntary agreement between operators and agents known as the "Stabilizer Resolution" (see 2.5).

The fight to remove the debilitating conditions of "Provision One" (see 2.2.1) went on with tour operators pointing out that short stay Winter holidays to Majorca in 1965 cost more than 15 days in Summer due to the higher Winter fare structure. Breaks in "Provision One" saw prices for a one week holiday to Majorca going down to a minimum of £26! The case to free operators completely, was put to a Government enquiry into Civil Air Transport by the Tour Operators Study Group (TOSG), who were joined and supported by consumer groups including the Consumer Council. The ruling of "Provision One" was finally removed in 1973 opening up a new era of expansion for tour operators and travel agents.

In 1965 the "March of the Mass Tour Operators" began when Lord Thomson of Fleet, needing to diversify from newspapers to maintain cash flows at difficult times of the year, decided that the booming travel business could provide much needed funds. He bought Universal Sky Tours, Riviera Holidays and integrated vertically to purchase Britannia Airways. This vertical integration policy was copied by Cosmos who set up the airline Monarch. It provided operators with an opportunity to streamline operations and to produce low cost holidays by controlling both travel and ground arrangements. During the Summer of 1965 Thomsons offered around 100,000 holidays. A year later Gaytours and Luxitours were added to the Thomson empire.
As the decade came to a close the package holiday was well and truly established as a high priority for many consumers. It was estimated that around 80% of all inclusive tour charter flights were not pure jet or jet prop. Provision One was breaking down and companies such as Clarksons were beginning to dominate the market. The power game between suppliers, operators and agents was starting with BEA wanting to sell its own Silver Wing Holidays through its own airline retail outlets.

2.3.3 The 1970's

As the tour operating scene became more intense, the lack of controls on the way that they conducted themselves lead to more problems. For example one of the most damaging issues was in respect of brochure descriptions. Again and again operators mislead the public about facilities at resorts. One operator for example, was fined by ABTA over an unfinished property, the picture in the brochure showed the hotel as an artists impression, the swimming pool was just "a hole in the ground", the lift did not work, there was wet paint, windows not set in, some rooms on the top floors not complete and did not have doors. (TTG)

Clarksons had entered the cruise business by chartering small foreign owned ships. Customers complained of poor cabin accommodation and service, poor meals with no choice of menu, no Doctor on board and a general lack of facilities. These ships frequently broke down and on one, it was reported in the press that "mutiny had broken out". All these incidents combined to give the industry a very bad image with the travelling public.

These problems were partly offset by fantastic bargain offers. Sky Tours for example offered all-in inclusive holidays to Majorca for £18 for three nights. Over four
thousand bookings were confirmed within two days of going on sale. The lowest recorded price offer was from Lord Brothers for May departure in 1971 for three days costing £9.99! Operators denied that these low prices meant low standards. Tom Gullick of Clarksons said "If ten million people are to travel abroad by 1980, prices must be low and highly competitive, but let's explode the myth once and for all that low prices must mean low standards. Low prices must be achieved by more sophisticated handling resulting in lower overheads per person, better utilisation of aircraft, high load factors, spreading of investment and fixed costs over long periods, in fact the economies of scale". (TTG)

Unfortunately Clarksons were loosing money, £2 million in 1971 and were taken over by the Court Line Group two years later. The group also owned Owner Services and Halcyon Holidays investing heavily in new jet aircraft to support their tour operation. A very similar scenario was developing which was to be repeated by ILG in the late eighties. Further takeovers followed with the acquisition of Horizon Holidays and 4S Travel. Unfortunately, the oil crisis hit in 1973 causing the worst economic recession that the West had seen since World War II. A financial crisis developed within the Court Line group and in June 1974, Government aid was sought. They were baled out temporarily but the Company collapsed on August 15th of that year throwing the industry into confusion and despair. Until the ILG collapse of 1991, it was the largest failure ever resulting in debts running into millions, redundancy for 3,000 staff, a Government enquiry and new legislation to protect customers, the Air Travel Reserve Fund Act 1975, which repaid Clarksons customers and provided a safety net for future failures.
2.3.4 The 1980s

As the tour operating business moved into the eighties, the leading 30 tour operators were riding high making record profits of some £43.8 million on a turnover of £906.9 million. (See Table 12) However, increasing competition was beginning to take its toll and massive discounting was introduced from 1985 led by the two leading giants Thomson and ILG. So, despite an increase from 6.2 million licensed air holidays in 1980 to 12.5 million in 1987, the top 30 operators now turned in a net loss of £24.8 million on a turnover of £2.7 billion.

Table 12 - Profitability of Top 30 Tour Operators 1980-87

<table>
<thead>
<tr>
<th>Year</th>
<th>Profits (£m)</th>
<th>(Losses) (£m)</th>
<th>Net Result (£m)</th>
<th>Net Result as % of Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>47.2</td>
<td>(3.4)</td>
<td>43.8</td>
<td>4.8</td>
</tr>
<tr>
<td>1981</td>
<td>54.7</td>
<td>(2.5)</td>
<td>52.2</td>
<td>5.1</td>
</tr>
<tr>
<td>1982</td>
<td>37.6</td>
<td>(9.9)</td>
<td>27.7</td>
<td>2.1</td>
</tr>
<tr>
<td>1983</td>
<td>58.2</td>
<td>(2.9)</td>
<td>55.3</td>
<td>3.9</td>
</tr>
<tr>
<td>1984</td>
<td>64.0</td>
<td>(10.7)</td>
<td>53.3</td>
<td>3.0</td>
</tr>
<tr>
<td>1985</td>
<td>79.9</td>
<td>(19.0)</td>
<td>60.9</td>
<td>3.3</td>
</tr>
<tr>
<td>1986</td>
<td>49.7</td>
<td>(14.1)</td>
<td>35.6</td>
<td>1.7</td>
</tr>
<tr>
<td>1987</td>
<td>23.5</td>
<td>(48.3)</td>
<td>(24.8)</td>
<td>(0.9)</td>
</tr>
</tbody>
</table>


During the second half of the decade, mergers and takeovers gathered momentum as the industry struggled for survival, and companies fought for market dominance. Outside conglomerates moved in and then left, after being disappointed at the low returns generated. For example, in 1987, Horizon Holidays, then owned by Bass the brewing giant, took over Wings Holidays who were controlled by the Rank Organisation.
Subsequently Bass wanted out, which lead to the largest takeover of all time when Thomson bought the Horizon group which included the airline Orion. This move created much concern in the industry and was referred to the Monopolies and Mergers Commission who, in December 1988, ruled in favour of the merger. Thomson instantly captured a massive 33% of the IT market (see Table 13) and with the recent demise of ILG in 1991, will increase their share yet again.

Another significant merger was British Airways and Sunmed to form Redwing Holidays, but in 1990, after only two years, the airline decided to shed some of their holiday package interests by selling off Redwing to the newly emerging giant Owners Abroad, operators of Falcon Leisure, direct sell Tjaereborg and airline Air 2000. As the eighties came to a close, storm clouds were once again gathering as the industry faced up yet again to a declining market with over capacity. It appeared that for some operators the lessons of the previous decades had not been learnt.

Table 13 - Top Tour Operators Market Share (%) 1987-1990

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thomson</td>
<td>25</td>
<td>26</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>ILG</td>
<td>13</td>
<td>17</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Horizon</td>
<td>7</td>
<td>6</td>
<td>-</td>
<td>Merged with Thomson</td>
</tr>
<tr>
<td>Redwing</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>Merged with Owners</td>
</tr>
<tr>
<td>Owners/Falcon</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Airtours</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Mintel/Airtours
2.3.5 Direct Sell

Before leaving the historic development of the tour operator, it is important to point out that throughout the period under review the major channel of distribution for these holidays has been the high street travel agent. However, during this period the emergence of the direct sell operator has caused a great deal of concern to the agents, seeing it as a major threat to their existence. It is appropriate therefore to summarise their development here.

In the period leading up to the late seventies there was very little in the way of direct sell activities. There already existed a number of companies known for direct sell, such as the Travel Club of Upminster run by Harry Chandler and the operator, Martin Rooks. Each built up a reputation of value for money, matched by a quality product. There were other attempts to break into this market, all of which were to fail. One such operation was started by Captain Langton, called Hughie Green (a TV Quizmaster) Happy Travellers Club, it offered up to 20% in discounts. There was the predictable protests from agents, some of who retaliated by withdrawing Langton's Skytours brochures, that company denying any involvement.

In 1965 a bid was made by Freemans Mail Order to break into the direct sell market by using their own home agency system, primarily housewives acting as selling agents. This of course broke all the ABTA rules in respect of qualified staffing thereby putting the supporting operators in a difficult position. Fortunately for travel agents, it was not followed through by other catalogue firms and dropped by Freemans three years later. The Readers Digest also tried direct sell through its large mailing list of subscribers but failed primarily due to the postal strike of 1971.
However it was not until 1978 that the revolution came in the shape of the Danish direct sell giant, Tjaereborg. This company, which had been hugely successful in Scandinavia, launched its first programme in the UK along with very aggressive advertising denigrating the role of the agent. There was a flood of complaints from agents to ABTA who took up their case with the Advertising Standards Office. This resulted in a number of adverts being reworded to be less harmful. The price proposition was still very strong however, emphasising a saving of around 10% by cutting out the agents commission.

Their initial success with a programme of 30,000 holidays soon attracted a Swedish operator, Vingressor and subsequently an offshoot of the Thomson empire, Portland Holidays. The move by Thomson greatly angered the travel agents who were responsible for around 90% of the operator's sales. Thomson replied to the argument that it was very unwise to allow outsiders like Tjaereborg and Vingressor to dominate the market and by providing competition it would check their progress. Agents were not convinced however, fearing other major operators would follow suit, but were powerless to act, as most depended on Thomson sales for their very existence.

By the end of the seventies these three companies, now joined by Martin Rooks, taken over by British Airways, were carrying 0.25 million passengers out of a total of about 4.2 million. Estimates were that by the mid-eighties direct sell could account for as much as 50% of the package tour market, a figure which never came anywhere near being reached. Even by the late eighties trade and analysts were estimated only 15% of all inclusive tours being sold by direct means.

The problem that direct sell development faced was the very high initial start-up and marketing costs, for
example it was estimated that Tjaereborg spent around £83,000 on advertising to bring the new product to the attention of the public and keep it there, without the support of the travel agency network. A comparable figure of around £5,000 was given for a travel agency channel launch. (The Launch of Tjaereborg Rejser, Source unknown.) This reason was suggested as putting Vingressor into trouble and selling out to Portland a year later. However, the major problem faced by direct sell operators was when, in the mid-eighties, travel agents were given the go-ahead to offer cash discounts which undermined the major selling plank of the direct sell operator, the price proposition of a 10% saving. Agents were now giving some of their 10% back to customers as a marketing tactic.

The leading players and market shares for 1988 are shown in Table 14. It is interesting to note that the leading three companies are in fact part of the top two mass tour operators, who also support the agency channel of distribution. For agents this is always a worry and a constant irritation in their business relationships with these two organisations. It remains to be seen if the total share of the inclusive tour market for direct sell operators will increase in the next decade, but to date it would appear that the tradition of the British public preferring to use agents coupled with agency discounting will stultify any further progress.
Table 14 - Direct Sell Tour Operators Market Shares
1988

<table>
<thead>
<tr>
<th>Owner</th>
<th>% Share</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland</td>
<td>20</td>
<td>Thomson</td>
</tr>
<tr>
<td>Tjaereborg</td>
<td>8</td>
<td>Owners</td>
</tr>
<tr>
<td>Martin Rooks</td>
<td>8</td>
<td>Owners</td>
</tr>
<tr>
<td>Club Med</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Saga</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>All others</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Industry Estimates.
2.4 THE TRAVEL AGENT

Originally the need for a travel agent arose from an expanding air and sea business rather than for the package holiday. Transport suppliers needed a method of distributing their product as the cost of developing their own network of booking offices would have been prohibitive. The early agencies such as Thomas Cook, Dean and Dawson, Frames, were given licences by long haul shipping companies and international airlines. They also doubled up as tour operators in their own right so that the distinction was far from clear. It was not until after World War II that the agents emerged as a significant sector increasing in size from a mere 97 ABTA members to 2,965 operating 4,548 branches in 1989. (ABTA, see Appendix D.) This rapid development has created specific sectors within the agency industry, moving from the mainly single shop independents to the giant multiples of today.

In the fifties all the large agents and operators were linked together in an organisation called the Creative Travel Agents Conference (CTAC). Some of them formed ABTA, which was to become an important and powerful regulatory body for the industry. (See 2.5) The major members of CTAC were:

The Polytechnic Touring Association    Frames
Sir Henry Lunn (later to become Lunn Poly)    Wayfarers
Thomas Cook    Co-op Travel
Pickfords    Dean and Dawson
Workers Travel Association

The problem of unlicensed agents mirrored very closely that of the tour operators in the boom time of the early sixties. It was so easy to set up in the agency business, all that was needed was premises, a table and chairs, telephone and little else. There were no controls, no compulsory membership of ABTA, no bonding or consumer protection schemes, no requirements regarding premises and qualified staff. Travel agents started up in back street offices, basements and within the businesses of existing shops such as newsagents, green grocers, etc.
Operators were warned to be on the lookout for "barrow-boy agents" who were looking for appointments. The severity of competition was beginning to reflect in the poor standards in the handling of tour bookings, a number of agents simply disappearing overnight causing a storm of protest from the unfortunate customers, media and subsequently Government.

In 1964 Sir Henry Lunn at Poly Travel combined their branches. A.T. Mays opened their seventh office and already the now familiar cry "there are too many travel agents" was to be heard. This has continued to be voiced throughout the past twenty five years and yet, until recently the growth has never stopped. Calls for improved commission rates have constantly been heard and yet, over the period under review, they have moved only slightly (see Table 15) reflecting the ever increasing squeeze on profit margins in travel retailing. Harry Chandler, (Travel Club of Upminster) in a survey carried out in 1968, concluded that 67% of his business was only making money whilst 33% was losing it.

Table 15 - Comparison of Commission Base Rates 1968-1988

<table>
<thead>
<tr>
<th>Product</th>
<th>1968</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusive Tours</td>
<td>9.4</td>
<td>10.0</td>
</tr>
<tr>
<td>Air (International)</td>
<td>7.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Air (Domestic)</td>
<td>6.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Rail</td>
<td>7.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Shipping</td>
<td>7.3</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: Industry

The battle against direct sell policies are also not a new phenomenon. At the 1968 ABTA convention, all suppliers were criticised about their policies on direct bookings. The airlines for example were receiving and ordering huge capacity aircraft such as the 747 "Jumbo" and were accused by the agents as being only concerned with the demands to fill them using any
distribution channel available including direct. They were also accused of intending to bypass the agent by constructing new hotels around the World in an attempt to create a complete package of travel, bookable direct through their own computer reservation systems.

In 1971 the World's largest travel group, Thomas Cook, was put up for sale by their owner, the British Government. Cook's pushed ahead with expansion plans for an additional 60 sites. It was finally bought by a consortia comprising of the Midland Bank, Trust House Forte and the Automobile Association for £22.5 million (TTG). This sent shock waves through the travel agency sector as they contemplated the thought that travel and holidays would soon be available through banks, restaurants, garages and hotels. This fear however was unfounded as the Bank became sole owner and did not wish to confuse its customers by converting their high street banks into part travel agencies. It was considered that such a move would be detrimental to both businesses.

This period of the early seventies, although not branded as such by the media, can be seen as the very beginnings of the now familiar "March of the Multiples", the most significant change to the structure of the sector since its inception. Due to its potential to produce profit for relatively little financial outlay, several outside organisations, lead by the Midland Bank, were keen to become involved. For example W.H. Smith, the high street newsagent and bookseller decided to apply for ABTA membership, their proposal to convert part of their existing shops into travel agencies. The National Bus Company announced plans to set up one of the largest chains in the country capitalising on its already existing 500 regionally owned bus ticket outlets. These regional operations would be co-ordinated under a corporate sales and marketing policy and all offices would be fully licensed.

To counter the threats, a number of small independent travel agents in the North West of England, got together to form one of the first UK consortiums called Group 20. Their aim was to
have special arrangements with travel suppliers and operators on such things as insurance cover for customers, joint advertising and marketing. They would also buy in bulk for their day to day needs such as stationary etc. Others followed suit with schemes very similar to the formula adopted by independent retail grocers such as the Mace and Spar groups to compete with multi-outlet supermarkets.

After the collapse of Clarksons in 1974, Thomas Cook launched its revolutionary 24 hour money back guarantee scheme which caught the whole trade by surprise. Other agents and ABTA were extremely annoyed by the move in which the advertising gave the impression that customers were only safe against loss if they booked through the multiple. Threats were made by various agents who bought their travellers cheques and foreign currency from Cooks to switch to other suppliers and formal complaints were made to ABTA for unfair practice. After investigation however it was considered that the scheme did not contravene the codes of conduct but the advertising was toned down. ABTA also responded by announcing a similar 24 hour compensation scheme which applied to all its members. The next decade, the eighties, were dominated by the "March of the Multiples". The development of this phenomenon is discussed next whilst the causes and effects are left until Chapter five.

2.4.1 March of The Multiples

After years of domination, old established firms like Thomas Cook and Frames were to be challenged by new and revitalised organisations. In 1983 the Chairman of Hogg Robinson Travel, Brian Perry, predicted that the following five years would see an increasing number of mergers among multiples "costs would force them to come together" he said. "Many will come together by merger or association with a view to pooling central costs". His prediction was certainly true as can be seen from Figure three.
Along with many other companies, Hogg Robinson provided a number of spectacular takeovers, such as the 93 branches of Wakefield Fortune, a company which itself had only recently taken over Blue Star Travel. Today's giant, Lunn Poly, has been active choosing regions in which it had little or no presence such as the takeover of the 53 branch chain of Renwicks based in Exeter and Ellerman with 63 branches in the North of England and Scotland.

As the businesses moved into the mid-eighties, the emphasis changed from acquisition to new openings on "green field" sites lead by Lunn Poly and Thomas Cook. The Lunn Poly expansion was the most dramatic ever, moving from a base of 180 branches in 1984 to phenomenal 500 plus in 1989! They switched to a "Holiday Shop" concept in 1986 by selling their business travel interests to the expanding multiple, Pickfords. With the backing of the Thomson travel group, Lunn
Poly became the number one agent in terms of branches, in the space of just five years. The rapid concentration over this period resulted in the top five multiples controlling nearly 25% of all travel agency outlets by 1990. (See Table 16).

Table 16 - March of the Multiples - Top Five Outlet Shares
1984-1989

<table>
<thead>
<tr>
<th>Company</th>
<th>1984 %</th>
<th>1986 %</th>
<th>1988 %</th>
<th>1989 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunn Poly</td>
<td>180</td>
<td>207</td>
<td>439</td>
<td>507</td>
</tr>
<tr>
<td>Pickfords</td>
<td>209</td>
<td>282</td>
<td>368</td>
<td>380</td>
</tr>
<tr>
<td>Thomas Cook</td>
<td>277</td>
<td>285</td>
<td>357</td>
<td>378</td>
</tr>
<tr>
<td>Hogg Robinson</td>
<td>175</td>
<td>206</td>
<td>247</td>
<td>245</td>
</tr>
<tr>
<td>A T Mays</td>
<td>145</td>
<td>204</td>
<td>245</td>
<td>286</td>
</tr>
<tr>
<td>Top Five</td>
<td>986</td>
<td>1184</td>
<td>1656</td>
<td>1796</td>
</tr>
<tr>
<td>Others</td>
<td>4747</td>
<td>5279</td>
<td>5593</td>
<td>5634</td>
</tr>
<tr>
<td>Total</td>
<td>5733</td>
<td>6463</td>
<td>7249</td>
<td>7430</td>
</tr>
</tbody>
</table>

Source: Adapted from Mintel.

These takeover, mergers and openings illustrate the "snowball" effect of the March, the smaller chains and some independents get picked up and absorbed as the multiples roll forward. The ones left find it increasingly difficult to complete in respect of discounting, special deals with suppliers, investment in new technology etc.

As the sector moves into the late eighties and early nineties the economy slowed down with not only the independents feeling the squeeze. A major multiple, Exchange Travel, failed leaving debts estimated at over £2 million and many of their franchisers facing ruin. Many independents decided they had had enough and offered their businesses to multiples, some of whom
however realised too late that they had over estimated the market. Even so, despite dire warnings in the travel press of over 2,000 agencies going out of business, the actual figures remained relatively static during 1990.

Along with the expansion of branch outlet shares, goes the increase in market shares, again dividing the cake even smaller for independent agents. By 1984, the top six multiples (Thomas Cook, Lunn Poly, Pickfords, Hogg Robinson, A T Mays and Exchange) accounted for about 28% of the £1.8 billion inclusive tour market and this rose to about 49% of a £3.2 billion market in 1988. The most outstanding performer was Lunn Poly who increased their share of IT sales from 6% in 1983 to a remarkable 22% in 1990. (See Table 16.)

Table 17 - March of the Multiples - Top Five I.T. Market Shares 1983-1990

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunn Poly</td>
<td>6</td>
<td>8</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td>Thomas Cook</td>
<td>9</td>
<td>10</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Pickfords</td>
<td>6</td>
<td>6</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>A T Mays</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Hogg Robinson</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

| Top Five Shares | 28 | 32 | 44 | 49 |

Source: Industry

Financially the last decade has seen mixed fortunes for travel agents, whilst some have prospered, others have found life very difficult. In addition to market concentration previously illustrated, another prime cause of discomfort has been the introduction of discounting. When the original ABTA Codes of Conduct
were produced, travel agents were not allowed to offer inducements to customers as it was thought that this could destabilise the industry. However these rules were later withdrawn as they were thought to be against the public interest under the Restrictive Practices Act 1956. In addition, agents were not allowed to undercut the prices advertised in tour operators brochures.

This agreement between agents and operators was disallowed in a case between ABTA and the Office of Fair Trading in 1982. However, every tour operator remained perfectly free to insist on the travel agent selling at the brochure prices. After this ruling the relationship between operator and agent remained virtually the same, except that agents were free to offer incentives to customers providing it did not give the impression that a reduced rate holiday was being purchased. The growing competition between the multiples produced new incentives for customers such as free travel insurance and free transfers to the airport.

It was the system of redeemable vouchers, introduced by the Ilkeston Co-op travel agency, that caused further investigation into the issue of discounting. Customers were given vouchers on the purchase of holidays which could be spent against other goods and services within the store. A number of leading tour operators took the view that this was as good as reducing the price of the holiday, thereby undermining the agree price control. As some operators refused to allow the Co-op to sell their holidays, they decided to take the matter to the Monopolies and Mergers Commission who investigate amongst other things, restrictive practices.

The decision reached in the Autumn of 1986 was that as long as agents charge people the holiday price decided by the operator, they can then offer whatever
"pecuniary inducements" they wish, (pecuniary—of money). This ruling caused an explosion of discounting in the Winter of 1986/7, with all the major multiples advertising money-off deals. The most debilitating deal introduced was the low deposit or no deposit incentive. Instead of collecting say the standard £40 deposit per person, the agents offered to collect only £5 or nothing if the customer booked early. This seriously affected their cash flow as the agents still had to remit the full deposits to the operators.

This activity has reduced net margins and profits to probably the lowest in any comparable service industry as is illustrated in Table 18 and has weakened its financial stability to such an extent that many small independents have decided to sell out or close. In 1988 for example, 971 ABTA travel agents, 34% of the membership, had a turnover of no more than £400,000 (see Chapter 5).

Table 18 - March of the Multiples - Top Five Financial Performance 1988

<table>
<thead>
<tr>
<th>Sales (excl vat)</th>
<th>Pre-tax Profit</th>
<th>Net Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Lunn Poly (Jan/Dec)</td>
<td>60.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Pickfords (Oct/Sep)</td>
<td>70.6</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Thomas Cook (Nov/Oct)</td>
<td>459.1*</td>
<td>8.1</td>
</tr>
<tr>
<td>Hogg Robinson (Apr/Mar)</td>
<td>57.67</td>
<td>3.0</td>
</tr>
<tr>
<td>A T Mays (Oct/Sep)</td>
<td>288.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

* Retail Operation Only

2.5 THE ASSOCIATION OF BRITISH TRAVEL AGENTS

Any examination of the development and effectiveness of the travel agent as a distributive system, would be incomplete without due regard and reference to the role played by the Association of British Travel Agents. It was created by them and together with the emerging tour operators, became a powerful self regulatory body with influence in the corridors of power and a model for other similar associations Worldwide. Its most significant contribution has been in the field of consumer protection providing the British public with one of the most comprehensive systems available anywhere in the World.

As the Association comprises of travel agents and tour operators, this has influenced the pattern of distribution for the inclusive tour product in favour of the agent. Management from leading organisations within these sectors meet in the Council's of ABTA to discuss issues of mutual concern. Critics of the Association however, state that it operates a closed shop, a cartel, allowing little room for freedom to make decisions such as those concerning distribution. There are however, sound historic reasons why today the Association still has the blessing of Government in its regulatory role.

2.5.1 Early Developments

The Association came into existence in 1950, created by the leading travel agents and members of the Institute of Travel Agents. Its first offices were in fact within the premises of Thomas Cook in Mayfair Place, London, who also provided its first Chairman, James Maxwell. In his inaugural speech he said "the expansion that has taken place in the last ten years in the travel industry is greater than what normally takes place in half a century. In recognition of this, we in Cook's are ready to throw the whole weight of our organisation into this new body. The machine will creak, there will be lots of difficulties and lots of problems to get over, but the great thing is to find a body which is going to
represent us and stand up to the changed conditions now upon us". (TTG, 1950) By 1954 ABTA had 200 members comprising 580 travel offices and a year later merged with the ITA with legal status.

Its early regulatory power stated that members must have been in business for a minimum of five years and hold at least two of the requisite licenses such as those from British Rail, the British Shipping Passenger Agency Conference, the International Air Transport Association (IATA) or alternatively have one license and been in business for no fewer than seven years. The problem was that there was no compulsion on the emerging tour operators and travel agents to join, and consequently this caused great concern when those outside did not live up to the higher standards being imposed on members. Calls were made to bring in some form of control, whereby the public could at least distinguish between legitimate ABTA members and others.

By the late fifties ABTA has drawn up its first Code of Ethics to guide members in their dealings with the public, principals and with each other, these were later to become the Codes of Conduct. However, compared to todays more liberal approach to trading they contained some very tight restrictive practices. For example, there should be no special inducements such as free insurance or money discounts, sales only being made at authorised prices. The travel agents office should be properly equipped and have qualified and experienced staff. Agents were forbidden from selling products from tour operators who offered discounts or free goods such as luggage, free travel to airports, etc. as these were regarded as "gimmicks" and would undermine the status of the agent.

Until 1964 tour operators had no official existence within ABTA, many of its members believed that there
was no sharp division between operators and agents. Problems were thought to be common to all and one statement, in the press at the time said, "ABTA was an Association of travel agents, all are retailers and that tour operating was just part of the travel agency business", quite unthinkable today. However, pressure continued to mount for a separate body within the Association which resulted in the formation of a so-called "Committee of Tour Operators", forerunner of today's Tour Operators Council formed in 1972. The agents at the same time got their own Travel Agents Council.

During the period leading up to 1965, the expanding industry was in turmoil (see 2.3.2) with failures and reports of poor quality products being sold to the public. The situation attracted the attention of a Labour MP, Eddie Milne, who was determined to get Government control of tour operators and travel agents. He presented his registration bill to Parliament in 1964. ABTA responded with further moves to protect the public, such as the creation of a "Common Fund" to help stranded package tour customers caused through the failure of a member, submission of annual audited accounts, a requirement for new members to take out an insurance or bankers bond and an arbitration scheme to settle disputes between operators and the public. The government said no to registration, with its attendant bureaucracy, preferring ABTA to continue its self regulatory role.

Despite these safeguards however, it was the failure of non-ABTA members that was doing the most harm to the industry and its reputation with the Government and people. The Association was having to use its own funds to rescue people from failed non-ABTA operators as many were booked through ABTA travel agents. Prompted by the failure of Fiesta Tours in 1964 and others, everyone, including Government, demanded action from ABTA.
2.5.2 Stabilizer

The action became known as "Operation Stabilizer" or the "Stabilizer Resolution" which created an exclusive club and in effect a virtual closed shop. From November 1st 1966, no ABTA tour operator would be allowed to sell its foreign inclusive tours through a non-ABTA agent. Likewise from January 1st 1966, no ABTA travel agent would be able to sell foreign inclusive tours organised by a non-ABTA tour operator. This rule was incorporated into the Articles of Association and all existing and new members would have to accept this from that date. This historic development laid the foundation stones upon which the Association would be built. It would provide the means by which further consumer protection schemes could be imposed on its members including financial guarantees, controls on their form of operation and to further enhance their services to the public. It is important to note however that "Stabilizer" did not apply to domestic inclusive holidays and other forms of travel such as air, rail and sea transport.

The effects of the resolution were dramatic, as overnight it would be virtually impossible to trade without being a member of the Association. Membership rocketed from 715 to 1334 within twelve months. (See Appendix D.) It automatically affected the pattern of distribution by cutting off those operators who were selling direct to the public and those agencies who had a substantial amount of business coming in from local coach tour operators, who offered foreign destinations, but who were not, and had no intention of, joining ABTA. It cemented together those operators and agencies within the Association in distribution terms "as to belong, meant trading exclusively together". Stabilizer remains in force today, having survived many attempts for its removal including the Office of Fair Trading who saw it as a restrictive practice.
2.5.3 Bonding

Unfortunately Stabilizer did not mean an end to failures, for example, four air charter tour firms collapsed within two days in September 1967, when £40,000 was paid out to rescue customers. It became obvious that the only source of funds, the "Common Fund", could not cope with such events. A bonding scheme was therefore introduced by a number of leading tour operators who had formed themselves into a Tour Operators Study Group (TOSG). A bond is "a financial guarantee arranged by a third party, e.g. Bank, Insurance Company or Finance House, to be used in the event of financial failure". The tour operator pays an annual premium based on projected turnover for this facility. Bonding for all ABTA tour operators took effect from July 1972, believed to be, at that time, the biggest single advance in consumer protection in any service industry, affecting more than two million UK holidaymakers.

A similar arrangement applies to travel agency members who must provide a bond as part of their application for membership. However this did not apply to existing members at the time of introduction and this fact was not fully appreciated until the collapse of Exchange Travel in 1990. Exchange travel agencies were not covered by a bond and rescue funds had to come out of other resources resulting in a levy being put on other members.

As the industry moved into the seventies and the power of the operators grew, it became clear that they could no longer progress around the same table as the agents. The split came in 1971 when each sector was given its own Council to discuss objectives, issues and problems. The ruling body became known as the National Council comprised of nominees from each of the sector Councils. (See Appendix E.) Since then,
critics say the failing has been a lack of communication between operators and agents, problems often being argued out in the trade press rather than within the Association.

The acid test for bonding and consumer protection came in August, 1974 when the Secretary of State said that Court Line, and with it Clarksons and Horizon Holidays, must go into liquidation (see 2.3.3). TOSG trust fund directors organised a flying programme to repatriate some 100,000 passengers Clarksons had abroad. However the Company's bonds fell far short of requirements. ABTA "sold" the idea of an "Air Travel Reserve Fund" to the government, who provided a £15 million interest free loan to enable the repayment of all monies lost by clients. The ATRF Act 1975 also introduced a 1% levy on all inclusive tour departures from September 1st that year. This money was used to build up the reserve fund and repay the Government loan. Two years later, funds were high enough to stop the levy but the Act remains to this day, thereby allowing a further line of defence, should bonds prove inadequate. So out of a tragedy ABTA enhanced its credibility and increased its recognition with Government and consumer watchdogs.

2.5.4 Restrictive Practices

The next bombshell was in the form of the Restrictive Practices Act (Services) Order 1976 which suggested that "Stabilizer" and other rules and regulations which ABTA had developed may not be in the public interest and therefore illegal. ABTA registered with the Office of Fair Trading, its Articles of Association, the Tour Operators and Retail Agents Codes of Conduct, both of which contain restrictions and by doing so were able to legally continue to operate them until the matter came to Court. In relation to distribution, the essence of the case was, "would the public be better served by
allowing ABTA tour operators to sell their foreign package holidays through whichever channel they so desired, for example any retail outlet, newsagents, supermarkets, garages and the like, and for travel agents to sell any tour operators package, irrespective of whether or not they belong to ABTA".

It was not until the end of 1982, after lengthy proceedings, that the Restrictive Practices Court delivered its first judgement which related to "Stabilizer". It decided that the restrictions of exclusive trading arrangements between operators and agents should be retained, the rationale being that "on balance it was the public interest because it enabled ABTA to effectively enforce its membership requirements". These included

a. financial protection for customers who fail financially (primarily through ABTA's bonding system but also through "second lines of defence" in the shape of industry-wide funds and insurance schemes;

b. compliance with comprehensive Codes of Conduct governing business practices of its members vis-a-vis their customers;

c. participation in a free conciliation service and low cost arbitration scheme for the resolution of complaints.


One important rule that ABTA decided could not be defended was that relating to price maintenance by retail agents, (i.e. prohibiting discounting). It was removed in 1978 and in its place provisions requiring
agents to sell at the prices required by their principals. This was not a distinction without a difference. It was one thing for ABTA to have prohibited discounting by agents, clearly indefensible, but quite another to state that it was for tour operators or other principals to decide the price at which his own holidays should be sold by his agents to his customers. This was neither more or less than his prerogative under the general rules of agency. ABTA however were later condemned by the Court but not challenged, it was left to individual principals to enforce this rule if they so wished.

This issue soon hit the headlines again, when a number of tour operators tried to prevent Ilkeston Co-op Travel from selling their holidays with vouchers that could be redeemed in other parts of the store. (See 2.4.1.) As previously described, the operators took the view that it was in effect reducing the price of their holidays thereby undermining the provisions laid down by ABTA. Throughout the hearing called by the Monopolies and Mergers Commission, ABTA spared no effort to persuade that tour operators should not be deprived of the right to decide at what price its holidays should be sold at to customers by its agents. The MMC upheld this view, however, it also decided to make it illegal for a principal to prevent an agent from offering inducements, including "percuniary" (of money) inducements. In effect price maintenance was now dead and buried, agents were free to offer financial inducements and the explosion of discounting followed.

ABTA still remain today as a powerful force in the trading relationships between operators, other travel principals and their agents. At the end of 1989 its membership was 3,322, a far cry from the initial 97 founder members of 1950. "Stabilizer" still remains as a cornerstone for enforcement of regulations but how long
this will remain is difficult to estimate as new directives from the EEC on restrictive agreements may force its removal. In-fighting between members goes on as usual, but recently it has been the agents themselves who have divided into two camps, the giant multiples, who have threatened to break away if more representation is not given to them, and the majority of independents. In the Spring of 1991 ABTA was in crisis with the collapse of ILG and other operators bringing the Association to near bankruptcy.
CHAPTER 3 - DISTRIBUTION OPTIONS IN TRAVEL

This chapter is concerned with the options that travel principals have when deciding on how to distribute their products to the consumer. First there is an analysis of present day distribution channels by business sector. This is followed by evidence from suppliers on the strengths and weaknesses of each channel and finally an overview of the principal issues in the decision making process.

3.1 UK TRAVEL INDUSTRY DISTRIBUTION CHANNELS

In his book, Marketing in Travel and Tourism, Middleton (1988) suggests the following definition for distribution in travel and tourism. "A distribution channel is any organised and serviced system, created or utilised to provide convenient points of sale and/or access away from the location of production and consumption, and paid from out of marketing budget". In layman's terms it means getting the product to the customer by the most efficient means possible at minimum cost.

As was explained in Chapter 1 the travel industry is similar in many respects with other manufacturing industries in respect of the basic distribution framework. Travel principals, the suppliers of product, and travel agents, are part of a chain of distribution used to feed the consumer. The travel supplier either chooses to utilise the chain or decides to go direct, there is no other way. In this context we must refer to tour operators as suppliers of a new product. Figure 4 illustrates the basic channels/routes available and takes into account direct channels for principals and tour operators.
However this chart is too simplistic as it does not take into account the individual nature of the product and its potential markets. For example segmentation of the air travel product means different approaches to distribution using additional outlets such as the "consolidator". He provides a channel to the ethnic market through a network of sub-agents. Cruise operators often distribute via newspapers and magazines. Car hire firms use franchisers and so on. Therefore to achieve a more accurate picture of distribution channels in travel it is necessary to examine each major product sector.

3.1.1 Air Travel Distribution

To enable a clear analysis of the complexities of air travel distribution the total market must be divided into its primary sectors, that of sub-scheduled and non-scheduled/charter services. The distinction has become blurred in recent years with route allocation liberalised by authorities, such as the CAA, leading to charter operators flying scheduled routes and vice versa. However, separately they do present different forms of distribution and levels of choice.

The Scheduled Business and Leisure Markets

Scheduled services, as distinct to charter, operate to a published timetable with routes, frequency and fares approved by Governments. The total UK scheduled air
market divides roughly into 20% business travel and 80% holiday/leisure. (MQ6.) Most airlines adopt a total market strategy to exploit both segments. But to enable them to capitalise on the total market they have to employ a very complex distribution system as can be seen from Figure 5.

