AN INVESTIGATION INTO THE RELATIONSHIP MARKETING
STRATEGIES APPLIED BY EASTERN CAPE BASED TRAVEL AGENTS

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In complete fulfillment of the requirements of the degree Magister Technologiae (Marketing) in the Faculty of Commerce and Governmental Studies at the Port Elizabeth Technikon

SUPERVISOR: Prof L Radder

November 2003
DECLARATION

I declare that this study is my own work and that all the sources referred to or quoted have been indicated and acknowledged by means of complete references.

I have not previously submitted this research study for a degree at any University or Technikon.

Gary Fisher

November 2003
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- Our Heavenly Father for mercy.

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EXECUTIVE SUMMARY

Relationship marketing has grown in importance. This growth affects all industries, including the tourism, hospitality and travel industry. Of particular importance is the bond of relationship marketing between suppliers (principals) and retailers (travel agents) in the distribution channel.

The research was undertaken to:

- determine whether Eastern Cape travel agents perceive relationship marketing as important;
- establish, what the key elements of relationship marketing strategies are, according to literature;
- determine what marketing strategies are currently applied by Eastern Cape travel agents;
- provide guidelines to Eastern Cape travel agents to implement or improve their relationship marketing strategies.

Fifty self-administered questionnaires were distributed to the entire population of travel agents in the Eastern Cape. A total of 30 travel agents responded.

The empirical findings showed that:

- Most Eastern Cape travel agents perceived relationship marketing as important;
- Travel agents realized the importance of the management of such relationship marketing strategies;
- Most travel agents were aware of or used retention strategies to enhance relationship marketing strategies;
- Travel agents realized that to survive relationship marketing should be part of their future planning;
- All respondents believed that to successfully implement relationship marketing, all staff, from front-line to top-management, need to be committed to the programme.
In conclusion, relationship marketing is growing in importance and all role players need to acknowledge and manage this trend. However, this research has shown that there is a paradigm shift as more travel agents are moving away from the traditional marketing to relationship marketing.

**KEY WORDS**:
- Distribution channel
- Hospitality industry
- Principals
- Relationship marketing
- Retention strategies
- Travel agents
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1.1 INTRODUCTION

Chapter 1 explains the reasons for the study, focusing on the significance of the research and outlines the objectives that need to be achieved. An overview of the research design and a review of relevant literature is also provided. The chapter is concluded with an outline of all successive chapters.

1.2 REASONS FOR THE STUDY

The travel, tourism and hospitality industry is broad and complex. This complexity is due to the dynamic nature of the industry. The industry is rapidly evolving, and all stakeholders in the industry such as principals (suppliers) and middlemen (travel agents) need to adapt accordingly. These stakeholders form a distribution channel for the customer. The study focuses on the travel agent as the middleman/intermediary.

Holloway and Robinson (1995) state that it is important to explore the relationship between travel agents and principals as this relationship affects the distribution issue. They add that these relationships should develop into
relationship marketing. This argument is in line with the work of Davidoff and Davidoff (1994) who maintain that the relationship between travel agency management and supplier management is critical when establishing or changing preferred supplier relationships.

Touminen, Rajala and Moller (2000) confirm that relationship marketing can be seen as a reciprocal, long-term relationship between two parties. These parties can be principal-customer, intermediary-customer or principal-intermediary. The focus of most research articles (Touminen, et al. 2000; Jay, 2001) is on principal-customer relationship. Very little research could be found on relationship marketing between principal and intermediary (Antia & Frazier, 2001). By focusing on relationship marketing between principal and intermediary, this research will therefore help to fill the void.

Relationship marketing is growing in importance (Kotler, Bowens & Makens 1999). Once managers have identified patrons who are likely to become loyal customers, they must identify ways of creating a relationship with these customers; a relationship that leads to customer loyalty. Relationship marketing therefore involves creating, maintaining, and enhancing strong relationships with customers.

