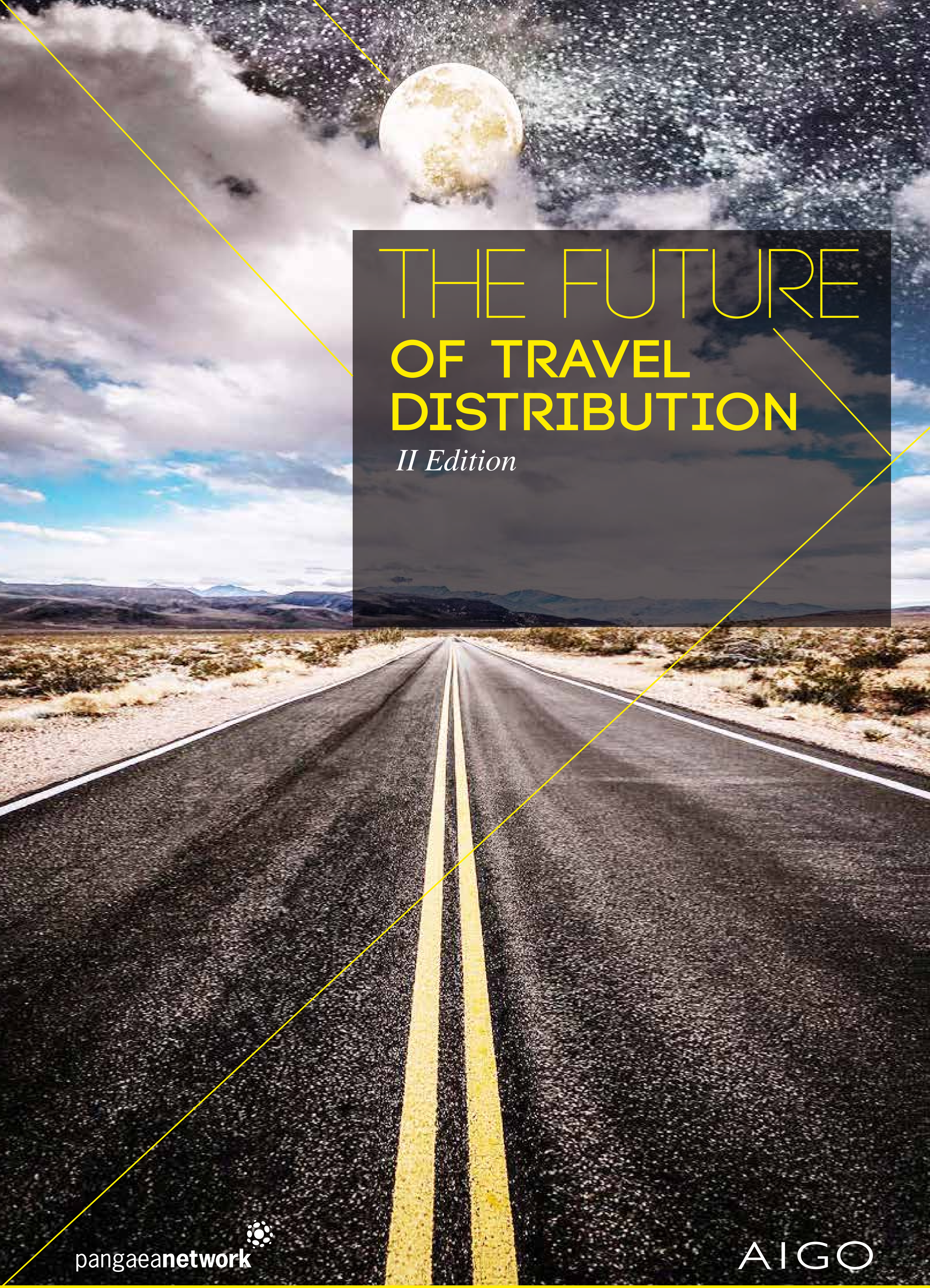
THE FUTURE OF TRAVEL DISTRIBUTION

II Edition



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Who we are

AIGO is a marketing and communications agency that has specialised in tourism, travel and hospitality since its inception.
Established in 1990, the agency combines an extensive knowledge of trade and media with a rigorous methodological approach, based on market research and data analysis.
The agency uses this as a starting point to define clear strategies for implementing effective marketing plans and integrated communications that produce measurable results.
The agency focuses primarily on the following activities: strategic consulting, representation, public relations, digital PR and consumer engagement, social media monitoring and management.

Founded in 2007, **Pangaea Network** is an international organization - of which AIGO is a founding member – comprising 8 independent agencies specialising in the tourism sector, that provide their customers with access to global and local resources that can support them in their communications services and in developing new markets.
The network currently covers 15 markets: Latin America, Austria, Australia, France, Germany, Ireland, Italy, The Netherlands, Portugal, United Kingdom, Czech Republic and Eastern Europe, Scandinavia, Spain and Switzerland.