Figure 5 - Airline Distribution Channels - Scheduled-business/Leisure

On the left of the figure is what could be termed as the primary channels, business passing through the traditional high street travel agents and seats bought by tour operators to be combined into a package with accommodation. On the right are the secondary
channels, still of crucial importance to some carriers, whose business is generated by consolidators using non-licensed sub-agents or via non-licensed so-called "bucket shops". Together these channels account for some 80% of all airline ticket sales in the UK the rest being bought direct by passengers. (*Mayhew, 1989.) It is now necessary to examine more closely each channel to explain its form of operation and the role and activities of its members.

**Primary Distribution Channels**

a. **Airline -> IATA Agent -> Passenger**

This is the major channel for airlines throughout the World accounting for some 75 to 80% of sales where intermediaries are used. (*Mayhew, 1989.) Basically airlines have the freedom to appoint agents as their distributors, the criteria usually being ABTA membership for domestic flight sales and IATA membership for international. Airlines are particularly supportive to those agents servicing the business traveller which can be a highly profitable market. However, as can be seen from the figure, a certain amount of scheduled business is processed through the secondary channel, via the consolidator, who will offer tickets often at below published rates. (See Section c.)

b. **Airline -> Tour Operator -> ABTA Agent or Direct**

Special rates, known as ITX fares (Inclusive Tour Fares), are available to tour operators taking allocations on scheduled services. Generally these will be on long haul rather than short haul which is dominated by the charter carriers. Tour operators such as Kuoni, Thomas Cook and Thomson will take allocations and package together
with accommodation. British Airways have their own "Speedbird" operation so are a tour operator in their own right. A number of operators are "seat only" specialists, that is to say they sell seats to customers who have their own accommodation arrangements abroad or to destinations where the own accommodation element is not required to qualify for a cheaper rate.

Such operators include Jetsave, Unijet and British Airways Poundstretcher. There are some tour operators who at this point in the channel decide to sell direct to the customer rather than through the agent. (See 3.1.4.)

Secondary Distribution Channels

c. Airline -> Consolidator -> Sub Agent or Direct

Fundamentally the concept of the consolidator is rather like that of a wholesaler, it is somebody who negotiates on behalf of a whole host of retailers, in this case, sub-travel agents to obtain a better deal in return for bulk purchase. It is a completely separate distribution structure based around tight knit ethnic communities that exist in the UK. A consolidators role is essentially the gathering together of passengers who want to go to a common destination thereby making up a group and qualifying for discount.

The geographical areas the consolidators serve are primarily the Indian sub-Continent, the Far East and Latin America. For this reason they are usually tied to specific airlines who in return for their loyalty will give preferred group rates and incentive commissions. These commissions will vary from the standard 9% to as high as 30% and in some cases 50%. The consolidator will be fully
licensed by IATA and therefore should not be confused with non-licensed sub-agents and "bucket shops".

Consolidators need to reach members of the ethnic communities and this is achieved through a network of non-licensed sub-agents. They are owned and operated by members of the ethnic community and are often duel businesses, e.g. insurance, electrical, sari shop, sweet meats etc. Bookings are placed with the consolidator who will issue tickets by return. They work on very high rates of commission with few expenses for licences to trade, such as premiums for bonding and ABTA membership subscriptions. As the majority of ethnic communities prefer to use their own sub-agents rather than the normal travel agents, airlines have little choice but to distribute via this channel. Approximately 85% of the consolidators' business goes through the sub agent (*Cambata, 1989) the rest being bought direct by individual passengers.

d. **Airline -> "Bucket Shop"**

The difference between a sub-agent and a bucket shop is the way in which the air ticket is obtained. Whereas the sub-agent uses the consolidator, the bucket shop is supplied directly by the airline. This is in fact an "illegal operation" as under the law no scheduled airline is allowed to sell tickets at below the advertised published fare agreed by the respective Governments. Airlines could in theory be prosecuted but in practice this is highly unlikely as it would cause substantial embarrassment and political difficulty between the countries concerned. There have been many attempts by airlines to "clean up" this channel but bucket shops still exist today although few in number.
The Charter/Leisure Market

Distribution in this sector is much more simple as can be seen in figure 6. Airlines charter out their aircraft to inclusive tour operators who in turn sell to the public primarily via the travel agent. Around 80% of air charter business is done using this channel. However as the figure shows, some tour operators may cut out the agent and sell direct. Whole plane charters are usually negotiated between airline and tour operator direct however, the parties may also use the services of an airline broker especially for part charter where a number of operators share seats on flights. The broker acts as a clearing house and adviser organising deals between airlines and operators.

In recent years excess capacity on charter flights saw the creation of seat-only operators. These organisations operate in the same way as conventional tour operators. However, accommodation has to be provided by the customer, for example a villa or apartment, or alternatively the seat-only operator will provide some basic accommodation which the customer may or may not use.

Figure 6 - Airline Distribution Channels - Charter/Leisure
3.1.2 Surface Transport Distribution

a. Coach Operators

Distribution for coach operators is sub-divided into those firms specialising in domestic and foreign tours, and firms operating inter-city express services. For both, the choice of channel has always been difficult as coaching in general is regarded by agents as a low revenue earner and therefore low priority. As a consequence they have, in many cases, been forced to concentrate their marketing efforts on the direct channel.

Tours

For leading coach operators selling foreign inclusive tour such as Wallace Arnold and Shearings, their distribution is split almost evenly between the agency and direct channels. That market is estimated to be worth around £500 million carrying approximately 2.5 million holidaymakers. (Travelnews, 1990.) Since the deregulation of the bus industry there are now hundreds of small private operators who sell direct to the public through newspaper advertising and small non-travel retail shops. The problem with these small operators is often the lack of consumer protection arrangements in case of failure, except for those who are members of the Bus and Coach Council. Many of these firms are extremely small, working from back street garages and whose margins could not support the costs of distribution via the agent.

Coach operators specialising in the home tour market need not be members of ABTA to sell via agents. The more difficult problem is that of consumer attitudes to booking methods for home
tours. Many do not see the necessity, or want to approach a travel agent, believing they are for the foreign market. Many small operators use other forms of retail outlets to generate business for example, newsagents, sweet shops and general dealers. Another popular method is to hold joint promotions with local and regional newspapers.

Express

Of the estimated £86 million in revenue generated by some 14.5 million passengers on National Express coach services, only £35 million was said to be put through the traditional high street travel agency shops. (*Turton, 1989.) The balance of £51 million was split between sales at coach stations such as Victoria (£12 million) and through the various chains of regional bus operators offices.

Undoubtedly it is the public's perception of bus travel that determines the channel structure. Most people do not feel that they should use the services of a travel agent for what is a fairly uncomplicated transaction. Likewise, many agents feel it is not worth the training and expense of servicing the product with an average commission return of only £1 or £2 per passenger. Again, since deregulation, there are now many competitors to National Express and these companies concentrate their efforts on direct sales.

b. Car Hire

As with some coach operators, car hire firms constantly complain that travel gents are missing out on a very lucrative market worth millions. Even so the agency channel is estimated to be handling some 60% of all car hire business. This
business breaks down to about 70% business travellers, 30% leisure. Virtually all car hire for the business traveller, especially overseas, is channelled through agents due to their specialisation in this sector of the market. It appears to be in the leisure market where the problem lies with agents being accused of not following up holiday bookings with a car hire proposition. In addition, the majority of customers do not seem to relate car hire to travel agency services and 'phone direct after they have made their holiday arrangements.

There are a number of direct channels in use by car hire firms to secure business. All the leading operators such as Hertz, Avis, Budget, etc. have town and city offices plus a presence at most airports. There is also a network of "licencsees" who are independently owned, hiring out their own cars, but trading under a nationally recognised brand. Additionally there are "Agencies", again independently owned, but this time hiring out cars owned by the national operator. Finally, business is generated from their overseas office, licencees and agencies.

c. Rail Transport

Distribution for British Rail products is dominated by sales through their own outlets which provide about 80% of sales. By its very nature, the rail product has an automatic national distribution network through its own railway station booking and enquiry offices. From the railways' point of view there seems little point in licensing numerous travel agents when there is a railway station nearby. This simply dilutes the revenue through the commission payment. There is also, as in road transport, a perception by the public that buying
a rail ticket is not something to be done at a travel agents. Some agents in turn do not think it worth the time and trouble to undertake bookings because it could detract staff from selling the high revenue products such as inclusive tours.

However, British Rail still regard the 20% passing through agency hands as very important especially when they provide about 40% of all first class business primarily through their business travel centres. (BR Marketing Reports.) It has been an uneasy marriage with agents accusing railway management of undermining their business with direct sell initiatives such as the opening of business travel centres and the aborted attempt to convert all mainline enquiry offices into mini-travel agencies selling a wide variety of non-rail products. Likewise, British Rail have, in the past, accused the agents of lack of interest in their products.

Another distribution channel for the railways is tickets sold by inclusive tour operators at reduced rates. This amounted to around £15 million in 1988 but only represented about 1 to 2% of total revenue. It has basically two market segments to serve, one the UK domestic market consisting of primarily short breaks and the international market where BR provide special tickets to get people to airports and other departure points.

Self ticketing is available to some large commercial and public organisations who are linked to their local stations. A supply of travel warrants or ticket books are supplied to these organisations thereby cutting out the need to use an agent. It is seen for some organisations as a quick and convenient alternative.
d. **Sea Transport**

Sea transport breaks down into the two major categories of Cruise and Ferry. Line services (regular long distance sea routes) have now declined to a point where business is very insignificant. For example, there is now only one regular passenger service between the UK and USA provided by Cunard's QEII, Summer only.

i. **Cruise**

The split between agency and direct channels is said to be approximately 85/15 in favour of the agent. (*McDermott, 1989.*) Traditionally the growth of the cruise market has mirrored that of travel agencies, as it was not until the 1960's that both were to benefit by the increasing wealth and leisure time of the population. It has always been a very lucrative business for travel agents with a high cost product resulting in a relatively high commission return. Cruising provides an ideal "niche market" for those agencies wishing to specialise.

Promotion through newspapers is a very popular way of stimulating sales. The agent will strike a deal with its local paper then approach the cruise operator with its proposal. Obviously in return, the agent will want an attractive price to advertise and expect a good commission level which will include a payment to the newspaper involved. Alternatively the cruise operator will strike a deal direct with the newspaper and local agents will be invited to join in the scheme by placing adverts in a special
feature. Usually it is tied to one specific cruise departure with transport being provided to the port and the services of a cruise escort. The attraction of this channel is the local identity and relationship between reader and paper. The newspaper is seen as offering security, a local departure point for local people and a good price. For the agent it brings advertising at a cheap rate with a wide circulation within its catchment area.

However, 15% of cruise business still comes from direct sales, 10% of which is straight from the customers who telephone or call in to the cruise operators office. They are often very independent people, not looking for price discounts, and many do not want to deal with agents. Unlike air, coach and rail, cruise operators cannot afford to maintain a network of sales outlets and therefore this limits the opportunity to attract direct customers.

The remaining 5% are sales via outside organisations who take large blocks of accommodation to be used as part of an incentive scheme. For example, a car manufacturer may have a marketing scheme whereby its top salesman or dealers are rewarded with a free cruise. Direct sell tour operators such as Saga Holidays will also take large blocks of accommodation and sell off as a special deal to its own customer base.
ii. Ferry

Due to the nature of the ferry business, which is often a last minute, spur of the moment decision to travel, the gap between direct sales and agency is narrower than that for cruising. However, it is still estimated as being 60/40 in favour of the agent. (*Farrell, 1989.)

Although not quite as bad as express coach business, ferry bookings are still relatively low on the list of priorities for some travel agencies. It is perceived as being low cost and revenue even though, according to car ferry company sources, it was considered to be potentially the largest single growth segment in travel in 1989 worth around £26 million. The business is split fairly evenly between the multiples and independents, the latter perhaps being looked upon more favourably because of their "all services" policy.

Of business coming in direct, a high proportion, 40% in the case of North Sea Ferries, comes from group bookings. Ferry operators therefore target their marketing on coach operators, clubs and societies to fill ships, especially in the off-season periods. There is an element of direct sell through advertising in the press, through coupon response, but the effort is still to "push" the potential customer towards the agent by quoting "see your local travel agent". The same applies to television advertising.
3.1.3 Accommodation

Perhaps after the airline business, the next most complicated distribution system is that for accommodation. Such is the diverse nature of the accommodation sector from small independently owned guest houses to De-luxe category hotels owned by multinationals, from private villas to Holiday Centres, that numerous channels have developed (see Fig. 7.) Discussion on each channel shown in the figure is taken from top to bottom.

Figure 7 - Alternative Channels for Accommodation Providers
Most business is generated by direct contact between accommodation providers and customer, probably up to 80% of all accommodation sold in the UK, for non-inclusive deals is via this channel. For smaller types of accommodation, especially those at UK seaside resorts, "off the street" booking is their main source of income or by placing adverts in the local resort or regional brochure. However, some of these providers and larger hotels join a "consortium" who act on their behalf by providing facilities, centralised reservations and accounting. Best Western and Consort are leading Consortia in the UK. The Consortia can then sell direct, via a travel agent, hotel representative or tour operator.

Leading national and multi-national hotel chains sometimes provide their own centralised reservation system, for example, Trust House Forte, Holiday Inns, Hilton, etc. Most will offer special inclusive packages especially short breaks. They sell direct to the consumer or via the travel agent.

For those hotels, both independent and chains, who do not wish to, or do not have the resources to provide their own centralised reservation service, there is the hotel representative. In contrast to the chains these are independent organisations, who in return for a commission, represent hotels in the same way. They provide a reservation service, business promotion and advertising etc. Their prime distribution channel is via the travel agent.

There has always been an uneasy peace between the hotelier and the travel agent. Historically, hotels resisted the agency channel due to the loss of commission payment to the agent. Agents on the other hand, found booking individual hotels difficult from a communication point of view. Arguments about the acceptance of pre-paid vouchers and payment of
commission have been commonplace. However, as the larger chains have developed, especially those catering for the business travellers, special arrangements have been made to encourage business through agencies. For example, centralised reservation units linked by new technology coupled to fast and efficient payment systems based on vouchers. Corporate rates offered to customers of business travel agencies in most cases make it cheaper to use the intermediary.

A more recent phenomenon has been the emergence of the specialist reservation agent. Firms such as Utell and Expotel, cater exclusively for accommodation bookings and although used by travel agents themselves, actually market and sell direct to the business and leisure traveller. They are therefore in effect, another form of middlemen, competing for business with the traditional travel agent.

Figure 6 also shows a channel via the tour operator. As far as UK accommodation providers are concerned they fall into two primary categories, those owned by hotel chains who are incorporated into inclusive tour packages, as mentioned under chains, and other independent domestic tour operators such as Rainbow, Superbreak, Wallace Arnold and Shearings. It is estimated that travel agents account for as much as 75% of the short break market (*Price, 1989).

Finally, the National and Regional Tourist Boards in the UK do provide a very valuable accommodation information service for customers. For example, a computerised list is kept of all registered accommodation, those inspected are given an official classification. However, as public authorities, the boards do not provide a full scale reservation service only a limited "book-a-bed-ahead" scheme for which they make a small service charge, the customer making payment at the hotel.
Before leaving this sector, mention must be made of the Holiday Centre business such as Butlins, Pontins and Warners. Despite strong marketing efforts by these companies for agents to take more interest, the shares are still about 50/50 with direct channels. Probably because of its old fashioned "Hi-di-Hi" image, agents have been reluctant to give the market due attention. However, with multi-million pound investment being poured into these centres the agents are now showing more interest.

3.1.4 Inclusive Tours

Operators selling inclusive tours have the basic two channels through which they can sell, the travel agent which accounts for an estimated 85% of business (Mintel, 1990i) and direct sales. This issue of distribution channel choice has always been the most contentious in the relationship between operators and agents. Due to the unusual regulation of ABTA's "Stabilizer" (See Chapter 2.5) supplier and agent have been locked together on the altar of consumer protection.

It is often assumed that ABTA tour operators must sell via the agents but this is not so as they still have the freedom of choice which can include the option to sell direct. It is the use of the non-ABTA travel agents for the sale of foreign inclusive holidays that is prohibited. Consequently we have market leaders such as Thomson Holidays and Owners Abroad, using both channels with special products for direct sales, Portland in the case of Thomson and Tjaereborg/Martin Rooks offered by Owners. Figure 8 shows the channel structures which are relatively uncomplicated.
If we take the so-called primary channel, the usual method is via the travel agent who will be rewarded by commission on each sale. This commission however has to be built into the package therefore making it in theory more expensive. However, due to discounting and other incentives offered by agents, this has tended to undermine that advantage. (See Section 3.3)

A linkage, although unusual, can be seen from the traditional operator to the customer. This is when the customer decides to contact the operator direct. If this occurs the operator will either ask the customer to contact the nearest agent or accept the reservation. If the latter happens, it is important to remember that the customer does not make any saving as the packages sold within this channel are already priced inclusive of agents commission. With discounting on offer at agents, it would therefore be uneconomic for the customer to use this alternative.

The secondary channel consists of those operators who have made the decision to sell all their products direct or those traditional operators who produce special
brands for that market such as Thomson/Portland, Owners/Tjaereborg. (See Table 14.) The dilemma for this latter group of operators is the conflict of interest in trying to maximise both channels. Whilst on the one hand seemingly to support the travel agents, they promote products which cut them out. Naturally agents become very frustrated and fearful about the direct sell situation despite assurances from the operators that they are not out to destroy them. The agents main weapon, that of refusing to rack offending operators brochures, has not been used as a reliance on the two leading brands, Thomson and Owners, is too high. To carryout this threat would be akin to "shooting oneself in the foot".

Apart from the big three brands the others in the secondary channel are far smaller and for the most part specialist operators. Many concentrate on "niche markets" like Saga, who have built up a very strong presence in providing holidays for the elderly. They decided to go direct in 1987 as only between 2 and 3% of their business was coming through agents. (*Horsman, 1989.) Saga, like others, rely on direct marketing, using direct mail and press advertising to build up their lists of customers. Even more important is the repeat business created through loyalty and word of mouth recommendation. The smaller the niche the more the operator relies on direct marketing as they cannot finance distribution through 7,000 agents and will be unable to find sufficient, if any, racking space for their brochures. They advertise in the classified columns of the quality Sunday newspapers and magazines, targeting their market very precisely.

Another phenomenon of recent years has been the development of the "Reader Holiday" booking concept where newspapers have taken on the mantle of travel agent, acting as an intermediary between direct sell operator and customer as shown in Figure 7. They are
for the most part, confined to a number of well known regional newspapers such as the Newcastle Journal/ Chronicle, Belfast Telegraph and the Western Mail/Echo in Cardiff. Originally set up as an extension of the promotions department, they are now a well established form of retailing for some operators such as Newmarket Promotions and Blue Chip Travel.

The Reader Holiday department within the newspaper is effectively a form of travel agent to whom the operator pays a commission. However, the major difference is that the department need not be a member of ABTA just so long as there is no financial transaction between the customer and newspaper. Therefore all deposits, balances, etc. have to be made payable to the tour operator, the newspaper merely passing on the correspondence. If there was a financial transaction then of course there would be a financial risk, and those operators who were members of the association, but dealing with newspapers, could no longer trade under the "stabilizer" regulation.

It will be appreciated that the High street agents are against this form of trading as the newspapers avoid all the complications, responsibilities and costs of being an ABTA member. They have attempted on numerous occasions to have the practice stopped but ABTA have admitted there is little that they can do.
3.2 CHANNEL STRENGTHS/WEAKNESSES-SUPPLIER EVIDENCE

In this section, the distribution strategy of suppliers is explored together with evidence of the effectiveness, strengths and weaknesses of the channels which they use. A macro-sectoral approach is used, based on a series of interviews. Due to the limitations of the number of interviews conducted, it cannot entirely reflect total strategy and views of each sector.

3.2.1 Airlines

With an estimated 80 to 90% of all scheduled air sales coming through agency channels, it is not surprising to find distribution policy firmly fixed in that direction. Airline representatives interviewed were firmly and fully committed to the IATA distribution system which ensures that the agents are licensed according to a set of rules and regulations. The prospect of a concentrated marketing effort to generate direct sales was not on the agenda. One prime reason given for that policy was the costs incurred in time and money of dealing direct. The sheer volume of telephone calls to make reservations, the time taken to explain fare structures, schedules etc. was considered impractical.

Agency Channels

The High Street agent did come in for criticism in terms of the service they were giving though there was a great deal of sympathy in that they have to cope with an increasingly complex business. Praise was especially forthcoming in respect of the business market where agents had to set up special units to deal with commercial organisations. However, on the leisure side, they were viewed as being behind the rest of the retail financial services sector in respect of investment in technology and innovation. The words "stale and immature" were used citing owners being scared of spending money especially in the independent agency
sector. "Like other retailers, they should attempt to hold a specific market position with the right image and merchandise, but that needs investment". (*Mayhew, 1989.)

Another concern was that of the move towards volume rather than quality which had lead to discounting and a lowering of the image of the product. This in turn reflects on the airlines and in the case of British Airways they felt that for up-market, long-haul business they should set up their own network of agencies, Four Corners, to reverse this trend. This development, however, angered many of their agents and the concept, involving a completely different design of office and the sale of tangible goods, did not succeed.

For particular routes, especially those attracting business from ethnic minorities in the UK, the consolidator (see 3.1.1), is an important indirect distribution channel. Many were created by the airlines themselves to shift excess capacity, but now some regret this as consolidators have become very powerful dictating fare levels and commissions. They have also caused friction between the airline and the established High Street agencies in the past because consolidators were given fares they could not match. However, more recently, agents have set up special fares units similar in operation to consolidators and are being offered below published rates on specific flights. Within their own ethnic market sector however, consolidators cannot be matched by UK agents and therefore airlines cannot afford to ignore them.

Alternative Channels

Despite repeated media reports to the contrary, there was little evidence of enthusiasm from scheduled carriers for the development of alternative channels such as telephone sales and self ticketing opportunities.
A major problem perceived was that customers probably think that if they contact an airline direct they will be offered a restricted choice of routes, times and fares, whereas an agent should have an unbiased view. "Price is no longer static, schedules can be complicated, so the need for an intermediary who can sort out these problems increases". (*Mayhew 1989.)

Self-ticketing has a similar problem, customers using an automatic ticketing machine would still want to select from a wide range of opportunities, airlines would only want to show their own services for obvious commercial reasons. "Therefore, apart from routes such as domestic shuttle services, automatic self-ticketing machines will be supplied by intermediaries, who are neutral, such as the travel agent". (*Mayhew, 1989.)

There is, however, a considerable amount of business conducted over the telephone with the use of credit cards, and airlines are responding to this demand. For straight uncomplicated ticket sales it is very convenient, but when additional items are required such as accommodation, car hire, insurance etc. the view is that the agent should be contacted.

3.2.2 Rail

British Rail are the only major supplier who has its own "in-house" distribution system through its stations, therefore their policy is strongly influenced by this. They only need a limited supplementary distribution system to cover geographical areas where they do not have a station or it is in an inconvenient location for the public. They see no point in having their product sold through say five travel shops with different branding all in the same street with a station nearby. However, BR do regard the agency system as the most cost effective way of getting to the customer if the business cannot first come through the station sales point, this applies especially to business travel.
Agency Channel

Attitudes towards the sale of BR products reflects the changes in the nature of agency business during the last ten years. Once dominated by the "all-services" agent, who believed rail was an essential product to sell, the sector is now split between leisure and business, each with its own sales objectives. On the leisure side many agents have decided that rail does not meet their profit aspirations and have withdrawn the product. However, business travel has to provide rail as part of its "complete" service to the customers.

Because of this situation, BR expressed concern about the low level of rail product knowledge, lack of interest in promotion and selling. "It is a vicious circle, if they cease to promote, they do less sales, knowledge and quality of service declines. There are many weak outlets providing a poor quality service, presentation and advertising although there are exceptions". (*Chapman, 1989.) In a concerted effort to reverse this, BR was about to launch a massive "quality service" campaign in 1989 where in all licensed outlets there must be at least one person holding a new certificate of rail competence.

There is general satisfaction with the quality of service given to business house clients. Here the biggest problem for BR is perceived to be the barrier created by the agents between the railway company and the customer. It appears that agents are resistant to bringing the two parties together as they see a risk of a direct sell operation developing.

Alternative Channels

A few years ago, the biggest threat to agents appeared to be the prospect of Station booking offices being developed into full scale travel centres, especially in
the major Cities. However, in 1989, they are in fact pulling back from this, having experienced problems such as queues building up at sales desks, inconveniencing their prime customers wanting to purchase tickets. However, they still continue to offer a business travel service where there is a local demand. It was said that some business travellers prefer BR to look after all of their rail travel requirements. This of course takes business away from the specialist agent who BR state they have no intention of competing with.

Experiments with self-ticketing machines taking credit card payments have been tried with limited success. As an experiment, Barclaycard machines were placed in fore-courts of selected mainline termini such as Euston. However, they were not popular with customers and later withdrawn. BR said they will have to become more "user friendly" before they become more widely accepted. For the longer journeys, it would appear that customers want the security of dealing with a station clerk rather than entrusting the transaction to a machine. For local journeys, automatic self-ticketing is much more popular and machines have appeared in most mainline stations. It does save the customer having to queue up for a low purchase transaction, the machines are quite simple to operate with little perceived risk. It is also not the business that the travel agents normally deal in.

3.2.3 Roadways

a. Coach Tours

Policy regarding channel choice was heavily influenced by perceived negative attitudes towards the product. There was a strong feeling by operators that alternative channels such as direct sell was probably the most effective method of distribution. However, it was the problem of how
this could be achieved. Having their own network of travel shops was considered by one operator as a "half way house".

Simple economics revealed that on a £40 million turnover, £4 million would be paid out in commission. This sum would buy a great deal of advertising. In addition, the agent must be serviced, incentives offered, making a total bill of around £6 million. In return the brochure/booking conversion ratio was said to be only 40 to 1 which on direct sell would probably be 3 to 1. (*King, 1989.) Although a large reservation centre would be required and a much longer time spent on each direct call, the problem was still regarded as "tempting". However, as was said, agents are there and the British are very stuck in their ways. To go direct would be a very expensive and risky process.

**Agency Channel**

The major concerns about the effectiveness of the channel was the lack of product knowledge especially in relation to UK holidays, levels of service and the number of agencies trading. Lack of product knowledge was seen as very severe, compounded by the fact that many agency sales consultants "have not a clue about the basic geography of the British Isles" (*King, 1989.) It was recommended that there should be an expert in UK domestic products in each agency.

Service levels were considered appalling in some agencies despite the bright and shiny high tech offices. Poor salaries were blamed for a high staff turnover resulting in too many young inexperienced sales staff. It was said that "if agents stopped discounting and pretending they
were real retailers, they would have the margins to pay higher salaries and keep the staff. They have yet to come to terms with the fact they are not retailers, they have not got the margins other high street retailers have". (*King, 1989.)

Another problem perceived by coach operators was that many agents see themselves as the customers' agent rather than the suppliers, so that when it comes to settling complaints there seems to be an unfair bias against the supplier. Finally the channel was said to be over supplied with agents. If they could be significantly reduced, then those left could specialise more, suppliers in turn could afford to support them with better training etc.

Alternative Channels

The major medium for coach tour operators is to use TV and newspaper advertising. They do this because they have had so much trouble in getting brochures racked in agencies. As one representative said, "the only thing we have got to sell our product is the brochure, it's our shop window, it's our department store, therefore if we are ever to sell, we must be able to put into the hands of the customers". The advertising was geared into three objectives known as the "push theory" (see Chapter 1.1). The first objective to state here is the supplier and product, second, send for our brochure and third, go into an agent to book. It was not therefore about direct response marketing in the true sense, which would employ the "pull" theory of encouraging a booking direct with the supplier.

A supplier setting up as a travel agent in their own right was considered a useful alternative, the rationale being to get exposure for the product
and to raise the profile of the Company. To develop a national chain was not considered an impossibility by coach operators, which would probably be done through acquisition.

b. Scheduled Coach

National Express is the only major scheduled coach operator in the UK and, therefore, this section is restricted to their views only. The strategy is to maximise both channels, direct and third party. Unlike British Rail, however, National Express do not own and operate many stations though this is now a prime objective of the Company. By buying out large bus companies they will gain control of the major bus stations thereby saving millions in commission payments. This trade did not emanate from the travel agent so therefore this move is not seen as undermining their business.

Having their own retail arm sold off during privatisation, during the early eighties, National Express have no desire to remain on the high street unless they see that their major supporters, the small independents, are being frozen out by the multiples. In this situation, they would have to seek alternative channels possibly their own chain acquired through acquisition. The problem would be, like British Rail, the view held by the public that these offices would be for transport purposes only. It was suggested that perhaps they could offer a specialised British tourism service including domestic travel, accommodation and tours.

Agency Channel

As previously mentioned, the problem with the agency channel, which is acute for scheduled
coach operators, is the attitudes of both Management and staff of agencies towards the product. Because it is a low revenue earner, it is low priority and often it is left to junior members of staff to sell it. However routing, schedules and ticketing can be fairly complex and therefore service standards are jeopardised. The smaller independent agent provides the best support, often those just starting up who are looking to get all the business they can. The coach operators provide this support and a vital source of income in the early years.

Alternative Channels

The only direct alternative channel for National Express is through their wholly owned bus stations of which there are very few. It is therefore a totally opposite situation to that which exists for British Rail who have a monopoly on all rail stations. Coach customers can use the telephone to make bookings and pay by credit card. There are a number of self-ticketing machines at a limited number of coach stations but again they are operated by the bus company owners rather than National Express themselves. It would be virtually impossible for them to site their own machines as bus station operators are paid a "departure fee" and therefore would not welcome such competition. At present there is no direct response marketing carried out by National Express although it must be remembered that there are many other operators offering scheduled services who were not interviewed as part of this research.

c. Car Hire

Distribution policy was difficult to determine as only one car hire firm was interviewed albeit a
multi-national, and the sales director was not available. However, the companies representatives did state that the policy was to target the travel agent although this was not always the case in the past. New partnership deals have been agreed with major multiples and suppliers such as British Rail and British Airways. "Every product developed now has the travel agent in mind". (*Aspinall, 1989.)

The potential was seen especially in the area of business travel where agents have become far more competent and specialised. In the past a good number of commercial organisations had their own travel managers and these alternative direct channels were exploited. However, these were now fast disappearing, firms preferring to deal with an agent and thus save the cost of employing such a person.

**Agency Channel**

The major concern for all large car hire firms was again a perception of the product by sales consultants, but not this time, as low revenue, low priority, but one of a complicated product. Sales consultants tended to shy away from car hire because of the variety of tariffs, rules and regulations and complex payment vouchers, especially those for overseas car hire. Efforts were being made to simplify the system, put on sales training free and encourage Managements to push the product, however the problem persists. Car hire is seen very much as an ancillary product and therefore left as an after thought by sales consultants. Even the payment of high commission and incentives seems to do little to improve the picture. As a representative said "when it comes to car hire, agents seem to have a mental block". (*Coles, 1989.*)
Alternative Channels

According to those interviewed, there was no attraction for the car hire firm to go direct because they did not have the resources at their headquarters to meet the demands of telephone or written enquiries and bookings. However, if the agents continued to avoid the sales opportunity then the situation could change. Already new technology is providing touch screen reservation computers sited in airport domestic "shuttle" lounges, enabling instant reservations and payment. However, the machines supplier is still paid a commission so it is not actually a direct facility financially. Advertising is carried out but using the "push" theory of directing customers to travel agents rather than direct. "Direct response marketing requires a sophisticated and up to date database, it can be time consuming and costly to set up and administer". (*Coles, 1989.)

3.2.4 Sea

a. Cruise

"Responsibility for direct selling cannot be solely at the feet of operators. After all, can you blame people whose job it is to sell a product in a tough market, for using all the tools at their disposal"? (Brown, TTG, 1990.) This statement from a cruise operator which strongly supports the agents clearly shows the dilemma facing suppliers. In the cruise market, the travel agent is the prime distributor but whose position is constantly under threat due to failure to capitalise on such a lucrative product. At P&O for example, the UK's largest cruise operator, travel agency distribution is a key element in their marketing operations. It is regarded as the most cost effective and efficient
means of distributing their products and no change is envisaged.

Agency Channel

Rather than being critical and concerned, the view taken at P&O was one of appreciation to have the opportunity of such a wide network of sales points in exchange for a commission rate of only 10%. "Compared to suppliers in other industries, e.g. jewellery 50% mark-up, furniture 33%, the agency demand was considered a gift. To have over 7,000 agents prepared to put your product out on display for a basic 10% return must be unparalleled in any other industry". (*McDermott, 1989.)

It was said that whilst accepting that in many cases the agent is not particularly good at selling cruises, he has an office in every high street in the Country, something which suppliers could never do. So allowances should be made in respect of service and knowledge levels. McDermott suggested that suppliers should not simply blame their lack of success on the travel agent saying "here I am, I own a product, I have produced a brochure, now you, the agent, run round and sell it for me for 10%". Unlike many other suppliers, cruise operators were against the idea of a reduced network of agencies as there would be a higher price to pay in the form of commission. Agencies would be in a much stronger position to insist on a higher return wielding a threat of refusing to rack brochures.

Alternative Channels

As with other suppliers, the problem about going direct was the back-up services and costs incurred
in providing the reservations facilities. P&O for example could not contemplate expansion for its London based reservation centre due to costs of space and staff. Their computerised reservation system is geared up for the sale, through agents not for direct bookings, which would mean modifications to deal with accounting and administration. It was pointed out that people still book from pieces of paper, they don't book from videos, inter-active TV using credit cards etc. Like the coach tour operators their client base is from the older generation, many of whom do not hold credit cards in the first place. "It is the customer who drives the business not the industry, it is their needs that matter, how do they want to buy the product is the issue". (*McDermott, 1989.)

b. Ferry

Ferry operators were overall found to be very pro-travel agency with advertising which directs the customer to that channel. If the passenger contacts them direct for a brochure then the accompanying letter will "push" them towards the agency. However, direct bookings will not be refused and the operator will save the commission payment, the passenger receiving no financial benefit. There appears to be no plans in the near future to move onto a direct sell basis. However, in order to survive, ferry operators target group travel organisers who are, in the main, small independent coach operators. This cuts out the agent in most cases but is essential to fill their ships in of the off season.

Agency Channel

As with other transport suppliers, a major concern
is the perception of the business being low value, therefore low priority. There has been improvements in staff training but it was thought that ferry operators need to raise their profile especially with the advent of the Channel Tunnel which could seriously undermine their business. Limited geographical knowledge was also cited as a problem with agents, some motorists rely on agents for advice on the best road routes to Continental destinations, but this was often not available.

A disappointment had been the lack of effort in respect of the use of new technology. All major operators are linked via viewdata networks (see Chapter 6) yet most agents will pick up a telephone to make a booking. Travel agency Managements were accused of not pushing the use of technology yet it can save time and money. "They seem to be more concerned about additional commissions before putting their own house in order". (*Farrell, 1989.) Although there is no shortage of brochure availability, agents still run out when all that is needed is a message through viewdata or a 'phone call. It was said to be distressing for operators to find this situation in agencies as without brochures there will probably be no sale.

**Alternative Channels**

New business for many ferry operators is generated by newspaper advertising with coupon response or telephone call. This information can then be put onto a computer database together with passengers who recently sailed with the company. As a consequence some operators will direct mail a ferry brochure with a personalised letter inviting them to book, but via the agent. At North Sea Ferries, the database is not broken
down into passenger types as it is not the intention to use it to encourage direct sales. Operators are anxious not to alienate agents who are producing between 60 and 70% of the total business.

3.2.5 Accommodation

a. Hotel

Overall, those interviewed from the hotel sector were sceptical about the benefits of relying on any one channel therefore a very diverse approach was adopted. The policy was to maximise all channels available either direct or through third parties. It was far easier for the larger hotel chains to market through agencies than the independent hotel keeper who has to rely on a consortia to effectively enter this channel.

Hoteliers will target the business traveller direct offering a variety of incentives such as corporate rates, free use of additional facilities such as a sports complex, etc. They can be quite easily identified by hotel representatives visiting industrial estates or looking through industrial journals. Individual travellers are much more difficult to target so heavy advertising is used by large chains especially in respect of their short break programmes. Although booking through an agent will be mentioned, any direct responses will be accepted and information put onto a database. Previous short break customers will be direct mailed, which for some hotel chains has produced a loyal core market. These policies reflect the uneasy relationship which has existed over the years between hotels and travel agents.
Agency Channel

A familiar story from those interviewed was that of lack of product knowledge and geography, especially in respect of the UK domestic market. In respect of product knowledge there was said to be a lack of understanding about how they can book a hotel bedroom and room rates. A recent survey of four multiple travel agency shops in one town had revealed that for a request for a straight bed night, one said they could not do it and the other three used the short break inclusive brochure which was inappropriate. None had a clear idea of room rates.

Alternative Channels

Which alternative channel to use depended upon the size of the hotel operation. Obviously for small independent hotels, direct sales are the only avenue as it is impossible to service so many agents. Competition also means that room rates have to be at their lowest to survive hence the necessity to cut out the commission. Advertising in local newspapers, travel magazines and resort brochures is the major medium for this group.

