

The Challenges faced by Travel Agents due to Price Transparency in the Travel Industry (reference to the Pune City).

Dr. Anita Moodliar¹ and Mr. Devesh Janvekar^{2*}

¹Principal, Maharashtra State Institute of Hotel Management & Catering Technology, Pune

²Student, M. HMCT (Masters in Hotel Management & Catering Technology), MSIHMCT, Pune.

Abstract

India, one of the developing countries, is observing a lot of demand for outbound travel in recent years. It is attracting a lot of tourists majoring from the mid-income segments and they are also preferring the unexplored destinations. The travel agents and tour operators are in a continuous search and promotion of such unexplored destinations. The traveller of today is well-versed and has prior knowledge regarding tourism products and they are smart enough in comparing the prices by various tools due to abundance use of the internet. Online-Travel agents, Apps, Websites, Social Media platforms enable an individual to do the price analysis of individual travel components and services offered by the third parties. High usage of the internet has impacted on the margins or mark-ups, commissions of hotels, airlines, even on the local transport and accommodation services. This is termed as Price Transparency where the prices are open for all, irrespective of the status of the person (i.e. wholesaler, retailer or the end-user) using or consuming the products or services. Hence the price transparency enables the customers to efficiently search, compare and book their travel plans also they can calculate the mark-ups, commissions which the travel agents or tour operators are charging and can bargain for it. This is resulting in cutthroat competition for the wholesalers & retailers in the market. Hence getting the contracted or discounted rates for various components at the tourist destination has become crucial for travel agents, tour operators as well as the b2b sector in the travel industry. They are losing the business due to very less margin and raising the intense competition in the industry. Though the positive aspect of price transparency is that the customers can compare more substitutes offering the same services at lower prices.

Keywords: Price transparency, travel agent, online travel agents (OTAs), competition

1. Introduction

1.1. Travel Agent

A travel agent is a person who assists tourists in planning, selecting & organising their tour to a destination. For this, he should have a thorough knowledge of the destination, transportation, accommodation and other tourism related facilities. The travel agent generally bridges the gap between product or service manufacturer/provider and its consumer and receives a commission. A travel agent is an owner or a manager of the firm commonly known as a travel agency. A travel agency is a firm or a corporation or an organisation which has a representative office where travel related products or services are assembled and sold to its ultimate customers i.e. tourists. It is one of the most important facets of the tourism industry as it contributes a larger stake in the country's

* Corresponding Author

economy by promoting and selling tourism products and services. Hence, it is also known as the 'image builder' of the country.

A travel agent performs a wide range of functions to fulfil the demand of its customers. They do not just plan and organise the tour for its customers but even they advise their clientele on where to go, local attractions, events, traditions, adventures, and so on. Apart from its basic functions, travel agents also perform following tasks in an event to satisfy the needs and demands of the tourists:

- They provide essential travel information to their customers. An accurate and timely information about the customers' journey, destinations, attractions, passport, VISA and other procedures such as immigration, customs clearance, travel and health insurance, etc. must be provided by the travel agent.
- Travel agent is also responsible for booking the airline tickets as well as the accommodation on behalf of the tourists. Service providers such as airline companies and hotels pay off good commission to the travel agents on the basis of business given.
- They also assemble or club various individual tourism products and services into one product commonly known as tour package. While assembling the tour package, travel agents must give emphasis on the leisure activities and needs and demands of the tourists. Traditional norms and customs of the tourist's religion must also be kept in mind while formulating such packages.
- They also help the tourists to avail currency exchange facilities. There is a government body who approves travel agencies as an authorised organisation to provide currency exchange facilities to the tourists. It helps the tourists to transact in foreign country without any hassle.

Role of travel agents in country's economy -

- Promote the tourism business in the market.
- Create employment in the society.
- Creation of budget for the organisation.
- Attract local capital along with the foreign capital.
- Provide business to the allied industries such as airline, hotel, IT, commerce, etc.