An approach to building strong customer relationships is to add structural ties as well as financial and social benefits (Bennett, 1995). For example, airlines
developed reservation systems for travel agents. Frequent guests have special phone lines that they can call. The concept of relationship marketing has expanded to include all stakeholders, such as employees, customers, intermediaries and suppliers. Increasingly, marketing is moving away from a focus on individual transactions to a focus on building value-laden relationships and marketing networks (Cram, 1994). Given this importance, the following question arose:

“Do Eastern Cape travel agents have relationship marketing strategies in place and if so, what are the nature of these strategies?”

From this question the following related issues arose:

- What is relationship marketing and why is it important to travel agents?
- What, according to literature, are the elements of relationship marketing taking place between the principal and the travel agent?
- What are the reasons for travel agents’ involvement or lack of involvement in relationship marketing?
- What, according to literature, are the ideal relationship marketing strategies and how do these apply to travel agents?
- What guidelines can be offered to Eastern Cape travel agents to implement or improve their relationship marketing strategies?
1.3 SIGNIFICANCE OF THE RESEARCH

Based on the foregoing discussion, the planned research is important since:

- Relationship marketing is growing in stature and complexity throughout the business world.
- In order to succeed, travel agents should develop relationship marketing strategies with their principals, as this is growing in importance.
- Little research has been done focusing specifically on relationship marketing strategies between principals and travel agents.

The proposed research could lead to a refined understanding of the benefits of effective relationship marketing strategies. The research will also add to the body of knowledge on relationship marketing strategies between two organizations (rather than between an organization and the final consumer) in a service industry.

1.4 OBJECTIVES TO BE ACHIEVED

The objectives of this research were to:
examine the literature on relationship marketing and provide an understanding of the importance of such a relationship between principals and travel agents.

examine the literature on relationship marketing and identify the elements of relationship marketing that could take place between the principal and the travel agent.

identify by means of mailed questionnaires to Eastern Cape travel agents their involvement or lack of involvement in relationship marketing.

examine the literature on relationship marketing and identify the ideal marketing relationship strategies and how these could apply to travel agents.

propose guidelines to Eastern Cape travel agents to implement or improve their relationship marketing strategies.

1.5 RESEARCH DESIGN

In an attempt to address the objectives of the research, the following broad procedure was followed:

A literature study of books, journal articles and electronic sources aimed at providing a conceptual framework for the study. Examples of books include those by: Cram, (1994); Davidoff and Davidoff, (1994); Gummesson, (1999); Peck, Payne, Christopher and Clark, (1999); Sheth

- Mail questionnaires (APPENDIX B) addressed to all 50 travel agents located in the Eastern Cape with the purpose of determining their relationship marketing strategies. These mail surveys were also aimed at identifying any differences between the theory revealed by the literature study and current strategies in practice.

1.6 REVIEW OF RELATED LITERATURE

The content of database searches revealed that relationship marketing strategies are growing in importance. Relationship marketing can take place between the principal and customer, the principal and travel agent or between the travel agent and customer.

Considerable research dealing with the relationship between supplier and final consumer has been done (Peppers, Rogers & Dorf, 1999; Palmer & Mayer, 1996). Peppers, et al. (1999) state that relationship marketing could also be referred to as one-to-one marketing or customer-relationship management. This means being willing and able to change one’s behaviour toward an individual customer based on what the customer tells the firm and what the firm knows about the customer.
The mechanics of implementing relationship marketing are complex. It is one thing to train sales staff to be warm and attentive; it is quite another to train them to identify, track and interact with an individual customer and then reconfigure the product or service to meet that customer’s needs.

Palmer and Mayer (1996) reported that business managers have frequently been called upon to develop relationship marketing programmes with little guidance about what relationship marketing means or of the resulting benefits. To some, relationship marketing is little more than a tactical programme of database management, while to others it is an integral part of a customer care strategy which goes to the core of the marketing concept. It is tentatively concluded that although relationship marketing at the tactical level may be relatively easy to implement, much greater benefits may arise where relationship marketing has been interpreted as an underlying philosophy of caring for customers.