For the large hotel chains however, even though they admit it would be more cost effective, alternative direct channels create problems such as the movement of late short break stock. Straight hotel bed nights primarily used by business travellers are difficult to obtain direct unless having once stayed they can be targeted with incentives such as reduced corporate rates. Special events such as the World Travel Market, Moot and Secretaries shows can lead to new direct sources.
b. **Holiday Centres**

As with so many suppliers, the distribution policy is guided by the demands of the customer shown through research and booking patterns. Whatever the preferences may be then the holiday centres will respond. The agency channel has been encouraged with promotions and incentives but there is still a high proportion of business coming from direct sources, approximately 70%. As one Marketing Manager said, "we don't sell through agents because we like them, we market our products through them because there are customers who wish to purchase that way, so as long as the preference remains we will support them. (*Daykin, 1989.)

**Agency Channel**

Poor selling skills were emphasised as the major problem. They are seen as very good at displaying the product, having premises in prime positions, but in terms of their selling skills, in some cases they are regarded as appalling. This has been shown by various surveys which highlight the lack of selling techniques, the most important being how to convert an enquiry into a booking. "Product knowledge is totally worthless if you are lacking in selling skills, yet agents can actually be a successful revenue producer without that knowledge". (Daykin, 1989.)

Attitudes towards the product are thought to have changed only marginally over the last ten years or so. A number of major travel agency chains are now realising there is potential for the sale of Holiday Centres but are seen as having a "mental block" in favour of the overseas package holiday. It has been difficult for the Holiday Centres to
chip away at these attitudes even though agents can earn more money from them compared to the cheap overseas packages.

Unfortunately agents tend to view income per head, but as was pointed out, it is not income per head that relates to their costs, its income per booking form transaction because it is one telephone call, it's one piece of paper going through their accounts department, it's one payment, not one times the number of people. Agents can earn an average of £43 per booking form because holiday centres tend to have four people per booking form whereas overseas holiday operators only have an average of 2.2 per booking form. Taking a cheap overseas budget holiday of £150 per person, that only gives the agent about £30 in commission. (*Daykin, 1989.)

Agents were not seen as good professional retailers like some of their high street counterparts, the word 'travel agent' was viewed as negative, i.e. providing advice when it is asked for rather than being pro-active retailers. It was suggested that they should use the same techniques as other retailers to make customers come into the shop. For example, bright interiors, effective presentation of the product, well trained sales people who may not know everything, but know how to establish the relationship with the customer. To identify that customers need and know how to go about satisfying that need from a whole range of products. The position seems to be, according to an operator, that the agency trade has gone down the route of price, commodity and it's the cheapest that will win the day.

To prove the seriousness of the problem, one
holiday centre organisation carried out a survey of agency customers who had booked a short break and found only 10% had gone back to the agent to re-book, the two key reasons being:

i. When they went to the agency the brochure was not available.

ii. When it was displayed, the staff showed no interest in wanting to sell it.

"The buck stops with the Senior Management in agencies, they must be professional retailers". (*Daykin, 1989.)

Alternative Channels

Non-agency channels were estimated at 70% of all holiday centre business, this being split between direct sales (45%) and groups (25%). Groups were split again into tour operators, private parties from senior citizen groups, sports and social clubs etc. The key area was direct marketing where up to 70% of the client base re-book. The advantage of this method was said to be the ability to communicate the message the supplier wishes to give direct whereas the agent cannot do this due to lack of specialist knowledge.

3.2.6 Tour Operators

Special Note

As previously explained, the majority of operators are locked together with agents due to ABTA's "Stabilizer" resolution. (See Chapter 2.5.2.) Interviewees were therefore reluctant to talk about distribution channel choice and policy as it is a very sensitive issue especially for those who have direct sell products.
Questions were therefore confined to seek evidence of the effectiveness of the agency channel when compared to the direct channel. As most interviewees did not wish to be quoted or mentioned in anyway, what follows is a summary of their collective views.

a. Mass Tour Operators

It was agreed by all that the track record of the UK direct sell operators showed that they had not penetrated the mass market. Considering there has been a boom in the number of holidays taken in the last decade, direct sell has not posed a serious threat to agents. In a period when the business exploded and has been at its most price sensitive, it could have been expected that, as happened on the Continent, there would be a substantial breakthrough, but it has not happened.

Operators estimated that direct sell accounted for only about 10% of the mass market and was static. The basis of the proposition to customers of direct sell operators was to save the 10% travel agents commission, but agents are now giving some of this away in the form of discounts and other incentives, therefore the basis of the proposition has been undermined. (See Section 3.3.)

It was said that direct sell is an ideal medium for a restricted, specialist product, but for a mass tour operator it was not considered a realistic proposition. There is a very high cost of entry due to advertising to get the proposition to the public (see Section 3.3), to build up and then maintain the mailing list. Major direct sell operators lost vast sums of money in the early stages to get their message across. There then comes a point at which you have to build up
business sufficiently to "milk the brand" with good repeat clients and lower marketing costs. It's then a problem to make the next leap in capacity.

None of the operators believed that direct sell was lower in distribution costs than selling through an agent, especially when the sale of late stock is considered. If a conventional operator has a special late offer it can get it to the public instantly by using viewdata technology through its agents. The cost of selling last minute stock on a direct sell basis is very high because you have to advertise it to an ever decreasing market. As the holiday season progresses, the potential market declines, yet advertising costs remain static so it becomes more and more expensive.

One operator stated that "in a sense the direct sell versus agent argument is a slightly irrelevant one, what we are actually looking at now is a very different scenario and that is methods of booking through agents, e.g. credit cards, telephone centres, it's about agents themselves marketing more directly". This very profound statement and other similar comments from operators necessitated a change in the emphasis of the research away from the original hypothesis that said "that direct response marketing would seriously undermine the role of the travel agent". It was becoming obvious that this assumption was lost and it was now more of a question of suppliers working with agents to market more directly.

First suppliers do not have a mailing list as names and addresses are held by their agents and not written onto booking forms or tickets. So, unless lists are purchased, the operators cannot market directly. Operators do not have to sell direct, "it's about pushing agents into adopting a variety
of ways of distribution" said one. "Options however have to be constantly reviewed and if, for example, agents become too greedy, demanding higher override commissions, then other options such as direct sell would became attractive" said another.

b. Independent Tour Operators

Outside the classification of Mass Tour Operators, there are hundreds of smaller independents. It would have been impossible, due to lack of time and limitations of the thesis, to interview enough of them to obtain sufficient evidence to give a balanced view. Therefore, the alternative was to interview a representative of their trade organisation, the Association of Independent Tour Operators or AITO. Evidence from their representative may or may not reflect the views of all members of the Association.

Distribution channel choice will depend on the size of the organisation in terms of passengers carried. Most new small independent tour operators start direct, placing adverts in the classified columns of daily/Sunday newspapers, or specialist journals/magazines if in a "niche" market. The build up of business will then rely on repeat business and further advertising until a point is reached where it is both difficult and costly to generate any further increase from that source. It is at this point where the change to an agency channel will have to be considered.

A major factor for consideration is the size of the brochure print run. For example, an operator carrying around 20,000 customers would probably produce about 60 to 80,000 brochures for direct sales, that's a conversion ratio of four brochures
to one passenger. To distribute through agents it would necessitate a print run of five times that figure, some 300 to 400,000 brochures to generate the same business, booking conversion of 20 to 1. Some small independents selling via agents are known to print up to one million brochures but still carry the same number of passengers as mentioned above. Brochures are very expensive to produce (up to £2 each) especially if they cater for an exclusive up market niche, so this calculation is critical.

At the end of the day the choice whether or not to leave direct channels for agencies will depend on the ability to keep on bringing in the business from direct sources, such as repeats, recommendations and advertising etc. The question to be answered is, is it possible to break through the next 15% increase on the estimated optimum level of business set by the operator without resorting to agencies?

If the decision is reached to "go agency" the most serious problem facing small independent operators will be that of "racking", persuading agents to display brochures. Due to the wide variety and scale of operators, many agents are now selective about which they will rack, the decision being based on popularity, quality and commission return. (See Chapter 5.) There is no point in using the agency channel if the brochure is not going to be available, so some of the smaller operators, especially those belonging to AITO, have "turned the tables" and devised a "preferred agents" list. Those agents who are selected will guarantee racking and endeavour to produce a high level of business. However, racking remains "a thorn in the side" of the relationship between small operators and the agency community,
operators complaining regularly to ABTA that as members, and having to observe "stabilizer", they are entitled to have their product accepted and displayed without constraint.

c. **Short Break Operators**

The most successful of the independent operators to exploit the agency distribution channel has been the short break specialists. This is due to the nature of the product which tends to be an impulse purchase. One operator, for example, quoted that a third of its product was sold within two weeks of purchase. Therefore, there is not much time to direct mail or advertise, it would have to be done on a monthly basis to be effective and that could be very costly.

All the leading short break operators interviewed, with the exception of hotel groups, found the travel agent the most cost effective and efficient channel of distribution, one operator having a 100% agency support policy. Unlike hotel groups, who have direct access to existing clients throughout their chains, the short break operator has to reach its potential customers in other ways and fast.

One operator interviewed had tried and tested direct response marketing whereby they mailed 60,000 carefully selected and targeted addresses with a special package, the results being "abysmal". They also carried out research to find out the effectiveness of each channel in terms of brochure/booking conversion. The results as shown in Table 19 make interesting reading for those advocating direct channels.
Table 19 - Brochure/Booking Conversion - Short Break Operator

<table>
<thead>
<tr>
<th>Channel</th>
<th>Brochures to Booking Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Agents</td>
<td>8 to 1</td>
</tr>
<tr>
<td>British Rail Stations</td>
<td>16 to 1</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>16 to 1</td>
</tr>
<tr>
<td>Coupon Response</td>
<td>80 to 1</td>
</tr>
<tr>
<td>Promotional Activities</td>
<td>250 to 1</td>
</tr>
</tbody>
</table>

Source: Industry

The operator concluded that, even allowing for the agents 10% commission, they were far and away the most cost effective method of distribution. However, they still feel that there is nothing wrong with trying to exploit all alternatives, it all depends on margins and budgets. It was suggested that only by selling a high value product to a loyal and existing client base with a high repeat purchase ratio can direct sell be really cost effective. The market they are in is extremely competitive, the margins are very slim and agents now demand more for visibility of the product which is vital for an impulse purchase.

c. Seat Only Operators

Most of the leading seat only operators are in fact a part of the mass tour operators product range, therefore it can be assumed that their policy is one of agency support. One independent seat only operator was interviewed and stated that they did not have a fixed long term distribution policy as the industry changes so fast they needed flexibility. Traditionally they had put 99% of their effort into selling via agencies and did not have
much direct sell activity although they thought it could change within the next five years. They saw other direct operators such as Tjaereborg and Portland as being successful and direct mail as being a useful marketing aid. The problem they face, like many other suppliers, is the balance between upsetting agents and satisfying the shareholders.

d. Direct Sell Operators

One of the most successful direct sell operators is Saga Holidays of Folkestone who, after some 35 years of using agency channel, decided to drop them in 1986. Being very much a UK domestic operator, specialising in value for money holidays aimed at the elderly market, the commission on offer to agents was small. Consequently only about half of the 6,000 agents accepted bookings and these were producing fewer and fewer customers. Coupled with higher brochure, distribution and sales support costs, it became prohibitive for Saga agency business only amounting to around 10% of its total turnover.

Saga also suspected agents of "switch selling", that is changing the customers mind to a higher value product and they were finding it impossible to get all their brochures racked. It was also felt that it was unrealistic to expect agents to know the details of all their products which could be done better by their own telephone staff. It was not so much dissatisfaction with the service from agents, it was the constant dilemma of never being able to go out and say they were direct selling because of the aggressive reaction of agents. Customers had to be told either book direct or use the agent, this, in the opinion of Saga, was a confusing statement to the public, it was an unsatisfactory position in the market.
So a combination of all these factors lead to the decision to go direct. They introduced a free telephone and postal service made possible by the saving in commission payments to agents. The whole operation is now run with the aid of a very sophisticated computerised database, holding details of clients, built up over years of trading. They are fully committed to direct response marketing whereby a special relationship is created between themselves and the customers. The profile of the customer allows them to be targeted by personalised letters with special offers. Highly trained telesales people then act as the customers advisers in the booking process. Because of this sophisticated targeting, the movement of late stock is said not to be a problem. For Saga then, there is no myth about direct selling being more cost effective, it is!

3.2.7 Summary of Supplier Evidence

In Chapter 1, the benefits of the agency channel for suppliers and others were highlighted. In this chapter some of the major concerns about the agent as a distributive channel have been raised. These are:

a. a low level of service standards and selling skills;

b. a lack of investment and use of technology;

c. a concentration on volume and price rather than quality;

d. product discrimination;

e. a low level of product knowledge;

f. poor salaries for travel staff resulting in high staff turnover and consequently inexperienced staff;
g. agents tend to regard themselves as the "customers agent";

h. agents do not act as professional retailers.
3.3 ASPECTS OF CHANNEL ECONOMICS

As outlined in the previous section, there are many factors influencing a supplier in the decision to be taken about the channel of distribution. However, as in all businesses involved in the supply of a homogeneous good, it is the cost of distribution that will be a major determinant to channel choice. This section examines important economic aspects from both the supplier, in this case the tour operator, and customers viewpoint.

3.3.1 Operators Perspective

The growth of direct sell is based on the simple proposition of selling high quality holidays at prices significantly lower than conventional tour operators. The major problem facing direct sell organisations is the marketing of the product, placing it - the brochure, before the consumer without the aid of an intermediary and the processes of booking. This is the basic difference between the two channels as illustrated in Figures 9 and 10.

Figure 9 - Tour Operators Conventional Selling Process
Conventional tour operators use the travel agents to distribute their brochures and rely on them to recommend their holidays to consumers when asked for advice. Travel agents also take bookings and collect money for conventional tour operators. The role of advertising in this case is simply to persuade the consumer to consider that operator when choosing a holiday. It is not necessary for the advertising to inform consumers how to go about booking their holiday.

In the case of a direct sell purchase, the consumer must first of all know the existence of the operator to get a brochure, make direct contact for advice, information, and, to make the booking. Therefore, advertising is much more important having a duel role of creating demand and also telling the consumer how to satisfy that demand.

It is not surprising therefore, to find that in cost terms, advertising is considerably higher for direct operators than for conventional ones, both in terms of launch of a business and its subsequent growth. This illustrated in Table 20, based on the launch of direct
sell operator Tjaereborg in 1978. The payment of agents' commission however by conventional operators and the provision of agency support services will more than outweigh the benefits gained from a low advertising budget. As can be seen from the table, overall the gap is somewhere in the order of 6.5% of a direct operation.

Table 20 - Comparison of Direct and Conventional Sell Costs

<table>
<thead>
<tr>
<th>% Share of Turnover</th>
<th>Direct</th>
<th>Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>2.7</td>
<td>0.14</td>
</tr>
<tr>
<td>Production</td>
<td>1.94</td>
<td>0.06</td>
</tr>
<tr>
<td>Brochures</td>
<td>1.63</td>
<td>2.23</td>
</tr>
<tr>
<td>Postage and packing</td>
<td>0.91</td>
<td>-</td>
</tr>
<tr>
<td>Ansaphone/handling</td>
<td>0.31</td>
<td>-</td>
</tr>
<tr>
<td>Sales force</td>
<td>-</td>
<td>1.00</td>
</tr>
<tr>
<td>Launch</td>
<td>-</td>
<td>0.29</td>
</tr>
<tr>
<td>Travel agents commission</td>
<td>-</td>
<td>10.00</td>
</tr>
</tbody>
</table>

Total selling costs 7.16 13.72


Since these figures were published, industry experts believe that the gap between direct and conventional selling could be even wider than 6% as today most established direct operators have been able to reduce their advertising due to product loyalty leading to repeat business. In addition, conventional production and brochure costs are now estimated to be nearer 5%, due to agency expansion and price rises. This illustration however concerned an operator with limited capacity to move, in this case, 29,000 holidays.
From evidence collected there are two crucial economic issues in the distribution debate, the capacity of the programme and the unit value of each holiday:

a. In terms of the capacity, for operators whose products are small in volume, say up to 30,000 holidays there is a real problem in servicing over 7,000 travel agents with brochures and sales support. However, there is a point to be reached where the benefits of selling direct in economic terms equates with conventional selling. As the company grows and capacity increases, so the difficulty to sell the holidays without the intermediary becomes apparent. A greater burden is put on central services such as reservations and administration, the brochure print run and distribution costs raise likewise the advertising of late stock.

"Direct marketing in the mass IT market is fundamentally weak. However, once below a certain size of passenger number, direct is the only method of efficiently shifting brochures. If a company is working on a brochure conversion rate of 10 to 1, and is selling 10,000 holidays, 100,000 brochures are needed. Even if they produce 300,000 brochures, this would still not be enough to service all the agents and they do not need that amount to sell such a low capacity".

b. If the holiday is low cost as in a short break, or low margin caused through excessive competition, then there will be little left for the operator to spend on direct marketing. If, on the other hand, the holiday is high cost, high margin as in say long haul, there will be much more to invest in direct distribution.

"Anything above £400 in value could lend itself to
direct marketing, under £400 forget it, unless you have got a high repeat factor and you don't need to mail your brochure to the consumer frequently". (*Price, 1989.)

Another important factor relates to the customers buying habits. Ten years ago most people made their bookings much earlier, for example, before or immediately after Christmas for the following Summer, therefore direct operators could manage with one brochure mailing. Today however, it is estimated that only 50% of holidays are sold early and therefore mailing must take place at least twice with increased advertising. These extra costs are now eating up much of the savings made on not paying the agent commission.

3.3.2 Customer Perspective

The decision on channel choice is not however simply about the cost of distribution to the operator. Due account has to be taken of how much the customer is paying for the product at point of sale. It is admitted that if Tjaereborg had not had a distinctive proposition, i.e. low price, back in 1978, they would have been foolhardy to enter the UK holiday market. (The Launch of Tjaereborg Rejser, op. cit.)

The great change that has taken place in the 1980's following the introduction of large scale direct sell operation has been the ability and willingness of travel agents to discount. This has undermined the proposition. To illustrate this, Figure 11 is an extract from an advert placed by Martin Rooks, a direct operation. It aims to show the wide gap between direct purchase and via an intermediary. The operator will have selected an example which shows the widest differential between the two companies.
Figure 11 - Comparison of Holiday Costs to the Consumer

Summer 1991 Hotel Pollensa Park 14 Nights H/B
Ex LGW 23/7

Martin Rooks Holidays - Direct Operator £454
Thomson Holidays - Conventional Operator £537
Difference £83

However, what the advert does not say is that if the customer went into a travel agency to make the purchase, it is likely he would receive a discount. Using Lunn Poly as an example £45. (Spring 1991.) This will reduce the differential to £48 and although still a saving of around 10%, the agent will carry communication costs, provide back-up and ancillary services and a convenient point of sale. In some cases it has been found that even the base rates between direct and conventional operators showed very little difference.
CHAPTER 4 - ASPECTS OF DISTRIBUTION AND RETAILING PRACTICE

INTRODUCTION

This Chapter attempts to underpin the study with an examination of some of the theories postulated in respect of distribution, retailing and consumer behaviour. The aim is to relate these theories to the travel and tourism business which will hopefully go some way to explaining the reasons for its structure, the behaviour and actions of the various players, especially in respect to the focus of the thesis, the travel agent.

4.1 DISTRIBUTION THEORY

It is generally agreed that the subject of marketing owes its origin to economists enquiries into the nature of the distribution process at the end of the last century. However, despite this early interest, it is only in recent years that the firm has turned its attention to the role which distribution has to play as an element of competition strategy. (Baker, 1985) This is especially true of the travel business.

"Distribution is industry's dark continent". The dark continent is gradually being explored, but distribution is still a neglected area in the development of corporate strategy and marketing planning. (Guirdam, 1972) Although written some 20 years ago, it still has application to some parts of the travel industry today. "Distribution will be a key factor influencing the development of the travel industry over the next decade". (East, Travelnews, 1986) East goes on to say that one trend that should not, and must not, be ignored by anyone who wants a future in travel, is the revolution that is taking place in what is known as distribution.

The Oxford Dictionary defines distribution as "the dispersal amongst consumers of commodities produced". So here we have a conflict between goods and services as the word commodity implies some tangible article of which travel is not.
It is not surprising therefore that earlier text concentrated on the distribution of goods as the development of service industries has been a fairly recent phenomenon.

Taking the definition further in respect of physical goods it can be said that "Distribution is concerned with the process of transferring goods from producers to final buyers and users. It includes physical activities such as transporting and storing goods, and the legal, promotional and financial activities performed during the transfer of ownership. (Cundiff/Still/Govoni, 1985) It is well to remember at this stage that distribution itself is only one part of a marketing strategy. The formulation of that strategy consists of clearly defined steps as illustrated in Fig 12. The theory and practice of the strategies shown channel type, selection, etc will be discussed later in this Chapter.
In his book "The Tourism System", Mill (1985) states "that the purpose of distribution is to establish a link between supply, demand, producer and consumer. It is the system of distribution that makes the product available." If, as Mill has done, we then relate this theory to the travel business it is about the process of transferring the travel products produced by Principals such as transport, accommodation and inclusive tours to the consumer. There are no physical activities, apart from brochure distribution, only the delivery of pieces of paper, ie tickets, vouchers etc into the hands of the traveller. There is no storage of these products as they only become tangible when the customer is using them, eg an airline seat,
a hotel bed and so on. "For this reason they must be sold each and every day or the sale is lost forever". (Mill, op cit) There is, however, a close similarity in respect of the legal, promotional and financial activities performed during the transfer of ownership from supplier to customer. Airlines for example have a legal contract with the traveller and the facility is only available upon payment. "The system thus aims to get the necessary information to the consumer to make a sale and allow for the sale to be made and confirmed". (Mill, op cit)

As East states "Distribution in travel is how information about the product is sent to the agent or customer; it is how he or she makes the purchase, ie makes the booking; it is how the physical "goods" (the confirmation, the ticket etc) are delivered; and it is how the principal is paid".

4.2 CHANNELS OF DISTRIBUTION

4.2.1 Definitions

One of the earliest definitions of a channel of distribution was "a trading channel is formed when trading relations making possible the passage of a title and/or possession of goods from the producer to the ultimate consumer is consummated by the trading concerns of the system". (Breyer, 1934)

From this point on, writers made many attempts to define what exactly the channel concept was with (Davidson, 1961) giving the following overview. "A distribution channel is the route taken in transferring the title of a product from its first owner (usually the manufacturer) to its last owner, the consumer. The route includes intervening middlemen, some of whom assume title and resell on their own account, ie sale of goods, and others such as travel agents who do not take title but are nonetheless instrumental along the
route taken to effect transfer of ownership. Davidson, (1982), challenged the very use of the term "distribution channel" stating that it gave a passive connotation, which it is not, being in a constant state of change.

A further refinement of the definition came from Evans/Berman (1987) who stated the distribution functions are carried out through a channel of distribution which is composed of all the organisations or people involved in the process. These organisations or people are known as "channel members of middlemen". A channel of distribution can be simple or complex. In travel for example it can be based on a handshake agreement between a supplier say a hotelier and a travel agent or require a detailed written contract (see Appendix F). As has already been mentioned in Chapter 1 some suppliers prefer direct contact with customers and do not use agents as middlemen.

One of the first attempts to relate the definition of distribution channels to travel and tourism was by McIntosh (1979). He stated that a tourism channel as "an operating structure, system or linkages of various combinations of travel organisations through which a producer of travel products describes and confirms travel arrangements to the buyer". Mill (1985), goes on to say the McIntosh's definition "implies a two-fold purpose, ensuring that potential travellers can obtain the information they need to make a vacation or trip choice and, having made that choice, that they can make the necessary reservations". In other words, to get sufficient information to the right place at the right time and in the right place to allow a purchase decision to be made. To provide a mechanism whereby the consumer can make and pay for the necessary purchase.
It was not until the late 1980s that specific texts were written for travel and tourism on the subject of marketing/distribution. The most comprehensive analysis appears to be by Middleton (1988) who refers to a channel as "any organised and serviced system, created or utilised 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".

Clearly then, marketing channels play an integral role as components of a firm's marketing strategy. Marketing channels are an important part of the total distribution concept. By delivering products and title to the consumer at the right place, time and amount, marketing channels also perform a service to the community by generating time, place and ownership. In travel, the channels are a great source of interest, debate and policy decision making. The flow of the travel product has to be fast, efficient and well managed. New technologies are enhancing these factors (see Chapter 6) mainly in the favour of the agent.

4.2.2 Channel Strategy and Choice

There is a tendency for distribution channel planning to be neglected in favour of plans concerned with product development, promotion and pricing. However, in a highly competitive market such as travel distribution, channel planning must play its part in the overall marketing mix. The distribution structure in any industry is in a constant stage of change, channel members join and leave, customer demand and needs alter. The overall marketing success depends on the ability to anticipate and to implement planned adaptation to change. Long term marketing success is also affected by the ability to make profitable innovation; innovation in distribution is a matter of offering the
customer new product and service mixes. This can be achieved without introducing radical new distribution methods.

There are a number of reasons why travel suppliers should not see distribution activities in isolation. First distribution activities should be integrated with all other marketing plans. Secondly the suppliers' distribution activities, and those of all other channel participants are parts of an integrated channel system. Under a total systems concept, the travel supplier should regard his total marketing and channel system as being in competition with his rivals total marketing systems. The objective should be to maximise the profitable impact at the point of contact with the consumer, this can only be achieved by the integrated efforts of all channel system elements

"Under a planned systems approach, meeting objectives entails a strategy. Marketing strategy therefore begins with the selection of a target market. To reach this target, a marketing mix is developed and each aspect should be planned to be compatible and contribute to the effectiveness of the whole". (Guirdam, 1972) As stated before, distribution strategy should begin with the needs of the consumer and therefore should be planned upwards from the final level rather than from the top down. As many travel suppliers stated, the question of the method of distribution is consumer driven. Their needs are paramount, having established those needs the process is to work back towards the supply providing the most convenient channel. "The buying decisions of consumers determine the adjustments that occur in the relative importance of different kinds of channels of distribution." (Davidson, 1961)

Often, the choice of a channel of distribution is the most important step a supplier will take, especially
those entering the market for the first time. Good relations with agents or the build up of a direct sell customer data base will take a long time to develop. Where established channels exist, it can be hard for a new firm to enter, as with a new unknown tour operator trying to launch its product for the first time. Once a firm generates a good channel relationship, suitable new products are easier to place into distribution. Channels of distribution in industry tend to be traditional and travel in the UK is no exception. The travel agency network is wide and strong, with high public awareness. Therefore, the temptation to follow tradition is very appealing.

Costs as well as profits are affected by the selection of a channel. A firm selling direct undertakes all functions and must pay for them; in return, it reaps whatever profits are earned. A firm using agents reduces its per-unit distribution costs; however, it also reduces its per-unit profits, because agents take their commission. It is obvious that each supplier should use that channel or combination of channels which will provide its optimum profit. An analysis of costs versus sales revenue must be a basis for channel choice. Basically the problem involves a comparison of costs and profits of one channel with alternatives. It has to be said here that most travel suppliers interviewed in the research phase admitted that they had not carried out detailed analysis of comparative costs between channels. The problems are magnified by the fact that many of the figures derived for comparison must be estimated. "It is axiomatic that the decisions can be no better than the cost analysis and market survey on which it is based". (Lambert, 1966)

Davidson, (1982), lists six key factors in selecting distribution channels. These are assessed below and translated into a travel industry context.
a. **Exposure to Target Markets**

From a suppliers point of view, the primary purpose is to make its products or services available and visible to its target customers. A good product may fail because it is in the wrong channel or not exposed to the people most likely to buy it. Visibility in travel is usually through the medium of a brochure, leaflet or timetable. Which channel can put his before the customer is the questions to be answered. For transport, it may be best left to media advertising then to utilise both direct and agency channels. For tour operators, where the selling tool is the brochure only, the agency channel can offer immediate visibility in the High Street, the alternative being advertising to generate requests for the brochure.

b. **Performance Requirements**

As there are no tangible products to display, travel suppliers do require that the channel provides certain skills which are a necessary part of sales, eg advice on destination, climate, entry requirements, health, foreign exchange etc. In a direct channel this information has to be provided by the firm's own staff whereas in an indirect channel, these services will be performed by the agents. After the booking payment is required, in the case of the agent, he will perform this requirement and if he does not, then he could be liable himself. On a direct channel basis, the supplier himself will have to ensure collection which could cause some difficulty if the customer should cancel, change the booking or simply to pay for some reason.
c. Influence

A suppliers influence over its channel depends on its power, size and market share. In some retailing sectors this is very strong as manufacturers such as Ford Cars, Coca-Cola, McDonalds have much influence through their own dealers and franchisees. This is not the case in travel where, apart from a few exceptions such as direct sell operators, Thomson/Lunn Poly, Thomas Cook, suppliers rely on a vast array of independent distributors. At the very minimum, suppliers need enough bargaining power to achieve their aims of exposure to the right customers, the maintenance of quality and profitability. The factor of influence is a prime attraction of maintaining a direct channel as total control over distribution is ensured.

d. Flexibility

Decisions on which channel to use are usually long term, but it is desirable to retain maximum flexibility to alter channel emphasis in such a dynamic industry as travel. For example when the Danish direct sell operator Tjaereborg entered the UK market in the late seventies, Thomson responded by entering the same channel with its Portland Holiday product. Most suppliers said that although they fully supported the agency channel, they kept the situation under constant review and would not therefore guarantee a permanent policy in respect of distribution. Likewise, there have been many cases in recent years where established direct sell suppliers have decided it would be in their interests to open up distribution to the agency network.
e. Suppliers Profit

It is essential that the chosen channel or mix of channels gives maximum revenue at minimum cost. Today's big debate is if agents keep pressing for higher commission and override payments, then this could result in the channel becoming uneconomic. On the other hand, higher advertising costs for direct sell operators who must repeat adverts due to late bookings and to move late stock plus uncompetitive prices due to agent discounting can undermine the direct channel.

f. Channel Needs

How difficult and expensive is it to service the channels is perhaps the most problematic. For example, for the agency channel it may be the level of computer reservation support, number of sales representatives, brochure print numbers etc. For direct sales the development of a sophisticated database plus the people to run same, direct promotional activities, enhanced level of customer services and back-up to replace the agent.

4.2.3 Distribution Channel Types

There have been numerous attempts by experts to quantify the number of channel types. However, basically there are only two, direct and indirect, plus of course the opportunity to employ both. A direct channel involves the movement of goods and services from the manufacturer to the consumer without the use of a middleman. In travel this is the transfer of ownership of the travel arrangements from supplier to customer, without the intervention of the travel agent. An indirect channel involves the intervention of the agent between supplier and customer.
Middleton (1988) attempted to present an overall tourism channel chart shown in Appendix G. In more simplistic terms this is revised in Fig 13, illustrated by the use of pipelines connecting the members of the channel.

**Fig 13  Distribution Channel Types**

<table>
<thead>
<tr>
<th>Channel One</th>
<th>Channel Two</th>
<th>Channel Three</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPLIER</td>
<td>SUPPLIER</td>
<td>SUPPLIER</td>
</tr>
<tr>
<td>WHOLESALER</td>
<td>WHOLESALER</td>
<td>WHOLESALEER</td>
</tr>
<tr>
<td>CUSTOMER</td>
<td>CUSTOMER</td>
<td>CUSTOMER</td>
</tr>
</tbody>
</table>

**Channel One**

This is the shortest, a supplier selling directly to a consumer. Many examples of direct marketing can be found in travel. Perhaps the best known are straight ticket sales through offices owned by transport organisations such as British Rail and National Express coach.

**Channel Two**

Here the supplier of the original travel product sells through one middleman to the consumer. In travel this would be a transport company and accommodation provider selling product to a tour operator who then sells direct to the consumer. Sometimes tour operators are regarded as suppliers but usually they are not involved at the top of the channel unless they own, say an airline such as Thomson/Britannia.
Direct sell operators employ what is now widely accepted as Direct Response Marketing techniques. "This is two-way communication linking suppliers and their targeted individual customers in continuing contact. The aim is to achieve more cost effective product awareness, control and better conversion into first time sales and repeat bookings". (Middleton, 1988) Saga Holidays, for example, have a highly sophisticated data-base which is used to control and develop its customer base. There are a wide variety of direct response marketing methods available to reach customers including direct mail, telesales, exhibitions, media advertising, interactive TV etc.

Channel Three

This is the longest of the three channels and involves the services and intervention of the travel agent. From the suppliers point of view, the problem of control increases with the number of intermediaries. Agents themselves are now adopting direct response marketing techniques such as credit card holiday clubs, telesales etc (see Chapter 5) and are in a unique position to build a customer base.

"Duel Channels"

As stated before, some travel firms in the UK have adopted a "duel" channel of distribution, whereby the products appeal to different market segments which are best served by both direct and indirect channels. The prime example is perhaps Thomson Holidays who market their major mass market programmes through agents and specialist direct programme through its Portland Holidays subsidiary.

However, the research undertaken has shown that in travel, channels vary according to industry sector and therefore it is quite impossible to generalise and give a
precise overview as has been attempted before. It is
so complex in certain industries such as aviation that it
has to be approached on a sector basis. Individual
sector channel systems are illustrated, explained with
their corresponding advantages and disadvantages
within Chapter 3.

Attention is now given to the theory of channel length
and width. The length refers to the number of
intermediaries that exist between supplier and customer.
For example, from an airline point of view, there are
two intermediaries in respect of selling airline seats in
connection with inclusive holidays, the tour operator
and then the agent. The channel can also have width,
that is the number of intermediaries involved in
distributing the product at any one level. In a narrow
channel the airline only sells through a limited number
of tour operators whereas in a wide channel there are
many.

This concept results in the determination of distribution
policy which can be defined as a choice between what is
known as intensive, selective or exclusive distribution
(Holloway, 1988).

Intensive

This is a policy of maximum distribution to all possible
outlets. This is the most commonly applied channel
type in travel, suppliers for example, using all ABTA
appointed travel agents numbering some 7,000 in 1990.
It therefore involves the highest cost in relation to
brochure supply and sales support services. The
supplier must weigh the benefits of maximum product
visibility against such costs. In some cases the
product may be so specialised or geographically
targeted that an intensive approach would be
inappropriate.
Selective

Selection by the supplier of the most suitable types of retail outlet through which the product or service can be bought. More than one but less than all available outlets are used. An example from travel would be in airline ticket distribution where agents are selected on the basis of having satisfied the requirements of the International Air Transport Association (IATA). Alternatively, where the supplier sets a minimum turnover which the agent has to meet before being allowed to continue as a distributor. There may be a minimum criteria for selection such as financial guarantees, staffing qualifications, security and business development potential.

Exclusive

A further development of selective distribution is where an agent is given exclusive rights to sell the product. The product is not available from any other source. An example would be where a tour operator had prepared an exclusive product for and on behalf of an agent, known as "own-branding" (see Chapter 5). The product is then made exclusive to that agent. A fear in the UK business is that one day Thomson Holidays may make their products only available through their subsidiary Lunn Poly. Thomas Cook Holidays are only available through their own branches so this is another example of exclusive dealing.

Table 21 gives the characteristics and intensity of the channel types mentioned above.
Table 21 - Intensity of Channel Coverage

<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
<th>EXCLUSIVE DISTRIBUTION</th>
<th>SELECTIVE DISTRIBUTION</th>
<th>INTENSIVE DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Prestige, image, channel control and loyalty price stability.</td>
<td>Moderate market coverage solid image, some channel control and loyalty</td>
<td>Widespread market coverage channel acceptance, will accept some distortion to product image</td>
</tr>
<tr>
<td>Channel Members</td>
<td>Few in number, well established, enthusiastic to promote product.</td>
<td>Moderate in number, well established, high volume.</td>
<td>Many in number, all types of outlets, minimum requirements usually ABTA membership.</td>
</tr>
<tr>
<td>Customers</td>
<td>Few in number or high socio-economic income groups: Business travellers. Willing to travel to agent. Brand loyalty.</td>
<td>Moderate in number, brand conscious, somewhat willing to travel to agent.</td>
<td>Many in number, price and convenience orientated.</td>
</tr>
<tr>
<td>Marketing Emphasis</td>
<td>Exclusivity, highly specialised product requiring highly trained and professional staff.</td>
<td>Wide choice of outlets. Joint advertising, good level of service</td>
<td>Mass advertising, nearby locations.</td>
</tr>
<tr>
<td>Major Disadvantage</td>
<td>Inconvenient locations, limited sales potential.</td>
<td>May be difficult to carve out a niche.</td>
<td>Limited channel control. Distortion of product image. Lack of expertise.</td>
</tr>
<tr>
<td>Examples</td>
<td>Virtually non-existent in UK.</td>
<td>Moderate application in UK. Agents supported because they meet sales targets. Car hire agents, IATA appointed agents.</td>
<td>The most popular choice in UK. Most tour operators use this form. Car ferry operators etc.</td>
</tr>
</tbody>
</table>

Mill (1985), approached the classification of distribution channels in a different way, that in terms of control. He identified three types:

a. **Consensus Channels**

"No one part of the channel exercises control over the system. The many participants in the system work together because they see it in their mutual interest to do so." Although he states that this is the more common type in the UK, it must be tempered by the fact that some very large organisations such as Thomson and British Airways do exercise buying power and reputation.

b. **Vertically Integrated Channels**

This is where one organisation controls or commands all levels of the channel. For example, Thomson Travel, who own Britannia Airways and Lunn Poly, the multiple travel agent. (Figure 14.) Thomas Cook, known as a travel agent, are also a tour operator, these products are only available through Thomas Cook agency shops. This type of channel is particularly common in West Germany where tour operators control their own chain of agencies, which deal exclusively with the products of the one operator.