The study

Pangaea Observatory is a research laboratory which polls tourism industry professionals on the trends shaping the travel sector.

The aim of this study is to look at the current and future role of tourism intermediaries, as well as the spread of digital and mobile technology.

After the first edition in 2011, the survey was carried out a second time in the last quarter of 2015 across five European countries: France, Germany, Italy, Spain and the United Kingdom.

AIGO

global communication experts

HILLS BALFOUR

indigo CONSULTING

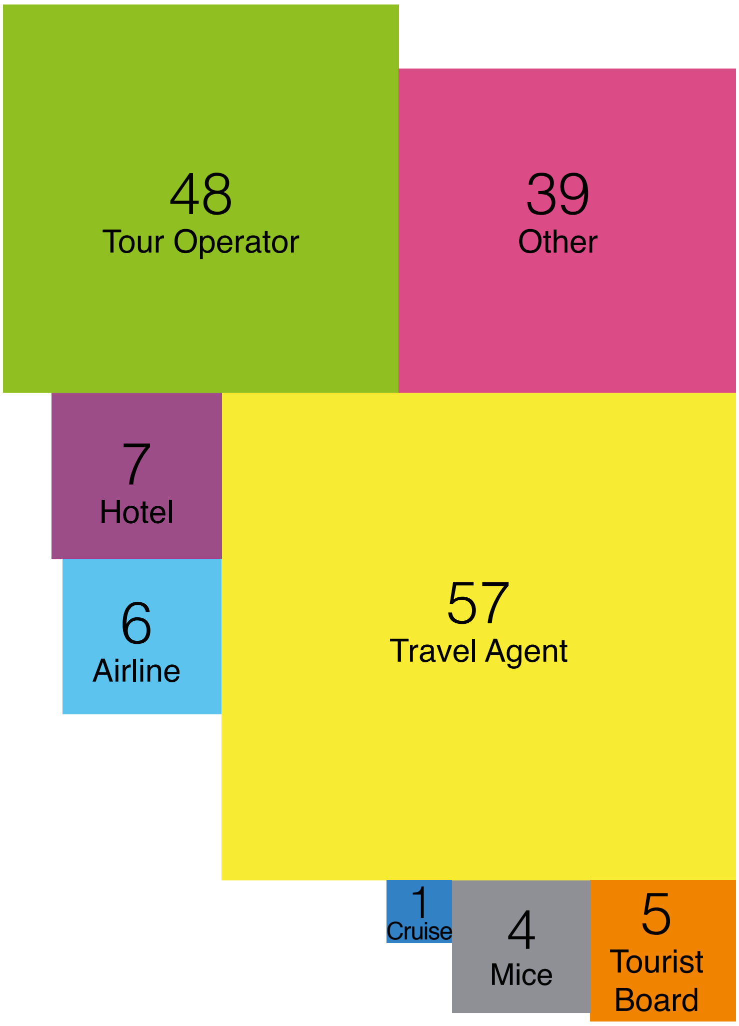
the blueroom project

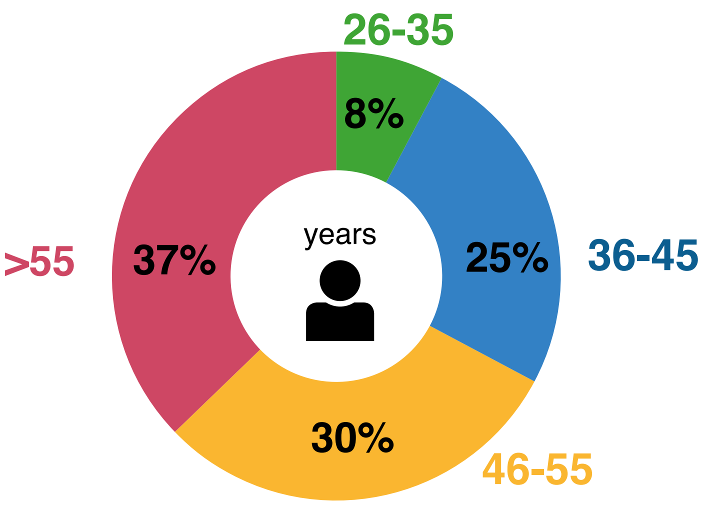
THE FUTURE
OF TRAVEL DISTRIBUTION

01 *THE PANEL*

The panel was composed of 167 travel industry workers, mostly (67%) aged between 46 and 55.

105 of those interviewed were travel agents or tour operators (62% of the total number surveyed).





SCENARIO

02 THE ROLE OF TOUR OPERATOR AND TRAVEL AGENCY

Fifty per cent of those interviewed think that travel intermediaries have a key role to play within the travel and tourism industry.

The other half is divided, with 24% believing that their role is becoming less important, and 26% who think that customers prefer to book their travel directly without intermediation.

Spain (67%), the UK (65%) and Germany (60%) are in line with the European response.