1.2. Indian Tourism Overview

India is one in all the highest countries that has several tourist attractions that might be natural or man-made. Also, the tourism business in India is contributing a major stake to the country's economy and its growing space. "Unity in Diversity" is the key feature of India that continuously fascinates foreign nationals in addition to its residents to discover varied ethnicities and conducts that it has to offer to the world. In the year 2018, The World Travel & Tourism Council calculated the revenue generated by the tourism industry in India ₹16.91 lakh crore which was then equivalent to the US \$240 billion and contributed to India's 9.2% GDP. It supported 42.673 million jobs which are 8.1% of its total employment. The tourism sector in India is expected to grow at an annual rate of 6.9% to 32.05 lakh crore by 2028 contributing to the nation's GDP to 9.9%. Several reports also present the growing rate of inbound tourism in India, medical tourism is playing a vital role in it. Globally, the capital city of India, Delhi is ranked 11th for the foreign tourist visits, followed by Mumbai 14th, Agra 26th, Chennai 36th, Jaipur 39th, Kolkata 76th, and Bangalore 100th according to the Euromonitor's report in the year 2019. Pune is ranked 91st according to Mastercard's Report 2018.

1.3. Pricing in Tourism Industry

Pricing is one of the most vital factors within the tourism business mix. Tourists rate the product by its price and without which there is no guideline of quality. Determination of Price to particular product or service is thus indispensable for the success of the

tourism establishment, because it has a remarkable effect on demand and turnover. Price usually reflects an indication of quality. The "right" price must satisfy both the tourists and meet the end objective, that is profit, of the tourist firm. Perception of tourists carries the ultimate significance in the various decisions made by tourists - the selection of a destination, the consumption of commodities whereas on vacation, and also the decision to come back. Tourists are experienced travellers, older and very price sensible. It is essential in influencing travel behaviour. To sustain in such a competitive climate, the tourist product or service should be perceived as of a high quality which is similar or higher to different competitors, and its price should be perceived as irresistible. Hence, the facts on tourists' opinions of cost and benefit plays in tourist behaviour is of the highest importance.

1.4. Concept of Price Transparency

Price transparency is that ability to recognise all of the bid costs, ask prices, and merchandising quantities for a given stock, good, or service at a given time. In the economy, price transparency promotes competition. In the tourism industry, for instance, tourists usually have no or little idea of what a particular tourist product or service really costs, keeping them almost in the dark and no power to negotiate for higher prices. If tourists don't seem to be able to negotiate for prices or research effectively, competition is suppressed. Knowing what everybody else is bidding, asking, and trading helps identify the real supply and demand for a security, good, or service that is, its true worth. Once this data is untouchable or unavailable, the market is by definition less economical.

1.5. Objectives

1. To study the impacts of price transparency on the tourism industry.
2. To understand favourable and unfavourable aspects of price transparency to travel agents.
3. To study various factors which influence price transparency (such as the internet, social media, etc.).

1.6. Hypotheses

1. Price transparency has an impact on the travel industry.
2. Prices, internet and social media influences the travel plans of the tourists.

1.7. Significance of the study

Price Transparency is a term used where the prices are open to all. This means that any individual in the market can access the price of a certain commodity, service or so. Such easily accessible prices create intense competition in the market. Also, the Online Distribution Channels discloses such pricing on their websites which makes customers easy to compare between the service provider or manufacturer. Today, in the tourism industry, the price of any tourism product or service is available on the internet. The customers of the tourism industry, commonly known as tourists, are aware of prices. Hence, the business of the travel agents is suffering and they have to face such immense competition created in the market, just because of Price Transparency. There are some advantages of Price Transparency if we look at it from the customers' point of view and even from the travel agents' perspective. But its disadvantages make the travel agents lower its margin of gain and even some of the times to lose the business.

My main objective of this research is to identify the impact of price transparency on the business of the travel agents. The key elements to be explored from this research activity are the concept of Price Transparency, the role of it in the tourism industry,

advantages & disadvantages of the price transparency to the travel agents, the key factors which influence price transparency. Also, provide them (the travel agents) with the solution to this problem.

1.8. Scope & Limitations of study

This study pertains to the impact of price transparency and due to which the various challenges or obstacles travel agents are facing in the tourism industry. The researcher has made sincere efforts to find out the impact of price transparency on the business of the travel agent. Also, the factors which influence price transparency are identified in this research activity. The study presents the advantages as well as the disadvantages of Price Transparency.

The participants of this research were the travel agents in the vicinity of Pune City. The total sample of 20 questionnaires was designed for the travel agents and 16 responses are recorded by personally visiting their offices as well as through an email, which becomes 80% of the total sample. Thus, the responses can be considered as reliable. The study is limited to the travel agents in the vicinity of Pune city and does not have any relevance to any other location elsewhere. Also, the timeframe for the research activity is limited to the period of August 2019 to November 2019, hence the findings of this research may not apply to any other period even in the same area and same travel agents of the research activity.