Figure 14 - Vertically Integrated Channels in Travel

```
Britannia Airways
\[\text{Thomson Holidays}\]
\[\text{Lunn Poly}\]
\[\text{British Airways}\]
\[\text{B.A. Holidays}\]
\[\text{Owners Thomas Cook Holidays}\]
\[\text{Thomas Cook Shops}\]
Air 2000
```
c. Vertically Co-ordinated Channels

An example in travel of vertically co-ordinated channel would be one which is led by a tour operator whose power of control over the channel comes from contractual or financial commitments with travel agents. Franchising is an obvious example of such a system. (See Chapter 5.) In West Germany, franchising is a large part of travel distribution where the supplier agrees to retail only through certain outlets and to promote no other method of distribution.

This type of channel is only of academic interest as far as the UK market is concerned. The author is unaware of any such agreement in the UK short of franchising. In this case it has been the multiple travel agent who has acted as franchisor with other small independents joining the scheme. The ill-fated Exchange Travel was the market leader in franchising until its demise in late 1990. It could be said that preferred operator schemes are an example of vertical co-ordination but very few products are available solely through specific agents. These are usually own-branded or own-label products.

4.2.4 Distribution Channels as Behaviour Systems

There is some debate about whether distribution channels can be characterised as behaviour systems and channel members as units in a system. Whether, in fact, concepts such as roles and norms can be applied to non-personal individuals such as businesses. (Guirdam, 1972.) However, in travel it appears that they can, at least as useful simplifications, in order to examine briefly the contribution of some behavioural theories to our understanding of channel workings.
a. Role Theory

"It is essential to marketing channels that channel members are able to anticipate one another's behaviour". (Guirdam, 1972.) It is essential to a supplier to be able to anticipate what functions the travel agent will perform and desirable to anticipate other aspects of behaviour such as when he is likely to pay, discounts on offer and so on. Anticipation is possible to the extent that channel members act in accordance with specific roles or sets of prescriptions which define what their behaviour should be. These sets of prescriptions are shared by the demands and rules of the members of the behaviour system, the channel, and by sanctions for conforming and non-conforming behaviour as well as by the channel members own conception of what his role should be.

"The rules and demands made by channel members of one another and which are backed by sanctions designed to ensure conformance are examples of group norms". (Guirdam, 1972.) There are numerous examples of channel members behaving in accordance with channel group norms to the extent of foregoing further obviously lucrative opportunities, or accepting limitations on the exercise of power which they hold because of their financial strength or market position. Thomson Holidays is again a prime example, they could, if they so wished, decide to sell direct and cut the agent. However, this would lead to total alienation by the agency sector and other major competitors would take advantage of the gap left in the channel. Thomas Cook, owned by the Midland Bank, could open up travel counters within the banks branches, but this again would be against the accepted norm of trading, other agents
responding by taking sanctions such as refusal to sell Thomas Cook travellers cheques. One of the important things to note about norms is the way they act to attenuate the power of channel members.

"Routinised transactions in a channel are important because they reduce costs and free organisations to expand their effort more productively". (Guirdham, 1972.) Routinised transactions, such as booking arrangements and commission payments, are only possible when a consensus about behaviour exists to obviate the need to negotiate each transaction individually, that is to say when there is agreement between a channel members view of his own role and other channel members view of the same.

Channel conflict arises when the consensus about roles breaks down, for example a travel agent demanding more commission without an increase in sales or a tour operator deciding to have duel channels and enters the direct sell arena. A low level of conflict is desirable as tension leads to more creative behaviour, it must be contained or it will inhibit the channels efficiency and ultimately lead to breakdown. If Thomson were to go direct, others may follow the lead and a complete disintegration of the agency distribution system may result. There has been no evidence during the research to suggest such a scenario.

Because channel members behaviour is directed to a goal, it is not random and can be managed, provided the conflicting, as well as the compatible goals of independent channel members are taken into account. Likely sources of conflict must be anticipated. For example, a proposed change which is "perceived" as a threat to the social
system of the channel, such as the Thomson direct sell issue, is more likely to be rejected than one which is not so perceived; the presentation and communication of the proposed change are still important.

"Complementing the concept of role in role theory is the concept of position in a system of social relationship". (Guirdham, 1972.) In a distribution channel, positions are differentiated by the marketing functions associated with each position. Although these functions may be transferable among positions, they tend to become closely associated with certain of these positions. This tends to lead to conservatism within the channels; new marketing methods, usually developed outside the established channel, are often rejected by channel members at first. This was the case when mass direct sell first came to the UK inclusive tour market. It was introduced from outside the established channel by the Danish company, Tjaereborg, and at first rejected by the major UK tour operators.

b. Power

Channel behaviour patterns tend to give rise to dominant institutions which control the channel, sometimes referred to as "channel commanders". (Davidson, 1961), or "channel captains" (Little, 1970). This dominance can derive from either financial power (the ability for tour operators to buy racking space through incentive payments) or from market-position, which is driven from customer loyalty (for example British Airways). If customer loyalty to a suppliers brand is strong enough to persuade a customer to visit a number of agencies in order to buy it, as with B.A., then all suitable travel agents will wish to offer that
brand and the supplier can dominate the channel. If the customer is indifferent to choice of brands, say package holidays, provided that they are available at his preferred outlet, then all tour operators will wish to have their brand distributed through the preferred agency and those agencies can dominate the channel. In the travel trade, there has been a swing from supplier dominance to agency dominance over recent years, created by the wide choice and similarity of inclusive tour products and the expansion of the multiple agency network.

Another source of power revolves around the information and communication network of the channel. Manufacturers are highly dependent on the rest of the channel for information concerning consumer demand. The retailers occupying a preferred position in the channel because of their close relationship with the consumer. Thus actions to reduce dependency on the retailer for information, for instance by consumer research, will improve the manufacturers power position vis a vis the retailer. When relating this example to travel however, it is true to say that suppliers of travel products are not highly dependent on agents for information concerning consumer demand. More suppliers use and spend a great amount of money on research but also use their sales figures as a measure of success. They do not appear to use agents as a primary source of information which seems to be a wasted opportunity.

Channel leadership is a separate phenomenon from channel dominance, although both are often exercised by the same institution as with Thomson Travel. A leader is one who "initiates and puts structure into a relationship". Leadership like
dominance, need not derive from power, although power can make it easier to get new initiatives accepted and conversely an institution which is successful in introducing new initiatives may become powerful as a result. Using the Thomson example, we find that not only do they dominate the inclusive tour channel, especially with their vertical integration with Britannia and Lunn Poly, but also provide leadership through the innovation of new products, sophisticated computer reservation systems with automatic banking etc. Many other channel members "follow their lead", waiting for brochure launches and looking at their prices before deciding on their own. In terms of distribution and channel power, agents cannot avoid this dominant force, even though they may disagree with some of its policies such as its direct sell arm, Portland.

c. Co-operation and Competition

"Co-operation is as fundamental to social and economic behaviour as is competition. The stability of established channels depends on co-operation, such as the agreement to maintain continuous trading relationships and other agreements of a more detailed nature which are conditions of trading". (Alderson, 1965.)

For some small independent agents, their only chance of survival is co-operation with those fellow channel members in a similar position. This of course is the rationale of the voluntary groups such as the agency consortiums, NAITA, ARTAC, etc. They seek vertical co-operation between themselves and suppliers to fend off competition from multiples.
The effectiveness of each travel supplier in competition will depend not only on his own efficiency, but on his ability to induce agents to co-operate with him. Such are the benefits of vertical co-operation, that the drive to organise the market has far greater dynamic effect than the horizontal competition taking place at any one level. This powerful drive naturally leads to tensions between strong agents and strong suppliers, as was seen in the recent row between Airtours and Lunn Poly (1990) when the agent accused the operator of poor quality service, but was probably about incentive commission levels. Ultimately, however, it is the customer who drives the need for co-operation, it is their needs at the end of the day which have to be met.

To summarise therefore, the implication of the behaviour systems approach may be stated as follows: decisions are made by both leader and non-leader, dominant and non-dominant institutions; and it is desirable that these decisions should be consistent and mutually supporting; the plans of individual channel members should link; there should be provision for consistent growth and change; standards of performance must be established and maintained through a mix of rewards and penalties; good two-way communications are essential.
4.3 RETAILING THEORY AND PRACTICE

As we discussed in Chapter 1, it is debatable as to whether or not travel agents should be regarded as retailers. There are many who say that they are not because they do not take risk by buying stock, their role is that of an agent, no more no less. Others, however, take the view that it's simply a play on words and in the real world they play a part on the High Street like their other retailing neighbours. They must therefore adopt the policies and marketing strategies as others do to compete and survive. It is useful therefore, in this context, to look at retailing theory and practice and to apply it to the travel agency business. This is exactly what a number of leading multiple agencies have done over the last decade to "professionalise" their businesses. However, it must be pointed out that this is a very extensive area of study and is therefore limited here due to the constraints of the work.

4.3.1 Aspects of Retailing Theory and Practice

a. Role and Function of Retailing

Retailing is the final link in the chain of distribution of consumer products and services. The function retailers perform are the consequence of the separation of distance, time and information between producers and consumers. (Giles, 1978.) In travel however, the tasks of overcoming distance and time has been largely overcome with the advances made in information technology. Rather than assisting in the movement or physical movement of goods, travel agents are involved in effecting a change of temporary ownership.

The function of the retailer in the modern pattern of distribution has become increasingly complex. Essentially his role is that of a local supplier of merchandise, offering a direct service to the public. Davidson (1988) brings it down to one
simple statement "a retailer distributes products and service in the consumer market". He goes on to say, however, that society expects retailers to accomplish the classic distribution functions required by consumers in an advanced economy. These include:

i. to create product and service assortments that anticipate and fulfil consumer/family needs and wants;

ii. to offer products and services in quantities small enough for individual or family consumption;

iii. to provide for the ready exchange of value through:

- efficient handling of transactions
- convenient hours and locations
- information that is useful in making choices
- competitive prices.

Travel agents do seem to fulfil all these functions, thereby supporting the argument to regard them as retailers. For example, they provide for the consumer a wide range of travel product (assortments), even allowing for a measure of product preference through incentive commission payments. There is usually enough choice to fulfil customer needs and wants. Each item of travel is purchased separately, usually on an individual or family basis. Unlike some forms of retailing, there is no necessity to buy in bulk to gain a discount.
The question of efficient handling of course depends on what the customer perceives as "efficient". Certainly travel suppliers were concerned about the levels of service but it is probable that travel agents are, overall, no better or no worse than other High Street retailers.

One of the prime reasons for the existence of the agent as a distributive channel is its ability to provide a convenient location. In general, office hours are the same as other shops and in some cases are longer; late opening, Sunday trading etc. Where agents have moved into new out-of-town shopping developments like the Metro Centre in Gateshead, they stay open until 8.00 p.m.

Again, provided training and service levels are high, useful and accurate information is given, this should of course be unbiased allowing for a customer to make a well informed choice. There is no doubt that due to discounting (see Chapter 5), the customer does have the opportunity to pay an extremely competitive price.

So, on all counts then, in respect of the so-called "classic functions of retailing", the travel agent meets the criteria.

b. Institutional Change

Modern retail managers must be aware of changes that are likely to take place in the nature of the institution within which they work and plan accordingly. A number of important theories have been expounded to account for these changes.

The Wheel of Retailing

This theory was presented by Professor McNair...
some 30 years ago. It suggested that new retail outlets always enter the market as low status, low margin, low price operators. They are financially able to do so by reducing services, shop status and sometimes quality of merchandise. Over time, competition pressures from their own kind forces them to add services to gain a differential advantage. Eventually the wheel turns upwards and as the institution matures, costs increase and there is room again for a new institution to enter at the bottom. For travel retailing however, the hypothesis is suspect in that as new agencies mature, although their costs may increase, the prices to consumers is usually more competitive due to better incentive deals gained from suppliers. However, it is a true reflection on the trade that new entrants are low status in the eyes of suppliers and are low margin, unable to secure incentive commission payments. They cannot however afford to be low on price as they have not got the financial capacity to discount.

The Retail Life Cycle

In a similar way that products have a life cycle, so it can be said for the retailer. Davidson (1988) identifies four stages in the cycle:

i. **Innovation:** usually representing a sharp departure from existing norms, for example, Lunn Poly introducing a major discounting scheme in 1985, Page and Moy launching the Holiday Club credit card concept and Thomas Cook taking its tour operation in-house.

ii. **Accelerated development:** this is characterised by growth in profit and sale, geographic expansion as was dramatically
shown by Lunn Poly between 1984 and 1990 when its shops grew from only 180 to over 500.

iii. Maturity: this is said to be the most significant since the competition is at its most intense. Market saturation, over expansion, intense discounting, administrative problems can and often occur. In recent years, multiple travel agents could be said to have "shot themselves in the foot" by opening too many branches and giving away money through heavy discounting then facing near collapse when the market dived into recession. "Multiple shares in the market have 'topped out' because we are getting to the stage where we are reaching the end of a list of locations where multiples can be viable". (Lovell, TTG, 1991.)

iv. Decline: can be avoided or postponed by repositioning or modifying market approaches. For example, the decision in the late 1980s of Thomas Cook to introduce the "superstore" concept into its agencies. Millions were allocated to revamp offices, separate into up-to-date product areas. Large scale slump in profits will undermine confidence of investors and suppliers with an end result or takeover or merger as happened with W H Smith Travel in 1991.

c. Natural Selection

The Darwinian notion of survival of the fittest, postulates that the life form capable of adapting to its changing environment is most likely to survive. Retail institutions may be thought of as economic
life forms that most adapt to environmental change, or like the dinosaur, become extinct. Some high street department stores, especially those in family ownership, failed to adapt to the changing needs of customers in terms of shopping environment, product range, facilities etc., therefore they failed. Others were innovative, remodelling interiors, introducing modern selling techniques and customer services, these survived.

Until the eighties, Thomas Cook was regarded as the "sleeping giant", held back from expansion and development by nationalisation and a succession of elderly management teams who had worked up from the "shop floor". They lost their "top spot" to other multiples and were regarded as having a very limited customer base. The company was privatised, brought in new management teams who took a fresh approach to sales and marketing, turned the company around and saved it from extinction. The retail managements of today have therefore to combine aspects of theory to economic and environmental change.

4.3.2 The Retail Marketing Mix

Much has been written about the marketing mix as applied to suppliers of goods and services. The essentials of the mix, referred to as the 4P's - product, price, place and promotion (Middleton, 1988), have helped suppliers to meet both customer needs and corporate objectives. The same market strategy can and is applied to retailing known as the "retailing mix". "It is a concept relating to the familiar marketing mix and differs only in those matters which distinguish manufacturers marketing from middleman marketing". (Davidson, 1988.) The ingredients of the retailing mix are designed to meet and satisfy consumer expectations
as illustrated in Figure 15, which has been adapted to a travel agency situation.

**Figure 15 - The Retail Marketing Mix for Travel Agencies**

<table>
<thead>
<tr>
<th>Consumer Expectations</th>
<th>Travel Retail Mix Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td>Location and opening hours</td>
</tr>
<tr>
<td>Shop atmosphere</td>
<td>Shop design and ambiance</td>
</tr>
<tr>
<td>Merchandise</td>
<td>Merchandising</td>
</tr>
<tr>
<td>Price</td>
<td>Pricing policy discounts etc.</td>
</tr>
<tr>
<td>Information and interaction</td>
<td>Personnel, reservation and payment systems.</td>
</tr>
</tbody>
</table>

**Source:** Adapted from Davidson (1988), Retailing Management, 6th Ed., Wiley.

a. **Location and Opening Hours**

Customers want travel shops to be convenient and easy to get to. However, as experience has shown, it does not necessarily mean that they have to be in the immediate vicinity, for example, like the street corner grocery shop. Many customers regard such a major purchase as the annual holiday necessitating a trip to the nearest town or city centre. Some local agencies have not survived or rely on low revenue earning products. There is however a "middle ground", these are in urban areas which have a focal point for the community. A number of multiple travel agents, in particular Lunn Poly, have taken the opportunity to exploit such positions.
Opening hours has long been a "bone of contention" with travel agents who originally saw themselves as offices rather than shops. However, intense competition and changing customer buying habits have forced them to adopt late opening, all day Saturday and in some cases Sunday opening.

b. **Shop Design and Ambiance**

Travel agents should try to provide an appropriate atmosphere and ambiance for travel shopping. The problem of appropriateness will depend on the agents position in the market, customer type, lifestyle etc, and its physical location. A great deal of time, effort and expense has been given to this issue by agents in the 1980s, especially by multiples. Very expensive refurbishing programmes have been introduced such as the £3 million "superstore" concept launched by Thomas Cook. Here separate specialist product areas have been created within the shop such as flight savers, long haul, foreign exchange etc.

Branches acquire ambiance and a branding through colour, exterior and interior fixtures and fittings. There has been a move towards lower level seating and service desks, removing the customer/consultant barrier created by the traditional counter.

c. **Merchandising**

Merchandising is concerned with all the marketing activities which take place at the point of sale. In traditional retailing, it is therefore concerned with packaging, positioning and display in the store, on the shelf and with the provision of point of sale materials. Merchandising can also be defined as "any form of behaviour - triggering stimulus or
patterns of stimuli, other than personal selling, which takes place at retail or other points of sale and is a basic tool in the promotional mix employed by business whose customers are exposed directly to their product offering". (Buttle, 1984.)

There are distinct parallels between traditional and travel retailing and today's agency managements are introducing merchandising practices in a determined effort to professionalise their approach to sales. The parallels can be seen as:

- Packaging ➔ Brochure
- Positioning and display ➔ Racking policies
- Point of sale material ➔ Posters, counter cards, neon-lit signs etc.

Whereas some of the attributes relating to the packaging of goods in shops are not relevant to travel, such as product protection, physical distribution factors and costs, reuse value to customer, there are many similarities. For example, the role of the brochure, like a tangible product, is to create sales appeal and to be the main vehicle of the product concept, integrated with advertising and distribution channel requirements. The design and size has to conform with the requirements of the agency for racking and storage purposes. If there is competition for racking space and it is not specifically linked to commission incentives, then good packaging, i.e. brochure cover, can stimulate the agencies interest in using the product in preference to others on
the rack and for counter and window displays. It is now established and a well researched fact that positioning and display of products in shops greatly affects consumer reaction and sales. Stores, especially supermarkets, place great emphasis on not only the general overall layout, its traffic flow patterns etc., but also on the horizontal and vertical locations of products. Best selling products, perhaps with higher margins, new lines and so on, will be placed at eye level, perhaps on a corner or special display unit. The objective for the travel supplier is to secure, not only as much racking space as possible, but also locations which do most to catch the attention of potential customers. This can of course bring suppliers and agents into conflict where marketing objectives differ. Agents, especially multiples, now use sophisticated brochure rack "planograms" which all offices must adopt, reflecting the merchandising policy of the company.

Point of sale materials may act to attract attention, or as a straightforward reminder, or to recall a favourable image already created by theme advertising, or to trigger off impulse purchasing. It is important to integrate point of sale materials into the overall marketing theme, for example by co-ordinating it to media advertising. In shops, point of sale materials can be a problem, it can spoil the overall image, they can be cumbersome, easily out-dated and discarded. Over the years, travel agents have tended to move away from POS materials, wanting to give a "clean image", these materials do not sit happy alongside sophisticated computer reservations systems. Perhaps the most widely used POS is now the late offer cards, present in nearly every agency window. They also highlight the agency brand rather than the operator. Critics say they spoil the image by
cluttering up the window, preventing customers from seeing the style and effect of the shop interior. However, it would appear that the need to stimulate late sales through this method of merchandising outweighs the drawbacks.

d. Pricing Policy

As far as the travel agent is concerned, the product price, be it an airline ticket, package holiday or cruise, is determined by the supplier. However, after a judgement by the Monopolies and Mergers Commission in 1986, agents can offer "pecuniary inducements", i.e. money off offers (see Chapter 5). This cash back inducement is linked to the preferential terms given by supplier in the form of enhanced commission levels. However, it is up to each individual agent to decide on its own pricing policy. All the top multiples offer cash back on a sliding scale, the higher the holiday cost the higher the discount. However, some independents, especially small independents, steadfastly refuse to join in, emphasising quality of service offered.

Views vary widely on the issue, some saying that the public are now conditioned to buy on price and will search out the best discounts. Others say price expectations are not as important as the aspect of quality and value for money (see Section 4.4). Some agents may underestimate the price expectation of consumers which could be considerably above what the agent may consider as an optimum level on price. Therefore, consumers sophisticated perceptions of value is simultaneously a challenge and opportunity for the responsive agent.
e. Personnel, Reservations and Payment Systems

Customers purchasing many types of merchandise frequently look to the retailer to provide detailed information about product appropriateness, characteristics and usage. A travel sales consultant is expected to carry out a similar function. As the range of travel product and destinations is so vast, plus the ability to communicate and close a sale, the recruitment of quality staff is essential for the agent. The problem is salary level starting as low as £3,000 per annum for a junior trainee and around £8,000 for a Manager. It is little wonder therefore that agents have difficulty retaining their experienced staff, loosing them to transport suppliers and tour operators and to other better paid industries outside travel.

Developments in new technology (see Chapter 6), is enabling agents to fulfil consumer expectations on the fast supply of information, ability to make reservations, efficient payment systems and ticket issue. By the mid 1990s, it is expected that agents will have an all embracing, multi-functional system meeting all these requirements. It is said that technology could do away with the travel agent through the use of free standing POS computers at suitable locations. All the evidence collected in the process of this research would refute that claim, saying that machines are devoid of human contact, mistrusted by the public, open to abuse and unable to respond to problems and complaints. However, there will be a section of the market who will wish to purchase this way, but it is expected to remain small, as will home buying.
4.4 ASPECTS OF CONSUMER BEHAVIOUR

INTRODUCTION

An extremely important aspect of analysing the travel agent as a distributive system is the behaviour of the consumer in the buying process. For both supplier and agent, a thorough understanding of this behaviour is necessary for successful business practice. The changing environment in which they live must be followed, as must their buying habits and the processes which they use. The factors which effect institutions as discussed previously, also impinge on consumers such as social, political, economic, technological changes etc. In each decade, life style changes to the environment under which consumers live and work. So far the objective has been to examine theory and practice in relation to the supplier. This section is devoted to the consumer, although it has to be said that the subject in itself is extensive and full justice cannot be given to its importance within the limitations of this work.

4.4.1 External Influences on the Buying Process

The customer makes a two part independent decision in the market place, in travel these are which product and where to make the booking. It is impossible to buy a product without choosing a supplier, but in most cases they do have a choice of where to make the booking. It is imperative therefore to know what factors influence their choice.

a. Social and Economic

Social and economic realities heavily influence behaviour patterns, these can include the changing structure of the family where the working mother is now commonplace. This extra income increases the propensity to tourism and the holiday decisions are often made by them. The tendency to have smaller families has also increased the possibility of
holidaytaking, with fewer mouths to feed and clothes to buy. Of course, travel has to compete with other luxuries such as the family car, household appliances etc. In economic terms the travel manger should understand how the consumer behaves in response to the ever changing fortunes of economies, both at home and in overseas destinations. Consumers are extremely susceptible to inflationary pressures as can be seen from the dramatic effects of the 1990 recession in the UK. Inflation reached double figures, the Government kept interest rates high, the housing market collapsed, family debt increased, little wonder that the travel industry faced a declining market.

b. Political

Linked, and in most cases inseparable to social and economic influences, are political factors. At home it is likely to be the way the Government is running the economy and the faith that people have in their ability to govern. Any weakening of Government credibility is likely to unsettle the travel market through recession and pressure on the currency. In the political cycle years, just prior to a General Election, are usually good, as the incumbent Government tries to ease monetary pressures off the voters. After the "honeymoon" period, new Governments often use the early stages of their session to introduce their most difficult pieces of legislation, sometimes lowering consumer spending, thereby hurting the travel trade. Overseas political influences are now likely to be those connected with internal unrest as seen recently in Yugoslavia or conflicts such as the invasion of Kuwait by Iraq. Tourism in the immediate vicinity or area is seriously effected by such events.
c. **Motivations**

However, besides the obvious social, political and economic influences, a full understanding of consumer behaviour would have to include motivations "Motives are inner states of tension that activate human behaviour and direct it towards goals". (Davidson, 1988.) Travel marketers, managers and especially staff would probably do a much better selling job if they tried to understand and interpret human motivation as it is directly linked to the needs, wants and desires which they hope to satisfy. There is a plethora of text regarding human motivation, now a scientific subject, from authors such as Maslow, Murray and Moutinho. This goes far beyond the scope of this work.

4.4.2 **The Buying Process**

Kotler, (1984) provides a useful framework for the retail buying process which can be used as a basis for comparison with travel buying.
a. Problem Recognition

At sometime in the yearly life cycle of events, most people in this modern age make a decision that "they must get away from everyday pressures of life and go on holiday". Alternatively it may be to visit friends and relatives or on health, medical grounds, businesses etc. The theorists would say that it is the recognition of yet another problem to be solved.
b. **Information Search**

Once the decision is taken to travel then the search for information begins. Here is the second problem facing the consumer, where to obtain the relevant information. It can come from a variety of sources of which the agent is only one. Adverts and articles in newspapers and magazines, advice from friends and relatives, all challenge the agent for the potential customers attention.

c. **Evaluation of Alternatives**

Having once gathered together the alternative choices available, the consumer has to go through a process of evaluation. Which holiday or air, rail, sea service meets their needs and wants, price range, etc. This is often done in the home, especially if the product is to be bought direct from the supplier. Where an agent has used this should be the most important aspect of their "service" to the consumer. As the "expert" their advice should make the purchase decision much easier. If all agents offer the same levels of discount, the same product range and merchandise in the same way, then the only distinguishing feature is in fact the help in the evaluation phase through high levels of service.

d. **Purchase Decision**

The decision to purchase will be made on the basis of all the alternatives put before the consumer. The important aspect of this stage for the agent is not so much the actual decision itself but "how and where it will be purchased". There may be only one channel available such as direct or via an agent. In some cases, however, there could be a duel channel choice, for example an airline, coach
or rail ticket purchase. This is the most crucial part of the buying process model for the agent.

e. Post Purchase Behaviour

There are two main aspects to post-purchase behaviour, first, when the product has proved unsatisfactory, then complaints will ensue. These must be handled just as effectively as the original booking. Secondly, if the travel arrangements went well it is the loyalty and repeat business factor that the supplier and agent should follow-up.

Taking Kotler's original model as a basis for consideration, Figure 17 is an attempt to translate this into a travel buying context.

Figure 17 - The Travel Buying Process
The Model in Figure 15 shows the travel buying route the consumer can follow. At the information search stage, many will use all three sources. Evaluation, although shown as an individual task, will be influenced by which source was used. However, there comes a critical point when the decision to buy has to be taken and one of the two choices will be available for most product types. The attributes of each channel will then come into play. These attributes were sought in a recent survey by Mintel (1988g) and are listed in Table 22 in order of importance, together with the rating for each channel.

Table 22 - Attributes Affecting Consumer Choice of Method of Purchase and Channel Rating

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Preferred Channel %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agent</td>
</tr>
<tr>
<td>Personal service</td>
<td>90</td>
</tr>
<tr>
<td>Efficiency</td>
<td>58</td>
</tr>
<tr>
<td>Less of mistakes</td>
<td>50</td>
</tr>
<tr>
<td>Always used this method and found it satisfactory</td>
<td>46</td>
</tr>
<tr>
<td>I like to be able to get information</td>
<td>38</td>
</tr>
<tr>
<td>Cheaper</td>
<td>25</td>
</tr>
<tr>
<td>Could see what I was getting</td>
<td>28</td>
</tr>
<tr>
<td>Fast</td>
<td>16</td>
</tr>
<tr>
<td>Less trouble than other methods</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Adapted from Mintel, (1988h)

It can be seen that for most consumers the aspect of personal service is a key issue in the buying process. This factor is supported by both research analysts and industry suppliers. Here
the travel agent has its most potent weapon to fight off competition from direct channels. Surprisingly perhaps, price is not a top issue for the majority of consumers, conflicting with some of the marketing priorities that have been adopted by some agents. This factor does not bode well for direct suppliers, especially in the field of inclusive tours, whose existence depends on offering a cheaper deal than that which is available through agents.
CHAPTER 5 - THE TRAVEL AGENT

This chapter focuses specifically on the travel agent as a distributive system, its key present day structure and effects on channel members. Another key to success of a distribution channel is the business relationship between supplier and agents. Finally the major marketing activities which some agents have now embarked upon are examined. Throughout all this analysis, evidence has been collected from suppliers and is reproduced here.

5.1 STRUCTURAL CHANGES AND EFFECTS

5.1.1 Rationale for the "March of the Multiples"

As previously mentioned in Chapter 2, the phenomenon of the eighties was the emergence and rapid expansion of the large multiple travel agent. Known as the "March of the Multiples", it has, for suppliers, had a major impact on their distribution policies and business relationships with agents. No longer is total control and power with suppliers, as due to their extensive networks multiples, can "flex their negotiating muscle" for better deals. In addition to the obvious profit motive, other reasons for the decision to expand are now discussed, although not in any order of importance.

a. Economies of Scale

Expansion through new openings and acquisition will only have a marginal effect in terms of central administration and accountancy. Systems will already exist to support the additional units and extra staff required to cope with the additional paperwork could be minimal. However, there will come a point when the volume of administration becomes too great and when this is reached, new investment will have to be made in people and equipment.
b. **Acquisition of Assets and Expertise**

On taking over another travel agency, the multiple will acquire valuable premises, many in prime locations and well known to local customers. There may be Head Office premises which can be sold off, all functions being merged into the buyers Head Office. The agencies being bought will probably have a substantial customer base who are loyal, therefore the aspect of buying "goodwill" will have to be agreed. The buyer will also inherit people, many of whom will have considerable experience, therefore the best staff from both organisations can be retained, this applying particularly to senior management. For example, the takeover of a chain will probably mean that there are two Regional Managers in each area. Only one will be required, therefore the new owners can select on merit. There will be two Marketing Directors and so on, in each case the new owners retaining the best.

c. **Elimination of Competition**

Another important reason for a takeover is that it cuts competition at a stroke and leads to an instant increase in market share. This will give the agent a much higher profile with both customers and suppliers. As the agent moves up the "league table", much better deals for enhanced commissions and incentives can be demanded for suppliers wanting to benefit from the enlarged network of offices.

d. **Brand Image**

Looking at the "March" from the public's viewpoint, the more branches there are, the more public awareness of the company and with it a stronger brand image. Like Marks and Spencer, BHS and Boots which are all household names, so too the travel agency multiples want to be
recognised in this way. This is already the case for such companies as Thomas Cook, Pickfords and Lunn Poly. This brand name image is reflected in their shop designs, staff uniforms, advertising etc.

e. Geographical Spread

It is essential for a successful multiple to have a presence in as many trading centres as possible to support its central costs. Therefore, geographical spread is another objective in consideration of takeovers and mergers. When Lunn Poly took over Renwicks based in Exeter it immediately had a presence in the South West of England, where previously they had been weak. Likewise, Pickfords took over Norman Richardson Travel, a small regional chain in the North East.

5.1.2 Effects on the Multiples

Within the agency business, the effects of the "March" has manifested itself in the way that multiples have changed their approach to business management and the squeeze put on the small independent. Taking first a view of major effects on the multiples themselves, we can include the following:

a. Corporate Image

The leading multiples have been anxious to develop their own individual corporate images. This image can be observed through office design and decor, each branch unit being fitted out in a similar way using a corporate colour scheme. The same shop fitters will be used or those contracted having to follow an exact specification. It is now commonplace for travel sales consultants to wear uniforms, yet up to the mid-seventies this was very unusual.
National advertising will also reflect the corporate image using the house colours and uniformed staff. Marketing campaigns are usually controlled from Head Office and window display advertising will be co-ordinated to ensure that all branches reflect the company's sales policy. All this is a far cry from the days when offices had different styles, staff wore their own clothes, there was no television advertising and window displays were left to the 'creativity' of the Manager and his staff!

b. Technology

The high level of competition between the multiples and the need to offer the best and quickest service to customers has lead to heavy investment in new technology. The multiples wish to appear to the general public as "professional" and as advanced as possible, therefore modern branch units have an array of computer terminals on view. The aim is to provide each sales consultant with a terminal which can be revolved around to enable the customer to participate in the booking process.

The most common technology is known as Viewdata which links agents with suppliers reservation computers via British Telecom telephone lines. In addition, BT provide the Prestel service offering agents thousands of pages of travel related information. Each multiple is looking to provide the most sophisticated equipment and is therefore having to change its system on average every three years to keep apace with technological advances. A more detailed review of technology and its impact is given in Chapter 6.

c. Staff

If all the leading multiples offer similar products
and customer incentives such as low deposits, then the only thing that will separate them in the eyes of the public is "service". For this reason multiples now place great emphasis on service skills in respect of staff training. Whereas in the past the emphasis was on technical skills, ie the ability to read a timetable and issue a ticket, there is now more of a balance between those skills and developing a high standard of customer contact skills. This aspect will be taken into account at the recruitment stage, then followed up with a series of selling skills courses. In some cases the successful completion of this training can lead to enhanced salary levels.

The "March of the Multiples" has also stimulated a general increase in salary levels, although it must said that in many cases the sales consultant is regarded as a poorly paid job. Qualified staff constantly move between each multiple as they try to climb the pay and promotion ladder making it necessary for companies to constantly review their structures to keep and attract the best people.

d. Product Discrimination

In a harsh competitive environment, multiples wish to maximise the best selling products. This has lead to discrimination between the various products on offer linked to sales potential, commission earnings, customer satisfaction and operator competence. A number of multiples place the products into categories, for example Thomas Cook have a "Winners" list, Pickfords "Gold", "Silver" and "Bronze" awards, AT Mays, "Blue Riband" and so no. Further examination of the criteria for these categories is given later in this Chapter (5.4).
Multiples will also have a policy on brochure racking, placing only those brochures with a high sales potential in view of the public. This is extended to the precise position the brochure enjoys on the racks, the best sellers being at eye level! Obviously, as mentioned in the previous Chapter 3, this creates problems for the smaller specialist tour operator who often complain that their brochure has no chance of ever being displayed. The brochure racking policy can give the multiple a powerful negotiating stance when seeking commission overrides from operators. (See 5.3.2). A flood of complaints about an operator or poor administration can lead to the multiple withdrawing brochures from display.

e. Customer Incentives

As described in Chapter 2, the Monopolies and Mergers Commission decided in 1986 that travel agencies could offer whatever "pecunary inducements" they wished. All multiples and many independents now make incentive offers from money off to low deposits and value added inducements such as free insurance, transport to airports and discounts on ancillary travel products. The knock on effect has of course been to reduce margins and undermine the stability of some organisations.

5.1.3 Effects on the Independents

The effects of the "March" on the smaller independent travel agent has been dramatic. From a fairly cosy position where they dominated the industry and protected from the excesses of competition by their own regulator ABTA, they have faced an assault from multiples and from Government through the removal of restrictive practices. The major effects include the following:
a. Excessive Competition

Over the last ten years the number of travel agency outlets in the UK has nearly doubled as can be seen in Table 23.

Table 23 - ABTA Travel Agent Members 1979-89

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
<th>Branch Offices</th>
<th>Total</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>1896</td>
<td>2305</td>
<td>4210</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>1950</td>
<td>2448</td>
<td>4398</td>
<td>4.6</td>
</tr>
<tr>
<td>1981</td>
<td>2094</td>
<td>2687</td>
<td>4781</td>
<td>8.7</td>
</tr>
<tr>
<td>1982</td>
<td>2211</td>
<td>2844</td>
<td>5055</td>
<td>5.7</td>
</tr>
<tr>
<td>1983</td>
<td>2396</td>
<td>2903</td>
<td>5299</td>
<td>4.8</td>
</tr>
<tr>
<td>1984</td>
<td>2537</td>
<td>3196</td>
<td>5733</td>
<td>8.1</td>
</tr>
<tr>
<td>1985</td>
<td>2647</td>
<td>3372</td>
<td>6019</td>
<td>4.9</td>
</tr>
<tr>
<td>1986</td>
<td>2806</td>
<td>3657</td>
<td>6463</td>
<td>7.3</td>
</tr>
<tr>
<td>1987</td>
<td>2889</td>
<td>4107</td>
<td>6996</td>
<td>8.2</td>
</tr>
<tr>
<td>1988</td>
<td>2932</td>
<td>4477</td>
<td>7409</td>
<td>5.9</td>
</tr>
<tr>
<td>1989</td>
<td>2965</td>
<td>4548</td>
<td>7513</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Source: ABTA

When these figures are related to the UK population it can be seen that each individual branch now has far fewer potential customers than in previous years as can be seen in Table 24. Whereas Independents previously had a virtual monopoly in smaller towns, suburbs and villages, they are now likely to have a multiple branch around the corner.
Table 24 - Agencies Related to Population 1971-87

<table>
<thead>
<tr>
<th>Year</th>
<th>Potential Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>One agency for every 15,900</td>
</tr>
<tr>
<td>1980</td>
<td>One agency for every 12,720</td>
</tr>
<tr>
<td>1987</td>
<td>One agency for every 8,000</td>
</tr>
</tbody>
</table>

Source: ABTA

b. Smaller Market Share

Recent research carried out by ABTA has shown that between 1985 and 1986, turnover from all travel agents rose by 13% to £4.5 billion. However, 3% of agents accounted for 51% of sales compared to 69% accounting for only 17% of sales. The majority of small independents are therefore receiving a smaller slice of the cake each year and it is estimated that on average this has meant a 10 to 12% drop in Summer holiday numbers each year in the late 1980s due to the dilution of business.

c. Pressure on Profits

Further evidence about the effect on small independent agents emerges from ABTA figures on turnover. Overall in 1986, ABTA retail members with less than £1 million turnover, which includes most small independents, rose by only 4% on the previous year compared to those over £100 million turnover, the multiples, who recorded rises of 45%.