The majority of Italians (40%) think that the role of travel intermediaries is becoming less relevant and most respondents in France (43%) believe customers would prefer to book directly.

Still have a key role in the travel industry?

YES 50%

NO 26%
(direct bookings are preferred)

LESS IMPORTANT 24%

02/A
TREND ANALYSIS: 2015 vs 2011

Trust in tour operators and travel agencies has fallen by 12 percentage points (62% of respondents in 2011 felt their role was relevant, compared to 50% today).

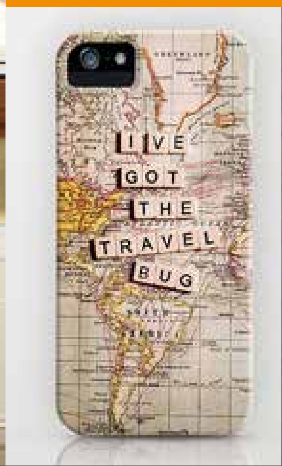
The number of those who think that the role of intermediaries is becoming less important has increased (from 12% in 2011 to 24%).

The number of respondents who think that customers would like to see the booking process made more simple has remained stable at 26%.

Trust TO & TA

TO & TA role is getting less important

Direct bookings



03 *MARKET SHARE*

In order to gain a better understanding of the factors that make the intermediation process successful, we asked travel professionals which factors they consider crucial in making a successful sale, according to their experience.

France (43%) and Germany (40%) put customer care in first place. The UK bet on the brand (25%) as well as on the product (25%). Also the majority of Italians (46%) and Spanish people (33%) put the quality of the product in top position, followed by added value in Italy (19%) and customer care in Spain (16%).

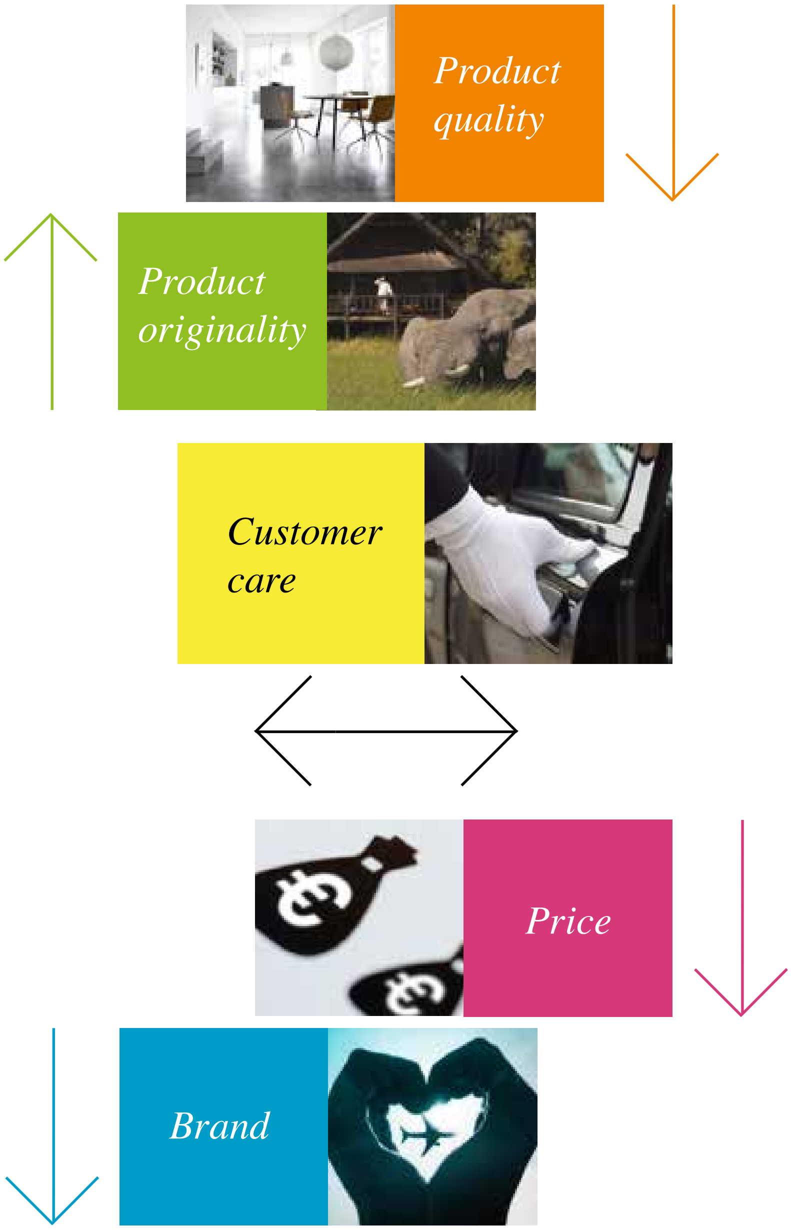
03/A

TREND ANALYSIS: 2015 vs 2011

European perception remains almost stable: for the travel trade the product is the primary element for success, even if has decreased by 2 percentage points (35% of respondents in 2015 compared to 37% in 2011).

