

# Travel Marketing: Industry Relationships and Benefits

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*A symbiotic relationship exists among the various segments of the travel and tourism industry. The author has solicited the thinking of 37 experts and leaders in the field in a book dealing with these relationships and how they can be developed to benefit the industry. This article provides some salient points from those contributors.*

The travel and tourism business is a classic example of the chicken and egg paradox. Do people flock to Mexico because Mexico has what they want or because the Mexican government has been successful in selling what it has? Do we continue to fly the friendly skies of United because they are offering a \$99 seat to Los Angeles which is too good a deal to pass up or because we want to go to Los Angeles and United happens to fly there? If the equation "People wanting to go (X) plus United having flights (Y) equals visitors to Los Angeles (Z)," what then is the relative value of X, Y, and Z? Is the total number of visitors to Los Angeles more a function of the number of movie stars and studios in Hollywood or the number of seats United is willing to sell for \$99? Which is the chicken and which is the egg?

The problem we face in answering these questions is that we are dealing with a complex set of systems and sub-systems which comprise the tourism and travel industry. All of these systems have the same objective: to create customers. A system is a single enterprise or a group of enterprises that are in the same business or after the same customers. United Airlines by itself comprises a system. But it is part of a larger system—the airline system. The airlines in turn are part of the transportation system which is only a single part of the tourism and travel system. Each of these systems has its own boundaries and interacts with the economic and social environment independently. But because they are inter-related and depend upon each other for both input and output, they are constantly striving for a state of equilibrium or "dynamic homeostasis" as it is referred to by system theorists. This equilibrium is achieved when supply and demand are matched in each of these sub-systems or when newer and more elaborate systems are created to replace older and obsolete ones. For a system to achieve this equilibrium it must address and fill the needs of the marketplace. Filling needs is a complex

undertaking. If the Smith family flies to Hawaii on American Airlines, rents a Hertz car, and spends a fabulous week at the Maui Marriott, then American, Hertz, and Marriott have all contributed to the Smiths' needs for a relaxing vacation. Could any of them have done it alone? No. Could any one of them have ruined the Smiths' holiday? Easily.

There is a symbiotic relationship that exists in the industry. Various business entities live and work in a close association to each other but they may not be necessarily beneficial. They are all part of the same supra-system and yet often they tend to operate as if that were not so. Nevertheless, the sum total of their relationship constitutes the "product" that consumers buy, and unless the total product successfully fills a need, then there can be no economic success.

Miami Beach remains a fitting example of a leisure product that has been unable to get its act together. There are some first class hotels, a few good restaurants, alluring beaches, and a splendid convention center, but there is no synergism between them, no real affinity, and so while visitors admire the Fontainebleau Hilton and enjoy the food at Joe's Stone Crabs, the reputation of Miami Beach as a resort remains sullied.

In a new book just published by NTC Business Books titled *The Complete Travel Marketing Handbook* by Andrew Vladimir, 37 contributors have attempted to relate the principles of marketing to real life strategies and tactics of such corporations as Marriott, United Airlines, National Rental Cars, and Disney's Magic Kingdom. The chief executives and senior marketing officers of these and other enterprises shared their analysis and perceptions of the future by contributing articles.

This is a book about the relationships between systems in the field of travel and tourism. It is a book that explores the implications of those relationships and how to manage them. If each system can get a better understanding of the inner workings of neighboring related systems, each will ultimately be more successful in achieving its goals.

Although all of the contributors to the book had been working independently, there was a commonality of view about the shape of the future and what kinds of organizations were most likely to survive and prosper. There emerged a pattern of predicted trends from all sectors, the impact of which is just now beginning to be appreciated.

### **Symbiotic Relationships Are Being Strengthened**

There is a new strengthening of the tenuous symbiotic relationships that have always existed within the hospitality industry. Airlines, hotels, destinations, and travel agents are dependent upon each other, but those dependencies have not necessarily been beneficial to all parties. While the sum total of their aggregate services comprises the "vacation experience" that the consumer purchases, differing organizational goals and standards of service often produce inconsistent quality.