A breakdown of the turnover figures for those agents receiving under £1 million in turnover revealed a disturbing situation for many small independents when related to average base commission earnings of 10% (See Table 25).
Table 25 - Turnover/Commission Breakdown ABTA Agents 1986

<table>
<thead>
<tr>
<th>Proportion of Agents</th>
<th>Turnover less than</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>66%</td>
<td>800,000</td>
<td>80,000</td>
</tr>
<tr>
<td>50%</td>
<td>500,000</td>
<td>50,000</td>
</tr>
<tr>
<td>42%</td>
<td>400,000</td>
<td>40,000</td>
</tr>
<tr>
<td>22%</td>
<td>200,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Source: ABTA

It can be seen that 22% of agents are only taking in around £20,000 in commission, out of which they have to pay salaries, premises and other expenses. Little wonder then that these agencies are often only staffed by the owner and a few juniors on very low pay.

This overall lack of profit means that the small independents find it very difficult to participate in the price war by offering discounts, low deposits, free insurance etc. An extremely limited advertising budget will be available and only small investment in new technology is possible. Salaries for staff have to be kept to a minimum and therefore a reliance on young inexperienced school leavers is necessary. Many take advantage of the ABTA National Training Board's Youth Training Programme which enabled these youngsters to acquire all the basic qualifications. Unfortunately, they then often move on to multiples for better pay and conditions.

However, it cannot be ignored that some individual branches of independent agents are often more productive than branches of multiples. During the research, Intasun Holidays stated that the major
multiples were not represented in their top ten agency locations for turnover. Cosmos stated that the top ten multiples had no bigger share of their product in 1986 than in 1985, despite a 5% increase in outlets.

d. Consortia

Obviously, having come under such pressure from the "March of Multiples", the independents have been seeking ways of fighting back. One alternative has been to link together and form an association or consortium. Taking the grocery trade in comparison, when faced with the growth of the supermarkets, many small shopkeepers joined together under such banners as Spar and VG Stores. The principles and objective is therefore the same, this is a group of independent organisations working together to achieve a common aim, ie to compete with the multiples.

One of the largest groupings is NAITA, the National Association of Independent Travel Agents had, by the end of 1987, reached a total of 650 outlets. By negotiating collectively NAITA has been able to obtain some of the benefits enjoyed by the multiples, for example, override commission, joint advertising, a closed-user computer system, an own-brand cruise brochure with other product segments to follow.

Consortia have also emerged on a regional basis where small independents, who were known to each other, have joined together to fight collectively for market share. An example in the North East of England is "Linkline Travel" comprising of eight independent agents with fourteen branch offices. By combining together they are better able to offer all the benefits to customers that are available from multiples. In addition, they have a
joint advertising campaign on local regional television and newspapers.

e. **Franchise**

An alternative to the consortium is to become a franchisee. That is to link up with a national or regional multiple yet to retain independent ownership whilst trading. There is again a comparison to be drawn with other High Street shops where franchising is popular, especially in fast foods. The scheme offers the owner-Manager access to a well-known name, instant purchasing power and market knowledge, management support and staff training. In return the franchisee pays to join the franchise and thereafter will pay a royalty based on turnover.

The largest travel agency franchise scheme was operated by Exchange Travel. Unfortunately they went into liquidation in 1990, leaving many franchisees facing ruin. A number were taken over by Co-op Travelcare, but it will have set back this concept for some years to come.
5.2 SUPPLIER EVIDENCE

During the research stage of the thesis many suppliers were interviewed to provide evidence on the state of the agency sector, its effectiveness and future. Little research had been done previously to identify supplier concerns on the tremendous changes that had taken place during the last decade within the agency sector and its likely effects on them. What follows is a summary of the evidence provided.

5.2.1 On the "March" and Balance of Power

a. Evidence from Airlines

One airline management spokesman stated "I think on the whole the March of the Multiples was inevitable, I don't think we necessarily say its good or bad, it's a classic rationalisation that every other retail business seems to have gone through." (*Mayhew, 1989)

Two things concerned the airlines the most, that of commoditisation and the end objectives of the multiples. Commoditisation is where the brand name of the supplier becomes less and less relevant to the customer. Large household names like British Airways can overcome this as can such firms as Heinz, Nescafe and Kellogs because they are brand leaders. Other airlines perhaps have more of a problem where the distributor, ie the travel agent, becomes the primary identity.

The end objective is of concern as the majority of multiples are owned by parent companies whose main interest is not in travel, e.g. Thomas Cook/Midland Bank, Pickfords/National Freight. Airlines see the problem as being a reluctance to invest in travel to keep the industry ahead of the race for consumer spending.
Agents are perceived, especially on the leisure side, as "going down a dead end route" that is to "pile them high and sell them cheap" which is just what the grocery retailers did back in the 1960s. Airline research is showing however, that there is a proportion of the market who are not interested in that concept, they are more interested in service, quality, excitement and interest. It was said that there was very little going on in the agency business to try and bring that market to the supplier. Everything seems to be about volume and lower margins and yet the secret was seen as quality with profit. As suppliers airlines are saying better quality, worth slightly more, so their distribution sector is seen as being out of step with what they are trying to do and what the market wants.

The lack of focus or lack of primary interest in travel is of concern. Suppliers are worried that they are going to becoming increasingly dependent upon a distribution sector which is increasingly less interested in travel. "We hope that someone in the agency sector will generate a Sainsbury's type of response to Tesco's which actually started moving away from volume to quality, or the M & S food approach to retailing." (*Mayhew, 1989)

b. Evidence from Surface Transportation Suppliers

There was a great deal of concern shown by the scheduled coach operator, National Express. As major multiples take over the High Street it is forcing independents, on whom they depend, out into secondary positions. As has been said before, scheduled coach is not very popular with multiples and as a consequence coach ticket, availability will not be as widespread as it should. National Express see the "March" as something of a
threat to their distribution system and will have to respond if outlets continue to decline.

The car hire firm representatives were more concerned about the way that multiples can direct what the customer purchases through racking policies, but thought that the independents were complaining too much when they can offer and give a more personalised service.

British Rail saw the "March" as a good thing because of the professional management it was bringing into the industry. It was far easier for British Rail to deal with the multiples rather than a whole host of smaller independents.

c. Evidence from Accommodation Providers

Concerns about the "March" centred upon the adverse effects on the independents and the quality of staff and service. Multiples were seen as wiping out the competition by expansion, especially the family agent, whilst accepting there were too many agents for the market to bear.

The sacrifice of expertise and level of service in return for offices full of attractive young people in pleasant surroundings was worrying. Education and training to produce the expertise, ability and knowledge was seen as totally lacking. Although some young entrants were coming through Colleges, the average standard of counter clerk was regarded as poor, having no idea of the word service. "Far too often the potential customer is left standing, their presence unacknowledged, not even looked at. The Independents on the other hand appear hungrier for business and this reflects in the attention given and level of service". (*Playford, 1989.*)
d. Evidence from Tour Operators

The evidence from tour operators indicated a certain amount of apprehension about the "March of the Multiples". They see it as a re-run of what happened in manufacturing and retailing in other industries in the past 30 years. For example, in the grocery trade where the multiple became stronger and stronger and started dictating the terms. As one tour operator put it, "the ideal distribution system for the operators is one where the travel agents individually are relatively weak". They agreed that some shift in marketing ability and with it, a measure of influence and power from operators to agents had taken place, although not dramatically. It is the demands for extra commission that is the most worrying for operators.

On the plus side, whereas operators used to spend a great deal of money on advertising, much of this is now redirected to agents. Overall the tour operators thought that well organised multiples offer an effective means of selling their products because they get economies of scale through brochure distribution, point of sale display materials, national joint advertising, better brochure/booking conversion rates and some tangible commitment to sell the product. As one operator stated, "We see them as our partners, they pay our wages, we find their demands are very fair, we don't fear the management although we would not want to put all our eggs into one basket". (*Boyle, 1989.)

5.2.2 Evidence from all Suppliers on the Survival of the Independent

Suppliers were asked about the state and future
prospects of the small independent travel agent. Generally the view was that they could complete and survive by concentrating on service and quality rather than price. It was the supermarket/small grocer analogy, the latter surviving by offering the customer a local, convenient and very specialised service including extended hours and home calls if necessary. The service level should include all ancillary products and not just inclusive tours. They should take the view of the enterprising retailer, such as the small grocer run by ethnic families, who have identified their market, provided quality products and local customer service of the highest order.

It was said that whereas the multiples are designed to appeal to a national audience, the independent can target the local community. It is essential, therefore, to research local needs and link them to innovation. Some of the market is cut off because of discounting but some customers do not always go to the cheapest retailers, for example for Hi-Fi equipment. In this case, the discount retailers will probably not provide the service choice or back-up, due to narrow margins, whereas the specialist will.

However, not all suppliers agreed, one stated that "service is just an inadequate swap for the sacrifice of the discount" (*Brett, 1988) In other words, people in general would prefer £10 off the holiday by booking at a multiple than the personal service at the corner travel agent especially when nine times out of ten the so-called "personal service" is no better than that offered at multiples. It was also a fallacy to say that somehow personal service was a preserve of the corner shop, it can be very good in multiples especially when used in conjunction with an advance database providing additional information over and above that given by the small Independent.
All suppliers were agreed that a strategy of concentration on "niche marketing" was a useful way forward for independents, that is to segment the market and select those products upon which a reputation for service and quality can be built upon. For example cruising, long haul holidays, villas and apartments, UK holidays, Ski etc. The problem is the size of the segment and which other products do you sacrifice, if any, to give that specialisation. The question is how effective can the niche agent be about offering something which is different compared to other agents without having to go down the discount route.

Although most operators agreed independents should try to steer clear of discounting, it was pointed out that they are just as eligible to go to suppliers and ask for a special deal on commission and overrides in exchange for productivity. "On a shop for shop basis, the independent is not being discriminated against. It is not a question of multiples versus independent, but between those who have been lying on a feather bed and expecting to get money easy and those who are going out working for it". (*Boyle, 1989)

Evidence on the consortia concept was mixed and viewed with some scepticism by most suppliers. "The definition is important before discussing the issue" said one "for me it is a group of like minded people trading under one brand name, with a proposition to the consumer which is unique and which is backed by very heavy advertising". Evidence suggested that in the UK travel agency scene, the independents are not very like minded with no common brand name with no offer to the consumer because each one of the members of the consortia wants to do his own thing. "Always start with the consumer in mind, if you are not offering anything to the consumer than you are not offering anything full stop! Mace tried to create a virtuous circle where they could shift volume through
discounting and then go and jointly buy substantial volumes of product. If you cannot shift extra volume as in say a travel consortia, then there is little the suppliers can offer over and above existing commission rates".

Another stated that "a consortia is only as good as its weakest member, which is usually not very good, however we will deal with them and we will negotiate with them on the same basis as we would with a multiple, ie if you get the support together, produce the volume and hit the targets we will give you extra support".

In conclusion, most agreed the independent would survive, though in reduced numbers and possibly through banding together in consortia or by joining a franchise. All the leading tour operators mentioned that independents were among the top agents for productivity and remuneration proving they could match and in some cases beat the multiple.
5.3 BUSINESS RELATIONS

An important aspect of distribution is the business relationship that exists between supplier and agent. In the travel business, the agent first has to be appointed as a sales outlet, included within the agreement will be the form and level of remuneration and agency support services. This section highlights these major factors of the business relationship and provides supplier evidence on the problems and effects.

5.3.1 Agency Appointment Policy

There are usually three types of appointment policies available to a supplier, these are exclusive, selective and intensive. (Holloway, 1988) (See Chapter 4). If the supplier agrees to sell only through one agent, this would be an exclusive arrangement. Alternatively the supplier may wish to appoint only those who meet a certain criteria or to limit the number of outlets available, this would be a selective policy. Finally, by using all known agency outlets (usually ABTA appointed) the supplier would be employing an intensive policy.

To date, no supplier has gone down the exclusivity route preferring not to "put all their eggs in one basket". All that is except Thomas Cook, a tour operator in their own right, who decided a few years ago to sell its own products "in-house", that is the holidays can only be bought through their own retail branches or direct by telephone. The rationale was that it saved commission being paid to other agents, saved agency distribution costs and support services, and gave the company total control over production, distribution and sales. They were only in a position to do this because of their large network of branches, some 300 plus.
If Thomson Holidays were ever to do the same using their "in-house" agency, Lunn Poly, then that would bring ruin for many travel agents. The company has always denied that this was a possibility stating that its network of over 500 branches would still not be enough to provide adequate distribution. However, many agents are still very uneasy about the long term intentions of the operator despite reassurances for Management.

In the airline business, the agency must hold an IATA licence before they are allowed to sell tickets for international journeys. For domestic routes, however the decision is left to each individual airline. There is therefore a selective policy in operation as only those agents meeting a specified criteria including financial stability, security and staffing will be appointed. Although creating a "closed shop" the majority of airlines would be reluctant to see it changed or removed as it gives security and confidence in distributing a potentially high value product around the World. If all agents were allowed to sell international airline tickets, the concern would be first security of ticket stock because the fraud potential is enormous. Secondly, the selling of airline tickets is still a skilled business, beyond a one sector journey it is complicated, therefore qualified staff are needed. Finally, there is the basic right of the airlines to choose who they should distribute through.

British Rail's distribution policy is reflected in its agency appointment system, that is to provide outlets only where they do not impinge too much on existing rail station availability. It is a discretionary decision based upon location, target market, aptitude of staff and financial stability. Once appointed, agents are given a target of revenue in the first year and should they fail to meet this, then the licence could be withdrawn.
A National Express licence is attractive to new agents as it helps to promote their services, gets people into the office enabling them to build up their first client base. The conditions of entry are, however, quite stringent with checks on credit status and the provision of a bankers guarantee. Generally, though the policy is intensive, that is anyone who applies will be given serious consideration.

Ferry operators have intensive policies tempered by the requirement of ABTA membership. Some operators have no formal application or agreement system. Again, this type of product is a useful source of revenue and publicity for newly formed agents. As with all transport operators ferry companies do not have to join ABTA to distribute through its members so they are free to channel bookings through whichever outlets they see fit.

A similar situation exists with hotels, no formal application or agreement system is in operation. It is left to the discretion of the individual hotel or hotel groups. They may check on ABTA or IATA membership but their major concern is the agents method of payment, vouchers or cash and level of commission required. It is perhaps the most loose of all appointment systems.

Holiday centre organisations act more like traditional tour operators wanting ABTA membership before accepting bookings.

Finally in this section tour operators who are ABTA members will employ an intensive method of distribution using the offices of ABTA travel agency members. The control is the unique ABTA number given to agents upon appointment. The principle is no number, no booking, it is impossible for example, to enter a tour operators computerised reservation system without an
ABTA number and password. The problem for new agents is that they cannot apply for ABTA membership until they have actually opened for business. This means that there is a time lag during which no ABTA tour operator's products can be sold whilst the application is being vetted.

5.3.2 Financial Aspects - Commission/Overridess/Incentives

Historically, the basic financial arrangement between suppliers and agents has been one of payment on results by way of a commission. Since their inception agents have struggled to negotiate increases in these commission rates yet the basic levels have remained relatively static. (See Table 15, Chapter 2.4).

This situation has presented a serious problem for agents as return on sales has not kept pace with the general rise in inflation and overheads. Running costs such as salaries, rent, rates, communication costs etc have risen much more rapidly than the relative rise in the cost of an inclusive package holiday. The only way of squeezing out more commission from suppliers has been through special deals negotiated between individual companies. These special deals take the form of an "override" or "incentive".

An override can be defined as moving up the standard percentage of commission from say the base of 10% to 11% and declaring this on invoices. It would not be conditional upon performance as in an incentive deal, but in return the supplier, such as a tour operator, would expect some guarantee of product visibility or in other words guaranteed racking. It has the advantage of being credited directly to individual agency branches whereas an incentive payment usually goes straight to the Head Office of the agent. (*Pyle 1989)
An incentive deal is more complex as it is based upon performance and that is linked to a growth factor on previous years' business. It is company wide and is paid retrospectively upon achievement therefore invoices show the standard base rate and individual branches may not see it as being beneficial as with an override. However, the operator knows that his product will be visible and that the incentive to perform will be strong. In addition, the operator sets aside the money, which earns interest, and if the agent fails to meet the target keeps it. (*Pyle, 1989)

Most suppliers interviewed referred to both deals as overrides and were naturally reluctant to discuss details as they are a commercially sensitive issue. They came about mainly as a result of the "March of the Multiples", the larger the company, the more pressure on suppliers to pay more for the privileged of using the agencies' expanding distribution network. The multiples are in a stronger position than the smaller independents to negotiate a deal which has now become an annual event leading to some very hard bargaining. Multiples have appointed professional "buyers" to do the job for them and suppliers have key people to respond known as "account executives". The deals are closely linked to the agents preferred operators and racking policies which are discussed later in this Chapter.

The level of override varies considerably with the airlines giving the highest, up to 20% and even higher in some cases, especially the third World's airlines requiring "hard currency" for their respective countries. Deals are available to all but are targeted, some agents getting more than others. There are many small independent agents receiving very high overrides with particular airlines on specific routes because they specialise in supporting them. These agents include consolidators as described in Chapter 3. The situation
has parallels with the corner grocery shops and supermarkets in that the latter, who buys in bulk, will always receive the bigger discount. Likewise the more airline seats bought, the larger the override. One airline referred to these deals as "revenue growth programmes" based upon an individual target performance and revised each year. All agreed that due to the high level of competition they were all locked into the incentive business for the foreseeable future.

National Express based its override on achievement of a "judgement" target offering an additional 10% whilst car hire with a high basic commission rate of 20% offered overrides of between 5 and 10%. British Rail's policy had caused a problem when in the mid-eighties they introduced a sliding scale of commission payment based upon results ranging from 7 to 9%. The top level of 11.5% was scrapped causing a deterioration in relationships between themselves and their agents, some agents sending back their licences. However, a major review was to take place in 1989 to rectify the problem and return commission levels back to a more realistic figure. Their override level was up to a maximum of 1% only. Ferry operators pay up to 2.5% provided the agent achieves a pre-determined and realistic target. It was stated however that the vast majority of agents do not make the target and therefore receive no extra payment.

Inclusive tour operators pioneered the "bonus commission" deal on the basis of a growth reward. The policy is to support agents in return for increased sales whether they be multiple or independent. Surprisingly the largest operator, Thomson, does not pay override commission but instead makes what was termed "a marketing contribution" which its competition stated was just the same thing. Operators accepted that overrides, usually between 1 to 2.5% were an important part of the agents' financial base but were concerned
that it is used for other purposes such as discounting which reduces agents' margins and consequently their stability. The last thing operators said they wanted was to be linked to agents who go bust leaving their customers exposed to financial loss.

The majority of operators use the incentive methods of extra payment setting targets to be achieved and paying out retrospectively. However, a number actually agree on a higher fixed rate of commission irrespective of the amount of business produced just to guarantee racking of their brochures.

In conclusion, all suppliers were concerned and somewhat unhappy about the override/incentive situation as can be seen from the following selection of interview quotes:

"At the end of the day, we are paying to get our brochures on the rack. Override policies are funding agents suicidal discounting offers" (* King, 1989)

"Override commissions are the weakest form of incentive known to man. The more I give the more I am going to encourage the agent's discount war" (*McDermott, 1989)

"I don't believe that giving incentives stimulates extra sales, I cannot find any mathematical correlation between the two. We have a "jaundiced" view on the whole topic". (* Farell, 1989)

"Tour operators overrides have precipitated the ability for retailers to discount, that in itself is a retrograde step". (* St Clair, 1989)
5.3.5 **Agency Support Services**

Distribution is also about the back up services provided by the supplier to its distributor. For example, it is important that the manufacturer of soap powders ensures that the supermarket always has a sufficient supply of the product to meet demand. There should be an easy re-ordering process, point of sale materials provided should match the stores marketing and special promotions campaigns. The manufacturers representatives should be able to update the store on new lines and deal with complaints and finally there should be an efficient payment system. This example compares well with the relationship between suppliers of travel and their agents, the major difference being the intangible nature of the product and its replacement with pieces of paper called the brochure and tickets.

Brochures on the rack are as vital to the supplier as soap powder on the shelves. An empty rack or shelf means little or no chance of a sale. For example, brochures are the only way the tour operator has of showing his product. These are expensive to produce considering the research, planning and printing that goes into them. Approximately £5 goes into the holiday cost of a large tour operator to cover production and publication. It is therefore essential that there is careful control on the number produced and the way it is distributed amongst all the agents. Obviously it would be quite uneconomic to supply every agent with the same number of brochures so in most cases, it is closely linked to productivity.

Before its demise in 1991, the International Leisure Group (ILG) whose products included Intasun, Club 18-30 and NAT Holidays, stated that every ABTA agent, that's 7,000 plus, receives a file copy of every brochure, beyond that they are very carefully graded, those producing the business get more brochures. It is
quite clear why such a policy is necessary when you consider that 80% of ILG's business came from only 20% of its agents. Falcon Holidays mentioned that brochure distribution is not a question of whether or not they are a multiple or a small independent, it was their commitment to the product.

Even smaller short break operators such as Rainbow and Golden Rail operated a very sophisticated brochure distribution system based upon performance. Rainbow had four different grades but within each grade they had different brochure pack sizes. An "A" grade independent may receive a 50 pack size whereas and "A" multiple would receive a 200 pack size as both are top producers relative to their size of operation. Golden Rail had no less than 22 grades!

The operators use specialist brochure distributors who can interpret the grades by ABTA membership number and ensure correct deliveries are made. The top end of the grades will receive regular "top up" whereas those who do not produce much, and new agents, get a "launch pack". An example of a grading system is shown in Table 26.

Table 26 - A Brochure Distribution Grading System

<table>
<thead>
<tr>
<th>No. of Customers Booked</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 250</td>
<td>A</td>
</tr>
<tr>
<td>200</td>
<td>B</td>
</tr>
<tr>
<td>150</td>
<td>C</td>
</tr>
<tr>
<td>100</td>
<td>D</td>
</tr>
<tr>
<td>50</td>
<td>E</td>
</tr>
<tr>
<td>25</td>
<td>F</td>
</tr>
<tr>
<td>10</td>
<td>G</td>
</tr>
<tr>
<td>1-9</td>
<td>H</td>
</tr>
</tbody>
</table>

Source: Industry
Another major support service is that provided by the sales representatives. This can be expensive (salary, travel, car) therefore, once again, suppliers will link the number of visits made to travel agents to productivity. Hertz Car Hire for example had agents divided into three grades linked to bookings as shown in Table 27.

Table 27 - A Sales Visit Grading System

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Bookings Per Month</th>
<th>No. of Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10 plus</td>
<td>every 6 weeks</td>
</tr>
<tr>
<td>B</td>
<td>5 to 10</td>
<td>every 12 weeks</td>
</tr>
<tr>
<td>C</td>
<td>4 and below</td>
<td>every 18 weeks</td>
</tr>
</tbody>
</table>

Source: Hertz

Representatives are often the only physical link between supplier and agent so they have a very important job to do in image building for the company. They have to establish a rapport with travel agency Managers and staff, offer help and advice on products, arrange displays and promotions, entertain staff as a reward for doing good business through educational visits and leisure activities. One of their most important jobs is to ensure product visibility, i.e. racking, this may mean trying to override racking policies. Finally, they will be expected to investigate the feedback details of performance and agency staff opinion of their competition.
5.4 MARKETING TACTICS

In the assessment of the travel agent as a distributive system, it is essential to examine their effectiveness as a marketing medium. As mentioned previously, the research has shown that the issue is not really about the alternatives of direct sell or agency channels, but the way in which agents will market themselves in the 1990s. Recently, stimulated by the "March of the Multiples", agents have become much more aggressive in their tactical marketing activities, raising their profile and power to heights unknown ten years ago. This section aims to analyse the major activities with evidence from both agents and suppliers.

5.4.1 Preferred Operators/Racking Policies

It has always been left to the agents discretion as to what suppliers it should enter into an agreement with to sell products and services. However, it tended to be an "open door" policy, the agent offering anything that was going. It was left to suppliers to grade its agents rather than the other way around. As the multiples became more powerful, they realised that being selective about who they actively supported could lead to financial benefits in the form of higher commissions and overrides. As a consequence of these arrangements, they had the ability to offer their customers a better deal, in particular, cash discounts. They introduced the concept of "preferred operators", whereby suppliers were categorised according to their ability to meet a pre-determined criteria linked to higher commission levels.

The selection process first divides suppliers up into their respective product groupings such as airlines, tour operators, car hire etc. Then within each group they are placed into categories. Thomas Cook for example has "Winners", "Recommended" and "Authorised", whilst A T Mays has "Blue Ribbon", ...
"Preferred" and Recognised. All major multiples have similar schemes and suppliers strive to gain access into the top category. At Thomas Cook, all suppliers who are categorised as "Winners" are asked to enter into a "Quality of Service" Agreement, a copy of which can be seen in Appendix F.

The criteria for a tour operator would be:

a. A major operator offering a wide range of departure points.

b. A quality product where the level of complaints and problems in the branches is minimal.

c. A product which will generate a considerable commission earning.

d. A marketing agreement must exist which includes joint advertising, promotions etc.

In return, suppliers in the top category will be, in the case of tour operators, guaranteed racking space. Some large operators will even be given multiple facings/positions on the racks in the best prime positions. Those further down the league will receive fewer or a single facing. Access to window displays will be guaranteed, as will access to agency staff for training purposes. Staff will be encouraged to give maximum sales support. Preferred operators are also given first offers on joint ventures such as "in-shop" promotions, advertising, trade fairs etc. Those suppliers in the lower categories will receive fewer privileges on a sliding scale. Some will be able to get racking space whilst others will not. Travel agents can use the ultimate sanction of withdrawing support altogether if they feel that the product is unsatisfactory or there is a dispute on commission levels.
It is especially difficult for small specialist independent companies, especially those recently established, to get visibility. These organisations have appealed to ABTA on numerous occasions, stating that as members they are expected to use ABTA agents yet are being refused access due to preferred operator and racking schemes. ABTA has replied that, at the end of the day, it cannot interfere on the commercial decisions of its members.

The view taken by suppliers on this issue depended on whether or not they were on the preferred lists. However, most agreed that one negative aspect of the policy was that it was restricting customer choice and price competitiveness. If, for example, a multiple decides to feature only two brands from many, then price comparisons cease to be of great importance. Providing the two operators are aware of the situation, they will be tempted to keep their prices at the right, or perhaps inflated level, which is bad for consumers. One operator thought that they were being held to ransom for higher commissions and overrides because agents were deliberately and artificially limiting the number of facings on offer, it was not always a case of lack of physical space.

Most of those suppliers interviewed agreed however that it was the right of the agent to sell the merchandise he wants, provided it is a fair system, and that small specialist tour operators with limited capacity cannot expect racking. One suggestion was that agents should develop something similar to a "delicatessent" counter in supermarkets where you have "tasters", in agents this would be a variety of specialist holidays such as painting, cycling, gourmet, climbing etc.

5.4.2 Discounting

Another major marketing tactic which has completely
transformed selling policies since the mid 1980s has been discounting. It applies primarily to the inclusive tour product where a wide variety of money off, low deposit and other incentives to buy are given by both multiple and independent agents. (See Appendix G for offer examples.) It is worth repeating again that it still remains the right of operators to fix the price of their packages and it is left to the agent to decide if they wish to "give" something back to the customer. This is financed by commissions and overrides from operators, commissions from insurance and from the agent profits.

All the major tour operators interviewed agreed that the MMC decision did not really uphold their right to maintain price control because it allowed agents the right to discount their product. Therefore, for all practical purposed, Retail Price Maintenance (RPM) is dead. There is however an agency agreement in force which states that agents will sell holidays at the price dictated by the operator. Therefore the deposits and balances are invoiced at the prices set in the brochures and as one operator stated, "if someone wants to discount the product out of their own pocket, then most tour operators are delighted. What they do not want to do is to contribute to it". (*Brett, 1988.)

The big worry for operators was about the de-stabilisation of the agency sector through erosion of profit and subsequent failures. "If you take for example the average sell price is £250 per head for a European beach holiday (1989 prices), the average booking is 2.5 people, that means a commission level of about £64. With a £20 discount per person, the commission is gone, leaving only the earning from insurance". (*Heape, 1988.) "It is dangerous and bad practice, retailers live hand to mouth with insufficient resources to present his shop to the public, to train, pay and retain his staff". (*Sawbridge, 1989.)
Operators also saw discounting as a downward spiral, conditioning the public to pay less and book late. "I don't know why the public should feel that they are entitled to the same cheap holiday that they had last year, everything else is effected by inflation, all that's happening is that it is driving down quality". (*Pyle, 1989.) "It gives the public a false sense of what it costs to go on holiday. It is artificially changing the market". (*King, 1989.)

All took the view that discounting was here to stay and that the MMC decision against the activity would have been better in that it would have preserved a fragmented agency sector. It has helped to accelerate the process towards concentration shifting the balance of power away from the supplier.

5.4.3 Holiday Clubs/Credit Cards

As a consequence of the changes in the discounting and incentive rules, a number of agents have linked up with credit card organisations to develop alternative direct booking systems. It is said that Page and Moy of Leicester, first came to the conclusion that many of their customers used their High Street travel agency merely as a conventional booking point for a pre-determined holiday, chosen from tour operators literature, and did not require any advisory service or further information. It decided therefore to try and reduce costs substantially by cutting out the High Street expenses and to transact the order by telephone. The medium chosen to allow this was the credit card, in this case, Barclaycard, the concept was relatively simple:

a. All credit card customers would receive a small publicity leaflet with their monthly statement, giving details of the scheme and listing participating suppliers. (See Appendix H for example.)
b. Customers would then obtain a holiday brochure themselves, either direct from a tour operator or by calling into a travel agent.

c. Customers would choose their holiday out of a brochure and telephone in their request direct to the agent operating the scheme, quoting their respective credit card number for the deposit or balance.

d. The agent would then book and give the customer a cash discount in return.

The method is said to be ideal for the sector of the consumer market which is composed of experienced travellers who know what they want and do not particularly require the services of the high street travel sales consultant. Being a credit card holder, they are more likely to be higher earners, purchasing higher value products. "The client sector is very calculative, not loyal, they have confidence in their own ability, need little advice and the transaction is carried out in a very businesslike manner. It is not about building sales consultant/customer relationships". (*Adkin, 1988.)

The agents involved in this scheme benefit from the extra business generated from credit card holders and by using low cost, off-the-street office accommodation accessed only by telephone, the costs of the premises are reduced considerably. By making it clear to the customer that it was not in the "advice" business, merely offering a booking service, staff time could be saved. The credit card companies and their respective Banks benefit from giving an additional service, it raises their profile in a very competitive market and, of course, they earn interest, currently at 1.90% per month (1990), on any outstanding balance the customer may have on his credit card account.
This development has, however, caused a great deal of criticism from travel agents not in any scheme. They feel that they are being betrayed by their own, the central issue being the necessity for the customer to obtain a brochure. Naturally, they will go into a convenient local agency, probably a small independent, pick up a brochure, maybe even spend time getting advice, then to return home to telephone someone else to do the booking. "Prostituting on the back of other agents" one operator called it. Many agents and some suppliers feel it is quite out of order, not because of the innovative way they are given their deals, but because they are being supported by the people who they are putting out of business. The brochure distribution is at the core of the problem, if the holiday clubs were sending out the brochures then it would be a different matter, but they are not.

It is important to remember that the cash discount is paid by the agent not the credit card company involved. The money to provide the discount is generated in exactly the same way as in the agency shops, that is by special deals made with suppliers for enhanced commission and incentive levels and is therefore a similar level as shown in Table 26. This analysis shows that discounts for lower value products attract a higher discount from travel agents whereas for higher value products the bigger discount is from the holiday clubs. This reflects the overall higher value business that is generated from direct customers, who will be employed, card holding customers usually in the higher socio-economic income groups.
Table 26 - Scale of Discounts Given by Travel Agents/Holiday Clubs

<table>
<thead>
<tr>
<th>Basic Cost per Person</th>
<th>Travel Agent</th>
<th>Holiday Club</th>
</tr>
</thead>
<tbody>
<tr>
<td>£50 - £199</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>£200 - £399</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>£400 - £599</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>£600 - £799</td>
<td>55</td>
<td>40</td>
</tr>
<tr>
<td>£800 - £999</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>£1000 - £1199</td>
<td>55</td>
<td>80</td>
</tr>
<tr>
<td>£1200 - £1799</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td>£1800 - £2499</td>
<td>105</td>
<td>150</td>
</tr>
<tr>
<td>£2500 - £3499</td>
<td>150</td>
<td>200</td>
</tr>
<tr>
<td>£3500 +</td>
<td>150</td>
<td>250</td>
</tr>
</tbody>
</table>

Source: Industry, average discounts on selected offers, Summer 1990.

Following the entry of Page and Moy, Thomas Cook soon followed, linking with the Mastercard/Access Group, A T Mays with TSB Trustcard and Pickfords with Girobank/Visa. At the announcement of each scheme, there were howls of protest from other agents, forcing ABTA to remove its bank account from Barclays, moving suppliers of travellers cheques away from Thomas Cook and performing symbolic cutting up of personal credit cards.

It must be remembered however that bookings through Holiday Clubs remain a very small section of the overall market. Estimates for 1989 were 1% with 10,000 holidays attributed to Barclaycard and Access schemes. Whilst Page and Moy, now owned by Barclays Bank, appear to continue successfully, although figures are virtually impossible to get hold of, Lloyds Bank withdrew from the Thomas Cook/Access scheme in May 1989. The Bank was quoted as saying it was a
"marketing flop", research showing that it has a very low customer awareness. The trades most outspoken critic of the scheme, Harry Chandler, stated, "Lloyds have discovered that people do not want to pay soaring interest rates on holiday purchases. It has realised tour operating is quite different from banking and decided it does not want the hassle". (TTG, 1989.) At the end of 1990, Trustcards announced that it too was terminating its agreement with A T Mays.

Most suppliers agreed that if the market demanded this from of trading, then the opportunity should be provided for people to buy that way. They did not concern themselves where the business actually came from and would reward any agent that produces business. If they can get exposure through such a deal, they are likely to take it.

5.4.4 Own Branding

Own branding, own labelling, agency endorsement, overprinting, these are the many names associated with the concept which places the name of the travel agent on the suppliers product. There is some element of confusion over this issue, and this section attempts to clarify and define the methods, together with evidence on the effects this innovation in travel has had.

Own branding is more than simply placing a sticker on the brochure cover, as can be seen in every agency. It is the result of a negotiated deal whereby the supplier will print the name of the agency on the brochure in exchange for a commitment to sell. It is, therefore, important to distinguish between brochure labelling and own brand. Own brand would be where a tour operator agreed to produce a programme "exclusively" on behalf of the agent. It would be the agents programme with their name on it and it would have to be "branded" throughout with no mention of
the operators name. Likewise, all tickets, hotel vouchers, even representatives at the hotels would have to carry the agents name or it would not be true own-branding. Therefore, to be a pure own-brand, the agent has virtually to become a tour operator in their own right.

Most of the deals seen in agencies are therefore in fact not own-brands but own label operations, whereby a tour operator prints the name of the agent across the brochure which is not exclusive to them and can be found at other agents. It is simply a "wrap-around" cover only, after booking, it once again becomes the operators product in the usual way.

In grocery retailing, true own-branding only really works if the product is good and has built a reputation to match nationally recognised goods or alternatively the own-brand is actually the real thing, though in disguise, but cheaper. For example, Sainsbury's shampoo is actually "Head and Shoulders" but cheaper, or M&S chocolate buttons are as good as Cadbury's. The same applies in travel, either the holidays, exclusive to the agent, have a reputation and are good sellers or the customers know it is an established operators product, even though it is branded throughout with the agents name.

It is the specialist products, such as short breaks, long haul, villas and apartments, cruises etc. that are the target for this concept, rather than the mass produced holidays. The benefits for the agent include:

a. a raised profile for the agent as a specialist in a specific segment of the market;

b. the usual benefit of override commissions and incentive deals;
c. a potential customer picking up a "branded" brochure is less likely to take the booking elsewhere;

d. counter staff are more easily motivated to sell the product as it is branded as their own and will make more effort to be familiar with it.

