

Exploring the major factors influencing consumer selection of travel agencies in a regional setting

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Abstract

The research reported in this paper explores why consumers choose to book their travel arrangements with travel agencies in regional settings. Consumers can now access on-line bookings for airlines, accommodation, transportation, sightseeing tours and other related products so why do they still go to travel agencies for reservations? This paper identifies the attributes which consumers seek in a travel agency or consultant and determines the relative importance of these in their selection process. The research was conducted in two stages. The first stage was a series of in-depth interviews with 10 travel agency users and three travel consultants. The second stage was a mail-out survey of 400 users of travel agencies in the Darling Downs area of Queensland, Australia. Despite its regionality, the region is a significant consumer of travel with approximately eight agencies in the city of Toowoomba alone. The in-depth interviews highlighted the need to de-emphasize two particular agency attributes, i.e. agency promotion and adequate brochure provision from the research questions and replace these with parking and travel reward programs as factors worthy of investigation. Survey results revealed that there were 12 significant attributes impacting on consumer selection and of these, the most important were firstly, the knowledge and experience of consultants, and secondly, the helpfulness and friendliness of consultants. Of particular note was that these attributes related to the consultant and not the agency per se. Travel reward programs were seen as the least influential in this research.

Introduction

The number of Australian residents travelling both domestically and internationally has increased substantially in recent years. In the year 2002, Australians spent approximately 298.7 million nights (defined by the ABS as nights spent away from home in association with individual visits) domestically which was an increase of 3.1 per cent over the previous year of 289.6 million nights (Department of Industry, Tourism and Resources, 2004). On the other hand, in the year 2002, Australians travelling overseas had reached a record high of 3.46 million which accounted for an increase of 0.5 per cent on the year 2001 (Department of Industry, Tourism and

Resources, 2004). However, the impact of the terrorist attacks on the London transport system, World Trade Centre in New York, the demise of Ansett Airlines Australia, the Bali attack and the sudden Severe Acute Respiratory Syndrome (SARS) outbreak have attributed to a decline in both domestic and international travellers. This was particularly evident with 294.1 million nights spent by Australian travelling domestically in the year 2003, comparing with 298.7 million nights, which represented a decrease of 1.5 per cent on 2002. Only 3.38 million Australians travelled overseas in 2003, which signified a decrease of 2.1 per cent on the year 2002 (Department of Industry, Tourism and Resources, 2004).

The use of on-line search facilities for travel information has provided additional sources of information and opportunities to purchase travel direct from suppliers such as airlines and accommodation providers without recourse to travel agents (Buhalis, 1998) and in some instances at discounts to prices available through travel agencies by eliminating commissions for such agents (example such as the Flight Centre). Furthermore, the capacity of the internet to promote and provide information very conveniently and quickly has provided alternatives to physical visits by consumers to travel agencies in order to access such information (Buhalis, 1998).

However, there is an apparent lack of research into the effects of such changes in the industry, particularly in the Australian regional context, and about the factors which drive consumer selection of travel agencies and if these pose a threat to existing travel agencies. If there is such a threat, then the research findings should assist

conventional travel agencies in identifying the major factors influencing consumer's selection of travel agencies in regional settings.

Hence, the research in this paper seeks to identify *the major factors driving consumer's selection of travel agencies in a regional setting* and the results will determine their relative importance. This will enable travel agencies to make decisions about countering threats from specialist on-line providers and to win back travel consumers by better positioning themselves in the marketplace.

This paper begins by reviewing the literature relevant to the research issue and then discusses the methodology including the data collection techniques used in researching this issue. Next the analysis of data is described and then the findings presented. These are followed by the conclusions drawn from the research, the implications from these and finally suggestions for further research are drawn.