Very little research dealing with inter-organizational relationships has been documented. One study was found that focused exclusively on organization to organization relationships. Antia and Frazier (2001) focused on inter-organizational channel relationships using franchise operations. However, little was known about how channel members reacted to violations of explicit contracts. Therefore, the authors developed and tested an integrative
conceptual framework that focused on the severity of the enforcement response in channel relationships.

This prior study provides valuable insight into inter-organizational relationships; however, a need for further evaluation within the travel, tourism and hospitality industry is required, since a search of three databases (Nexus, Emerald and Sabinet) resulted in no research reporting on either inter-organizational marketing relationships or principal-final consumer relationships in the travel, tourism and hospitality industry.

1.7 CHAPTER OUTLINE

The dissertation comprises five chapters. Chapter 1 provides details on the reasons for the study, the significance of the research, the objectives to be achieved, the research design, the review of related research and the chapter outline.

Chapter 2 deals with a conceptual framework for relationship marketing, while chapter 3 deals with the ideal relationship marketing strategies which could be used in a principal-travel agent relationship.
Chapter 4 provides a detailed description of the methodology and the findings of the empirical study, while chapter 5 consists of the conclusions and recommendations.
A CONCEPTUAL FRAMEWORK FOR RELATIONSHIP MARKETING

CHAPTER 2

2.1 INTRODUCTION

In chapter 1 the emphasis was on the structure of the entire research project. Chapter 2 focuses on the theoretical aspects of relationship marketing. The objective was to formulate a conceptual framework for relationship marketing.

The conceptual framework is discussed under the following headings: the development of relationship marketing, managerial perspectives of relationship marketing, important elements of relationship marketing and an outline of relationship marketing in the travel industry. The chapter concludes with a summary outlining its essence.

2.2 THE DEVELOPMENT OF RELATIONSHIP MARKETING

The formal study of marketing has focused on evolving areas of concentration over the past few decades (Christopher, Payne & Ballantyne, 1991) as shown in Figure 2.1.
Figure 2.1  The evolution of relationship marketing

Source: Christopher, et al., 1991, p. 9
During the 1950s the main focus of marketing was on consumer goods. This focus shifted to industrial marketing in the 1960s and by the 1970s the emphasis was on nonprofit and societal marketing. In the 1980s the emphasis moved to service marketing and by the 1990s greater attention was given to relationship marketing.

The industrial and service marketing stages can be regarded as the foundation forming stages for relationship marketing, since the former was developed around interactive marketing and building interactive relationships, while the latter emphasized the importance of long-term relationships. These focal points are closely related to the key concepts of relationship marketing.

Since the early 1990s organizations were structured and managed on the basis of optimizing their own operations with little regard for the way in which they interfaced with suppliers and customers (Christopher, et al., 1991). The conventional business idea was essentially ‘transactional’, meaning that products and services were bought and sold at ‘arm’s length’ and there was little enthusiasm for the concept of long-term, interactive relationships.

In the late 1990’s a new competitive paradigm emerged that is in stark contrast with the conventional ‘arm’s length’ approach. In the contemporary challenging global market the route to sustainable advantage increasingly lies in managing the complex web of relationships that link together partners in a mutually profitable marketing channel (Gummesson, 1999). This paradigm shift
represents a move away from a transactional approach to a relationship approach. This shift is illustrated in Table 2.1.