Customer care is still in second place (26% of respondents in 2015 compared to 28% in 2011).

The product price as an element for success loses importance, with 10% of respondents citing price compared to 13% in 2011; the same goes for product brand, which drops to 13% from 18% in 2011.



04 *MARKET CHALLENGES*

In order to identify the areas that travel professionals need to focus on, we asked the interviewees to tell us which key factors, in their opinion, could overcome future market challenges.

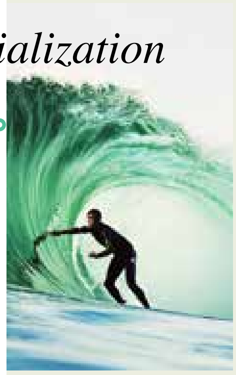
The majority of respondents (37%) cite customer care as the service to focus on. Specialising in a niche market comes next (35%), followed by online engagement with consumers (19%).

France (85%) and Italy (43%) would focus on improving customer care.
Spain (70%) and Germany (45%) believe that specialising in niche products would be more effective.

The majority of UK respondents (27%) would focus on online customer engagement.

37% *Customer care*

Specialization 35%



19% *Customer engagement through online*

6% *Lower prices*

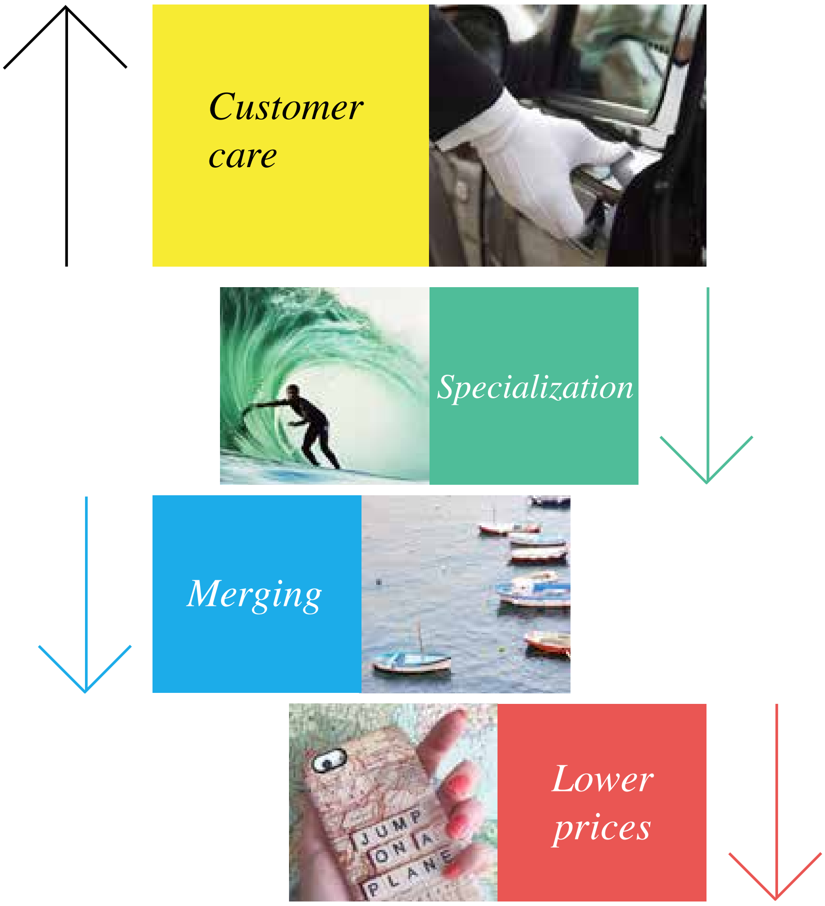
3% *Merging with other networks*

04/A

TREND ANALYSIS: 2015 vs 2011

Specialisation in niche products falls by 1 percentage point compared to 2011 (35% compared to 36%), and has been overtaken by customer care (36% compared to 30% in 2011).

Professionals are increasingly losing confidence in mergers and acquisitions (3% compared to 15% in 2011).
The same applies to the price of travel: travel agents and tour operators seem increasingly less inclined to lowering prices in order to overcome future market challenges (6% compared to 12% in 2011).