Literature review

A travel agency is regarded as a firm qualified to arrange for travel related retail services (such as hotel rooms, meals, transportation, cruises, tours, and other travel requirements) on behalf of various tourism industry principals (Goldblatt & Nelson, 2001). A review of the current literature shows that there are only limited studies on travel agencies in a regional context, which is the focus of this paper. Yet, travel agencies have been regarded as critical information and planning or booking providers for a large number of travelers (Buhalis, 1998; Buhalis & Deimezi, 2003; Duke & Persia, 1993; Mihalik, Uysal & Pan, 1995). Other studies have also investigated several different aspects of travel agencies, such as information

technology needs (Bennett, 1993; Buhalis, 1998; Buhalis & Deimezi, 2003), travel agent's role in family decision-making (Michie & Sullivan, 1990), advertising strategies (Laskey, Seaton & Nicholls, 1994), the more effective use of relationship marketing (Bennett, 1993; Richter, 1996) and the selection attributes of travel agencies (Buhalis 1998; Meidan, 1979; Persia & Gitelson, 1993; Oppermann, 1998). However, very few studies have been carried out in Australia, particularly in the South-East Queensland region, which is the key focus of this paper.

Based on the literature, a comprehensive list of attributes (Diagram 1) was developed and derived from previous studies by Persia and Gitelson (1993), Meidan (1979) and Buhalis (1998) who had extensively reviewed a wide range of different studies on selection attributes of travel agencies.

Diagram 1 about here

The literature suggested that *additional services* (such as visa handling and travel insurance) have been advertised as one of the key differentiating factors that differentiate one travel agency from another (Persia & Gitelson, 1993). This attribute was important, particularly in the travel agency business since it is a common belief in this business that customers from a competitor can be won over if an attractive list of free "extras" is offered (Persia & Gitelson, 1993). *Agency advertisement, knowledgeable and experienced travel consultants, and sufficient brochures* were important to consumers where they could consider the use of such information, opinions and suggestions provided to evaluate alternatives prior to making the purchase (Bellur, McNamara & Prokop, 1988; Buhalis, 1998; Gitelson & Crompton,

1983; Joint Travel Agent/Airline Economic and Value Study, 1978). The increasing public media attention and unsettling world events (such as the London transport system, the Bali attack and the sudden SARS outbreak) had brought on major financial uncertainties for tour operators and travel agencies, which resulted in a need for consumers to evaluate the *travel agency's reputation* as part of their selection process (Persia & Gitelson, 1993). The findings in several studies conducted (for example Meidan, 1979; Kendall & Booms, 1989) revealed that the physical aspects of agency (i.e. *agency layout and atmosphere, convenient location and trading hours/days*) were regarded as a fundamental concern of travel agency users. The demand for holidays was considered to be price-elastic and therefore the *holiday/package price* could possibly determine a consumer's choice of travel agency (Meidan, 1979). *Quality and variety of holiday/travel packages* were recognised as one of the most important selling point in the travel agency business and consumers could be potentially looking for such attributes in selecting their choice of a travel agency (Meidan, 1979). Finally, in the service oriented travel agency business, *helpful and friendly staff* could be the central to the success of the transaction where integrating consumers' participation becomes part of the process of delivering the outcome (Persia & Gitelson, 1993; Meidan, 1979).

Research methodology

The methodology adopted in this research project was designed primarily to overcome a lack of prior research directly related to the research problem. Because of an apparent absence of research literature about travel agencies operating in regional settings and the consequent absence of empirically tested models, it was deemed necessary to develop propositions about the research issues. Therefore a

two-stage process was adopted, firstly interviews with key stakeholders amongst travel agencies in the regional Australia were conducted in order to test the relevance of the current literature about consumer selection of travel agencies in regional settings but also to identify other issues which may be specific to travel agencies in such settings. In the second stage a mail-out survey using information gleaned from the first stage was conducted.

In-depth interviews. The adoption of in-depth interviews in this stage of the research was based on two grounds: collecting interview data and the need for flexibility. Firstly, in-depth interviews are regarded as one of the more appropriate techniques in exploratory research for *collecting inductive data* and since knowledge and understanding in this research area is limited, this is an appropriate technique (DeCarlo, Binson, Ekstrand & Sanstad, 1998; Minichiello, Aroni, Timewell & Alexander, 1995). This technique not only allows the interviewer to gather preliminary information about the research topic but more specifically to gain insights and understanding regarding the research objectives (Jones, 1985; Kumar, 1996). Secondly, in-depth interviews also provide the *flexibility* to allow the interviewer to modify, drop or add propositions in response to evidence from the interviewees, particularly in relation to factors that influence the selection of a travel agency (Minichiello et al., 1995; Jones, 1985). Thus, the interviewer is able to acquire a more valuable outcome through the use of this technique.