1.9. Research Methodology Adopted

The present study is an Applied Research. The targeted audience for this research is the travel agents which are facing the challenges due to price transparency. Method used for sampling is purposive and judgemental. The methodology used for the research for this paper includes Primary and Secondary data. Primary data is collected through a structured questionnaire about the price transparency and its impact on the business of travel agents. Secondary data was collected by reading available material on the internet from online journals, websites and articles.

2. Literature Review

- In his research paper (2006), "Price Transparency on the Internet Requirements of revenue management for the development of an online strategy in the hospitality industry" Dr. Egger has stated that the rapid growth of information and communication technology has greatly impacted on the tourism industry. Through these distribution channels, customers can access a wide range of information about tourism products. This results in hard-fought competition in the tourism market and price transparency play a vital role in it.
- Li Miao & Anna Mattila have mentioned in their research paper (July 2006), "*How & How much to reveal? The effects of Price Transparency on the consumers' price perception*" a large amount of data available on the internet makes it a bit confusing for the consumers to make an optimal decision. Also, the marketers purposely reveal or hide information from the consumer in an attempt to manipulate the choice of the consumer. These practices influence the price evaluation and perception of consumers in the market.
- In February 2008, The Economic Times published an article written by Nandita da Cunha, "International Tour Package is Opaque" in which the author mentioned that tour package demand has increased in the last few years due to reduced cost, convenience, and customisation. The tour operators in the country are observing the price transparency in their operations or encounters with the consumers and results in creating a brand value in the minds of the consumers. She also mentioned in the article

that the new age customers are interested in the straight offers rather than virtual discounts in which the price is impossible to evaluate.

- According to the ACM (Authority of Consumers & Markets), Netherlands, 2013 report many businesses in the travel industry along with its processes have become more transparent to the consumers. ACM is also keeping a close observation on the businesses in the travel industry those who add costs at the total price late in the booking and assures the consumers that firm action will be taken against such practices as it reduces the transparency in the market.
- Shanon Lee in May 2014, stated in the blog on HIT Consultant, "*Medical Tourism Close to Home: Price Transparency is key*" that in the 20th century, the medical tourism can witness a shift from developing country's patients travelling to developed countries to completely opposite such as patients from the USA are travelling to the Asian countries to receive treatment as the cost of treatment and the quality is as same as developed countries but the cost in developing countries is much lesser than their own country.
- Christopher Elliott defines price transparency as '*price you see is the price you pay*'. He further quoted in his newspaper article on 25th September 2016 in USA Today newspaper that while booking an airline seat the prices are not transparent. He had stated that 71% of travellers, according to TripAdvisor's survey, get annoyed by baggage fees and seat selection fees, which otherwise included in the airfare.
- Alisa Voitika stated in her blog (2018), "Price Transparency: why hotels need to become choice architects" that price-savvy generation of customers is the result of the internet which provides them with a lot of data. When it comes to the service industry, where two identical or the same services or products are being offered, price plays a crucial role in the purchase decision. And hence, whether it's a hotel or a travel agency, selling their products and services to the most price-sensitive audience, price transparency plays a key role.
- 'Indulge in Price Transparency – Don't drive the medical tourists away!' (October, 2018) a blog written by Mr. Pradipta Das on Placid Solution's website, in which he mentioned the sense of interpretation of price transparency for both, the service provider and the consumer will be different. When it comes to the consumers it includes the cost of service and other costs which are associated with the product or service, and also that are essential to perform service's characteristic functions. While to the provider it means the covering of all the total cost of sales and a percentage of gain to the cost of sales. The consumers (i.e. patients) on the medical trip are not interested in searching for the best alternatives, what they need is just a comfortable stay, treatment, and transportation facility at the best possible price.

3. Data Analysis

As this is the quantitative research activity, the primary data or first-hand data is collected using structured questionnaires to the travel agents. The questionnaire was designed using Google Forms and were circulated to the travel agents through an email and some of the responses were collected by visiting the travel agents' office in-person.

In their responses, most of the travel agents have agreed that the Price Transparency has impacted on the business in recent years and this is one of the important aspects which creates an intense competition in the market (refer **Figure 1**). Also, the impact on the business is not so favourable for the travel agents as it gives rise to the online distribution channels and DIY (do-it-yourself) approach.