Table 2.1 The shift to relationship marketing

<table>
<thead>
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<th>Transactional focus</th>
<th>Relationship focus</th>
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<tr>
<td>Orientation to single sales</td>
<td>Orientation to customer retention</td>
</tr>
<tr>
<td>Discontinuous customer contact</td>
<td>Continuous customer contact</td>
</tr>
<tr>
<td>Focus on product features</td>
<td>Focus on customer value</td>
</tr>
<tr>
<td>Short time scale</td>
<td>Long time scale</td>
</tr>
<tr>
<td>Little emphasis on customer service</td>
<td>High customer service emphasis</td>
</tr>
<tr>
<td>Limited commitment to meeting customer expectations</td>
<td>High commitment to meeting customer expectations</td>
</tr>
<tr>
<td>Quality is the concern of production staff</td>
<td>Quality is the concern of all staff</td>
</tr>
</tbody>
</table>

Source: Payne, Christopher, Clark and Peck, 1995 p. viii

To understand these changes and the emergence of relationship marketing as a discipline, one needs to place relationship marketing into perspective. This can best be done by taking a managerial perspective of relationship marketing as discussed in the following section.
2.3 A MANAGERIAL APPROACH TO RELATIONSHIP MARKETING

Various approaches to managing relationships within a marketing context exist. These include relationship marketing as a combination of relationships, networks and interactions; a narrow and broad perspective; one-to-one marketing; cross-functional relationships; channel relationships and relationship orientations.

2.3.1 Relationships, networks and interactions

Gummesson (1999) defines relationship marketing as a combination of relationships, networks and interactions. The relationship requires at least two parties who are in contact with each other. The basic relationship is between a supplier and a customer, who may also take on the role of an intermediary. Networks, in turn, are sets of relationships that develop into large complex patterns as shown in Figure 2.2. When elements of these complex patterns enter into active contact with each other, this is referred to as interactions. The more frequent the interaction, the greater the likelihood of forming strong bonds. These networks and bonds are rooted in a philosophy of co-operation and support, which results in benefits for all parties concerned. However, for these relationships, networks and interactions to be successful they have to be managed. Management of relationships can follow a two-dimensional approach (Sheth & Parvatiyar, 2000).
Figure 2.2  Network formations

Source: Gummesson, 1999, p.2.
2.3.2 A narrow and a broad perspective

The first approach describes relationship marketing from a narrow perspective. This narrow perspective perceives relationship marketing as database marketing that lays emphasis on the promotional aspects of marketing linked to database efforts. The second approach is broader as it perceives relationship marketing as marketing that establishes, maintains and enhances relationships with customers and other partners (at a profit) to achieve mutual objectives. It is important that these relationships continue over the long term, achieved by establishing a ‘ladder of loyalty’ and adding a few rungs to create the ‘relationship ladder’ (See Figure 2.3) on page 17.

In following a broader approach, relationship marketing should also be supported by effective internal relationships (Peck, et al. 1999). Relationship marketing thus does not simply focus on the development and maintenance of beneficial relationships between an organization and a target audience, but is expanded to include internal marketing. The successful management of external relationships is therefore supported by effective internal relationships. These relationships stress the cross-functional and process-dependent nature of relationship marketing. This cross-functional activity is portrayed in Figure 2.4. on page 18.
Figure 2.3: The relationship ladder of customer loyalty

Source: Payne, et al., p.viii
Figure 2.4  Marketing as a cross-functional activity

Source:  Payne, et al., 1995, p. 5
2.3.3 One-on-one marketing

A further management philosophy is identified by Peppers et al. (1999) who describe relationship marketing as one-to-one marketing. This one-to-one marketing is also seen as customer-relationship management (Gilmore & Pine II, 2000).

Peppers et al. (1999) define relationship marketing as a process of being willing and able to change one’s behaviour towards an individual customer based on what the customer tells one and what else one knows about the customer. This one-to-one rationale is therefore grounded in the idea of establishing a learning relationship with each customer. Customers need to be classified on their loyalty level towards the supplier. The customers being more loyal are perceived as being of greater value for the supplier. This classification will be used to establish relationships. These relationships commence with the most valuable customers and progress to less important customers. In order for this to be effective the whole process should be managed (Gray, 2001).

