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How could traditional travel agencies improve their competitiveness and survive? A qualitative study in Spain

Teresa Aguiar-Quintana PhD [a,*], Sergio Moreno-Gil PhD [b], Patricia Picazo-Peral PhD [c]

[a] Tourism and Sustainable Development Institute (TIDES), University of Las Palmas de Gran Canaria, Faculty of Economy, Business and Tourism, Tafira Campus, Building C – C 1.07, Saulo Torón, 4 - Las Palmas de GC 35017, Spain
[b] Tourism and Sustainable Development Institute (TIDES), University of Las Palmas de Gran Canaria, Faculty of Economy, Business and Tourism, Tafira Campus, Building C – C1.11, Saulo Torón, 4 - Las Palmas de GC 35017, Spain
[c] Institute of Tourism and Sustainable Economic Development (Tides), University of Las Palmas de Gran Canaria (Canary Islands), Tafira Campus, Building E - Floor 0 – Right, Saulo Torón, 4 - Las Palmas de GC 35017, Spain

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ABSTRACT

The present study aims to provide greater insight into the trends affecting traditional travel agencies and propose strategies to improve their competitiveness. This research develops a qualitative study with three complementary steps: (1) focus groups were held with the main travel agency segments (corporate and holidays), to analyze their motivations and perceptions; (2) interviews were conducted with managers and experts to analyze customers' perceptions and emphasize some of the main trends affecting this industry; and finally, (3) interviewees were asked to propose strategies to overcome the future trends previously identified. With this objective in mind, this research integrates both perspectives: demand and supply, to propose actions and strategies for future scenarios, which is especially valuable due to the difficult situation of travel agencies in Spain. Finally, after identifying the 14 main trends in the industry and 23 recommended strategies, the study also proposes some useful future research topics for the industry.

1. Introduction

The importance of tourism in the Spanish economy is in itself a sufficient reason to carry out a study about the sector. Spain's Tourism industry plays an important economic role, with a contribution of 124.000 million Euros to the Spanish Economy and an increase in the GDP in tourism of 4.3% in the first quarter of 2016, representing the highest level in the last 15 years (Exceltur, 2016).

The tourism sector in general, and the traditional travel agency in particular, is currently going through a quite complex, dynamic and uncertain operating environment. This is due to factors such as technological innovations, increasingly demanding consumers, fierce competition, and changes in the tourist distribution system, with conflicts between channels and lower commissions being paid to agencies (Hatton, 2004). Faced with this situation, traditional travel agencies must study the market and its different segments in depth to find possible alternative survival strategies.

Unfortunately, these changes are detrimental to traditional travel agencies, which are highly fragmented. The situation is especially perturbing because Spain is one of the European countries with the highest number of closures (5000 travel agencies approximately) between 2008 and 2013, representing a 40% decrease in the size of the sector (Hosteltur, 2014). Turnover growth of traditional travel agencies in 2015, compared to that of newcomers, indicates that new strategies must be developed to successfully compete in the future (see Table 1). In this context, the new on-line travel agencies are already taking an important market share (see Table 2), and the increase in online distribution (18% growth in 2015) has meant that many suppliers use the Internet to offer their products without the need for intermediaries (Hosteltur, 2016). This missing intermediation leads to ease of end-user access and involves the appearance of new competitors that achieve important cost reductions compared to traditional travel agencies. For this reason, this concentration is an alternative to reducing costs via business operations involving vertical and horizontal integration, and it implies having more information about the environment and making strategic management more dynamic in this sector (González Rodriguez & Martín Sámper, 2012).

Moreover, research on traditional travel agencies in Spain is scarce and, to date, only a few published articles have analyzed this industry (e.g., Fuentes, 2011; González Rodriguez & Martín Sámper, 2012; Martínez Caro & Martínez García, 2008; Millán & Esteban Talaya, 2004; Moreno Gil & Aguiar Quintana, 2006). In the Global context, to

* Corresponding author.
E-mail addresses: teresa.aguiar@ulpgc.es (T.A.- Quintana), sergio.moreno@ulpgc.es (S.M.- Gil), patricia.picazo@ulpgc.es (P.P.- Peral).

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Table 1
Ranking of traditional travel agencies in Spain by annual turnover.
Source: Hosteltur (2016).

Agency	Turnover 2015 (millions €)	Turnover 2014 (millions €)	% growth
1. Viajes El Corte Inglés	2.460	2.350	5%
2. Viajes Halcón Ecuador	1.148	1.093	7%
3. Barceló Viajes	810	736	6%
4. Carlson Wagonlit Travel	480	463	4%
5. Nautalia	279	227	23%
Total	5.177	4.869	6%

date, most of the research is quantitative and tries to identify three strategies to improve travel agencies' competitiveness: (1) strategies related to service quality of the supplier (e.g. Kuo, Chang, Cheng, & Lai, 2013; Lai, 2014; Lam & Zhang, 1999; Martínez Caro & Martínez García, 2008; Millán & Esteban Talaya, 2004; Ryan & Cliff, 1997); (2) strategies focused on the demand side (Del Chiappa, 2013; Ilbery, Saxena, & Kneafsey, 2007); and (3) strategies related to the efficiency of the supplier (Barros & Matias, 2006; Fuentes, 2011; Köksal & Aksu, 2007; Lacalle, 2013). The need for strategic change in this industry, and the evolving role of travel agencies, is a key topic that deserves major research (Castillo-Manzano & López-Valpuesta, 2010; Del Chiappa, 2013; Frias, Rodríguez, & Castañeda, 2008; Galhanone, Marques, Toledo, & Mazzon, 2010), and the existing research has pointed out a need to integrate demand and supply perspectives.