From the operators point of view, those in favour said it endorsed the relationship with the agent, it singled out particular products which become number one best sellers with the best racking positions. In general, however, it is the operator who carries the extra cost of printing and they can lose their identify. Most, therefore, were against own-branding and it was only done to compete. "It is a reaction to my competitors, if I don't do it they will, and that will allow them into my distribution channel, I cannot allow that". (*McDermott, 1989.) "Heinz do not produce own-brand goods, they will not devalue that brand, we are the same and we will not devalue our holiday product". (*Daykin, 1989.) "The whole concept is a nonsense, the reason is it is a matter of risk, you are either a Principal or Agent. An operator puts together stock, takes the risk, sells it, keeps unwanted stock, controls the price, there cannot be such a thing as agents own-branding, what they are talking about is wrapping around a brochure which is just an extension of giving the customer travel agency ticket wallets, it's a completely meaningless jesters, it's of no significance whatsoever". (*Boyle, 1989.)

It was suggested by Michael East (Eastcastle Consultants), that wrapping the agents name around someone elses brochure is trivial, but that was not where own-branding was going. It is the ability of agents, especially multiples and consortia, to place products on their internal viewdata screens without the operators name on it. The potential customer sees a
list of availability on the counter screen under the name of the agent, which is not a brochure product and for which the agent is receiving a special discount rate.

5.4.5 Phonecentres

Finally, in this section, another innovation launched by a number of multiples has been the Phonecentre. This scheme is aimed at attracting holiday bookings direct from the customers home. A direct freephone number is available and in some cases the service is open all day, evenings including weekends. Lead by Thomas Cook, who established five centres across the UK in the mid 1980s, it was intended to relieve pressure on agency staff in the shops, serve holidaymakers isolated from those shops and provide all the same booking and service facilities.

According to Thomas Cook, the need for phonecentres arose due to the inability to answer telephone calls promptly in branch offices due to pressure of business on the counter. Too much revenue was being lost through engaged telephone lines. A pilot scheme was set up in the Birmingham area which had a "cluster" of branches surrounding it. By using a technique called "local holding", incoming calls to branches were diverted to a telephone centre. It was found to be a success, the centre generated sales of about 10% of the combined sales of all the branches from which calls were diverted. "In other words, the system effectively produced the equivalent of an extra branch". (*Adkin, 1988.)

The system has similarities with the Holiday Clubs, whereby the customer will probably use other agents as brochure collecting points then 'phone in direct. As a consequence, the scheme received similar protests from other agents who stated that this was a most unethical thing to do. An essential difference however is that
there is no discount available for using this service over and above those already on offer via the branches. Other multiples followed Cook's lead, such as A T Mays with its "Fastphone Holidays" and Pickfords with "Holidayline". It was reported that Thomas Cook spent at least £250,000 to set up each of its five centres.

There are however a number of drawbacks with phonecentres, for example, how is the service to be kept in front of the public's view without spending a massive amount on advertising each year. Productivity is a problem as phonecentres receive enquiries on all aspects of travel such as rail and accommodation. A conversion rate of only one booking for every forty calls was quoted. Finally, there is the obvious resistance from the companies own high street shop Managers who see it as another form of competition and a dilution of their business.

Thomas Cook' Clive Adkin, stated "We do not believe telephone centres will ever replace the need for high street shops, but the future will see much more emphasis on responding to the consumers insatiable desire for flexibility. Booking by 'phone gives them another choice, it's nothing to be afraid of, it's just about providing service".
"During the eighties, the distribution and selling of travel products were subject to rapid change due to the development of new electronic databases and their exploitation in private computer and telecommunications systems. These are now essential ingredients, both in the search for competitive advantage and in the satisfaction of consumer demand. After a century of relatively peaceful existence, travel selling and distribution now finds itself under challenge". (Welburn, Travel and Tourism Analyst, July, 1987.)

Welburn goes on to identify the following reasons for this:

a. state of the art advances in electronics, delivering higher processing speeds, greater capacity and lower cost;

b. their exploitation in private computer and telecommunications systems, especially computer reservation systems;

c. public telecommunication systems;

d. computer literacy among travel staff and the general public;

e. liberalisation and competitive pressures among airlines;

f. counter-competition pressures, seeking to preserve dominant market positions.

The effects so far are said to be minor, only modifying the means of communication between suppliers and agents. The major threat however is seen by some as the use of this technology by an increasingly sophisticated public turning to homebuying and self-ticketing machines. Suppliers also are constantly searching for more efficient and cost effective methods of distribution. Will this new technology be better adapted to direct channels or further cementing their relationship with the agent? This section attempts to address some of these issues and reviews technology development.
6.1 **USE OF TECHNOLOGY BY SUPPLIERS AND AGENTS**

This section sets out to uncover the complexities of the various systems available to the agent. Their development and application.

Today's travel agents are constantly bombarded with a never ending list of newer, more sophisticated systems. Some have responded very positively by embracing the technology for both sales and administration purposes, whilst others still rely on one out-dated terminal or nothing at all. Giant multi-national Computer Reservations Systems (CRS) have been developed by international airlines to provide Global networks for the sale of both air travel and other leisure products. The recently formed CRS companies are now locked in a battle to secure distribution channels provided by the travel agent. The original viewdata system is said to be under threat from the more "intelligent" CRS, but agents in general are resisting the change due to higher costs and a need to be convinced about its benefits.

In the late seventies, the great aid to travel agency sales were the microfiche systems, which provided flight and holiday availability from a limited number of suppliers. A microfiche was a thin sheet of film which had tiny pages of information spread across it, similar to those used in libraries and press archives. A special viewer enlarged the film for reading. At this time, airlines were already advanced in their use of computers for reservation and administrative purposes. In the UK, British Airways and British Caledonian decided to link agents direct to the system by a leased line through the establishment of "Travicom", the predecessor of today's Global CRS known as "Galileo". At the same time, the Post Office developed the Viewdata system marketed as "Prestel", where agents could be linked via the normal telephone system to thousands of pages of travel information held on computers.

It can be appreciated therefore that there are two basic forms of technology available to the agent, airline CRS, linked direct
to agents who use the so-called "intelligent" personal computer terminals and Viewdata, linking suppliers via telephone lines to agents who use "dumb" terminals. Each have gone their own separate ways in development, leaving the agent to make difficult choices based on business type, demand and costs.

6.1.1 Development of Computer Reservation Systems (CRS)

Computer reservation systems were originally developed in the 1960's by airlines as an "in-house" facility aimed at increasing productivity. In the USA, American Airlines and TWA cut over their first offices to the system which were to become Sabre and Pars. Many European airlines also began to develop their own systems. Sabre connected its first travel agencies in 1976, followed by the UK's Travicom in 1977. These were IATA appointed business agents who, because of the high level of business and the need to service the customer quickly and efficiently, could afford to invest in the expensive equipment required.

Basically, the system operates by linking the agents to a central computer, or controller, which then links onwards to a whole host of independent airline computers as can be seen in Figure 18. It is the job of the controller to interpret the information from the airline computers into a common language to be received by the agent.
As the industry moved into the eighties, more sophisticated versions of CRS were developed and most important being those which incorporated the ability to print tickets, issue invoices and deal with payments to suppliers. A further enhancement was the intention of major suppliers such as British Airways Travicom to place leisure products on the system such as package holidays, accommodation, car hire, etc. However, by this time Viewdata had already established a hold on this market (see 6.1.2) and interest in CRS leisure systems was diminished for the time being.

As Table 28 shows, just over 1,000 agencies had been connected to the Travicom Executive System with around 2,000 terminals and an estimated 70% of all IATA business coming through it. Entry into the Travicom system was also available via Viewdata using a new adaptation called Skytract (see 6.1.2.).
Table 28 - Travicom Standing and Usage 1986

<table>
<thead>
<tr>
<th>Ownership</th>
<th>British Airways</th>
<th>British Caledonian</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>82%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Number of agencies connected to Travicom Executive (at mid-1986) 1,030
Number into Travicom Skytrack 1,150
Number of terminals in use 2,400
Number of airline users (mid-1986) 42

Source: Travicom

A number of US airlines made incursions into the UK at this time with systems labelled "mega-CRS", these included American Airlines/Sabre, United Airlines/Apollo and TWA/Pars. As a result of the major European airlines split into two camps to launch a new generation of CRS to compete with the Americans.

"Galileo", the new name for Travicom, backed by British Airways, Alitalia, Swissair and KLM was formed in 1987 as was "Amadeus", supported by Lufthansa, Air France, Iberia and SAS. The formation of these new companies initiated the start of a massive marketing campaign to win the business of the travel agent. All the players are trying to offer the most sophisticated and comprehensive system which will fully meet the needs of the agents in the 1990s. The systems have recently been renamed GDS or Global Distribution Systems, reflecting their Worldwide application. The suppliers of these systems state that through a single keyboard and language they provide the agent with access to the World's most comprehensive range of travel services including:

- schedules and seat availability for hundreds of airlines Worldwide
international fare quotes

Worldwide hotel and car hire facilities

tours, ferry and rail

travel related services including currency conversions, theatre and sporting event tickets.

The standard terminal in the agents office is now referred to as an "intelligent workstation", a personal computer (PC) using specially developed software. The final version of the systems will be fully integrated with the agency Management system. The aim is to free the agents to concentrate on their primary role of selling and servicing customers. For a full and detailed list of the capabilities of a GDS, refer to Appendix I. Figure 19 shows how today's system is now much more sophisticated than that shown in the previous figure.

Figure 19 - Global Reservation System GDS

The major problem facing agents is not only the choice between the various systems but cost, especially in
hard economic times such as the early 1990s. "High powered selling by CRS vendors does no good if agents cannot afford to invest. This especially applies to the smaller agent who would need an annual air product turnover of £250,000 just to pay for the Travicom system". (Nichol, TTG, 1989.) He went on to say that the majority of ABTA agency members had turnovers of less than one million and would need to concentrate on technology which was more appropriate to their business mix and income. "The majority of agents have invested in Viewdata of which there are around 27,000 terminals, to replace them would cost the trade close to £30 million". (Purdom, Travelnews, 1989.)

Compatibility is another issue, agents want a "one-stop" terminal, enabling them to access all possible systems through either their existing Viewdata sets or by PC's. The CRS companies have already moved on linking up their systems by allowing access via one of the viewdata network providers, Istel (see 6.1.2). Therefore, as airline backed CRS continue to compete for the attention of primarily business travel agents, so the Viewdata scene is set for hot competition.

a. CRS Laser-disc Technology

This enhancement allows television quality pictures to be shown on screen to aid the sales process whilst overlying booking information. Utell, the Worldwide hotel reservation service, can display pictures of hotels, bedrooms, facilities etc. with local maps and sightseeing attractions.

In the US, airlines already have integrated full-screen colour motion images and pre-recorded narration at the touch of a button. They are now targeting UK suppliers such as cruise lines, tour operators etc. to offer their products on CRS systems. One of the CRS leading in this
technology is Worldspan's Pars Integrated Reservation Imaging System, (IRIS). It works on laser discs, each containing 54,000 images. Through a system like IRIS, travel agents can take their customers on a "tour" of say cruise lines, viewing types of cabins and other facilities in the comfort of a travel agency environment. In seconds it can display a resort or major convention hotel, replacing or supplementing the holiday brochure, the applications appear to be endless.

b. **Top Four CRS Suppliers 1991**

**Amadeus**

Founded in 1987 by Air France, Lufthansa, Iberia and SAS, Amadeus has expanded strongly in some European markets but its commercial launch in the UK was not due until January, 1991. In November 1990, Amadeus and the US system Sabre, signed an agreement for joint products and marketing. If agreed by the European Commission, Sabre will run the joint company in the UK where there are at present no users of Amadeus.

**Galileo**

Formerly called Travicom, which is still acting as the UK distributor for the system, Galileo was formed in 1987 by a consortium of British Airways, KLM, Swissair and Covia (a subsidiary of US based United Airlines which had previously marketed the Apollo system in the country). Test bookings were made in January 1991. Number of Galileo users in the UK is about 1,800 primarily business house travel agents.
Sabre

Owned by a subsidiary of American Airlines, Sabre has been marketed in the UK since 1985 and was the first competitor to the old British Airways system, Travicom. It is fully operational, unlike the European systems, but is still being developed. Joint agreement signed with Amadeus.

Worldspan

The Worldspan project was announced in February 1990 by bringing together the PARS system, jointly owned by TWA and Northwest Airlines and the DATAS II system of Delta Airlines. Far East CRS consortium, Abacus, later joined the founders by taking a financial stake. PARS has been fully operational in the UK for about five years, but DATAS II was never sold here. PARS continues to be marketed, but by 1993 it will have been transformed into the new Worldspan system. Number of PARS users in the UK at present, around 300.

6.1.2 Development of Viewdata

Viewdata is a generic term used to describe an "information service transmitted by telecommunication lines", (e.g. Prestel Viewdata). The information is stored as pages in a database. A television set or visual display unit (VDU) is used to recall pages through an instruction input from a keyboard. Viewdata should not be confused with Teletext, which is an information service transmitted through the television network such as the BBC Ceefax and ITV Oracle services. The major differences between the two systems is that viewdata allows two way communication via a telephone line, a microprocessor converting the signal into a picture and text on the screen.
The viewdata system for the travel business in the UK was first introduced by the Post Office in the late seventies. It was named Prestel, and provided thousands of pages of travel related information stored on a number of computers. By purchasing a VDU, joining Prestel (now owned and operated by British Telecom and called Dailcom) the agent, using a secret numeric password, could access this information. Travel suppliers such as airlines, tour operators etc. were able to constantly update and communicate with travel agents as illustrated in Figure 20. The message to agents was clear, "tune into Prestel or fall behind in the travel industry age". (Booth, TTG, 1981.) By 1981 over 2,000 terminals had been installed in agencies.

Figure 20 - Early Example of the Viewdata System

The big breakthrough for viewdata occurred when Thomson launched its "Open Line" programme, known as "TOP", in October 1982. Agents were supplied with a telephone number which, when programmed into their viewdata sets, linked them directly with the Thomson computer, bypassing Prestel as can be seen in Figure 20. Instant reservations could be made, 45% of...
Thomson business quickly came via the new system, 3,500 of their 4,000 appointed agents were connected by the end of 1982 followed in 1986 by the disbanding of telephone reservations. TOP changed the face of holiday sales distribution.

Thomson was not the first tour operator to introduce viewdata reservations, that was Olympic Holidays, whose "Sparta" system went on trial towards the end of 1980. Sealink was another organisation who offered direct dial-up facilities to its "STARS" reservation system. Airline reservations were also available via this direct dial system, called "Skytrack", which offered a cheaper alternative to leisure agents than its sister, "Travicom Executive and President". Pan Am introduced their "Panther" system, Thomas Cook and Horizon joined too. The problem now emerging was the inability of early VDU's to be programmed with more than say four direct dial-up telephone numbers. New models had to be developed and installed and a way found to give multi-access on one telephone call.

This became possible with the introduction of the Prestel "Gateway" Service, "a facility enabling the Prestel user to communicate directly with the computer of an Information Provider as well as the Prestel general database". Until this innovation, it must be remembered that agents and suppliers only communicate with the Prestel computer which send messages on their behalf. Now it was possible to dial-up the "Gateway" service, be presented with a variety of computerised reservation systems and link up directly to them on one local telephone call.

Although Prestel's Gateway was the first available "network", it was soon joined by competitors. These were Isetel, then a British Leyland subsidiary and Travinet, owned by the Thomas Cook/Midland Bank group. These organisations worked very hard to build
up their list of suppliers to encourage agents to dial-up their network. Soon the innovator, Prestel, began to lag behind its rivals.

By 1987, there was so much business coming through to the networks that the systems began to fail under the strain. Agents far too often found the dial-up 'phone number engaged or when they did connect could not link with the supplier, then after a few minutes of waiting time the line was automatically disconnected. To overcome this problem the concept of "Hard Wiring" was introduced by Istel and then followed by the other two, Travinet, now called "Fastrak" and Prestel. Hard wiring is a permanent viewdata connection between the agency, who pay a fee for this service, and the network provider, without incurring the cost and trouble of dialling up through a telephone line. The advantages are a guaranteed instant connection, better quality picture with no line interference and speed. The viewdata system took a mighty leap forward with this concept and is illustrated in Figure 21.

**Figure 21 - The Viewdata "Hard-Wiring" System**
The development was aimed at major users of viewdata who, according to the networks, would soon recoup their outlay and start making savings. The new problem facing agents was which one of the networks to "hard-wire"? The choice was one of cost and number of suppliers available through the system. To complicate matters, certain large tour operators lined up with one specific network, but not both. Networks also started to develop automatic in-agency invoice and ticket printing, data transfer, electronic mail and funds transfer. By the late eighties the situation with the three networks was as follows:

a. Istel

Emerging as the leading system. By the end of 1990 had "hard-wired" 1,900 agents. Its unique selling point is that it offered a connection from Thomson to their top selling agents. Leading multiples already signed up were Lunn Poly, Pickfords, Hogg Robinson, A T Mays and W H Smith. Istel is now owned by the American telecommunications giant A T & T, which has given it international credibility and a link up to Worldspan CRS. This ownership is also regarded as a benefit because of its non-travel connections unlike rival Fastrak, owned by the Midland Bank, who in turn own Thomas Cook.

b. Fastrak

Fastrak's direct connect hard-wire service is called "Fastlink" and has about 1,000 users, including Thomas Cook branches. It claims to have the largest and fastest growing number of suppliers on its system, including, until recently, the International Leisure Group (ILG). A company has been formed called the Travel Technology Initiative to develop a standardised system for ticket
printing and documentation in agencies which is hoped will give them the edge over rivals Istel.

c. **Prestel**

Although first on the scene, British Telecom's Prestel service has failed to become the dominant force in the travel industry technology. It allowed its rivals, Istel and Fastrak, to overtake, especially in respect of "hard-wiring". It did launch such a service in 1988, but within a year, and despite major expenditure, withdrew the offer. However, it still offers the largest information database available (300,000 pages) to over 7,000 travel subscribers and a number of suppliers.

d. **Co-operation**

From an agents point of view this rivalry with Viewdata suppliers is as frustrating as the battle going on with CRS organisations. Ideally, agents would prefer one network, one hard-wire, which would link all travel suppliers. At the moment they have to choose, consider the links available, costs and future prospects.

Viewdata network suppliers were beginning to acknowledge this in 1990 with Prestel and Fastrak reaching a commercial understanding for closer co-operation. This will include joint distribution of services through each others networks and the intention to co-operate in the future in such areas as levels of service, product development, including common standards for secure printing. The main benefit will be agents using Fastrak will be able to obtain information from, or make bookings with, suppliers using Prestel and v.v.

Istel on the other hand, have decided to join the
Travel Technology Initiative, seen as a significant first step towards co-operation with rival Midland Network Services (Fastrak). It was expected to give a massive boost to TTI's development of secure ticket printing and a travel agency booking system using Electronic Data Interchange (EDI).

6.1.3 CRS v. Viewdata - The Future?

Many industry pundits see Viewdata as an outdated system, slow, inefficient, using the so-called "dumb" terminal. By the year 2000 they say that personal computers (PC's) linked to sophisticated CRS systems, will have taken over. However, there must be a radical change of approach if CRS is going to replace Viewdata in the leisure market. "Agency terminals must become more affordable with a wider range of non-air services such as car hire, hotels and tour operators. They must be "user friendly" designed for sales consultants who normally use a telephone. Pop-up menus, fast responding overlays of on-screen held, larger screens and full language prompts are all essential features if CRS is to gain wider acceptance. There is no doubt that the considerable power of a PC linked to CRS poses a real threat to Viewdata in the near future". (Webster, Galileo, Travelnews, 1989.)

Galileo launched their new CRS leisure product in June 1990, offering a revolution in the way that travel agents make bookings. For users, it means that they will, in addition to air, be able to book holidays from major operators, including Owners Abroad, Jetsave and P&O Ferries.

Viewdata network suppliers still believe the system is still viable with new enhancements which will speed up response time and eliminate time wasting graphics. "Viewdata was initially designed to be used by agency staff who were anything but computer literate. Speed was sacrificed for a user friendly screen and laborious
prompts. But computers hold no terrors for today's school leavers, who don't require a screen designed to look like the booking form in a brochure". (Tuach, Istel, Travelnews, 1990.) He goes on to state that "CRS demands investment which the trade cannot support given current economics. There are 25,000 viewdata sets in use, to replace them all with PC's is a pipedream. It's not just the cost of the new equipment but also the responsibility of managing it. Agents would have to employ higher grade staff to cope with CRS complexities. Rather than replace viewdata, suppliers should be looking at ways to improve it".

6.1.4 Payment Systems

Another important aspect of distribution relationships between suppliers and agents is the ability to have an easy and efficient payment system for the settlement of debts and payment of commissions. Once again, new technology has allowed this to happen without any detrimental effect on cash flow that agents feared. Agents rely on the time lag between collection of monies from customers to time of payment to suppliers for additional income.

Thomson Holidays lead the field with its automatic banking system in the mid-eighties. Instead of writing cheques and posting them to Thomson, agents agreed to a weekly debit of their account by an electronic transaction linked into the viewdata reservation network. It costs nothing to have this additional facility and, according to Thomson, is between a third and a half of the cost of processing a cheque, thereby enabling agents to reduce their bank charges.

The system also helps agents to tighten up on administration. Each agent has a confidential "diary" on the electronic system, telling him the state of confirmed bookings, when balances are due and payment
date to Thomson. Other major operators are also moving towards this system of payment using new technology.
6.2 COMPETITION POLICY

Computer reservation systems have become the primary means of disseminating air travel information to the airline-sales distribution system. These systems have also had a major impact on competition within the airline industry. Those airlines who operate these CRS either alone or as part of a group have a distinct commercial advantage over those airlines which do not. For example, smaller airlines have to pay for the privilege of being "screened" as do travel agents to access CRS. This is unlike other products such as inclusive tours, via viewdata where each tour operator maintains its own individual system and does not charge agents to access. The problem of competition is two-fold, the issue of bias within a CRS and the commercial relationship between CRS suppliers and travel agents, both problems have been the subject of much discussion in relation to the interests of the consumer.

6.2.1 Airline CRS Bias

Over the last decade CRS, initially developed in the USA, has come a long way from their original function of automating reservation and ticketing for the airline industry. Terminals have been installed in travel agencies connected to a central computer, controlled by airlines, producing up-to-date information about flights and seat availability and cost, the means to produce tickets and similar opportunities for hotel, car hire and alternative forms of transport. Whilst this no doubt benefited the customer, it was also found that CRS providers could use the system to influence and perhaps distort the way in which information was being presented on the Visual Display Unit (VDU). This became known as "screen bias", which could affect customer choice and make it more difficult for agents to match available travel services to customer requirements.

Bias can occur in a number of ways in a CRS. It has
been defined as "the inclusion of parameters in software packages to favour the services of the CRS owner and certain carriers over other carriers". (CAB Report to Congress, 1983.) Examples have included:

- employing display criteria designed to give greater prominence to selected services;

- declining to display the services and fares of another carrier;

- displaying false and misleading information;

- limiting or completely excluding the display of information such as alternative connections;

- refusing to permit reservations or ticketing on behalf of certain carriers to be made through the system;

- employing contract terms which prevent travel agents supplementing information than by using another CRS on the same premises at the same time;

- "screen-padding", i.e. presenting information regarding selective services in a highly detailed fashion with the objective of filling most of the space available on the "first" and "second" screens.

(Airline Competition, HMSO, 1988.)

The issue of "screen bias" has been the most problematic, for example, at the beginning of 1987 it was reported that 90% of CRS bookings in the USA were made from the first screen of information called up by the travel agent and 70% from the first three lines of the display. (Airline Competition, op cit.) It is only
natural that the busy agent will not want to go through screen after screen to satisfy a customer enquiry. What the agent and the customer wants however is the best alternatives at the time requested to be shown first, irrespective of carrier. Another common method for carriers to encourage incremental bookings via their CRS, is to use the so-called "halo-effect". This term denotes the tendency of travel agents to book flights of the carrier providing the system.

In 1988, the Transport Committee of the UK Government, decided to conduct an enquiry into airline competition and to begin with an examination of the impact of CRS. It took the view that "the anti-competitive use of CRS was not in the interests of either the consumer nor the long term health of a competitive airline industry". (Airline Competition, op cit.) Their recommendations included the possible separation or "arms-length" organisation between airlines and their CRS companies, an open market for agents to use alternative CRS, where information about a route is not comprehensive this should be clearly stated on the display.

The publication of the UK Government report was soon followed by new laws from the EEC, under the European Competition rules. EEC transport ministers produced a CRS code of conduct, designed to eliminate on-screen bias, these included:

- all carriers should be given equal rights to have flights displayed on a non-discriminatory basis;

- CRS should be made available to travel agents on equal terms;

- data displayed must be accurate;

- flight displayed should not be biased towards services by any operator;
information generated by CRS must not be used to
gain unfair commercial advantage by any airline.
(TTG, 1990)

6.2.2 Travel Agent - Customer Relationship

The Committee of enquiry were also concerned about the
three way relationship between the agent, airline and
the customer. They found that "despite the impression
generally given to the public, it was clear that the
travel agent has two sets of principals: the traveller
who buys the ticket and the airlines whose ticket he
sells" (Airline Competition op cit). Unfortunately, the
commission system gives the agent an incentive to
breach his responsibility to his customer in favour of
the airline, with whom he has a close working
relationship and a possible incentive commission
agreement. (See Chapter 5.) An agent is not
necessarily rewarded directly for the time and effort
put into finding the best buy for the customer, instead
there is an incentive to sell those airline seats which
are the easiest to find and process.

The problem of a travel agent directing his customers
to where he gets his greatest commission has been
discussed previously. The new CRS systems increases
the ability to do this and compounds the problem of the
travel agents confused principal-agent relationship. A
travel agent acting purely as the agent of the customer
can find the cheapest flight from A to B more easily.
On the other hand, a travel agent, acting as an airline
agent, can, assuming he has the facilities, re-bias
information unbeknown to the consumer in order to find
the flight which gives him the largest return of
commission.

The Committee recommended that the most effective
policy to overcome the problem of the three way
relationship would be to clarify the role of the agent.
As the CAA stated, "the consumer is interested in
knowing that the agent is his agent and not the agent of a particular airline. Disclosure of a relationship with a particular airline might be useful". This would be known as a process of "polarisation of interest", those agents electing to be "agents of an airline" would be restricted to selling seats of that airline. Those agents electing to be "agents of the passenger" could sell seats for scheduled flights of any airline. All agents would be under a legal obligation to "know their customer" (i.e. whether the customer wanted the cheapest or quickest flight) and to offer "best advice" and all agents would continue to provide general travel advice and to sell non-scheduled seats/package holidays, as they currently do. However, it was recognised that even under the "best advice" rules, this would not necessarily prevent one airline being favoured or payment of over-riding commission. At the time of writing this thesis there has been no implementation of such a policy.

In respect of the supply of information, the Transport Committee were concerned that all alternatives should be made known to the customer, even if those were not shown within the CRS. They suggested that the agent has a "duty to perform" and recommended that they should make more effort in providing such information, for example, by access to the ABC World Airways Guide or OAG timetable.
6.3 USE OF TECHNOLOGY BY CONSUMERS

6.3.1 Electronic Point of Sale/Self Ticketing

During the 1980s, cash dispensers effectively transformed the face of High Street banking. Now similar, new sophisticated, stand alone units are at the forefront of a possible revolution in retail merchandising. Known as Interactive Transaction Processing Systems (ITPS), they provide the customer with user friendly, touch sensitive screens and keyboards. The computer generates graphics with text, video and other digital images to provide convincing and interesting business opportunities. It helps the customer to enter their own specific requirements, performs complex calculations, searches through vast amounts of information before selecting options that match those requirements. Finally, the system will accept credit card payment, issue a confirmation and tickets.

The manufacturers of these systems state that just as the public are no longer confining their purchasing patterns to traditional shopping areas, so for retailers the economies of floor space are becoming increasingly complex and the training and quality of staff even more costly. Expertise is at a premium as retail margins are squeezed therefore, ITPS is an attempt to address these problems through advanced technology. It puts computerised selling opportunities at precisely where retailers need it, at the point of sale.

For the travel agent, the question is will ITPS be friend or foe? This may well depend on who chooses to use the system. If suppliers decide to place them at non-agent locations such as other stores, in shopping precincts, transportation terminals etc. then it will deprive the agents of some business. If, however, the agents themselves use them in the same way that
counter top reservation systems are used, then they will become an additional selling facility. For example, the agencies ITPS unit could connect through the networks such as Istel and Fastrak, complete a booking with commission being credited in the usual way. It is said that it can make the booking process at least fifty per cent faster and release staff to handle more complex enquiries.

Ideal targets for the system are low margin products such as flight only deals, ferry and theatre seat bookings. After a market research exercise, Thomas Cook found that the most popular usage was "through the window" after the shops had shut. Just like the banks, the system was set into the shop front for out of hours business.

Leader in the supply of ITPS equipment in the UK is Independent Sales Point, based in Halesowen, West Midlands. However, this kind of innovation can be expected to be provided by CRS organisations also. For example, Sabre recently announced its "Sabrevision", which will comprise of a video screen, set into a small booth. Linked to Sabre's main database, a browsing client can access a whole range of product shown through full colour narrated video. It will be able to accept credit cards and issue tickets. "It takes the place of the brochure and is the way of the future". (Shankman, Travelnews, 1990.) Not wanting to leave the agent out, there will be a desk top version.

One of the problems that the ITPS system will have to overcome is consumer resistance. The TTG recently carried out a survey of would-be users, when a flight seat only machine was placed at London Bridge rail station by the Birmingham based Holidays Now. Here are a few of the responses:
Air seat broker, Nigel Prentice, seemed impressed with the machine but thought it was a bit slow. He would be worried about running his card through it.

David Law, a credit controller from Lloyd's of London admitted: He would not use it, he thought it would be better to talk to a travel agent.

Glen Collins, a midwife, said the Flight Point machine needed an increased profile so that more people realised what it was. She thought it would be good for businesspeople who fly every week.

Chris Fround, a spectacle maker, thought it was not clear what it was, children think its a video machine, he would not trust it himself.

Trainee management accountant, Alison Orritt, also though it resembled a video game. She thought it looked a bit complicated and she didn't think people rushing past would stop to use it.

Perhaps the biggest threat to agents comes from the airlines using ITPS self-ticketing at airports. Already in existence at American airports, they were beginning to appear in the UK at the end of 1989. Primarily these machines are aimed at the frequent traveller using high frequency domestic shuttle services. British Airways, who launched this system, are, however, at pains to point out that they have no wish to undermine their agents fearing a possible backlash on sales to prime overseas destinations if the facility was extended.

To this end, although the machines could accept standard credit cards such as Visa and Mastercard, they are designed to take only B.A. branded cards which will be issued by travel agents themselves, thus
protecting their commission earnings. "We do not see ourselves taking over from travel agents." (Strong, BA Marketing Director, TTG 1989.) "There are no plans at the time being to use other credit cards." (Marshall, BA Chief Executive, TTG 1989.)

But behind these assurances there is of course the possibility of developing direct sell strategies. Much will depend on competition between carriers and the demands by Management to save agents commission. Automated Ticket and Boarding pass (ATB) is now a reality, and carriers are weighting both sides of the scales of self-interest and will, presumably, do what is best for themselves.

Michael East (Eastcastle Consultants), took the consumers viewpoint, that being the desire to go into an agent rather than self-ticket. "The development of this alternative way of buying will be driven by customers needs, they require choice, advice, service and a degree of certainty that say the seat on the aircraft is available before they go to an airport to self-ticket. At least self-ticketing for a train journey usually ensures that a seat will be available, but even here it would not apply to peak time Inter-City services." East's advice to organisations proposing to set up companies selling ITPS devises is not to!

David Short (Page and Moy), thought it was the development of EDI (Electronic Data Interchange) that would help agents to provide point of sale invoicing and ticketing, but would also meet self-ticketing head on. "Agents will be able in future to have remote ticketing machines available in both transportation terminals and within commercial accounts. This will eliminate the need for the holidaymaker or business traveller to call at the office, yet protect the agents business by allowing the ticketing to be done off-site.
6.3.2 Home Travel Shopping

One of the fears of the last decade was that new technology would allow people to shop from the comfort of their own home. By linking their television set to a telephone through special adaptors, potential travellers could link up with a variety of databases, view the products and buy quoting their credit card. The need to go out to a travel agent would therefore be eliminated.

The first attempt at this potentially vast market was made by British Telecom's Prestel service. Perhaps to the surprise and relief of many in the agency trade it has proved a very slow process, grinding to a virtual halt by the end of the eighties. The problem seems to have been one of cost. In addition to line charges and usage fees, adaptors for domestic TV sets cost around £300 (1987 prices), much more than a set with teletext facility. In fact, by 1990, most TV rental companies made no differentiation between sets with or without teletext facilities. The problem with teletext is that it is one way communication only, the customer viewing the products on the screen, then having to telephone in the orders, e.g. Littlewoods mail order.

Therefore, the relatively negligible costs for the intensive business user, such as a travel agent, has had limited appeal in the home, even though it makes possible home shopping, banking and other transactions. Banks have concentrated their efforts on sophisticated "hole in the wall" machines and telephone banking. Most travel suppliers recognise however that unlike banks, which are in the main used for cash transactions, customers need the personal advice and service delivered by the travel agent.

If, however, the UK had followed the lead taken by the French, the homebuying situation may have looked
entirely different. France Telecom, the country's government owned 'phone company, started offering a service called "Minitel" in 1984, where a telephone linked monitor and keyboard were supplied free of charge. The plan was to bring the entire nation on line with no more out-dated 'phonebooks, the opportunity to develop home shopping, banking, news updates and access to professional databases. But even here the predictions have not materialised, although four million terminals are in circulation, it is only 15% of the country's telephone subscribers. There are over 9,000 service providers but most of the business and news services have flopped.

While "Minitel" was simple to use, just dial a four-digit number and punch in a code for the desired service, surveys found that most owners rarely touch the device. More than half of the existing accesses goes to services offering simplistic games, horoscopes and messages, many of them of the "obscene" type. There have been some successes however, the electronic 'phone directory, while free to use and unprofitable for the government, receives 35 million calls every month. Catalogue sales via "Minitel" are booming, La Redoute, one of France's biggest catalogue stores, reports 10% of its 100,000 daily orders coming in that way. (American Way, April, 1989.)

It is unlikely therefore, that we shall see a similar development in the UK due to the very high cost of development and installation. Stark predictions made some years ago have not materialised, such as the following, which appeared in Counter Travel Weekly in December 1987. "A retailing revolution, booking travel and holidays via computer from home looks set to become a reality for around five million UK households. The trade ought not to regard it as a nightmare, ABTA should enter into urgent talks with British Telecom".
In 1990, after 18 months of trials, yet another attempt was made to penetrate the home shopping market by an organisation called "Keyline". With a give-away home computer they have signed up banks, bookmakers, building societies, retail chains, mail-order house and insurance companies, on the promise that they will have recruited some 500,000 home customers by the end of 1991 for round-the-clock transactions. With this system, a special computer is central to the marketing. It is smaller than an A4 sheet of paper, lighter than a novel and has been designed to look like a toy. It avoids time wasting menu structures and bewildering search codes. The main barrier to such a new development is the UK's antiquated local telecommunication system. Until the standard copper wire is replaced by the limitless capacity of optical cables, the full potential will not be realised. (Large, Guardian, March 1990.)

Many people are now coming to terms with new forms of television transmission, these are by cable and satellites. Cable can offer two way communication as transmission lines are linked directly into the customers home. Direct broadcasting from satellites, such as Sky Television, is one way only, therefore relying on a teletext facility. Both these systems have had very poor starts in the UK, cable means a high level of investment in laying the lines and so far only a few towns are capable of supplying the system. The aborted attempt by British Satellite Broadcasting (BSB) and its subsequent takeover by Sky Television in 1990, has upset many consumers and undermined the potential and future of the system for the time being.

6.3.3 Payment System - Between Customers and Agent

A separate and unrelated development to supplier/agent systems is EFTPOS (Electronic Fund Transfer at Point of Sale). This is the process whereby payment
by a plastic card initiates automatic transfer of funds from the customers account to the agents without paperwork. The problem for the agent and other High Street retailers is the cost of installing the equipment needed and the processing charge for each transaction.

All the major banks now offer their customers the debit/payment card facility. Barclays issue its "Connect card", Lloyds and the Midland "Switch". A point to remember about these cards is that they do not offer credit, the money is deducted from the customer's bank account within a couple of days.

To date, travel agents seem to have avoided the system which has been taken up by Supermarkets, Petrol stations and some leading High Street stores such as the Storehouse Group (Heals, Habitat, Mothercare and Richards Shops). However, the banks are in a strong negotiating position, knowing full well that once they gain widespread acceptance of their plastic by customers and other retailers, the travel agent will be forced to come into line.

**6.3.4 Payment Systems - Between Customers and Suppliers**

There can be little doubt that new technology will revolutionise travel documentation. For example, the conventional airline ticket will eventually be replaced by a so-called "smart card". This card will be programmed to carry financial credit. It will allow the passenger to improve one of the most unpopular stages of air journeys, hotel visits etc, the check-in. Instead of queuing up, the holder will simply walk through a card identification control which will be able to validate it and debit the customers account. It is expected that desk top controls will be made available for travel agents to join the system.
CHAPTER 7 - RESEARCH REVIEW/CONCLUSIONS/PREDICTIONS

7.1 RESEARCH REVIEW AND METHODOLOGY

This section of the final chapter is intended to provide the reader with a review of the work undertaken, the methodology adopted and its subsequent problems.