The author first became aware of the nature of this intrinsic symbiosis while serving as the director of tourism for the Government of Bermuda in 1984 and 1985. Because Bermuda has always operated as a carefully controlled environment, responsibilities included the regulation of hotels, charter flights, cruise ships, tour operators, and some at-

tractions. In Bermuda's case, relationships between the government, hoteliers, airlines, and tour operators are particularly crucial to the overall success of the tourism industry. The government's role, aside from promoting the destination, is to balance the supply and demand for these different services in such a manner as to maximize tourism revenues which account for 65 percent of the GNP. At the same time, Bermudians are concerned with improving their quality of life while maintaining the unique character of their island. The task is complicated because the roles and relationships of the different parties have never been clearly delineated and are constantly changing. For instance, how airlines set fares between Bermuda and the mainland is of vital concern to everyone who lives in the country as well as to tourism interests. Another ongoing debate is whether cruise ships really contribute to the social and economic welfare of the country or simply pollute the environment. These questions cannot be addressed without considering the interdependence or symbiotic nature of these enterprises.

Airlines have learned that hubs, fares, and schedules will not in themselves lure visitors to places there is no demand to visit. Demand is created not by one industry by itself but by many working together. Preston Robert Tisch, currently the Postmaster General of the United States and formerly president of Loew's Hotels and the New York Visitors and Convention Bureau, says, "This is an industry for team players." In a similar vein on car rental marketing, Brian Kennedy, executive vice president of Hertz, points out that, in his opinion, "You cannot separate the car rental business from the airline business."

This theme, emphasizing an appreciation of how various sectors of the travel and tourism industry depend on each other for their success, is repeated again and again. In her forward to the book, the Honorable Donna Tuttle, Undersecretary of Commerce for Travel and Tourism, points out, "Tourists make use of the goods and services of such industries as insurance, credit cards, advertising, data processing, automobiles, luggage, laundry, and dry cleaning, etc. The full scope of international travel and tourism, therefore, covers the output of segments of many industries."

Tony Wainwright, president of the Bloom Advertising Agency, attributes Hawaii's success as a destination to the fact that "airlines and hotel/resorts on all the island are vying for the consumer dollar" with elaborate advertising campaigns.

In discussing the growth of the restaurant industry and the opportunities this created, Daniel Scoggin, the founder of TGI Friday's, points out that it was the automobile that created the need for the fast food restaurant. "American graffiti-style drive-ins filled a demand for quick, inexpensive foods."

In his contribution on the hotel business, Juergen Bartels, president of the Carlson Hospitality Group, says, "A final factor impacting on the hospitality industry during coming years will be its connection with the real estate industry. Hotels and real estate are tied closely together since our physical products represent a basic part of the American infrastructure."

## **Respect for Advertising and Marketing Is Growing**

There is a growing respect for advertising and marketing, as well as a better understanding of the need for a marketing mix.

While certain sectors of the business such as airlines have always relied heavily on these marketing tools, others such as travel agents, tour operators, and even cruise lines have relied on a "push" strategy rather than trying to create consumer demand and pull their products through the system. Not any more.

Phillip and Doris Davidoff, who run a successful Maryland travel agency, stated: "Like the archer and the shooter, the travel agency marketer must keep an eye on the target when creating the appropriate marketing mix." Tom Elrod, vice president of marketing for Walt Disney World, commented, "Advertising is perhaps the most recently changed department in marketing, as we have only been a utilizer of paid media on a national basis for the past two years."

For years many destinations assumed that if they were accessible and offered attractive accommodations, business would follow. But in recent years spending by states and governments to attract tourism has skyrocketed because competition has taught them that having the right product is no longer enough. Tisch, in talking about the need for aggressive marketing said: "Never...ever...take anything for granted. Never...not for a moment...think that any product or any place will survive strictly on its own merits."