This stage of the research process comprised 13 in-depth interviews, of which 10 were conducted with travel agency users and three were with travel consultants. The selection of these 13 interviewees was based on convenience judgement sampling,

where interviewees were chosen through personal contacts or references from peers or colleagues (Patton, 1990; Malhotra, 1996). These interviewees were invited to share their experiences, opinions and attitudes to address the following objectives and additional insights from interviewees were also sought.

- To check the relevance of the current literature about the research issue in the Australian regional context; and
- identify and evaluate attributes which existing travel agencies need to develop in order to retain existing customers and attract new customers.

The interviews were semi-structured in nature so that the discussion was flexible and informal, thereby allowing the interviewer to gain an in-depth understanding of the topic and achieve the aforementioned objectives.

The questionnaire. Stage two of the research was conducted in the form of a mail-out questionnaire and was justified on two bases: geographical stratification and anonymity. Firstly, this research has a target sample population that is widely dispersed in the metropolitan area and surrounding region of the Darling Downs (American Statistical Association, 1997). Thus, it was more cost effective and efficient to administer the questionnaire by mail. Secondly, for reasons of confidentiality and privacy, respondents could remain anonymous through this mail administration process since they could not be matched to those questionnaires they had completed (American Statistical Association, 1997). Although a lower response rate is a major disadvantage of using the mail-out questionnaire, this issue was addressed by prior telephone screening for interested participants for the mail survey.

The use of a well-designed questionnaire and incentives were offered, to ensure that a higher response rate would be achieved.

The mail-out questionnaire was distributed to 400 travel agency users to further investigate those attributes identified in the in-depth interviews and the literature. Respondents were randomly selected from a local travel agency's database as well as the local telephone book. The survey instrument was a self-administered questionnaire distributed by the researcher after it was pre-tested with 10 respondents. Some minor changes were made to the questionnaire prior to mail-out. The questionnaires were returned via a reply paid envelope. Survey questions were aimed at providing data on the following research objectives:

- to identify the attributes by which travel agency users evaluate travel agencies,
- to determine the relative importance of attributes used in the selection of a travel agency.

This research achieved a response rate of approximately 54 per cent with 217 usable responses out of a possible 400.

Data analysis

This research utilised the Statistical Package for the Social Sciences (SPSS) software program, in particular the use of non-parametric techniques (such as the chi-square test and Wilcoxon Signed-Ranked test) to conduct the analysis. The justification for the use of non-parametric relates to the small sample size and the fact that normality

was not established in the population distribution (Krebs, 1989). Each of these data analysis techniques is now described.

Chi-square test was used to determine if differences in frequency exist across response categories (Coakes & Steed, 2003). In this research, this test was used to analyse the respondent's demographic profiles and determine if there were any significant differences between these demographic variables (such as gender, age group and household income) in response to the selection attributes. On the other hand, the Wilcoxon Signed-Ranked test was used to test the magnitude of difference between a pair of selection attributes where an alpha value indicating less than 0.05 denotes significant difference between the attributes (Coakes & Steed, 2003). In addition, frequency distribution was used to analyse the demographic and selection attributes data. Cross tabulation reveals a more concise portrayal of the data captured.

Results

Based on the findings of the in-depth interviews, some changes to the preliminary model were identified. Two attributes (agency advertisement and sufficient brochures provided) could possibly be omitted from the model since they were not mentioned by any of the in-depth interview respondents. On the other hand, two additional attributes (parking and travel reward programmes) could be included in the model for further investigation in the second stage of the research as they were mentioned by more than 50 per cent of respondents. These attributes highlighted in the in-depth interviews were then used in stage two of this research to determine their relative importance in the selection of a travel agency in a regional context.