This work is the result of three years part-time investigation into the role of the travel agent as a distributive channel in the travel industry. In the course of the work, it has become clear that no previous researcher has investigated this subject to such a degree. In most travel and tourism text, it was found that a passing reference was made to the agent in respect of distribution, but there was no attempt to devote the whole work to this subject. Readers are therefore left with a superficial impression of the importance of the travel agent and its place within the industry, both from a theoretical and practical point of view. This work is therefore unique, it is new in its approach and adds a new dimension to the subject which future researchers can use as a basis for further investigation.

The critical focus and rationale for the work was the suggestion that travel agents, as a means of distribution, were out-dated, inefficient, under threat from modern distribution methods such as direct response marketing and new technology. In trying to disprove these assumptions, the hypothesis was to be "that the travel agent has a secure future as a distributive system for the travel product". To ensure that the work was manageable, a review from 1950 would be made, the year of the formation of ABTA and the following objectives were set:

a. define and explain the position of the travel agent within the chain of distribution;

b. identify the principal sources of income by product breakdown;
c. produce statistical evidence on the size and composition of the UK travel market and agency shares;

d. review the literature on marketing with specific reference to the Management of distribution channels and relate theory to current practices in travel retailing in the late 1980s;

e. summarise the historical background and development of the travel agent in the UK from 1950;

f. assess distribution options for travel principals;

g. review the business relationships between travel agents and their principals;

h. analyse current marketing practices adopted by UK travel agents;

i. investigate the use of new technologies in the industry;

j. predict likely changes in travel distribution and its implications for the retail travel agent.

(Synopsis: September, 1988.)

All these objectives have been met by the adoption of the following methods:

7.1.1 **Interviews**

Opinion was sought from across a wide spectrum of travel industry sectors (see Appendix L) which related primarily to the private sector rather than the public and to outbound tourism rather than domestic. The rationale was to concentrate on the major revenue producing product areas upon which the very survival of travel agents depended on and the limitations in the scope of the thesis. However, there were exceptions
such as British Rail, UK short break tour operators and accommodation providers, all of whom provide considerable income to some agents.

The first task was to break down the industry into its constituent parts and then to cross reference these to specific chapters proposed for the thesis. In practice, however, questions were answered and issues discussed, relating to many Chapters rather than one. This made the subsequent dissemination and analysis of interview transcripts very difficult and time consuming, especially when so many had been conducted.

Once the industry had been broken down, the next task was to target specific people and make arrangements to visit. This again was very time consuming during the research year, but on the positive side, most of those who were asked to spare some time agreed to do so. It was found that the actual interview itself was secondary to the advanced preparatory work in deciding on the structure and questions to be posed. This is essential though to ensure the credibility of the interviewer and to hold the attention of a senior travel executive who has given up valuable company time. Any hint that the exercise was futile would have resulted in the session being curtailed very quickly. The time allocation is also crucial, most executives wanted to limit the interview to one hour or at the most one hour thirty minutes.

There is also the very important and crucial question of commercial sensitivity and it must be appreciated that for some, questions raised on distribution choices, performance of agents etc., interviewees were not prepared to comment or wished that their evidence should remain anonymous. It was therefore necessary in the course of this work to give assurances on confidentiality and in some cases not to use the
evidence given in written form. Finally, it must be remembered that transcribing of taped interviews is an extremely time consuming method of research, if it is possible to summarise comments through listening, then this should be done.

7.1.2 Statistical Data Collection

The aim was to estimate the total market available to the retail agency channel in the UK and the share that they hold in comparison with direct purchase methods. For this it was necessary to consult the widest possible sources of travel statistical information including special consultative reports, Government publications and visits to libraries. In addition, a further check on agency shares were made through the interview process. Concentration was made on the major projects sold by agents for the reasons previously explained. During the research, the supervisor advised that the inclusion of historic financial data on the performance of the players in the distribution channel would help to explain the reasons for its present structure.

Visits were made to the libraries of the British Tourist Authority and Civil Aviation Authority in London, to enable a search for total market figures from 1950. For specialist travel trade data, a visit was made to the offices of Mintel Market Research, also in London, where all back numbers were made available relating to travel and tourism. Other sources including MQ6, Euromonitor, Key Note etc. and travel company annual reports. Extensive use was made of the libraries at both New College Durham and Newcastle Polytechnic. It was difficult to quantify precisely total market and industry shares as there was conflicting evidence from a variety of sources. However, the author believes these figures are the closest available and present a true reflection of the position.
7.1.3 Text Book Review

It was made clear at the outset that there should be a clear definition of distribution, what it covers and how it fits into the marketing strategies of travel organisations. This work was expected to underpin the thesis by reviewing current text books on marketing, with specific reference to the sections on distribution channels. Extensive library searches were undertaken, first to isolate general text on Marketing, then to extract sections which related specifically to distribution. Having accomplished this, the theories were put in a travel industry context. The basic problem encountered was the lack of attention paid by authors to the distribution of services as opposed to the distribution of goods.

If the travel agent was to be compared with other forms of High Street retailing, then some reference to the theory and practice of retailing would be necessary. Recently published text on retailing were found, theories examined and related to travel the same as was done for distribution. It was surprising how close travel retailing compared to other sectors and would explain the moves by some travel agents to recruit "professional" retailers into their organisations.

The issue of consumer behaviour did cause some concern as the subject is a science in itself and has been widely documented. It soon became clear that a thorough in-depth investigation of the effects of consumer behaviour on the travel agent as a distribution channel would be impossible within the limits of the work. It was decided therefore to concentrate on specific trade related reports from research specialists rather than from traditional text book sources. However, references are made to travel shopping, customer motives and preferences in relation to the different sources or channels available.
7.1.4 Journals, Trade Newspapers, Reports etc

It is generally expected in work of this nature that due reference will be made to the historic background and development surrounding the issue under review, in this case, the travel agent. It had already been agreed that to make the thesis manageable and to make it relevant, the "history" would begin in 1950, the date of the formation of ABTA. It has to be said here that very little indeed has ever been written in text books on the subject of the development of the agent. Usually they concentrate on transport and tourism in general, i.e. development of resorts, economic and social aspects. The only detailed source of historic development for the travel industry is contained within the pages of the Travel Trade Gazette, its first issue being made not until March 1953! Many hours were therefore spent at the offices of TTG, looking through all the back numbers, this was at times very tedious and frustrating. Extracts were recorded verbally onto a tape cassette and then later transcribed. It was very disappointing to find so little reference to the development of travel agency companies, so much of the news was related to transport and tour operation developments. This is reflected in the resulting Chapter 3. However, what is written must be one of the most comprehensive accounts yet.

As was mentioned in the work, the development and activities of the Association of British Travel Agents have had a significant impact on the progress of the travel agent over the period under review. It was therefore necessary to chronicle events in ABTA's development. Most of the information would be contained within the annual reports of the Association, but on visiting their offices it was found that all early copies covering the period from its inception in 1950 to 1973 had been inadvertently "shredded"! The author was only able to recover copies from 1969 by writing to
past members of the ABTA Councils of that time. It would appear that the rest are gone forever. However, it was possible to fill in some of the earlier years by reference to the TTG back numbers, especially those issues giving an account of the ABTA conventions usually held in October each year.

There were many journals available such as Tourism Management, Travel and Tourism Analyst, Journal of Marketing etc., all available through libraries at New College and Newcastle Polytechnic. More of a problem are the special reports such as Mintel, Euromonitor etc. as they are extremely expensive. If unavailable locally, it is advisable to make an appointment to visit the offices of the specialists to view back numbers.
7.1.5 Problems and Self Analysis

a. Time

As with any work of this nature, it is the organisation and availability of time that presents a major problem. Unlike a full-time course, part-time means the combination of the work with a full-time job and external constraints. It is essential to set an appropriate timetable with deadlines and to meet them if possible.

b. Order of Presentation

The author has spent many hours deliberating in what order the thesis should be presented and there have been changes since the original synopsis. One such problem has been the location of the chapter on literature review. As the reader will have noted, it is situated, perhaps unusually, late on in the work. Originally this chapter was to be called "retailing today" however, that title did not seem appropriate in the light of the research which concentrated more on the concept and application of distribution. The author is still somewhat undecided about this issue and not totally happy with the order of things.

c. Thesis Focus

The focus of the thesis is an essential pre-requisite and here the problem was one of choice which would allow some measure of argument. Despite the obvious scepticism of the future role of the travel agent by the original supervisor, it soon became clear that this was not shared by some influential interviewees. It was stated that there was no case to answer in this respect and that the research should concentrate
on the agents ability to successfully market themselves to compete with developing direct sell methods. Throughout the whole work, the author has felt uneasy about this issue.

d. **Further Work**

There is now doubt that the work has opened up many avenues for further research. For example, changes in consumer behaviour which affects the way in which travel agents present themselves in the high street, consumer response to the level of service given and their buying motives. It is clear that travel agents have yet much to learn from their high street neighbours and this work, on its own, does not give sufficient guidance on up-to-date retailing practices which may help the agent to be more successful. There can never be a piece of work which reflects the up-to-date position and effects of new technology and it is therefore essential that future researchers keep on addressing and informing on this issue.
7.2 CONCLUSIONS

Before attempting to arrive at any conclusions, it is best to remind the reader of the primary aim of this work, that was to "examine the role of the travel agent as a distributive channel for the travel and tourism product" and thereby to attempt to prove or disprove that the "agent has a secure future to the year 2000". This section therefore attempts to draw together all the major findings of the research for brief discussion and analysis. From the evidence produced and interpreted by the author, certain conclusions are drawn. The approach adopted is to review each chapter in order of presentation, extracting what are considered to be the cardinal points.

7.2.1 Concepts, Definitions and Markets

In Chapter 1, it was shown that the travel agent enjoys a distinct place in the "chain of distribution" within the travel industry. They are there through historic reasons as discussed in Chapter 2 and also because suppliers at present see them as the best alternative to get their products to the consumer. It was however the tendency of referring to agents as "retailers" that was the cause of much debate and confusion. Although it is true that agents undertake many activities associated with other shops in the High Street, there are two crucial factors in this debate, first that relating to the purchase and transfer of ownership of the travel product. Agents act simply as a means of communication between suppliers and customer, who between them arrange for transfer of title. Ownership does not move first from the supplier to agent then on to the consumer as in other retailing businesses. Secondly, agents do not take a market position and then sell on, that is to say they do not purchase the product first, mark up, carry the risk and sell. As the dictionary defines, to retail is "the sale of goods in small quantities" which clearly they do not do. Travel Agents should not therefore be referred to as "retailers".
There was confusion over the terms direct sell/direct marketing/direct response marketing. Direct sell is where an organisation decides to market its product direct to the public through a variety of methods such as direct mail, advertising, telephone sales etc., but does not attempt to build a reference bank of customers for repeat business. Within this category would come most large transport suppliers, e.g. BR, National Express, British Airways, where, due to the volume of customers carried, it would be impractical and financially impossible to employ a database for future marketing initiatives. Direct response marketing is a system whereby customers are encouraged to respond by supplying information which would enable the construction of a database from which marketing strategies and promotions can be planned for specific market segments. This is a viable alternative for the smaller specialist "niche" market" tour operator. It is acknowledged that there is a clear distinction between direct sell and direct response marketing.

Travel agents provide many benefits for a variety of groups, the suppliers, the general public and the business community. In addition, they make a significant contribution to both the national and regional economies. It is very difficult to comprehend how groups who use the travel agent, could organise themselves to transact the volume of business without them.

Agents can be divided into distinct categories according to size of organisation, type of business conducted and by appointment. The market which is considered to be within reach of the travel agent is estimated at some £9.75bn of which they have an approximate 66% share, the rest being transacted through direct channels. The most important segment is the inclusive tour market of which in 1978 they took approximately 84% of the estimated 12 million holidays valued at some £300m.
Travel Agents carry the lion's share of the available travel market.

7.2.2 Travel Agency Development

Having now concluded that the term "retail" is inappropriate when applying to travel agents, the title of Chapter 2 should reflect this, hence "Travel agency development". There are a number of significant factors which have aided the rapid development of the travel agency channel of distribution since 1950. In broad terms these are economic, social and demographic changes, developments in transport and the emergence of the tour operator.

The travel business is highly susceptible to changes in the economic fortunes of the nation. Travellers, especially those travelling for leisure purposes and consequently the leisure travel agent, are greatly affected by variations in exchange rates and controls, recessions caused by high interest rates and subsequent unemployment. However, despite this, during the period under review, trends in terms of both volume and spending, have always been upwards, moving from 1.5 million overseas holidays taken in 1951 with spending at £60m to 20.25 million holidays taken in 1988 with spending at £914 million. There is no evidence to suggest that travel trends will stop their upward movement despite intermittent interruptions due to economic difficulties.

Social attitudes towards travel have changed dramatically in the last 40 years, moving from the position where it was thought to be the preserve of the wealthy few to the right of the average working man. This was been made possible by the upward movement of generations through the soci-economic groups linked to improved education and employment conditions. A move away from large families has meant more of the
disposable income available for leisure purposes and the release of the female to follow a career. Advances in medical care and a relatively higher standard of living has produced a healthier, longer living more prosperous elderly community who are able to participate in travel. As more and more people seek leisure activities to fill their increasing spare time, so the demand on the travel agents services will grow.

Transport developments have been quite remarkable during the period under review, especially in respect of air travel. The arrival of the independent charter operator brought new opportunities for cheap package deals to be developed, whilst Freddie Laker brought more competition into the scheduled airline market. The capacities of aircraft greatly increased with the introduction of the "Jumbo" jet allowing more opportunities for lower fares. Although ocean liner services have virtually disappeared, they have now been replaced by a very vibrant cruise market using multi-million pound ships of the highest order. Car ferries are now mini-cruise ships, catering for the huge increase in private ownership and the desire of motorists to travel to our European neighbours. Coach operators have completely transformed standards of passenger comfort and service by the introduction of modern equipment using new motorway networks. Rail, although showing a decline over the period has now recovered, especially in relation to "Inter-City" services, where new high speed equipment has been introduced. It is expected that the opening of the channel tunnel will dramatically increase holiday passengers using rail for overseas visits. As transport operators improve their services both in quality and time, passenger numbers will grow so increasing the business of travel agents.

The growth of the package tour business has mirrored that of the aviation business. From the first holiday
charter flight in 1950, the industry is now worth some £3 billion. The industry has however been subjected to a number of serious downturns due to economic problems and has suffered major crashes of leading organisations which has severely damaged its reputation. Measures have been introduced to protect the public against failure such as ABTAs "stabilizer", which tied operators and agents together so enhancing the agents role as a distributor. In recent years, price wars resulted in discounting and a lowering of standards, many customers turning away from the product, now the objective is to win them back through quality. The arrival of the direct sell operator brought new threats to the agency channel, their price proposition being to pass on the travel agents commission to the customer in the form of lower prices. This has since been undermined by the discounting that travel agents have undertaken. Early estimates indicated that direct sell would account for as much as 50% of the inclusive tour market, a figure which has never come anywhere near being reached. Estimates say direct sell is still only around 15%. Tour operators have to improve the quality of their product to restore public confidence. Historically the threat of direct sell in the package tour market harming travel agents has not materialised.

Originally the need for a travel agent arose from an expanding air and sea business rather than for the package holiday. Initially there were no controls on the business or protection for the public. After many failures ABTA brought in the "stabilizer" resolution which enhanced the reputation and standing of appointed agents with the public. Financially the agents major problem has been one of static commission rates. In the early seventies the so-called "March of the Multiples" began with the takeover of Thomas Cook by the Midland bank. By 1989 the top five multiples accounted for 24% of all branch offices and 49% of all
package holidays sold. The greatest expansion came from Lunn Poly, part of the Thomson Travel Group. The largest failure was Exchange Travel, leaving debts of over £2 million. The smaller independents responded to the "March" by forming consortia. Partly due to discounting introduced in the 1980s, agents net margins and profits are probably the lowest in any comparable service industry. The travel agency sector has undergone tremendous expansion during the period under review. Despite recession and closures the actual number of agencies remains fairly static. Multiples dominate the agency market. Net margins and profits are very low compared to other service industries.

7.2.3 Distribution Options in Travel

a. Transport and Accommodation

Distribution channels in the transport sector of the travel industry can be very complex as in the airline industry and it is therefore not simply a case of direct and indirect. In the airline business there are numerous intermediaries who account for up to 80% of the scheduled business. In the leisure market 80% of airline seats are taken by inclusive tour operators, the majority of whom sell on via the agent. The seat only product has become a major market segment for the sale of excess charter capacity. Overall, surface transportation has a much more balanced distribution, for example, express coach and rail business comes primarily from direct sources whereas the agency channel provides more for car ferries. The coach tours are more akin to inclusive packages as in the cruise product. Due to the fragmented nature of the accommodation industry, up to 80% of straight bed sales are from direct sources, however, for short breaks it is the opposite. The travel agency channel is dominant
in air travel distribution but not for other forms of transportation and accommodation except for inclusive short breaks.

b. Inclusive Tours

Due to the unusual regulations of ABTA's "stabilizer" resolution, tour operators offering foreign inclusive packages and travel agents have been brought together to enable the consumer to be protected. There are two channels of distribution for tour operators, a primary channel using travel agents and a secondary channel for direct sales and those made via newspaper reader holidays. Operators who operate both channels have a conflict of interest, do they support the agent or direct? Some direct operators like Saga, have developed a highly sophisticated direct response marketing system and do not need agents whilst others product a product specifically designed to be sold through regional newspapers. Business from the domestic inclusive tour market, mostly by coach, is overall generated more from direct sources than from agents, whilst for the foreign market the reverse is true. Overall, the travel agency distribution channel is dominant for the sale of inclusive tours and cruises. Only a minority of operators use direct channels.

c. Channel Strengths/Weaknesses - Supplier Evidence

It is very difficult indeed to draw an overall conclusion to this question as each supplier gave evidence from its own individual standpoint. However, to ease analysis, generalisations are presented as follows:
Agency Channels

**Strengths**

- Unrivalled distribution network
- For some the most cost effective
- Advertising/promotion source
- Ability to move late stock
- Payment upon results
- Provision of ancillary services
- Use of agency customer incentives without cost

**Weaknesses**

- Levels of service
- Lack of investment
- Volume rather than quality
- Low level of product knowledge
- Lack of interest
- Too many agents
- Poor salaries - high staff
- Turnover = inexperience
- Customers agent
- Lack of use of technology
- Payment of overrides
- Problem of racking
- No brand loyalty

Direct Channels

**Strengths**

- Convenience for straight ticket sales
- Better brochure/booking conversion
- Communicate a message direct
- Ideal medium for specialist product
- Allows closer customer relationship
- High level of product knowledge
- Total control of whole process
- Better cash flow

**Weaknesses**

- Time and money
- Customer perception of lack of choice
- Customer resistance
- Expensive and risky
- Difficulty to move late stock
- High cost of entry
- Difficult to sustain growth
- Not cheaper than agency channel
- Price proposition undermined

Despite the apparent weaknesses of the agency channel and taking into consideration all aspects of the distribution process, most suppliers did consider that it was the most productive system to use. Much depended
on the size of the business and the type of the product. In addition, great emphasis was placed on the fact that it is the customer who drives the business not the industry. It is their needs that matter and how they want to buy the product. The decision on which channel to use will not depend on cost alone. There was general dissatisfaction over many aspects of the travel agency channel, however, on balance, it still remains the most favoured method of distribution. The decision is not one of economics alone but is also consumer driven.

7.2.4 Distribution and Retailing Practice

The dictionary defines distribution as "the dispersal amongst consumers of commodities produced", travel agents assist in this dispersal although the commodity is an intangible one. In keeping with other definitions, the travel agent establishes a link between supply, demand, producer and consumer, making the product available. Distribution in travel is about how information is communicated to the potential customer, how the purchase is made, how it is delivered and paid for. The concept of distribution can be clearly related to the role of the travel agent.

A channel of distribution is a conceptual route through which a product passes from its origin to consumer. It can be liken to a pipeline allowing the transfer of ownership from the producer to the end user. Retailers normally take title from the supplier before selling on to the customer, travel agents do not do this, however, this does not in anyway lessen their importance within the channel. It is essential that channel planning and choice plays a part in the overall marketing plan of suppliers and should be seen as part of competition with rivals. The decision should begin with the needs of the consumer. When selecting a channel, suppliers should consider amongst others:
does the product need to be easily available and visible;

can the channel provide certain additional skills;

to what extent can the channel be influenced and controlled;

can maximum flexibility be retained to alter channel direction;

the possibility to maximise revenue at minimum cost;

difficulties and expense of maintaining the channel.

Channel can be classified into various types according to the number of intermediaries between supplier and consumer, they can, in effect, have both "length" and "breadth". Firms will employ one, or more than one channel type according to their requirements. The decision to use intermediaries will then necessitate a further choice of channel "intensity" that is to employ "intensive", "selective" or "exclusive" strategy. In terms of control, channels can be "consensus", "vertically integrated" or "vertically co-ordinated".

It is now recognised that distribution channels can be characterised as behaviour systems in that channel members will act in accordance with specific roles or sets of prescriptions, they set rules and regulations between themselves. Channel conflict breaks out when consensus about roles breaks down. Power is exerted by so-called "channel commanders" or "channel captains", who can either dominate or lead others. The stability of established channels rely on co-operation and competition.

Travel agents are major players within travel channels.
of distribution. They help in the transfer of title. Suppliers will select according to a well defined set of criteria. The "intensive" channel strategy is the most widely used in the UK, they are controlled by "consensus", very few are "vertically integrated". Behavioural systems are very active in travel distribution channels.

Retailing is the final link in the chain of distribution of consumer products and services, and society expects them to perform a number of "classic" functions. Travel agents appear to fulfil all these functions by providing a wide range of products which can be purchased individually to meet customer needs and wants at convenient locations with some measure of efficiency. Concepts of institutional change such as the "wheel of retailing" is suspect in respect of travel agents, but the "retail life cycle" can find application within the industry. New travel agents can often be innovative, which accelerates their development resulting in maturity and in a few cases decline, though this latter aspect is more difficult to find. Natural selection, that is "only the fittest survive", is only too true in the very competitive environment. In addition to the well known marketing mix, there is also the concept of the "retailing mix" which is designed to meet and satisfy consumer expectations. All elements of the retailing mix can be applied to travel agents, emphasising the fact today's travel agency management should take a "professional" approach to retailing. This mix covers location and opening hours, shop design and ambiance, merchandising, pricing policy, personnel, reservations and payments systems. Travel agents should adopt theories and concepts of retailing to enhance their role as a channel of distribution.

A thorough understanding of consumer behaviour is a necessary pre-requisite for successful business practice. There are a number of external influences on
the buying process, including social and economic realities, political factors and human motivations. The buying process can be placed into a useful framework of problem recognition, information search, evaluation of alternatives, purchase decisions and post purchase behaviour. The most important stage in this process will be the purchase decision in respect of "place" but this may have been influenced by the involvement of the agent at the information search stage. A negative impression of disinterest, or inconvenient location, or poor pricing policy are some of the early process influences. If both channels are for consideration, then "channel attributes" will come into play such as personal service and efficiently. Travel agents must recognise the importance of consumer behaviour. Attention must be paid to the early stages of the buying process. Agents must maximise their attributes. The top attributes desired by consumers are personal service and efficiency for which travel agents score highly against direct channels.

7.2.5 The Travel Agent

During the 1980s, the industry has witnessed the phenomenon known as the "March of the Multiples", the rapid expansion of a small number of travel agency groups. There are a number of reasons why these groups embarked on such a strategy, including the desire to eliminate competition and to dominate the market through which they could then exert pressure on suppliers for better rewards. This in turn would allow them to offer the customer a better deal through discounts and incentives. A better deal would result in a larger market share allowing more revenue for investment and profit. Takeovers and mergers allow economies of scale to come into operation, the acquisition of assets and expertise etc. The major effects on the multiples themselves have included a development of a corporate image and branding, investment in
technology, product discrimination and the offer of customer incentives. Small independent agents have been "squeezed" by the "march" through excessive competition resulting in a smaller market share, pressure on profits and the inability to offer products at low cost. They have banded together in Consortia and joined Franchises. The "March of the Multiples" has been brought about by the desire of certain organisations to dominate the market resulting in better rewards from suppliers which allows a lower price proposition to the consumer. As a result, small independent agents have come under considerable pressure.

There was considerable unease expressed by suppliers on the changing structure of the agency sector although it was recognised as being an inevitable feature of rationalisation. Suppliers feared loss of their identity through branding and were concerned about agency moves towards volume rather than quality and lower margins rather than profit maximisation. Customer choice is also affected by agents product discrimination policies. The ideal distribution system for suppliers is one where travel agents individually are weak but the trend is the reverse. This has resulted in suppliers being pressured into paying agents more to ensure product visibility. The recipe for independents to survive is to concentrate on service and quality, target the local community, concentrate on "niche markets", to steer clear of discounting and to band together in consortia. Evidence from suppliers suggested that the small independent agent would survive, though in reduced numbers, by the adoption of specialised marketing strategies and by joining consortia.

The most important features of business relationships between supplier and agent are the agency appointment system, financial arrangements and support services. The most widely adopted appointment policy is to allow
any agent to sell the product provided they are a member of either ABTA or IATA, however, the rewards and support services will be graded according to results. Some suppliers will pay an override or offer an incentive deal. These deals are closely linked to the agents preferred suppliers and racking policies. Special payment vary according to supplier and circumstances, but most agreed they did not welcome or encourage the system. Agency support services, like special payments, are based on productivity with grades to cover brochure distribution and sales representative visits. There is no overall accepted criteria for agency appointments. Suppliers, although very reluctant to do so, will make special payments and in most cases this, plus agency support services, is based on productivity.

Travel agents have introduced many new marketing tactics during the 1980s which has radically changed their position within the distribution channel. One of the most effective is the preferred operators and racking policy, whereby suppliers are categorised according to their ability to meet a pre-determined criteria linked to higher commission levels. Suppliers enter into a "Quality of Service" agreement and in return are given special concessions such as guaranteed racking, access to staff for training, priority for promotions etc. Discounting has completely transformed the price proposition to the consumer, undermining the direct sell operator. As far as most suppliers are concerned, although they still determine the product price, it will be altered before it is advertised to the consumer. Many suppliers saw discounting as bad practice, encouraging customers to book late and undermining the stability of the agency sector.

The introduction of agents Holiday Club has met with a hostile reaction from agents who see themselves being used as a brochure pick-up point. Discounts are
similar to other agents but payment is direct and with the use of credit cards. Suppliers were not particularly concerned about the development which still only accounts for a very small proportion of the overall travel market. A similar marketing tactic has been the introduction of the Phonecentre, again a direct booking service, criticised by fellow agents. It was intended to relieve pressure on High Street shops by diverting calls, there is no extra incentive payment for customers over an above what they would receive in shops.

Own-branding is different from own-labelling in that the product is exclusive to the agent and is branded throughout. Own-labelling is simply a wrap-around cover. Agents have introduced this marketing activity to raise their own profile, gain special payments from suppliers and to increase staff motivation. For suppliers it endorses their business relationship with the agent, ensures product visibility and stimulates agency staff interest. However, evidence suggested that overall suppliers were reluctant to enter into deal only, doing so to compete with others who are doing the same.

Some travel agents, most notably the multiples, have been extremely innovative in the 1980s, introducing new and effective marketing tactics which have considerably strengthened their position in the market place.

7.2.6 Technology and Change

Advances in new technology have radically changed the form of distribution within the travel business. Gone are supplier manual reservation and administration systems, now replaced by sophisticated computers, linked directly to travel agents. Agents themselves have been able to cut down on reference materials, enhance management control systems and reduce costs in communications and staff time. Giant multi-national
CRSs have been developed by airlines bringing the original viewdata systems under threat. Originally developed in the USA, CRSs are now able, not only to make air and leisure product reservations, but also to provide ticket printing and accounting facilities. The major problem facing agents is one of choice and cost. Compatibility is required with a "one-stop" terminal. CRSs also offer new laser-disc technology. The well established Viewdata systems have progressed with direct supplier/agent links such as "Gateway" and more recently "Hard-wire". It is said that by the year 2000, "intelligent" CRS personal computers will have replaced Viewdata "dumb" terminals, however, both systems suppliers are working together to ensure that agents can access all services through either. New technology has transformed the way in which suppliers and agents communicate with each other and enhanced the service to customers. The speed at which CRS replaces viewdata will depend on costs and compatibility of systems.

The development of CRS has produced problems in respect of airline competition. These include the issue of bias within CRS and the commercial relationship between CRS suppliers, travel agents and customers. It has been found that CRS providers could use the system to influence which services are chosen by the customer by the way in which screen presentation was made. For some airlines, especially those who were small in size and were not members of the CRS consortia, this could mean their services were well down the list and very rarely displayed. The EEC recently introduced a new code of conduct to eliminate on-screen bias. Likewise, travel agents can be influenced by display and also through being commercially linked to the CRS supplier for hire of equipments etc. This confuses the principal-agent-customer relationship. It has been suggested that agents have a "duty to perform", bringing all options
to the attention of the customer and disclosing commercial links. The problem of CRS "screen bias" is now being solved through the intervention of Government authorities but agents still have a conflict of interest between providing the fullest information to customers and their loyalty to the CRS system provider.

The issue of direct sell through new technology is still regarded as a threat to the future livelihood of travel agents. However, progress during the 1980s has been very slow with home shopping through the television virtually stopped and little development in self ticketing at non-agency points of sale. The question of who will develop and use systems such as ITPS (Interactive Transaction Processing Systems) has yet to be answered. Suppliers could use these stand alone machines in hotels, transportation terminals etc., or alternatively, travel agents could place them there or in "hole-in-the-wall" locations outside their offices. It has been found that these new machines, unlike bank cash dispensers, have met significant consumer resistance. Suppliers are not over keen to push direct sale technology as it could seriously damage their relationships with agents. Cable and satellite broadcasting was considered a threat but these have had a poor response in the UK. Payment systems will become easier through new technology, using innovations such as the "smart card". Direct sales through the use of new technology is making very slow progress in the UK. Its potential threat to agents will be determined by who decides to adopt and invest in the technology, supplier, customer or the agents themselves.
7.2.7 FINAL SUMMARY

Throughout this work, the focus has been clearly set and concentrated on the role and function of the travel agent as a distributive system. It has examined the whole aspect of distribution from theory to practice, supported by a wide range of evidence from both suppliers and the agents themselves. It is clear that the existence of travel agents come from a well established historic need for suppliers to find channels for their products to reach the consumer. Agents have now become as common and accepted on the High Street as the chemist, building society and estate agent. The public, especially the British, have become accustomed to using the agent and would find it difficult to contemplate their demise. Leisure time and levels of disposable income are said to increase in the long term and so the demands on the agent are likely to increase not decrease. Evidence therefore suggests that in this survival debate, the key players, namely suppliers and public, overall are both firmly convinced that agents are needed and consequently here to stay for the foreseeable future.

The "great debate" as to whether or not direct response marketing, home shopping etc. will eliminate the need for the agent has turned out, in this research, to be a "damp squib". Alarming predictions by academics, suppliers of direct sell products and technology providers have not been substantiated by hard evidence, in fact quite the reverse. It may be that beyond the Year 2000, as new technology takes over more and more of human day-to-day activity, the direct sales will kill the agent. Even then the human need for personal contact with others will probably override the threat. Time and time again in this research the comment was made that it is the public who will drive the industry not the other way around. The issue seems to be, therefore, how successful the
agents themselves will be in harnessing the new technology to improve their own position in the market place.

There is no doubt that agency Management must be as "professional" as possible, emulating forms of good retailing practice by their High Street neighbours. A balance will have to be struck with suppliers between the demands for extra payments and danger of forcing them to use alternative channels. Better rewards should in part be passed on to staff to ensure a higher quality of recruit to enhance levels of shop service. Service should not be sacrificed on the alter of discounting and the profit motive should, as in any other business, be high on the agenda to ensure security for both staff and consumer. The "March of the Multiples" has reflected similar changes in other forms of retailing such as grocery, however, there still remains a place for the small well run shop concentrating on a high level of service to a local community with specialist knowledge and products. There is no evidence to suggest that the small independent will disappear. There will be further multiple concentration but this will be prevented totally by such things as monopolies regulations, supplier and customer needs and choice.

The author set out to prove that "the travel agent has a secure future as a distributive system to the Year 2000", and is well satisfied that this is indeed the case.
APPENDICES

Appendix A UK Residents Currency Allowances, 1945-79.
Appendix C Socio-economic Groups.
Appendix D ABTA Membership Growth.
Appendix E ABTA Council Structure.
Appendix F Example of written contract, Supplier/agent.
Appendix G Middleton's "Tourism Channel Chart".
Appendix H Example of a "Quality of Service Agreement".
Appendix I Example of Agency Discount Offers.
Appendix J Example of a Holiday Club Promotion Leaflet.
Appendix K Capabilities of a Modern CRS.
Appendix L Industry Representatives Giving Evidence.
## United Kingdom Residents' Foreign Travel Expenditure and Changes in Currency Allowance 1945-79

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**Source:** Board of Trade for estimates of expenditure 1946-63; Department of (Trade and) Industry, *International Passenger Survey*, from 1964.
### Projected Resident Population

**At the Mid-Year (000), 1985-1995**

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<td>30 - 34</td>
<td>3,770</td>
<td>3,831</td>
<td>3,885</td>
<td>3,959</td>
<td>4,069</td>
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<td>4,144</td>
<td>3,958</td>
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<td>4,074</td>
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<td>3,382</td>
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<td>50 - 54</td>
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<td>3,089</td>
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<td>55 - 59</td>
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<td>2,998</td>
<td>2,959</td>
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<td>2,995</td>
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<td>60 - 64</td>
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<td>2,889</td>
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<td>2,076</td>
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<td>75 - 79</td>
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<td>1,865</td>
<td>1,876</td>
<td>1,881</td>
<td>1,737</td>
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<td>80+</td>
<td>1,791</td>
<td>1,908</td>
<td>1,972</td>
<td>2,036</td>
<td>2,096</td>
<td>2,347</td>
</tr>
</tbody>
</table>

**Source:** CSO
SOCIO-ECONOMIC GROUPINGS

AB - Professional/Managerial

C1 - Clerical/Supervisory

C2 - Skilled Manual

DE - Unskilled, Pensioners.
**ABTA MEMBERSHIP - TOUR OPERATORS AND TRAVEL AGENTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>97</td>
</tr>
<tr>
<td>1955</td>
<td>200</td>
</tr>
<tr>
<td>1960</td>
<td>432</td>
</tr>
<tr>
<td>1965</td>
<td>614</td>
</tr>
<tr>
<td>1966</td>
<td>815</td>
</tr>
<tr>
<td>1967</td>
<td>1,334</td>
</tr>
<tr>
<td>1968</td>
<td>1,522</td>
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<td>1969</td>
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<tr>
<td>1970</td>
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<td>1971</td>
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<td>1972</td>
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<td>1973</td>
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<td>1975</td>
<td>1,915</td>
</tr>
<tr>
<td>1976</td>
<td>1,881</td>
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**ABTA MEMBERSHIP - TRAVEL AGENTS CLASS ONLY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
<th>Branch Offices</th>
<th>Total Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>1,771</td>
<td>2,143</td>
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<td>1978</td>
<td>1,807</td>
<td>2,182</td>
<td>3,989</td>
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<tr>
<td>1979</td>
<td>1,896</td>
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<tr>
<td>1980</td>
<td>1,950</td>
<td>2,448</td>
<td>4,398</td>
</tr>
<tr>
<td>1981</td>
<td>2,094</td>
<td>2,687</td>
<td>4,781</td>
</tr>
<tr>
<td>1982</td>
<td>2,211</td>
<td>2,844</td>
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<td>1983</td>
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<td>5,299</td>
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<td>1984</td>
<td>2,537</td>
<td>3,196</td>
<td>5,733</td>
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<tr>
<td>1985</td>
<td>2,647</td>
<td>3,372</td>
<td>6,019</td>
</tr>
<tr>
<td>1986</td>
<td>2,086</td>
<td>3,657</td>
<td>6,463</td>
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<tr>
<td>1987</td>
<td>2,889</td>
<td>4,107</td>
<td>6,996</td>
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<tr>
<td>1988</td>
<td>2,932</td>
<td>4,477</td>
<td>7,409</td>
</tr>
<tr>
<td>1989</td>
<td>2,965</td>
<td>4,548</td>
<td>7,513</td>
</tr>
</tbody>
</table>

Source: ABTA

Note: Breakdown of figures into separate travel agents class not available until 1977.
APPENDIX F

Leisure Group

®be Agreement

is made the day of 1985

BETWEEN: FALCON LEISURE GROUP

PLEASE NOTE OUR NEW ADDRESS:
33 NOTTING HILL GATE, LONDON W11 3JQ

(“Falcon”) of the one part

AND

(“The Agent”) of the other party

WHEREAS Falcon carries on business as a Tour Operator under the trade names of Falcon Leisure, Falcon Family Holidays, Falcon Sailing, Sunstart and Twentys and such other names as may be notified to the Agent at some further date.

The Agent primarily carries on the business of a retail Travel Agent.