Not only do enterprises appreciate the need for marketing but they are beginning to think in terms of market segmentation, a concept that is at least a decade old in package goods. Edward Rudner, president of Certified Tours which packages Delta Dream Vacations, explains his own approach this way: "Over the past few years I have encountered many marketing professionals who have told me that sellers of wholesale travel have to have gigantic offerings with unending variations in order to be successful. In my opinion the marketplace has determined the opposite. If you are a glutton for punishment, you can try to serve everything to everyone, but I'll take the other road."

Cruise lines, of course, have for years tried to serve everything to everyone and not with a great deal of success. Today still only 5 percent of Americans have ever been on a cruise. But growing over capacity has brought with it an appreciation of the need for segmented marketing in that business as well. Howard Fine, president of Costa Cruises, described it this way: "It appears this is the age of niche marketers, and the future looks very bright ahead for those who are able to identify specific market segments and create a product which caters to that market more specifically and successfully than any general cruise product can."

## **Bermuda Serves as Case Study**

Understanding the need for niche marketing is one thing; identifying the niches is quite another. Segmentation research is very expensive and marketers are often unwilling to undertake it. When the author arrived in Bermuda in 1984 no research of this type had been done in 11 years although the advertising agency, Foote, Cone, and Belding, was

a strong proponent of it. A study was commissioned to include customers, travel agents, and opinion leaders in the travel industry in the United States, Canada, and the United Kingdom. In addition, a separate study of the attitudes of Bermudians toward tourists was undertaken to ascertain if promises made in advertising were delivered. Altogether, the research budget was more than \$300,000 in the first year.

One of the things learned in looking at consumers was that among those who had either traveled to Bermuda or were prospects for traveling to Bermuda in terms of demographic and psychographic parameters, there were three distinct market segments that were identifiable. The first group, the "Price and Sights" travelers, were looking for vacations where they could see as much as possible while spending as little as possible. A European tour that promised six countries in 10 days was a good value...one that could deliver 10 countries in 10 days was even better. Moreover, the destinations they favored were ones with lots of things to see, museums, zoos, cathedrals, theme parks, and monuments. The more the better. These were clearly not prospects for the tranquil little island of Bermuda, although they represented a substantial market.

For the next group, the "Sun and Surfers," the ideal vacation featured guaranteed sunshine and immaculate white beaches with clear, unpolluted surf. Accommodations and sights were of less importance than getting a good tan. This group was also price sensitive but not to the extent of the first group. They represented a limited market for Bermuda in that sunshine could be guaranteed only part of the year and a large inventory of low priced accommodations could not be offered. The third group was the "Quality Oriented" traveler, those individuals most concerned about having a vacation that lived up to their expectations of being cared for and pampered. They tended to be active participants in sports, but they cared about the quality of what they were getting. They wanted to stay in first class hotels, eat in gourmet restaurants, and play golf on challenging, well designed courses. Good entertainment was important as well. Price took a back seat to these other considerations; this group knew what it wanted and was willing to pay to get it. They were a perfect match for what Bermuda had to offer. The current advertising campaign, "Bermuda Is You. Isn't It," featuring images of luxury and romance, was created directly from this research and in 1986 Bermuda enjoyed its second best year of visitor arrivals in history.

Research, however, needs to be continuing to be used effectively. One theme that emerges again and again in *The Complete Travel Marketing Handbook* is that the market is changing rapidly and last year's figures may be about as useful as yesterday's newspaper. Douglas Fretchling, director of the U.S. Travel Data Center, summarized some of the changes he is seeing: "A higher proportion of vacation travel is by air now...trips have become shorter. Americans travel in smaller parties reflecting the change in the household structure. We now find considerably less seasonality. Americans 45 years of age and over account for a smaller share of pleasure travel."

