

Are Tour Operators Equipped with the Resources to Overcome the Added Cost of Distributing Through Travel Agents?

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Consumers have embraced the multiplication of vendors and channels for buying travel products. Their preferences for what they put in their shopping baskets have also evolved, too.

The traditional tour operator package model, offering a pre-assembled bundle of transport, accommodation and other travel services, has been under increasing pressure from the rising popularity of tailor-made 'dynamic' packages.

Significantly, for tour operators, the game revolves around their decision to choose between scale, which is related with commodity, and specialisation, which means special service.

On what factors should tour operators consider while opting between scale and specialisation, **Brian Robb, SVP Corporate Development, The Mark Travel Corporation**, says, "My recommendation is to choose one. There are very few with the product leverage, the brand, and the marketing reach to successfully compete in the commodity game, much less in both areas. Most likely, operators will have to be either a low-cost provider or a value-added provider."

Robb, who is scheduled to speak during **EyeforTravel's Travel Distribution Executive Conference 2008, to be held in Las Vegas on 1-2 October 2008**, says that in the US and in today's world, rarely traditional tour operators or traditional travel agencies are very traditional in their business practices or in their adoption and development of technology.

"The term "traditional" is a carryover from the time before the advent of online travel agencies (OTA's) when tour operators offered vacation "packages" for sale via travel agents. Tour operators made a simple and cost-effective vacation purchase available for consumers and they sold them only via travel agents. In many cases that included charter airline flights. That's where the stereotype of a "pre-assembled bundle" comes from, you had your choice of the Tuesday or Saturday departure pattern in order to get a better deal. Nowadays, a company, which was around during that era tends to be called a "traditional tour operator," says Robb.

"In the 1990's, companies like Funjet Vacations and others changed all that by providing packages which allowed for departure on any day with the option of charter or scheduled airline transportation and a broad selection of hotels for stays from two days to several weeks duration. All of those choices were dynamically packaged to custom fit the vacation needs of the customer. Those "dynamic packages" were constructed in real time directly by consumers online or by travel agents using a simple browser-based booking tool," he added.

Speaking of traditional travel agents, Robb said they've evolved to a point where today they include the original high street, or shopping mall retail model with which we're all familiar to include a full spectrum of practices that include the pure online (OTA) model and various models in between.

"So the real question becomes, how can tour operators compete when they have the added cost of distributing via travel agents, and how can travel agencies compete when they have overhead costs which the OTA's don't have and don't have the marketing reach that OTA's have?" probed Robb.

Commenting on the consolidation, which took place in tour operators segment in Europe last year, Robb said, "I think its an indication that the charter market in Europe is struggling and that the consolidations were in part due to better manage associated risk."

"I think another thing to watch for is the actions those engaged in the sale of low margin travel commodities exploring additional opportunities starting with advertising revenue. For others, we'll see a focus on growing in other areas such as destination experiences and travel-related services," said Robb.

Travel Distribution Executive Conference 2008

EyeforTravel's **Travel Distribution Executive Conference 2008** is scheduled to take place in Las Vegas on 1-2 October 2008. The conference is part of Travel Distribution Summit, North America.

For more information visit: www.eyefortravel.com/tdsusa/conference

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