Falcon herein appoint the Agent to act as its Agent and both parties have agreed to act in accordance with the terms and conditions contained in this agreement.

Signed by: ____________________________________________

for and on behalf of FALCON LEISURE GROUP ____________________________________________

Signed by: ____________________________________________

for and on behalf of ____________________________________________
1 Appointment of Agent

1.1 Falcon appoints the agent to be a non-exclusive agent of Falcon for sale in the United Kingdom and the Republic of Ireland of Falcon holidays and associated products as may be mutually agreed between the parties.

2 Acceptance by Agent

2.1 The Agent agrees to act as an Agent of Falcon and thereby actively to promote, propose and recommend the holidays and associated products to customers at any retail sales office or head office for the time being of the Agent in the United Kingdom and Republic of Ireland provided that nothing in this agreement shall prevent the agent from selling its own holidays/products or those of any other tour operator whatsoever.

The Agent shall ensure that:

2.2 the holidays and associated products offered by Falcon are given recommendation and exposure to the public at least equal to that given to the holidays and products offered by any other tour operator, and

2.3 that in the event that the Agent shall adopt a selective policy, Falcon is included in the Agents list of preferred Operators and that Falcon shall enjoy all the benefits thereto pertaining.

3 Sale of Products by Agent

3.1 The Agent agrees to sell the holidays and products provided by Falcon at Falcon advertised prices or any such other prices as may be advised in writing by Falcon to the Agent from time to time unless the discretion to vary such prices for a particular purpose be expressly requested by the Agent and agreed in writing by Falcon.

3.2 All booking forms processed by the Agent must include the Agents ABTA number,

4 Brochures and Promotional Material

4.1 Falcon shall supply brochures and other promotional material as may from time to time be reasonably requested by the Agent. The level of supply will be determined by Falcon and may relate to the number of bookings completed or projected to be completed by the Agent.

4.2 The Agent shall ensure that its staff are familiar with the range and advantages of the holidays and products offered in each of the Falcon programmes and with the booking conditions as set out in the Falcon brochures. To that end the Agent shall ensure that its sales staff read and consider each of the Falcon brochures, amendment sheets, circulars and other communications received from Falcon, as soon as reasonably practicable after they are received by the Agent and shall, if requested by Falcon:

(i) allow representatives of Falcon to brief the Agents staff on each of their programmes or the operation of TOFS (Falcon's private viewdata system) at a mutually convenient time.

(ii) allow the Agents staff to participate in such sales incentive schemes related to the holidays or products as may be agreed between Falcon and the Agent from time to time.

(iii) allow the Agents staff when invited by the Operator to attend presentations, seminars and TOFS systems training programmes.
5 Booking Details

5.1 The Agent shall take all orders for bookings on the form supplied by Falcon and shall within 24 hours of the completion and signature by the customer of the booking form send the same to Falcon. The Agent shall have no authority to accept a booking on behalf of Falcon without first checking availability either by telephoning Reservations direct or by using the Prestel or TOFS system.

5.2 The Agent shall prior to making a definite booking draw attention to the booking conditions, relating to the relevant holiday or product to the lead client. The Agent shall not vary or amend the booking conditions without the prior consent in writing of a Director of Falcon.

5.3 The Agent shall observe the following requirements when making a booking to which this agreement applies:

(i) The Agent shall provide Falcon with all the booking details for a definite booking either by telephone or via the TOFS or Prestel systems.

(ii) The Agent shall ensure that the lead client signs a completed booking form.

(iii) The Agent shall retain a copy of the completed booking form and any amendment or cancellation and shall make them available at the request of Falcon, the relevant client, or that persons legal representative at any time up to one year from the date of completion of the relevant holiday or journey, or in the case of a cancelled booking, one year after the date of cancellation.

(iv) The Agent shall not make a definitive booking on behalf of Falcon unless the deposit has been collected if the booking is made outside eight weeks of departure, or the full amount if made inside eight weeks.

(v) All booking forms forwarded to Falcon must be accompanied by a deposit cheque including the insurance payment if required, (outside eight weeks of departure) or the full amount less commission if inside eight weeks.

(vi) Any failure by the Agent to obtain payment from the customer shall be notified to Falcon within 48 hours of the date on which it become due, the Agent shall indemnify Falcon in respect of any loss occasioned to Falcon through the Agents failure to notify Falcon as aforesaid.

(vii) If the Agent has made reasonable efforts to collect such balances, cancellation charges or other monies as it is liable to collect on behalf of Falcon under the terms of this Agreement but has failed to do so, Falcon shall release the Agent from its obligation hereunder provided the Agent has within 48 hours given due notice in writing by recorded delivery or telex to Falcon of any failure by the customer to pay by the due date. The Agent shall not release to the customer any tickets, vouchers or coupons until the final balance has been received.

(viii) Falcon shall have the right to cancel bookings for which Falcon deposits or balance payments have not been received within the times specified and to levy cancellation charges in accordance with holiday/product booking conditions.

(ix) The Agent shall inform Falcon in writing at the time of making of any booking or amendment of any special request or facilities required by the client.

(x) Falcon shall produce and forward to the Agent a confirmation giving details of the holiday or product which has been booked (including prices) and the Agent shall immediately notify Falcon in writing of any discrepancy between such details and the contents of the booking form.
6 Amendments to Bookings

6.1 The Agent shall notify Falcon immediately in writing of any intention on the part of the lead client to amend or cancel a booking. In the case of cancellation a letter must be forwarded to Falcon signed by the lead client. In the case of an amendment to a booking a request should be forwarded to Falcon signed by the lead client. 

6.2 In the event that the lead client is to be substituted by another lead client the Agent shall ensure that the booking form is signed by both the existing lead client and the proposed substituted lead client. 

6.3 Falcon shall upon receipt of notification of the cancellation or alteration to any booking issue a revised invoice or cancellation account as appropriate and the Agent shall upon receipt of the document immediately notify Falcon in the event that there is any discrepancy between such details and the relevant amendment or cancellation form. 

7 Alterations to a Booking by Falcon 

7.1 The Agent shall be responsible for ensuring that any information pertaining to changes in any clients holiday arrangements whether major or minor which is communicated to the Agent by Falcon is transmitted to the client by the most appropriate means as soon as possible after receipt of that information by the Agent. Where appropriate the Agent shall obtain the lead clients acceptance of the alteration in writing but if the alterations are not acceptable to the lead client the Agent shall immediately notify Falcon. 

8 Agents Commission 

8.1 The Agent shall be entitled to a commission rate of ten per cent (10%) or at other rates as may be mutually agreed. In accordance with the following conditions: 

(i) Commission is deductible only on the final invoice price of bookings made by the Agent acting in their capacity as Agent for Falcon. 

(ii) The final invoice price attributable to the booking will be determined after all supplements and/or other adjustments have been ascertained. 

(iii) Entitlement to commission shall only become effective when a definite booking has been made and the relevant monies collected and entitlement to commission shall become null and void in the event of: 

(a) The lead client cancelling or being deemed to cancel the booking, 
(b) Falcon cancelling the booking in accordance with its booking conditions. 

(iv) The Agent shall be entitled to a commission of ten per cent (10%) on any cancellation charges levied and actually received by Falcon Leisure Group through the Agent. 

8.2 The Agent may deduct commission due to it when accounting to Falcon, but the Agent shall reimburse Falcon or the customer with the amount of any commission previously deducted in respect of a booking which becomes null and void pursuant to clause 8.1, (i) and (ii).
9 Complaints: Clients Dissatisfaction

9.1 The Agent shall notify Falcon without delay of any complaints or claims made by customers in relation to the holidays or products or services which the Agent considers itself unable to resolve. Falcon agree to deal promptly and fairly with all complaints referred to it by the Agent and shall indemnify the Agent from all claims and liabilities relating thereto save to the extent that they are attributable to the acts and omissions of the Agent.

10 Indemnities

10.1 The Agent hereby agrees to indemnify Falcon against all claims and liabilities attributable to the acts or omissions committed by the Agent and its employees in breach of or outside the scope of this agreement.

10.2 Falcon hereby undertakes to indemnify the Agent and its employees against all claims and liabilities attributable to the acts and omissions committed by Falcon or its employees.

11 Refunds

The Agent shall not make or promise on behalf of Falcon any refund in respect of holidays and services without first obtaining written authority from Falcon.

12 Non-Assignment

Neither party may assign this agreement without the prior written consent of the other party (such consent not to be unreasonably withheld in the event of a proposed assignment to a subsidiary of referred parties holiday company.

13 Termination

This agreement shall commence on the date hereof and shall continue in force thereafter until terminated,

(i) forthwith by either party giving not less than three months notice of termination to the other,
(ii) by either party giving written notice to the other of the following events:

(a) if the other party is unable to pay its debts generally as and when they become due,
(b) is the subject of a legal action declaring it insolvent,
(c) if the other party announces an intention to, or actually does cease to carry on its business,
(d) if the other party shall cease to be a member of the Association of British Travel Agents or is suspended therefrom.

On termination of this agreement for whatever reason, the Agent shall immediately return to Falcon all documents in their possession relating to contracts entered into by the Agent on behalf of Falcon and shall effect an immediate settlement of all monies due to Falcon.
Middleton's "tourism channel" chart

<table>
<thead>
<tr>
<th>Level of Channel</th>
<th>Principal</th>
<th>Customer</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Zero level channel</strong></td>
<td>Principal</td>
<td>Customer (on producer's premises). Typical of attractions, cafes, museums, guest houses, taxis.</td>
<td>Principal is retailer at own location.</td>
</tr>
<tr>
<td><strong>Zero level channel</strong></td>
<td>Principal</td>
<td>Customer (at home). All forms of direct response marketing practised by hotels, some tour operators.</td>
<td>Principal is retailer via reservation system.</td>
</tr>
<tr>
<td><strong>Zero level channel</strong></td>
<td>Principal</td>
<td>Owned retail (on producer's outlets/ premises). Typical of car rental companies, railways, airlines (in part), and hotels with multiple units acting as referral system.</td>
<td>Principal owns the distribution system.</td>
</tr>
<tr>
<td><strong>One level channel</strong></td>
<td>Principal</td>
<td>Independent</td>
<td>Customer (on retailer's retail outlets). Typical of many tour operators, holiday centres, airlines (in part), hotels.</td>
</tr>
<tr>
<td><strong>Two level channel</strong></td>
<td>Principal — Tour operator/ Wholesaler</td>
<td>Independent</td>
<td>Customer (on retailer’s retail outlets). Typical of resort hotels, some camping and caravan sites, charter airlines.</td>
</tr>
</tbody>
</table>

Source: Middleton (1988)
At Thomas Cook we care about the quality of service provided to all our clients. It is to our mutual advantage to ensure our clients always receive excellent service. We would therefore like your agreement on the following service-related issues:-

WE ____________________________ AGREE THAT

In all our dealings with Thomas Cook clients we will act efficiently and courteously to ensure client satisfaction.

We will stand by any promises or guarantees we publish and every care will be taken to ensure these statements are not ambiguous.

Amendments to travel arrangements booked by Thomas Cook clients will be notified at once.

All documentation will be supplied in ample time for you to forward to clients. The timescale for this will be based on the clients' expectation that they will receive their travel documents at least two weeks prior to departure.

Our resort staff will receive proper training to ensure they provide adequate help and advice to clients whilst abroad, especially in emergency situations.

Any references involving Thomas Cook regarding complaint issues will be dealt with objectively.

Thomas Cook clients' complaints will be acknowledged either verbally or in writing within 48 hours of the initial complaint being received.

Complaints will be investigated and the clients advised of our decision within 28 days or if protracted issue we will advise client of the situation within this period.

If the clients challenge our decision we will reconsider/reiterate our decision and contact them/Thomas Cook within 7 days.

Thomas Cook reserves the right to publish from time to time its findings with regard to quality of service provided by Operators.

Signed on behalf of
Operator/Carrier
## Cost of Holiday/ Discount Flight Per Person

**Cost of Holiday/ Flight Per Person (EXCLUDING INSURANCE)**

<table>
<thead>
<tr>
<th>Cost of Flight Per Person</th>
<th>Discount Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2000 +</td>
<td>£150</td>
</tr>
<tr>
<td>£1750 +</td>
<td>£105</td>
</tr>
<tr>
<td>£1200 +</td>
<td>£80</td>
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<td>£700 +</td>
<td>£55</td>
</tr>
<tr>
<td>£500 +</td>
<td>£35</td>
</tr>
<tr>
<td>£350 +</td>
<td>£30</td>
</tr>
<tr>
<td>£250 +</td>
<td>£20</td>
</tr>
<tr>
<td>Up to £250</td>
<td>£15</td>
</tr>
</tbody>
</table>

### From Dec. 27th to Jan. 12th, no one takes off more.

As Britain's largest travel agency, Lunn Poly offer bigger discounts to more people than anyone else. Now for a limited period, we are offering our biggest discounts ever. And unlike many travel agents, we'll give everyone in your party a discount.

The offers are for all overseas Summer holidays and flights. All we ask is that you book between December 27th and January 12th, and take out our holiday insurance.

So if you want to see more taken off, take off to Lunn Poly now.

Getaway for less at **Lunn Poly**
UNBELIEVABLE DISCOUNTS ON ALL SUMMER HOLIDAYS *

TERMS AND CONDITIONS OF OUR HOLIDAY OFFERS

1. All offers apply to Summer 1990 package holidays as detailed in Tour Operators' brochures booked between 27 December 1989 and 28 February 1990 at Thomas Cook and are not retrospective.

2. For the purpose of these offers a Summer holiday is a holiday with a departure date between 1 May 1990 and 31 October 1990.

3. All offers are subject to the customers taking out Thomas Cook Insurance on all customers at time of booking.

4. All discounts are on a per person basis.

5. In determining qualification for these offers, Thomas Cook will include all brochure supplements (excluding insurance) in calculating the total cost of your holiday.

6. For the purpose of the offer, a child shall be defined as per the definition in the Tour Operators' brochure from which the holiday is booked. The offer does not apply to children enjoying a "free child place" from the Tour Operator, but is in addition to any Tour Operator discounts.

7. The £60 off per person applies to any holiday selected from the Thomas Cook Faraway Holidays Faraway brochure. All offer conditions apply.

8. The offers do not apply to flights only bookings or holidays in the UK or Eire.

9. These offers cannot be taken in addition to any other offers, discounts or other promotional schemes operated by Thomas Cook.

Thomas Cook

A MIDLAND GROUP COMPANY
What better way to start your next holiday than to receive a cheque with your holiday tickets – compliments of the Trustcard Travel Club. As the chart shows, you could qualify for up to £250 holiday cash per person.

Thousands of Trustcard holders have already made substantial savings on everything from UK holidays to trips around the world!

WIDE CHOICE

Holidays with virtually all major tour operators, cruise companies, cross channel ferries and UK holidays qualify for Trustcard Travel Club bonus cash.

NEW IMPROVED RATES

<table>
<thead>
<tr>
<th>Holiday Cash - Per Person</th>
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<tbody>
<tr>
<td>£5</td>
</tr>
<tr>
<td>£20</td>
</tr>
<tr>
<td>£40</td>
</tr>
<tr>
<td>£60</td>
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<tr>
<td>£80</td>
</tr>
<tr>
<td>£100</td>
</tr>
<tr>
<td>£150</td>
</tr>
<tr>
<td>£200</td>
</tr>
<tr>
<td>£250</td>
</tr>
</tbody>
</table>

HOW TO BOOK!

BOOK BY PHONE
OR POST

FASTFONE HOLIDAYS

(0753) 821818
SLOUGH – ENGLAND & WALES

(0232) 246310
BELFAST – NORTHERN IRELAND

(041) 332 0856
GLASGOW – SCOTLAND

SPECIAL OFFERS

Exclusive offers to save you money on Canberra Cruises, Highlife Breaks and Global – see overleaf for details.

TRUSTCARD TRAVEL CLUB CONDITIONS

1. The holiday cash offer is limited to travel/holiday arrangements booked through A T Mays. The deposit and all arrangements are subject to availability.

2. Holiday cash calculations relate to the basic price per person of tour operator's special offer. Prom offers in existence at the time of booking are subject to the same terms and conditions of travel/holiday arrangements booked through A T Mays Ltd. The total holiday cash per person is calculated based on the following:

   - £200 for bookings £1,000 to £2,000
   - £300 for bookings £2,001 to £3,000
   - £400 for bookings £3,001 to £4,000
   - £500 for bookings £4,001 to £5,000
   - £600 for bookings £5,001 to £6,000
   - £700 for bookings £6,001 to £7,000
   - £800 for bookings £7,001 to £8,000
   - £900 for bookings £8,001 to £9,000
   - £1,000 for bookings £9,001 to £10,000
   - £1,500 for bookings £10,001 to £12,000
   - £2,000 for bookings £12,001 to £15,000
   - £2,500 for bookings £15,001 to £20,000

3. The offer applies to the products of the undemoted tour operators booking form and the Holiday Cash Claim Form contained overleaf by post to Fastfone Holidays. Don't forget that you must pay the holiday deposit with your Trustcard.

4. This offer is not applicable to scheduled air fares, coach/rail travel or independent hotel accommodation.

5. Individual operators' conditions of booking will apply and all arrangements are subject to availability.

6. Persons qualifying for free travel/holidays (under the terms of tour operator's special offer) do not qualify for travel/holiday cash.

7. This offer cannot be combined with any other A T Mays offer.

8. ABTA tour operators with whom A T Mays have an agreement for the Trustcard Travel Club are:

   - Cruise Companies
   - Car Ferry Operators
   - Car Hire Companies
   - Hotel Accommodation
   - UK Regional Flights
   - UK Holidays
   - Overseas Package Holidays
   - Rail Travel
   - Independent Hotel Accommodation

9. TSB Trustcard is not responsible for the administration of the Trustcard Travel Club – all travel arrangements are made on behalf and on behalf of members of their family. Organised parties consisting of people other than the Trustcard holder's family can only be booked where the Trustcard holder is to be a member of that party.

10. Qualifying operators and excursions may be varied from time to time and Trustcard Travel Club reserves the right to charge may be varied without notice.

11. Trustcard holders can make bookings on their own behalf of Hawaii, New Zealand, India, South Africa and emergencies. However, any change to the terms of the holiday is subject to a 1.5% of the total amount taken. The APR for payments is 26.8% and for cash advances 27.2%. Cardholders are automatically cancelled if the holiday is not taken for any reason whatsoever or any part of the holiday payment is refunded.

12. Qualifying operators and excursions may be varied from time to time and Trustcard Travel Club reserves the right to charge may be varied without notice.

13. TSB Trustcard travel cash is subject to any tax imposed or withheld in a service without gross profit.

FULL SERVICE

The Trustcard Travel Club is operated by A T Mays, one of the UK’s leading travel organisations. In addition to over 270 branches throughout the UK, they operate the Fastfone Holidays telephone service.

CONVENIENT

Using the service is straightforward. Select your holiday and either ring Fastfone Holidays direct or visit your nearest A T Mays branch to make your booking. If you prefer, send the tour operators booking form and the Holiday Cash Claim Form contained overleaf by post to Fastfone Holidays. Don't forget that you must pay the holiday deposit with your Trustcard.
Trustcard Travel Club - Holiday Cash Claim Form

Complete this form and send it, together with the completed official booking form(s) from your selected brochure(s), to Fastfone Holidays or take it to the ATMays Branch where your reservation was made.

Please attach this Claim Form to any booking form that you complete.

Name: ______________________________________________________
Address: _____________________________________________________
Postcode: __________________________
Daytime Tel: ________________________
Evening Tel: _________________________

Basic Price
Per Person
Insert the cost for each person taken from the Tour Operators' brochure.

Following full settlement of the holiday account, a cheque for the amount of your holiday cash will be sent to you with your tickets and final documents (normally around two weeks prior to departure).

Holiday Cash
Per Person
My claim for this holiday cash amount is: £__________

I have previously made a booking through the Trustcard Travel Club Yes/No

Authority to Debit your Trustcard Account

The initial payment due in respect of your holiday travel arrangements must be paid by Trustcard. Please complete the following autogiro details:

To: ATMays Ltd. I hereby authorise you to debit my Trustcard account with the initial payment due in respect of

1. The holiday arrangements indicated on the attached booking form(s). To TTours Ltd. No change to these arrangements
2. Any other holiday or travel arrangements you may book at my request should none of my selected choices be available.

Signature: __________________________ Date: ____________

For Official Use

Operator

ATMAYS REF: ______________________

Destination/Country: ________________________________

Department Date __________

Balance Value __________

No. of Adults __________

No. of Children __________

Paid by Trustcard YES/NO

ATMays Insurance YES/NO

(If no, name Insurer) __________________________

Basic Price PP __________

Holiday Cash PP __________

Holiday Cash Total __________

Cheque Issued Date: ____________

Foreign Currency: __________________________

TSB Trustcard Limited, Registered in England and Wales number 1365134. Registered office: 1-9 Gloucester Place, Brighton BN1 4BE.
SABRE—leadership and innovation bringing you the latest in time-saving systems and services.

Worldwide Schedules and Reservations
SABRE's superior data base puts the world at your fingertips with data that is comprehensive, up-to-date and dependable.

- Unbiased schedules and availability for hundreds of airline carriers
- Over 200,000 city pairs
- Instantaneous reservations
- Security

Pricing and Travel Documents
SABRE offers you the best pricing and ticketing package in the industry. With accurate, up-to-the-minute information, you will price with confidence—knowing that ALL SABRE-AUTOPRICED TICKETS ARE GUARANTEED. Special features of SABRE's pricing package include:

- Bargain Finder℠—helps you find and automatically book the lowest fare available on any airline.
- Shopper's Fare Quote—displays all standard and promotional fares between two destinations—with prices listed from lowest to highest.
- Complex International Pricing—correctly applies major pricing principles, including mixed-class differentials, FCU construction, currency adjustments, one-way backhaul, circle trip minimum, minimum fare check, add-ons, stopovers, maximum permitted and sector mileage, transfer restrictions and fictitious points.

SABRE makes ticketing easy. You may choose from a variety of ticketing procedures which enable you to:

- Print single tickets on demand.
- Print tickets for an entire day from a queue with a single entry.

SABRE produces professional invoices and itineraries. From air segments to car hire information and hotel room detail, SABRE-produced itineraries are complete and accurate.

SABRE also enables you to print boarding passes for your clients on selected carriers.

Travel Services
No other system boasts the full range of service available through SABRE.

Total Access
This program ensures reservation integrity by connecting SABRE directly to the data base of numerous travel hosts.

- Air carriers
- Car hire companies
- Cruises
- Hotels
- Rail companies
- Resorts

The Total Access switch automatically converts your SABRE VDU into the Total Access host terminal. Total Access uses familiar common language SABRE formats to gather information from the travel suppliers, eliminating the need to learn specific entries for each data base.

Total Access is truly the best of technologies.

Hotels and Cars
When you need to book hotel accommodations for a client, turn to SHAARP—SABRE Hotels Automated Availability and Reservations Program. SHAARP makes hotel booking easy with:

- Over 16,000 properties worldwide
- Immediate confirmations
- Guaranteed rates
- More than 125 hotel chains and independent properties
- Multiple foreign currency rate displays

You can book rental cars in SABRE, just as easily as you book flights with SABRE's Car Availability and Rate System (CAARS). CAARS gives you access to:

- Over 30 car hire companies
- Guaranteed rates
- Promotional rates
- Immediate confirmations

Airline Associates Program
Partnerships between American Airlines and most major carriers worldwide mean a wider range of subscriber services, including:

- International pricing assistance
- Worldwide travel information
- Special request handling

In addition, new programs are continually added to expand the scope of information available to you through SABRE. Several air carriers have chosen SABRE as their primary computerised reservations system. This arrangement, called Multi-Host, ensures that you can access up-to-the-minute availability and schedules for these carriers.

Special Services
SABRE goes beyond mere travel reservations to offer you access to a spectrum of special products and services for your clients.

- Foreign currency services
- Limousine service
- Bon-voyage gifts and flowers
- Rail service
- Theatre and special event tickets
- Ski equipment rental
- Vacation vehicle rental

In addition to travel products, SABRE offers a wealth of travel information through:

- SABRE Travel Guide—providing the latest information on museums, the performing arts, sporting events, city attractions, current weather and other entertainment in major cities.
- Timatic—a fully automated, user-friendly reference to locate all of the entry, visa, passport, health and import requirements for countries throughout the world.
- Tour Finder℠—an extensive data base for tour package information worldwide.

Filing Systems
SABRE allows you to replace paper files through its Special Traveler Account Record System (STARS). Using STARS, you can store valuable information about your customers and their travel preferences such as:

- Telephone numbers and addresses
- Credit card and billing information
- Seat and special meal requests
- Preferred cars and hotels
- Frequent flier information

SABRE saves time and reduces errors. Your STAR file can instantly create a reservation record. Simply retrieve and transfer the data from the STAR into the passenger name record (PNR).

SABRE also keeps your record management straight and in perfect order through AXQUARIUS. AXQUARIUS is built on a unique system of electronic files, called queues. Each is capable of a specific function, to help you manage your workload, stay abreast of schedule changes, confirm waitlisted reservations and follow up on specific requests.
A specialized function called SPECTRA allows you to count and retrieve future PXRs by many categories, including creation date and or time of PXR; corporate name: car, hotel or tour associate: or by individual booking agent.

Innovative Hardware

With SABRE, electronic convenience and versatility are within easy reach. We employ only the most reliable and technologically advanced hardware available and are constantly searching for ways to make it better.

Our multi-functional workstations designed with agent productivity in mind can include:
- Reservations
- Accounting
- Office automation, including word processing
- Interface capability
- Programmed function keys

Advanced technology enables SABRE's high-speed printers to produce all of your professional documents.
- Tickets
- Invoices
- Itineraries
- Boarding passes
- Mailing lists and labels

Training and Support

Commitment to giving you superior service can be found in the support and training we offer every SABRE subscriber through:
- Training programs at European facilities
- SABRE Help Desk in London
- SABRE Specialists
- FOX—automated reference system
- SABRE-Assisted Instruction—automated training programs
- Regional workshops
- SABRE support—service that's unmatched in the industry.

COMMERCIAL SABRE

Commercial SABRE™ is a system that allows a company's travel department to access SABRE for travel plans and bookings, then automatically send the records to a SABRE travel agency for processing.

Commercial SABRE™ provides a special set of user-friendly programs designed specifically for commercial account access.
- Airline availability
- Fare quote and itinerary pricing
- PNR creation and modification
- Hotel availability and booking
- Car hire availability and booking
- Flight information
- Weather encode/decode
- Client profiles
- STARS

agency datasystems

Agency Datasystems, a product of the SABRE Travel Information Network, has provided accounting and management information systems to the travel community for over ten years. The ADS system, currently utilized in over 5,000 locations, can provide the solutions you require to reduce the pressure on your profit margin and position you to compete for greater profitability.

Simultaneous Interface

ADS interfaces with all major computerized reservations systems, offering Simultaneous Interface capability.

All the information from the Passenger Name Record which you require is automatically recorded in the ADS database and becomes part of your accounting files.

Therefore, if your agency is automated with one or more reservations systems, ADS will serve as the tool for complete and accurate compiling of all your business transactions.

Documentation

- Automated BSP Tickets
- Invoice Itinerary
- Credit Memos
- Mailing Lists

Management Control

Decision-making is simplified with the reports provided by ADS:
- Daily Sales Reports
- Period Sales Reports
- Agent Productivity Analysis
- Airline Validation Reports
- Customer Analysis Reports
- Marketing Analysis Reports
- Supplier Reports

Accounting

Accounts Receivable

The Accounts Receivable program is the base of the ADS system. Transactions are recorded by vendor and customer, and all pertinent files are updated at the time an invoice is produced. The key components of the program are:
- Customer Statements
- Detailed Aged Analysis
- BSP Reports—Printed or on Magnetic Tape
- Cash Receipts Journal
FOLLOW THE LEADER...

SABRE

...A total travel network developed by American Airlines to offer you and your customers a world of travel and business services. Services that can help you not only meet, but surpass your profit goals.

...Available now!! Unlike other systems that are under development.

...Total Access connects you directly to the data bases of air carriers and travel suppliers, assuring the most accurate and up-to-the-minute schedules and availability.

...Automatically matches fare rules to the booked itinerary, eliminating tedious manual checking. SABRE prices with confidence.

...Offers Revenue Sharing: another industry first. This subscriber-oriented program will credit your monthly SABRE invoice for all automated hotel and car bookings made directly through SABRE, thereby lowering your automation costs.

...Assists you in keeping accurate files on your customers. Never is this more necessary than in the competitive travel industry.

...Provides the outstanding service and training programs which set us apart from the competition. Whether your business is new to automation or converting from another system, American Airlines meets the needs of every subscriber office.

AGENCY DATASYSTEMS

...Meets your need for up-to-the-minute financial and management information with Interface, Documentation, Management Control, Accounting, Report Generator, Commission Tracking and other specialised features.

...Offers Simultaneous Interface, which captures data from multiple computerised reservations systems instantly, as the transactions occur.

The SABRE Travel Information Network is constantly being updated and expanded to meet the needs of the increasingly complex travel industry. From pricing and ticketing to travel products and information management, you're always in the lead.

The SABRE Travel Information Network—the system by which all others are measured.
• Cash Disbursements Journal
• Finance Charges
• Cash Tracking
• Value Added Tax

Accounts Payable
The Accounts Payable package is an open item reminder system, organized by supplier number. The package incorporates:
• Machine Printed Cheques
• Automatic Payables Posting
• Supplier Statements
• Payable Aging Report
• Posted Payable Report

General Ledger
The General Ledger System is designed specifically around the travel industry and can meet the needs of the smallest to the largest agency. It assures you of timely and accurate financial information through these features:
• Trial Balance
• Income Statement
• Balance Sheet
• Journal Entry Reports
• Daily Journal Report
• General Ledger Report

ADS Report Generator
By drawing upon information from all programs in ADS, the all new Report Generator enables you to custom design reports such as these:
• Fare by Leg
• Destination Analysis
• Arrival/Departure List
• Savings Report
• Detailed Customer Reports

Commission Tracking
The information provided through these reports allows you to monitor the activity and trends which affect your bottom-line profits, helping you efficiently track commissions which previously may have been unpaid.
• Hotel Commission Statements
• Itemised Bookings
• Revenue by Property Report
• Car Hire Reports
• Posted Commissions Report
• Car & Hotel Vouchers

Group System
The ADS Group System is designed for use in both a wholesale and retail environment, handling groups of many different sizes and types. Major features include:
• Document generation including individual passenger statements, vouchers, arrival departure lists, manifests and rooming lists
• Inventory Control
• Variable pricing levels

Full Inclusive Tours
The F.I.T. program is ideally suited for agencies with a large volume of vacation travel where the services rendered and documents issued will be occurring some months out. This program incorporates the following logic:
• Transactions are not counted in outstanding receivables associated with commercial receivables.
• Sales and commissions are not counted until the F.I.T. file is closed out.
• Action files are set up for each counselor.
• With Accounts Payable, F.I.T. entries automatically set up the payables and cheque printing.

Word Processing
ADS Integrated Word Processing is another step toward making ADS a Total Business System. Features include:
• Letter and document generation and storage
• Simplified document retrieval and modification
• Search and Replace
• Copy and Paste
• Word Wrap
• On-Line Help

Training and Support
Agency Datasystems has a long-standing commitment to training and system support. When you purchase the ADS System, you will be buying a total support package—from training to ongoing support by our dedicated, well-trained staff.
• Classroom training at the American Airlines Learning Center in Dallas/Fort Worth
• On-site training after installation to assist your office in the transition to automated accounting
• A Help Desk consisting of skilled specialists for software and hardware concerns.
• Software updates to ensure that you always have the most up-to-date programs available.

For more information or a demonstration of the SABRE Travel Information Network, contact your local American Airlines sales representative, or send in the reply coupon.

YES, I'd like more information. Please tell me more about:

☐ SABRE
☐ Agency Datasystems
☐ Commercial SABRE

Name

Company Name

Address

Telephone

SABRE Travel Information Network
To the Travel Professional:

In 1976, American Airlines introduced SABRE to the travel industry...and the way that travel companies conducted business was changed forever.

Since its introduction, SABRE has become the world leader in travel automation systems, setting the standards for innovation and advanced technology.

Today, more travel professionals throughout the world rely on SABRE than on any other system—to keep them out front in the increasingly competitive travel market.

The SABRE Travel Information Network is continually expanding to meet the needs of its users, offering more products with superior features and functionality. These products include:

- SABRE, now even easier to use with the new Personal Productivity Workstation which combines SABRE's resources with interstice, office automation and personal computing functions—all in one terminal.
- Agency Datasystems, the accounting and management information systems package, which now interfaces with all major computerised reservations systems—SABRE, Travicom, Covia, System One and PARS.
- Commercial SABRE™—specifically designed for the business travel department, provides a wide range of travel information such as airline, car, and hotel availability and booking.

Take a closer look at the SABRE Travel Information Network—the technology of the future—available today!

SABRE Travel Information Network
American Airlines
Portland House—16th Floor
Stag Place
London England SW1E 5BJ
INDUSTRY REPRESENTATIVES GIVING EVIDENCE BY SECTOR

1. TRANSPORT ORGANISATIONS
   a. **Airlines**
      Ellett, S, Scheduled Services Manager, Dan Air, London 16.5.89.
      Moss, P, Sales Administration Manager, Pan Am, London 13.6.89.
   b. **Shipping**
      McDermott, C, General Manager, P&O Cruises, London, 15.2.89.
      Farrell, A.E., UK Sales Manager, North Sea Ferries, Hull, 9.8.89.
   c. **Coach**
      Turton, G, Sales Manager, National Express, Leeds, 4.4.89.
   d. **Rail**
      Chapman, D, National Travel Trade Manager, London, 14.3.89.
   e. **Car Hire**
      Aspinall, J, UK Sales Manager, Hertz Car Hire, London, 30.8.89.

2. TOUR OPERATORS
   a. **Mass Tour Operators**
      Brett, P, Chief Executive, Thomson Travel, London, 23.11.88.
      St. Clair, K, Managing Director, Sol Holidays, Bradford, 18.1.89.
      Boyle, J, Chairman, Falcon Holidays, London, 18.1.89/
b. **UK Short Break**

Price, S, Managing Director, Rainbow Holidays, York, 23.1.89.

Pyle, H, General Manager, Gold Star Holidays, York, 23.1.89.

Cust, N, Sales and Marketing Director, Superbreak London, 16.5.89.

c. **Coach Tour Operators**

King, J, Managing Director, Wallace Arnold, Leeds, 23.1.89.

Shawbridge, P, Managing Director, Smiths Shearings, Wigan, 7.2.89.

d. **Direct Sell Operators**

Woodcraft, A, Marketing Manager, Tjaereborg, London, 14.3.89.


e. **Seat Only Operators**

Jenkins, N, Marketing Director, Viking International, Haywards Heath, 14.6.89.

3. **TRAVEL AGENTS**

a. **National Multiples**

Adkin, C, Director, Thomas Cook Direct, Peterborough, 8.11.88.

Gurrusa, C, Director, Thomas Cook Shops, Peterborough, 8.11.88.

Welsh, K, Sales and Marketing Director, Pickfords Travel, Enfield, 5.12.88.

Moffat, J, Managing Director, A T Mays Limited, Saltcoats, 1.2.89.

Jones, D, Development Manager, Hogg Robinson, Woking, 13.6.89.

McNally, R, Managing Director, Exchange Travel (Franchise), Hastings, 3.9.89.

b. **Regional Multiples**

Upton, R, Managing Director, Neilson Travel, Leicester, 12.4.89.
c. Independents

Short, D, Marketing Director, Paye & Moy, Leicester, 12.4.89.

Dooley, R, Managing Director, Travel Bazaar, London, 15.5.89.

Walsh, D, President NAITA, Briggs & Hill, Bradford, 22.5.89.

Cambata Shahrookh, Greaves Travel (Consolidator), London, 13.6.89.

Harmi Travel, Wolverhampton, (Consolidator sub-agent), Wolverhampton, 27.7.89.

4. ACCOMMODATION PROVIDERS

a. Hoteliers

Playford, A, Marketing Manager, Trusthouse Forte, Slough, 14.3.89.

b. Holiday Centres

Daykin, R, Sales Manager, Warner Holidays Limited, Havant, 10.5.89.

c. Reservations Organisations

Curtis-Brignell, D, Head of Marketing, Best Western, Kingston upon Thames, 17.5.89.

Arscott, D, Chairman, Brit Asso of Hotel Res Reps, London, 17.5.89.

5. OTHERS

Smith, J, President, ABTA, Bradford, 18.1.89.

East, M, Managing Director, Eastcastle Management Group, London, 15.12.89.

Bruce-Mitford, M, Chairman, Association of Independent Tour Operators, Cheltenham, 20.6.89.

Ramsdale, S C, Ms, Retail Sales Manager, Newcastle Chronicle, Newcastle 20.10.89.

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BTA  Digest of Tourist Statistics, Nos. 1-14.


HMSO  Overseas Travel and Tourism, Business Monitor, MQ6, DTI, 1979-1990.


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Barrett, F., Bucket Shops, Kicking the Bucket, Executive Travel, 18-19, November 1984.


Hammond, B., Bucket Shops, Will They Stop You Buying From This Man. Executive Travel, 21-23.


Peisley, T., Have Shopping Trolley Will Travel, Travel Agency, 8-9, May 1987.