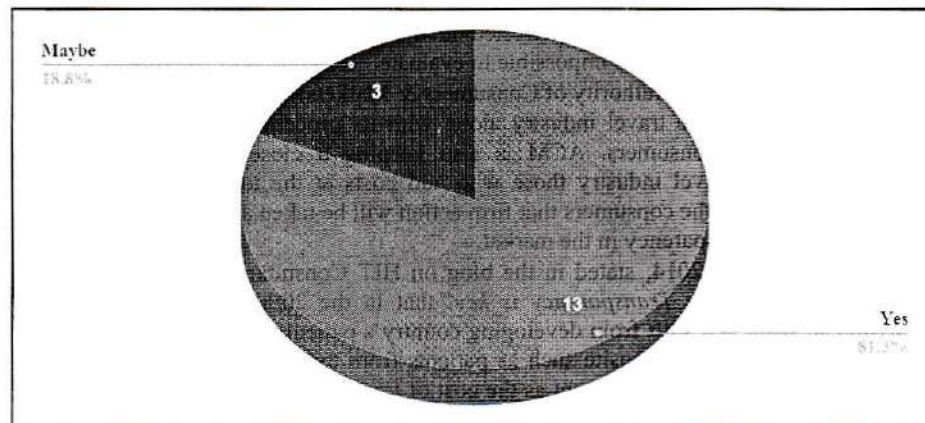


Figure 1. Intense Competition

When the question was asked to the travel agents that which are those factors that influence the costing of packaged tours, 69% of the respondents have mentioned Online Travel Agent's pricing greatly affects the costing (Figure 2). Also 62% of the population stated the availability of prices of individual tourism components influences the costing of packaged tours. 31% stated that above two variables along with seasonal discounts and government policies affects the pricing of such tours.

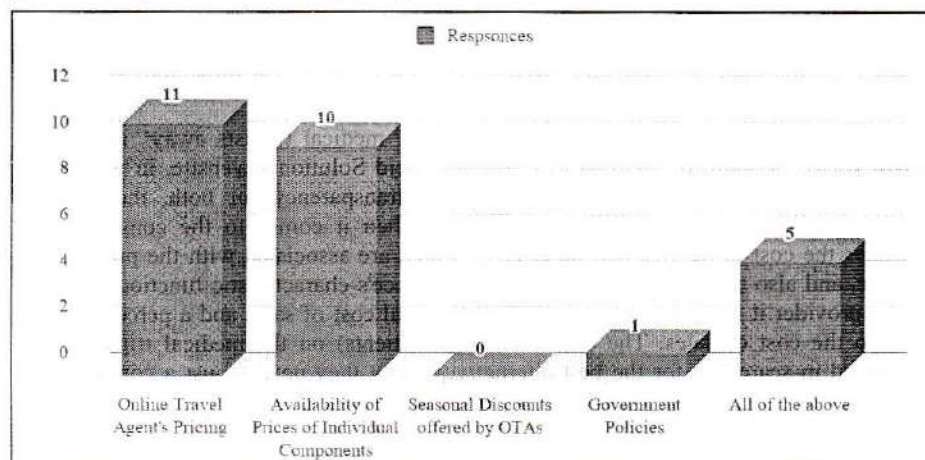


Figure 2. Factors influencing costing of Packaged Tours

Let's discuss now the advantages of price transparency to the travel agents (refer Figure 3). Major group of the population have voted that price transparency builds knowledge about the prices and costs offered by various competitors and hence can revise the pricing strategies. It also aids in decision-making. 7 respondents mentioned that it not only builds knowledge and decision making but also reduces uncertainty & emphasises value by providing their clientele an experience of transparent prices, the travel agents are creating brand value in the minds of the consumer.

Coming to the darker part of the price transparency i.e. the disadvantages (Figure 4) of it, 88% of the population have strongly agreed that the biggest disadvantage of the price transparency is it affects the rate of conversion which means the conversion rate of an enquiry into the business. Many of the respondents have also stated that it reduces net profit margins. As the key characteristic of price transparency, the prices are open to all,

this enables the customers to bargain for prices. Also, 62% of the total sample have responded for the Lack of uniqueness in the pricing because the competition in the market has become intense that there is no unique point of value which differentiates it from other competitors. Only 44% votes for the common bid-pricing, as mentioned earlier, if there is no differentiating factor then the prices of such tourism product and services will not be different, which resulted in same or similar pricing strategy.