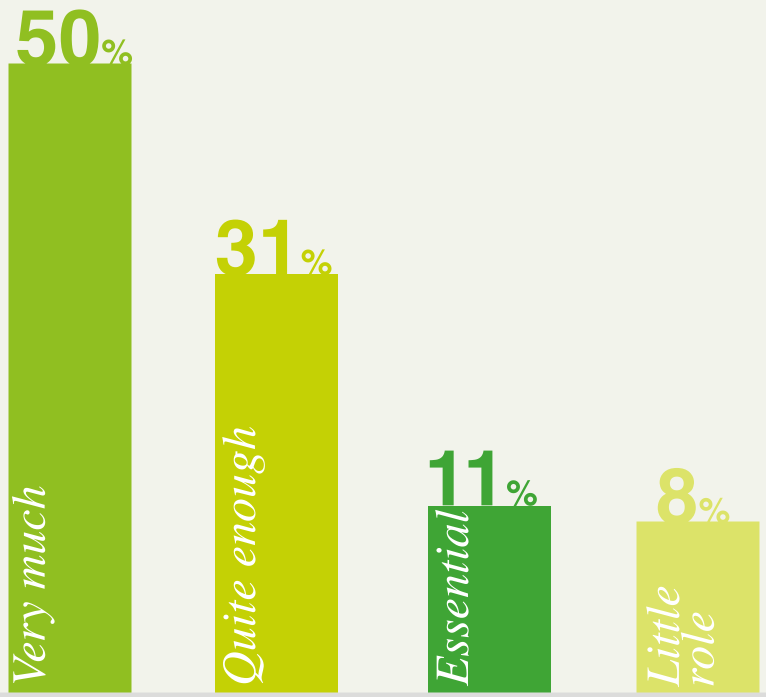
05 *MOBILE PENETRATION*

50% of those interviewed feel that mobile technology today very much influences the travel distribution process.

31% feel that online technology has a 'quite enough' influence.

11% of respondents feel that mobile and online technology are 'essential'.

8% think that mobile technology plays a 'little role' in the travel and tourism industry.



The only market in which 'quite enough' is the predominant answer is Spain (42% of the sample interviewed).
The UK (21%) and Italy (16%) are the two countries with the highest number of those who replied 'essential'.
In contrast, none of the respondents in France think mobile technology is essential for the travel and tourism sector.

THE SALE

06 *CUSTOMER'S CHOICE*

Do trade professionals still influence customers' choices?

The answer given by European respondents is unanimous: customers trust the professionals when it comes to choosing their travel destination or product (85%).
11% of the panel disagree.
4% do not know how to answer this question.

Can trade professional still influence the customer's choice?

85% → YES

11% → NO

4% → DON'T KNOW

07 *REASONS FOR TRAVELLING*

The intrinsic characteristics of the destination, such as political climate and safety (18%) and accessibility (11%) are considered essential conditions for selling the product.

Price (15%), availability of online information (13%), word of mouth (12%), travel experience (12%) and promotional activities (11%) are also considered important.

Trends (8%) are something that customers might take into consideration, but do not affect sales.

All the European markets surveyed are in agreement with one another in this respect.

The 2011 data analysed are in line with the above findings, with the exception of destination accessibility, which increases from 2% to 11%.