Taking a look at the inbound tourism market, Don Wynegar, director of the Office of Research of the U.S. Travel and Tourism Administra-

tion, noted, "The structure of the inbound visitor market, like a chameleon that changes its colors to match new environments, has changed substantially over time. Canadians have decreased as a percentage of our overseas visitors. The largest individual country sources of overseas visitors to the United States are Japan, the United Kingdom, West Germany, France, and Australia, in that order. The Japanese inbound market has displayed the most dynamic growth."

Fretchling pointed out that another problem that all companies in the hospitality management business have to face is one of timing in this dynamic, unstable market. "There are the simultaneous tendencies toward excess industry capacity and limited tourism infrastructure in the country. The periodic airline fare wars, surges in the number of air carriers and intercity bus companies, hotel overbuilding, and lackluster occupancy rates in many areas testify to an enthusiasm among suppliers not matched by customers."

### **New Breed of Travelers Emerges**

A whole new breed of travelers with a different set of needs and perceptions has thus emerged.

Robert Shulman, president of Yankelovich, Clancy, Shulman, in discussing changing consumer values said, "We're not a bunch of country bumpkins any more willing to settle for bad service because we're away from home. We have greater expectations because we have more experience."

J.W. Marriott, Jr. in his closing comments on managing change in the travel industry echoes the same theme: "Today's travelers are not equal any more. They are better educated, more well-trained about the mechanics of traveling and less likely to accept standardization in what they consume. They're not interested in having their needs and expectations filled nearly; they expect their needs and wants to be met exactly."

Shulman's company, which regularly issues the *Monitor* reports that track lifestyle trends, has called this new group "strategic travelers": "Rather than searching for the lowest price, today's (and probably tomorrow's) strategic traveler is looking for the best value. *Monitor* shows that the strategic traveler is a more information-oriented consumer."

### **Distribution System Is Reorganized**

The driving force in reorganizing the distribution system in the industry emanates from the airlines. Deregulation has caused chaos and the changes are far from over. Richard Ferris, former chairman of Allegis Corporation, the parent company of United Airlines, predicts that "airline industry consolidation will continue because the industry is in transition. The instant evolution isn't over."

John Eichner, president of Simat, Hellisen, and Eichner, an airline consulting firm, describes what he sees happening: "Airlines have become increasingly concerned with the increased commission payments which have accompanied the proliferation of retail ticket outlets. The next frontier in airline marketing is the direct distribution of tickets." Eichner goes on to discuss steps that the carriers have already taken to combat com-

mission expenses with on-board ticketing, automated ticketing, and improved telephone reservations capabilities.

In essence, all of these changes are at the expense of the current retail travel agency system. Shulman's *Monitor* research confirms that the airlines are reacting to consumer pressures as well as to their own financial needs. "The travel agent system as it now exists does not provide what the consumer wants," he says.

Certainly there is clear evidence that travel agencies are doing their best to respond to this changing environment. While airlines, car rental companies, and hotels have all made efforts to reduce commission levels, agencies are responding by attempting to negotiate even higher commissions based on measured sales results for particular vendors. "Travel agents are finding that service levels and profits benefit from an established preferred supplier and product policy," Phillip and Doris Davidoff comment. What this boils down to is that the travel agencies that will survive the next decade will become more and more specialized and institutionalized.

At one end of the spectrum are large mega-agencies with \$200 million and more in revenues which work exclusively for large corporations at highly discounted rates. At the other end are cruise-only agencies which deal in individual big ticket sales with substantial mark-ups. In between are a variety of consortiums, franchises, and other entities that expect to use their combined buying power to extract a reasonable return from each transaction. The problem that exists with all of these strategies is that they stem from the needs of the suppliers to survive and not from the demands of the marketplace. This could be a fatal mistake. Theodore Levitt of the Harvard Business School defined the difference between selling and marketing in a speech to the American Association of Advertising Agencies. "Selling," he said, "is getting rid of what you have. Marketing is having what people want."

### **Technology Impacts on the Business**

The increasing impact of technology on all sectors of the business is evident. John Martinen, managing director of Globus-Gateway/Cosmos Tours, expressed a common theme from contributors: "The future in this industry is no further than a figurative tomorrow. Change is endemic to it; changing technology outdates our methods with cavalier disregard for our conservatism."