2.3.4 Cross-functional relationships

In discussing relationship marketing, Touminen et al. (2000) emphasize the reciprocal, long-term relationship between producers and customers. An important aspect of Touminen et al’s interpretation is that it acknowledges that the managerial perspective is changing from a focus on transactions to a focus
on partnerships and networks. These partnerships and networks are recognized as key success factors for a modern company. This has resulted in the role of marketing (and especially its cross-functional relationships with other organizational units) becoming the central focus of marketing practitioners and management alike.

2.3.5 Channel relationships

One way of effectively managing the process of relationship marketing is by means of contracts. Antia and Frazier (2001) focus on the importance of explicit contracts in the management of channel relationships. Channel relationships are viewed in broad terms and include individual relationships embedded in the context of other relationships that could have governance implications, such as relationships among the principals and agents that constitute the general channel system; relationships among the agents themselves; and the relationship between the principal and the focal agent with whom the contract has been concluded. It therefore seems as if relationship marketing can be viewed from a number of perspectives (Palmer & Mayer, 1996).

2.3.6 Relationship orientations

These perspectives can be defined in terms of three principal orientations: a tactical relationship orientation, a strategic relationship orientation and a
philosophical orientation which sees relationship marketing as the core of marketing.

2.3.6.1 Tactical relationships

At a tactical level, relationship marketing can be seen as similar in approach to a sales promotion activity. Databases are often linked to sales promotions with little attempt to develop personalized dialogue that could result in loyalty from the buyer. Like all sales promotion activities, the net costs of loyalty incentive schemes come off a company’s bottom line. These incentives can easily become a sector norm, which buyers expect. A clear illustration of this was certain airlines’ frequent flyer programmes launched in the 1980s. Although the programme became widespread it yielded little overall advantage for participants. By the 1990s frequent flyer programmes had become part of the travellers’ expectations, resulting in heavy losses of revenue for the airlines.

2.3.6.2 Strategic relationships

At a strategic level, relationship marketing can be seen as a process by which a supplier seeks to “tie-in” customers through a series of legal, economic, technological, geographical and time bonds. These bonds between a buyer and seller result in the linking of the two parties through the creation of barriers to exit. One way in which buyers can become linked to sellers is by designing services in such a way that moving to another supplier involves significant
switching costs. Where the process of linkage is achieved through a process of mutually rewarding cooperation, mutual dependence and shared risk, the relationship is likely to show greater permanence. In so doing it approaches relationship marketing as a business philosophy.

2.3.6.3 Philosophical relationships

At a philosophical level, relationship marketing gets to the heart of the marketing philosophy. Traditional definitions of marketing focus on the necessity of customer needs; relationship marketing as a philosophy refocuses marketing strategy away from products and their lifecycles towards customer relationship lifecycles. Customer relationship lifecycles stress the key elements of a relationship marketing philosophy: using all employees of an organization to profitably meet the lifetime needs of targeted customers better than competitors.

2.4 IMPORTANT ELEMENTS OF RELATIONSHIP MARKETING: FOCUSING ON INPUTS AND OUTCOMES

To effectively manage relationships attention needs to be paid to the fundamental elements of the process. These elements can be classified as the inputs and outputs of the relationship marketing process.

Relationship marketing requires listening to consumers and interacting with them Peppers et al. (1999). This means establishing, recording and fulfilling their
preferences. A learning relationship thus results. Peppers et al. (1999) state that a learning relationship is one where with each interaction the relationship improves. The customer shares a certain need with the firm and the firm customises its product or service to meet that need. Each subsequent interaction and modification improves the firm's ability to adjust its product to this particular customer. Eventually, this could lead to a competitive advantage. However, it should be noted that the “customers” who benefit from the one-to-one relationship might not be limited to the end users of the firm's product or service. Principals also sell to retailers and the same principles apply to channel members and other intermediaries in the demand chain.