Essential

Political climate and safety
18%

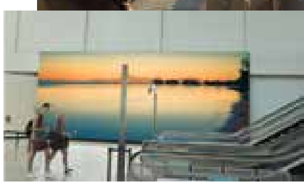
Accessibility
11%

Important but not primary

Price 15%

13% *Info available on the web*

Word of mouth 12%

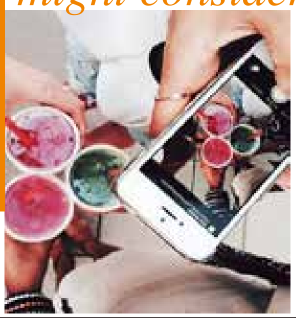


12% *Travel experience*

Advertising 11%

Something the customer might consider

Trends
8%

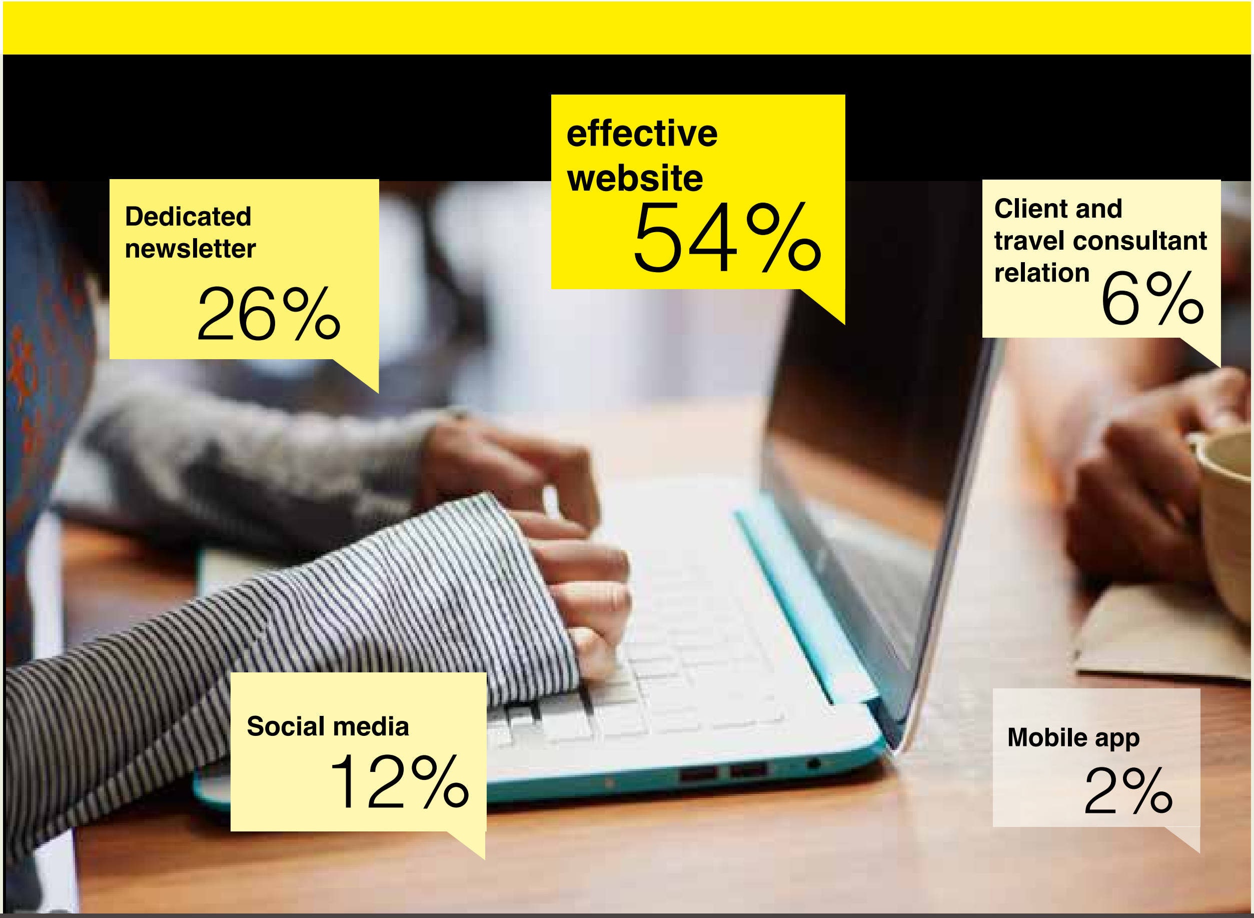


08 *MOST EFFECTIVE SELLING TOOLS*

According to 54% of respondents, a well-structured website is the best way to promote sales.
26% find newsletters to be effective.
12% think that social media profiles are helpful.
2% cite mobile apps as the best tools to bolster sales.

Finally, 6% believe that relations with customers rather than specific tools is the factor that has the most impact on sales.

As a countertrend, the majority of French professionals (67%) find newsletters to be the most beneficial tool. The British and the Italians (both 17%) find social media profiles to be the most effective.



09 *ONLINE BOOKING ENGINES*

We asked travel professionals if they think their customers are happy to book their travel through online booking engines providing secure payment systems.

66% of those interviewed say that customers are willing to book and pay online.
On the other hand, 18% say that customers are reluctant to complete their booking online.
16% do not know how to answer this question.

The responses of the individual markets are consistent with the general response, the exception being Spain, where 29% of trade professionals do not think their customers are happy to book and pay online.

Do you think your customer is inclined to book online?