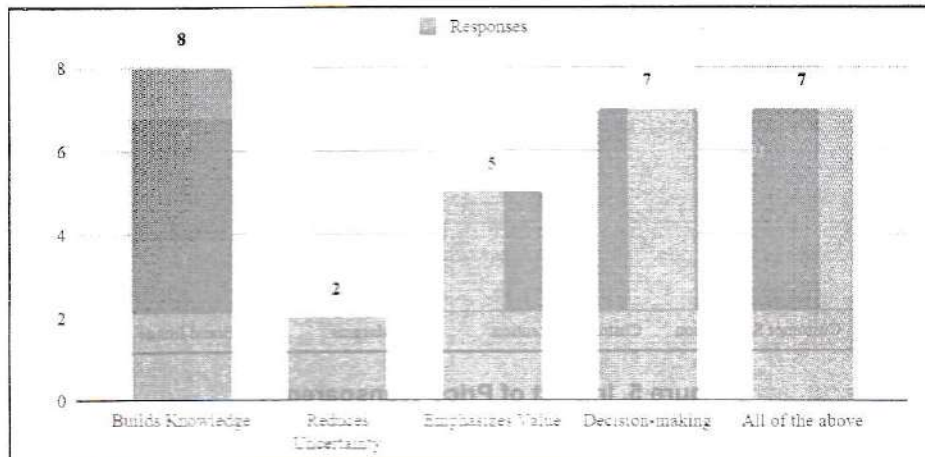


Figure 3. Advantages of Price Transparency to Travel Agents

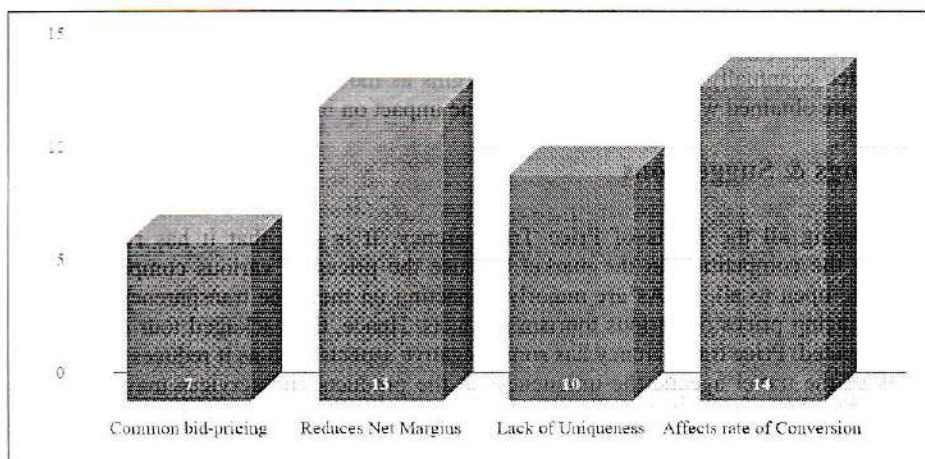


Figure 4. Disadvantages of Price Transparency to Travel Agents

The most influential factor of price transparency is the Online Travel Agents as all the travel agents have voted for it. Followed by the prices that are open on the social media platforms greatly influences the price transparency. The internet, E-WoM (electronic word-of-mouth) and offline advertisements such as newspaper, magazines, pamphlets and hoardings are also contributor to the price transparency. Out of these five influential factors, four are supported by internet i.e. online travel agents, social media, E-WoM and internet itself. The three concepts are widely used and known. But E-WoM is relatively new concept. Electronic Word-of-Mouth is a concept where people talk to each other using electronic devices such as smartphones, computers, tablets, etc. The messenger applications are the medium of such E-WoM activities. People promote or demote the

products, services, or even firms while chatting with others. It is very effective way of communication and spreads like a grapevine.