The interaction between the organization and customer should result in a long-term relationship in which both the supplier and the customer benefit from the security of the relationship. The reward of this relationship is performance for the customer, profit for the supplier and peace of mind for both parties. This reward can only come about if the organization redefines the pattern of exchange between itself and its customers; from being originally predominantly transactional-based to predominantly relational-based (Palmer & Mayer, 1996). The latter highlights the ability to know customers. This has come about for two dominant reasons. Firstly, the increasing competitive nature of markets has often resulted in good service quality; but this on its own has not resulted in a competitive advantage. Superior ongoing relationships with customers can replace service as a differentiator between companies. Secondly, the emergence of powerful, user-friendly databases has enabled large companies to
know more about their customers. The developments in information technology have expanded the domain of relational exchange from large-value, low-volume industrial exchanges, into relatively low-value consumer goods and service exchanges. Closer consideration will now be given to relationship marketing as currently applied in the travel industry.

2.5 A TRAVEL INDUSTRY PERSPECTIVE ON RELATIONSHIP MARKETING

2.5.1 Development of relationship marketing

Since the 1980s very little attention has been given to relationship marketing in the distribution channel of the travel industry (Shaw, 1999). Although marketing was applied and relationships were formed, channel members saw forming relationships as part of the marketing function and little value was attached to their formation or maintenance (Vladimir, 1989).

As early as 1989 Davidoff and Davidoff (1994) identified the importance of these relationships and predicted that their importance would grow. This prediction was based on relationship marketing as it is known today; however, few travel agents paid attention to the formal formation of relationships with principals until the mid 1990s when certain carriers introduced commission restructuring.
2.5.2 Commission restructuring and consortiums

Commission restructuring means that principals drop the general level of commission, resulting in less income for travel agents. Principal commission is the main portion of the travel agents’ income. However, the principals took this a step further by offering override commission to those travel agents that supported them. In real terms this meant that for a travel agent to remain in business it had to form a relationship with a preferred supplier (this being one of the cornerstones for relationship marketing as it is known today).

Travel agents are now finding that both service levels and profits benefit from an established, preferred supplier and product policy. Concentrating selling efforts on specific products and suppliers assists travel agents in developing relationships with travel suppliers that will both help solve problems and bring recognition to the agency. This was not the trend in the travel industry in the early 1980s. At that stage, travel agents would sell a total product mix of all the principals in the industry, no preferred suppliers were considered and little reciprocal reward was given to the principals (Holloway, 1994).

Maintaining a relationship with a preferred supplier gives a travel agent manager control over what is being sold in the agency. The staff gets to know the supplier’s products and programmes and can therefore sell with greater confidence. Since they know the products more thoroughly they can more effectively match the product offering to the customers’ needs.
Developing this relationship with a preferred supplier can often provide substantial override commission income. The current trend is to lower commission from nine percent to seven percent (Puk, 2003). However, with a preferred supplier, override commission could go beyond 10 percent. These override commissions can lead to an increase in income without additional sales effort.

For example, some consortium’s have negotiated override commissions for their members from preferred suppliers. Some suppliers provide overrides directly to individual agencies based on sales volume or number of passengers booked. Overrides are usually passed on once a year. However, through consortiums, overrides are often paid from the first booking. It is the opinion of the researcher that the marketing question today for the smaller travel agent is not whether to join a consortium, but which consortium is best for the agency. An analysis of suppliers judged against the clientele and target markets of the agency is required for a sound decision.

Some travel agents have corporate clients as their target market and others target leisure clients. Based on the target market selection it would be unwise for a ‘corporate’ travel agent to join a ‘leisure’ consortium and visa versa. It is very seldom that a travel agent serves both corporate and leisure clients, although a few travel agents have gone this route.
2.5.2.1 Integration

Consortium forming can often take the form of integration. Integration can either be horizontal or vertical in nature. Horizontal integration takes place at one level of the distribution channel. This integration is shown in Figure 2.5

Figure 2.5 Horizontal integration at the same level

Source: Researcher’s own construction
Horizontal integration can take on different forms. One form is the integration between two companies offering competing products. Two or more travel agents may unite and work together to achieve a common benefit.