66% → YES

18% → NO

16% → DON'T KNOW



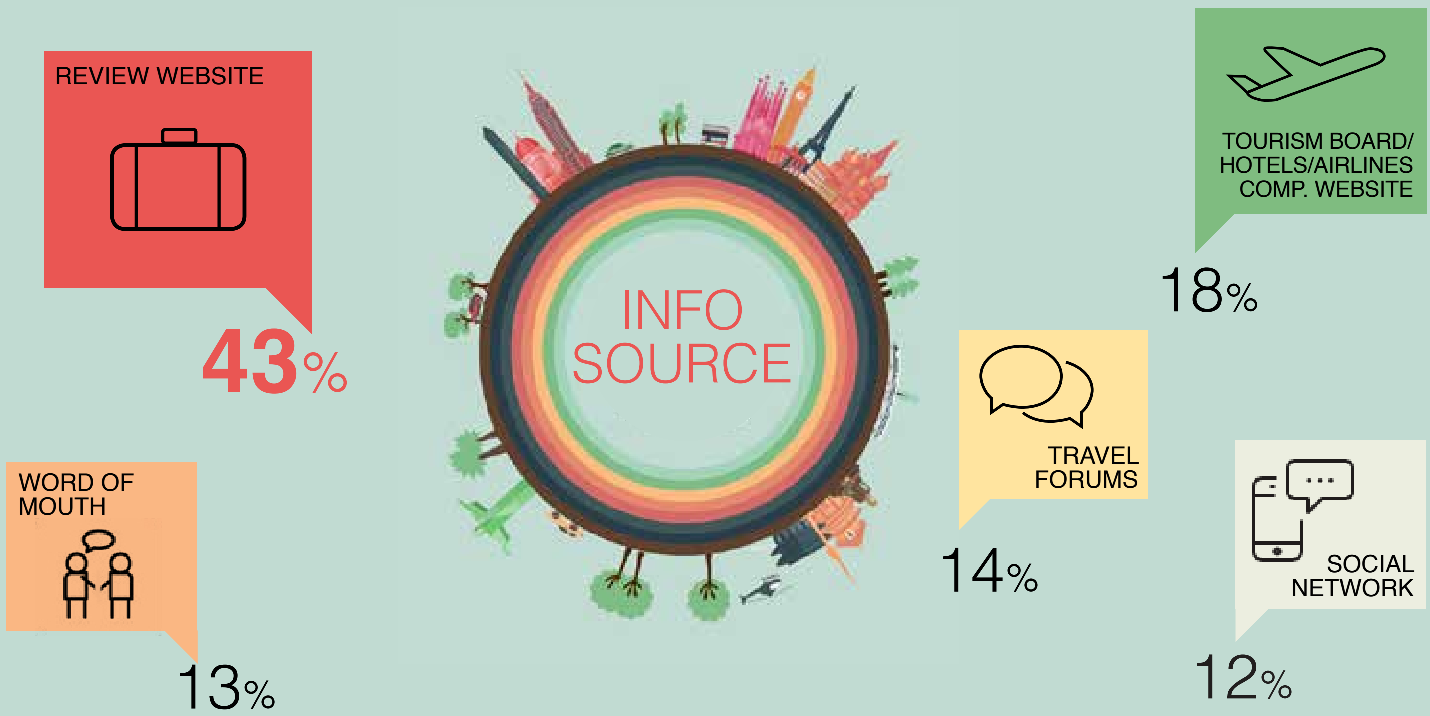
10 *INFORMATION AND SOURCES*

In 2011, we asked travel professionals for their opinions on the use of the Internet in the travel sector. 8 out of 10 declared that the Internet had brought significant changes, becoming the primary source of information. As a result, it has become easier to make direct bookings, forcing professionals to reduce their margins or focus on specialising, in order to maintain their market positions.

In 2015 we explore the subject further in order to gain an understanding of which sources are most consulted by travellers.

43% of respondents state that customers mainly consult review websites.
18% cite product/brand websites as the most widespread sources of information.
Travel forums and social networks account for the preferences of customers cited by 14% and 12% of interviewees respectively, while 13% believe that most people turn to family and friends for advice (word of mouth).

33% of French travellers favour social networks and listening to advice from friends and relations.
41% of Spanish people are inspired by travel forums, as are 19% of Germans.
The Italian and British markets are in line with the European response.



FORECAST

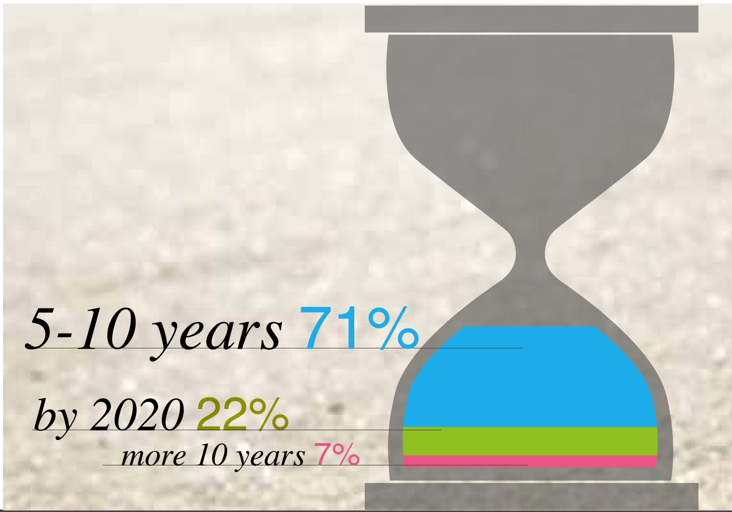
11 *A FUTURE WITHOUT INTERMEDIATION?*

The answer is clear: 75% of respondents believe that tour operators and travel agents will continue to play an intermediary role.

The remaining 25% can, however, envisage a future without intermediaries.

Within this group, 71% think that this will become a reality in the next five-ten years, with 22% believing that this will occur before 2020.
7% predict that it will take more than 10 years for the role of travel intermediaries to disappear.

In 2011, 77% felt that intermediation would still have a role to play in the future, while 23% took the opposite view.
The mind-set has remained substantially unchanged since then.



12 *HOW WILL DISTRIBUTORS BE ORGANISED?*

Some possible scenarios for the future

Intermediaries will only be present online

By specialisation, focussing on a specific market niches

Multi-channel distribution will become essential for gaining market shares

A consolidation process will be necessary in order to survive

13 *CONSIDERATIONS*

Lastly, we asked travel professionals to provide their spontaneous thoughts on the future of distribution. The most common answers are given below.