Marriott agreed: "We see automation of the marketing system," he wrote, "that sometimes seems to be progressing faster than any of us can comprehend, and with far reaching results that few of us can imagine. Automation has already revolutionized internal information processing systems and back-of-house operations." The airlines continue to be on the cutting edge of this new technology and it has become the key element in cost containment.

Whitley Hawkins, senior vice president of Marketing for Delta Air Lines, was very direct in stating their position: "One thing is certain; the conventional method for the distribution of the airline product is changing, and automation will be a major factor in the ultimate direction of this change."

Travel agents too are embracing automation as fast as they can considering their own limited resources. John Nicholls and Sydney Roslow of Florida International University's College of Business Administration looked at the impact of the computer on the travel agency business: "The emerging electronic delivery system enables the travel agent to enhance consumer satisfaction. The PC utilized for reservations also enables the travel agent to develop a profile of consumers."

Even the car rental business is responding to the availability of technology with new products. Brian Kennedy said: "In the highly charged and competitive arena of car rental, innovation is essential to staying on top. ANSWERLINK enables travel agents to get fast response to a host of questions via their automated systems...computerized driving directions provide renters with detailed instructions that take them from Hertz locations to their destination."

### **New Environments Develop**

The continuing development of new restaurant concepts, destinations, and packaged environments expands the horizon. Several contributors devoted pages to examining the proliferation of new concepts and product developments in their fields of expertise. In the area of destinations, as fast as old ones like Cancun mature, new ones continue to spring up. In the cruise area Royal Caribbean has led the way with the development of a whole new port in Haiti-Labadee. "I cannot think of a place in the world—even the South Pole," writes Tisch, "that does not have something to attract visitors. It simply remains for someone to uncover it and market it successfully."

In the hotel field Juergen Bartels noted that many of the current concepts were already becoming obsolete. He vividly described a guest room that is rapidly disappearing from the American scene: "Picture this type of room: shag carpet, block walls—painted, nickel and dime wall hangings, cheap light fixtures, stripes and flowers, red, yellow, and blue—all in one room."

Ronald Nykiel, senior vice president of Stouffer Hotel Company, examined a new corporate strategy of many chains which he calls product tiering: "Ramada Inns developed a three-tier approach in the 1980s—Ramada Inns, Ramada Hotels, and Ramada Renaissance Hotels. Each of these product tiers reflected pricing, levels of service, and operation variations." Nykiel describes how Holiday, Marriott, Radisson, Quality International, Hyatt, and others have taken this direction in creating new products with new brand names.

The restaurant business similarly has been experiencing new products and concepts at a breath-taking rate. TGI Friday's Scoggin states: "Since the proliferation of casual theme restaurants in the 1970s the market has been zig-zagging. Consumer tastes change constantly, and restaurant concepts are hot only until the next concept comes along. For example, consumers may be hungry for ethnic foods (zig), so ethnic food restaurants spring up. Then consumers may turn to health foods (zag), and off they go toward the new hot concept, with the rest of the industry scurrying to catch up."

Many contributors expressed a concern that the industry was falling behind in marketing, technology, and product development. This can lead ultimately to a smaller share of the discretionary dollar. Even more important, it can affect the future on a global scale. In her forward to the book, Tuttle stressed the need for working together: "Uniting the components of this industry in an effective marketing coalition that can compete on an equal footing with often publicly-owned foreign tourism conglomerates and multi-national consortia must be a high priority as the United States struggles to maintain and expand its share of a rapidly changing global market.

"The U.S. share of the tourism market has remained virtually unchanged since the mid-'70s. This country has always been a leader. Its tourism industry must lead, too."

### References

Andrew Vladimir, *The Complete Travel Marketing Handbook, 37 Experts Share Their Secrets*, (Chicago: NTC Business Books, 1987).