The second stage of the research achieved a response rate of approximately 54 per cent with 217 responses received from a total of 400 surveys that were sent out. The respondents were predominantly more female (63.6 per cent) than male (36.4 per cent) with the majority of them married (64 per cent) and reported as having no dependents (approximately 60 per cent) in their household. The age groups and qualifications obtained in the responses were evenly spread across their respective categories, except for the under 24 years age group, where it registered only 10 per cent of the responses. The annual household income groups were also relatively wide and evenly spread in the responses with only 3 per cent of the sample indicating earnings of above AUD100,000. Table 1 provides a brief summary of the demographic profiles of the respondents.

Table 1 about here

The survey investigated the 12 attributes; namely knowledgeable and experienced travel consultants, helpful and friendly staff, holiday/package price, quality of travel packages, travel agency reputation, variety of holiday/tour packages, additional services, convenient location, trading hours/days, agency layout and atmosphere, parking and travel reward programmes, identified in the in-depth interview stage. The findings indicated that knowledgeable and experienced travel consultants and travel reward programmes as being the most and least important selection attributes respectively (refer to Table 2 for the frequency distribution of the selection attributes).

Table 2 about here

The most influential attribute used in the selection of a travel agency was *knowledgeable and experienced travel consultants*, which was supported by majority of the respondents (213 respondents out of a possible of 217 which equates to approximately 98 per cent). This attribute was seen as critical by these respondents (with a mean score of 4.52 out of a possible 5) as they believed that knowledgeable and experienced travel consultants could better assist them in making appropriate decisions on the travel itinerary and packages that they sought. This could contribute positively towards their overall travel experiences and achieve post-purchase satisfaction, which could lead to subsequent repeat purchase (Kotler, 2003).

Travel reward programme was identified as the least important attribute by the respondents (about 36 per cent, with a mean score of 2.37 out of a possible 5) when selecting a travel agency in a regional context since these respondents suggested that this attribute was not the key driving force in determining their choice of travel agency but rather as insignificant associated incentive. Table 3 briefly illustrates the relative importance of the various attributes used to select a travel agency in a regional context.

Table 3 about here

Generally, respondents were consistent in their responses to the importance of the different attributes when selecting their travel agency. However, findings show that there were notable significant differences between some selection attributes as indicated in Table 3 column 3. Furthermore, there were also notable differences between gender group (such as helpful and friendly staff, travel agency reputation

and additional services), age group (such as quality of travel packages, travel agency reputation, additional services, convenient location, agency layout and atmosphere and parking) and household income group (such as holiday/package price, quality of travel packages, travel agency reputation and additional services). Tables 4, 5 and 6 briefly illustrate the differences in these respective groups. The variation can be explained by respondents' level of travel experiences as a whole and also their attitudes towards travel agencies.

Table 4 about here

Table 5 about here

Table 6 about here

Conclusions and implications

In conclusion, this paper has investigated 12 major factors influencing consumers' choice of travel agencies in a regional setting. The survey results revealed that knowledgeable and experienced travel consultants were the most important factor in selecting a travel agency whilst travel reward programmes were seen as the least influential in the selection process. From the findings, it appeared that whilst the future of travel agencies may be contentious, given the introduction of the internet technology, it seemed that the competitive advantage that travel agencies enjoy is the 'human' element (Buhalis, 1998). Table 3 highlighted the relative importance of those influencing factors and provided consumers with a list of attributes which they could use in their selection of a travel agency. From this study, consumers are able

to consider and question the relevance of these criteria and determine the essential factors that require consideration during their selection process.

Limitations and recommendations for further research

This study investigated only the Darling Downs region in Queensland, Australia and therefore the findings could not be generalised to the population at large. A more representative sampling population should be sought to generalise the findings and be tested in another Australian regional setting. The findings from this study could be further investigated in a business organisation context where comparisons to the findings could be made to determine if there are any significant differences between individual consumers and business organisations on the factors influencing the selection of travel agencies in regional settings. Furthermore, the attitude of customers who do not walk through the door (example via the internet) could also be explored, to determine if any differences existed between traditional walk in customers and techno savvy customers who generally make online bookings, when selecting travel agencies.

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