“Technology, competence and flexibility are the key ingredients for success”

“Customers feel safer when the contact person is not only virtual. Intermediaries are a guarantee for customers”

“The role played by professionals with the ability to understand customers’ needs will continue to exist in the future”

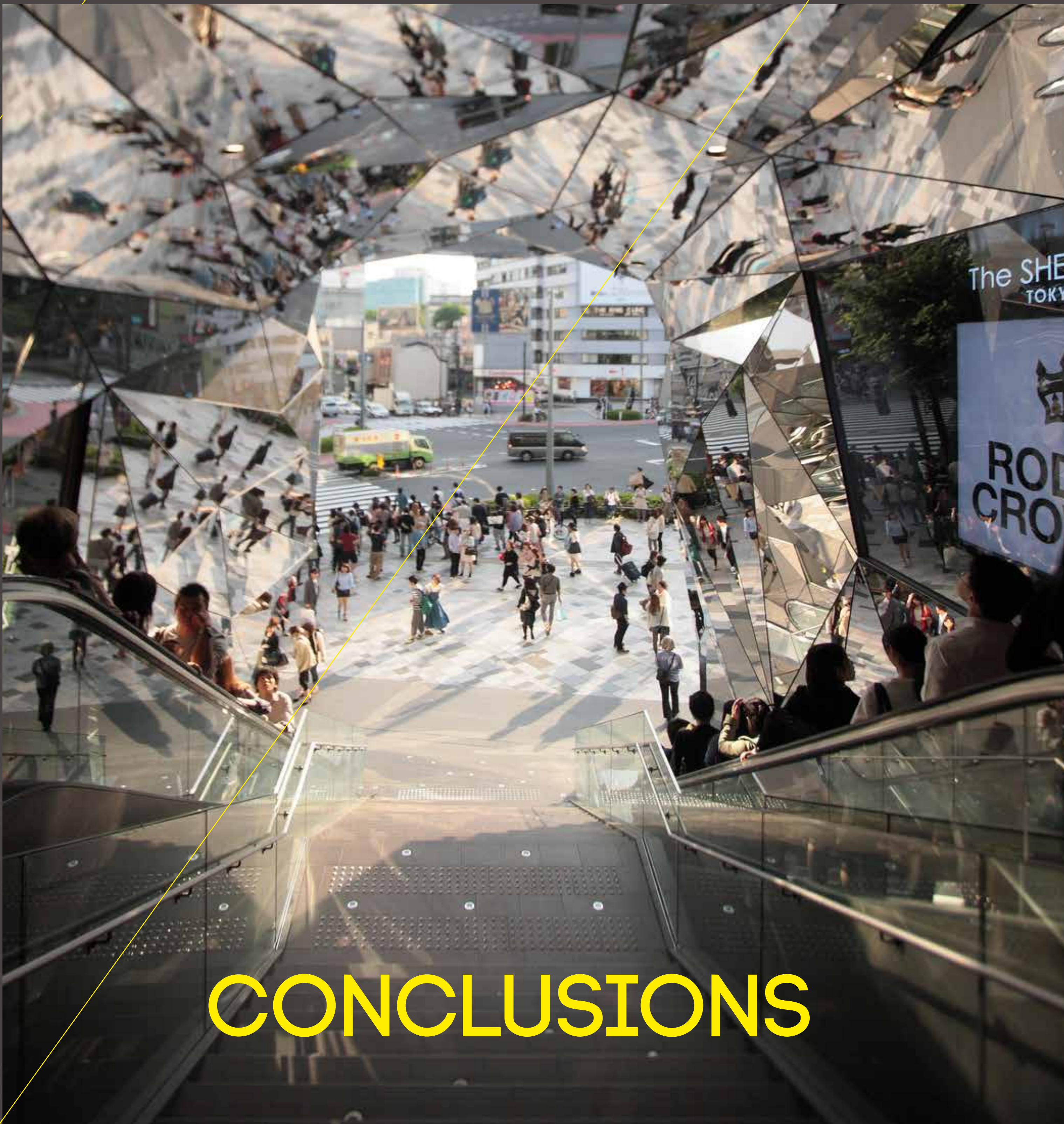
“Online travel agencies, tour operators and incoming agencies will be the key players in the future”

“Disintermediation ensures the best prices. Airlines’ websites will become hubs for booking travel. “







CONCLUSIONS

14 *CONCLUSIONS*


- The role of intermediaries is becoming less important, despite professionals considering themselves to be reliable, trustworthy sources for customers.
- Customer care is a key factor nowadays and will continue to be so in the future.
- Socio-political climate and safety are the aspects most taken into consideration when choosing a destination, followed by accessibility.

- Mobile technology much influences travel distribution.
- The most effective sales tool is the website. The majority of customers are happy to book and pay through online websites and booking engines providing secure payment systems.


- Review websites are the preferred online source of information among travellers.
- Most professionals cannot envisage a future without intermediation.
- Future challenges will be overcome by those who focus on technology, competence and flexibility in their work, becoming experts capable of satisfying customers' needs, creating unique travel experiences and reaching potential customers via a multichannel distribution.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Produced by

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