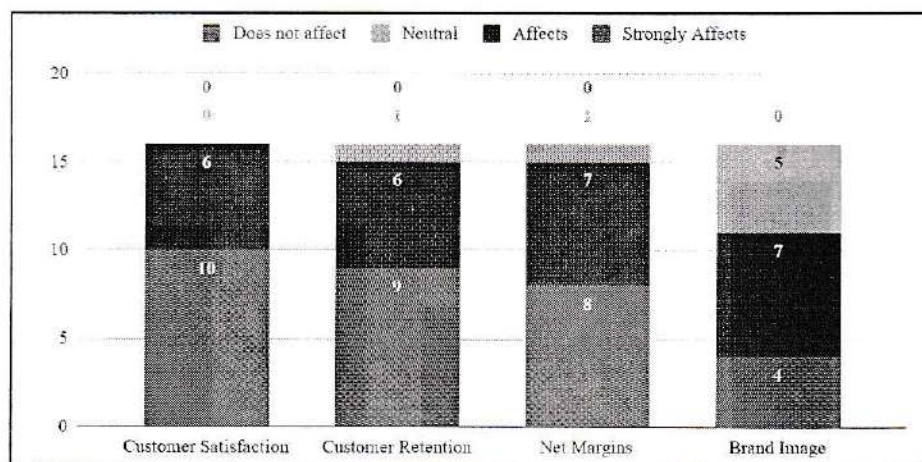


Figure 5. Impact of Price Transparency

The major impacts of the price transparency are: reduced customer satisfaction, customer retention, net margins are lowered and brand image is affected (**Figure 5**). Almost 63% of the population of this research has stated that customer satisfaction levels are greatly impacted due to price transparency. 56% voted for customer retention as it is the most difficult event or situation to retain the potential customers to the organisation. Net profit margins get hampered due to price transparency as customers bargain for lower prices which eventually reduces the profit margins as most of the costs are fixed. Very few votes are obtained who strongly agree for the impact on brand image.

4. Findings & Suggestions

Considering all the facets of Price Transparency, it is sure that it has resulted in increasing the competition in the market because the prices of various components of tourism are open to all. OTAs are majorly impacting on the price transparency and are also influencing prices of various tourism products. Hence, the packaged tour costing is getting affected. Price transparency has some negative aspects such as it reduces net profit margins of the travel agents, the uniqueness in the products and services may also get affected. The biggest challenge for travel agents is that the rate of conversion of an enquiry into the business. Lower customer satisfaction levels and customer retention are some of the great impacts of the price transparency on the business of travel agents. The bright side of price transparency is, it aids the travel agent and his team to build knowledge of various pricing strategies that are used by the competitors in the tourism market. And also helps in decision making, creating value as well as in reducing uncertainty.

To sustain in such cut-throat competition, travel agents must create evidence of services which add value to the brand image of the company. Sales person appointed by the travel agent is the first point of contact in the organisation, and hence, he/she should be able to distinguish between the firm's own products and services from others in the market. And should not only confidently but effectively, too, convey these differentiation factors to the customer and convince him by applying all the possible selling skills. For this, the salesperson should have an up-to-date knowledge of the market conditions. He/she should be aware of various strategies and pricings of the competitors. Price Transparency should be perceived in the positive sense as there are many advantages of it.

It helps travel agents to be optimistic at all times in the operations while the management of such companies may anticipate the shift in demand more efficiently. Thus, improves decision-making.

5. Conclusion

After completing this study, the researcher has concluded as the price is the key factor in the tourism industry. Due to transparent pricing, the business of the travel agents is greatly affected. Though there are many advantages for booking through online distribution channels, such as OTAs, it is not profitable every time. Many-a-times, hidden charges, lack of clearly expressed terms & conditions make the tourists pay higher prices than what is initially showcased. Price transparency has definitely hit the market, but it helps the customer to be aware of actual prices and prevents it from being cheated or overcharged. In case of travel agents, price transparency has mixed impacts on the business. It makes the travel agent introduce new, unique and affordable pricing strategies for its customers which sometimes affects the net profit margins. Hence, '*hypothesis 1: Price Transparency has an impact on the travel industry*' has been proved.

In today's techno-savvy world, tourism is evolving with the introduction of new technology. The internet is the base of all the technological advancements. Today, the internet has become a crucial part of human life. Anything that a human wants to know about, he/she searches for, through an immense use of the internet. In the tourism industry, too, the internet has proved its significance. It is the internet which creates a want or a desire, through social media, to visit a particular destination in the mind of a tourist. This desire, if backed by economic conditions of an individual tourist, gets converted into the demand. These economic conditions are nothing but the cost of the tour. The cost of tour also known as price is searched by the tourist, again the use of internet and social media where the tourist will try to fetch up more information about the prices and destination. When the prices of a particular tourism product or service matches with the expectations, the customer is satisfied. Hence, '*hypothesis 2: Price, internet and social media influences the price transparency*' has been proved.

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