For this reason, this study integrates the different perspectives of customers, travel agency managers, and experts through a qualitative study, trying to precisely understand the current situation of traditional travel agencies, the future scenarios they will have to face, and the possible actions they can take to succeed in the future. Thus, the customer represents the demands and desires of the market, while the supply implies an internal vision of the business from a managerial point of view. Finally, the experts represent a neutral, overall, well-informed opinion of the travel agency industry that can integrate the demand and supply perspectives.

Following these objectives, this study first describes the recent evolution of the travel agency sector in Spain, and then it examines the current role of travel agencies and the main strategies identified to improve competitiveness in this sector. Different focus groups are developed to study the consumer and elements such as the motivations of the travel agency user, benefits sought by the user, barriers to the consumer's use of travel agencies, the travel agency's image, and possible mental associations about travel agencies. This analysis is conducted both for the corporate travel segment (which is one of the most important in terms of travel agency turnover and profit) and for the traditional holiday segment. It is followed by in-depth interviews with sector experts and managers, who participated in drawing conclusions from the previously obtained knowledge about the consumer to later identify possible future trends that could mark the evolution of the sector, as important gaps are usually found between customers and managers (Nick, Turgay, & Osman, 2004). Finally, different strategies oriented toward the success of travel agencies in Spain were proposed, and several recommendations were grouped into actions focused on marketing and actions focused on the organizational and management structure. The results of this study may be useful to investors, creditors and international tour operators, as well as to travel agency management in assessing its own performance.

Table 2
Ranking of on line travel agencies in Spain by annual turnover.
Source: Hosteltur (2016).

Agency	Turnover 2015 (millions €)	Turnover 2014 (millions €)	% growth
1. eDreams	4.550	4.470	2%
2. Bravofly–Rumbo	2.355	1.311	79%
3. Logitravel	572	514	11%
4. Travelgenio	449	340	31%
5. Atrapalo	330	315	5%
Total	8.256	6.950	18%

2. Literature review

2.1. The travel agency industry in Spain

In 2012, large networks of travel agencies in the Spanish market sold 10% more than the previous year, showing the best performance since the recession started in Spain in September 2008. The persistence of the crisis and its effect on the consumer recession in the Spanish market affected the entire industry, including the major networks. During this crisis period, the reduction in the travel agency sector in Spain has been quite significant, with the closure of 5000 businesses. In Spain, the Hosteltur agency ranking (2016) was led by an online travel agency, eDreams. This agency had an increase in sales of around 2% (with 4.550 million Euros in sales in 2015), due to the growth of international markets, in addition to the increase in business accommodations and other services. Meanwhile, Viajes el Corte Inglés, the first traditional travel agency in the ranking, increased its turnover by 5%, with around 2.460 million sales in 2015. The second largest traditional travel agency, Viajes Halcón Ecuador, had the biggest drop in the ranking, with a total decrease of 8% in 2014, and it started its recovery in 2015 with an increase of 7%. On the other hand, another online travel agency, Bravofly-Rumbo, had the highest percentage of growth from 2014 to 2015, with an increase of 79%, experiencing a huge expansion in the European markets.

With regard to online agencies, despite their growth, most of them were also affected by the downturn in consumption that Spain had been facing for the past five years, along with the maturity of the Internet sales market. A comparison of the total sales of the main agencies yields a growth in the Spanish online market of around 18% in 2015, compared to 2014, in regional and other international markets where they operate (see Table 2). Finally, as has been the case in recent years, the leading online agency is gradually approaching the volumes of sales of large agencies, and this is the main reason why traditional travel agencies need to look for strategies to survive in this competitive environment and plan possible actions to improve their situation in Spain.

2.2. The role of the travel agency

The travel agent's role as intermediary requires a high degree of communication and cooperation between customers and suppliers. For this reason: “information must be transmitted about what suppliers have to order, what clients want to buy and about the economic conditions and transactions involved” (Gustafson, 2012, pp.280). Previously, the general perception was that travel agents were acting in the interest of the suppliers, as they received significant commissions from them based on sales volume. Today, travel agents receive most of their income from their clients, their business concepts include assisting their corporate clients in travel management work, and their role is mainly to act in their clients' interest vis-à-vis the suppliers (Davidson & Cope, 2003; Holma, 2009). As Holma (2009) points out, the business travel industry is characterized by triadic business relationships, with travel agencies acting as intermediaries between corporate clients and suppliers.

Initially, the role of travel agencies was expected to grow in importance because their greatest ability is “to collate, organize and interpret large amounts of data in a way that delivers the best value and the most exciting travel experiences for the customer” (O'Connor, 1999, p.114). Therefore, in order to remain secure in the distribution chain, travel agencies focused on their advice-giving capacity (Bennet, 1993).