The second form of integration is between companies that offer complementary products. For example, a hotel and an airline may work together and close links may form between the accommodation and transport sectors. Without hotel accommodation available at the destination, airline passengers may be unwilling to reserve airline seats. Recognition of this dual need has led principals to join hands.

Airlines that are not competing directly may seek the benefits of merging to feed one another’s routes. For example, South African Airways has joined with British Midland (a domestic United Kingdom carrier) to serve the domestic United Kingdom market and in turn British Midland can act as a feeder for South African Airways on its long haul flights.

Organizations can also integrate vertically, as shown in Figure 2.6. Vertical integration takes place when a company at one level of the distribution channel joins with a company at a different level. This integration can be forward (or downward), for example, when a tour operator buys its own chain of travel agents. The integration can also be backward (or upward), as when a tour operator buys its own airline. The benefits of integrating are significant economies of scale and the guarantee of a continuous supply of products.
The danger threatening travel agents in vertical integration is that principals are opening their own retail outlets. Through competitive pricing and marketing
tactics traditional travel agents could lose market share. In retaliation some travel agents are forming consortia to market their own ‘brand label’ products. The success of this venture will probably be determined in the future through effective management of such consortia.

2.5.2.2 Examples of integration

To reinforce the above concept, the Sure group supports the aspect of vertical integration. According to Puk (2003), this type of integration has been practiced in Europe where, for example, Thomson a tour operator owns an airline called Britannia and a retail chain of travel agents called Lunn Poly. This integration guarantees the supply chain and protects the company from outside influences.

Locally, Tourvest a tour operator and Kulula an airline have both moved into the car rental market and are planning to advance into accommodation establishments. These moves are set to control the travel distribution chain.

2.5.3 Benefits of consortium formation

Many small- and medium-size travel agents have joined consortia or cooperatives. The amalgamation with other travel agents immediately affords them the status of a ‘larger’ travel agent. This trend of consortium formation has gained momentum in the industry and now would be the time to join such a consortium. Small- and medium-sized travel agents that decide to continue
alone could find the going challenging. The benefits of joining a consortium are many. A few benefits are listed.

- The consortium’s brand acts as a stabilizer in the market. The group (consortium) brand is usually well established such as the Sure Travel Group. The Group markets itself as Sure Leisure and Sure Corporate, depending on the core business of the travel agent. The travel agent need not lose its brand identity either. Jet Travel, an independent local travel agent, has joined the group and is now known as Sure Jet Travel. The combination of two ‘strong’ brands gives impetus to the marketing of the brand.

- The members of the consortium form relationships with other members, and thus networks and bonds are formed within the group. More importantly, the group usually has preferred suppliers and through the constant contact of preferred suppliers relationship marketing is enhanced. Preferential rates and commissions are negotiated which would not have been possible if the travel agent was on its own. This sounds positive; however, two important aspects need to be considered, namely, the status of the employees and management (Puk, 2003).

- The travel agent employees are the marketing tools in the hands of management. Therefore, employees need to understand relationship
marketing and its importance. Employees need to build long-term sustainable relationships with all role players in the marketing arena. Employees therefore need to realize what an important role they play in relationship building. The service quality experience depends on the performance of employees and management of the process also becomes important.

Managers need to manage employees to ensure that relationship marketing is taking place. This might require re-training employees. Managers also need to manage relationships with all stakeholders; suppliers, employees and customers. Managers and employees alike are faced with new challenges as relationship marketing grows in importance (Wong, 2002).

Relationship marketing is important, not only in the principal-travel agent situation, but also in the travel agent-customer (traveller) situation. The travel agent is in the middle, bringing supplier and traveller together. The travel agent secures a confirmation from the supplier of services to be rendered to the traveller and travellers, in turn, pay large sums of money for this confirmation. Strong relationships among the three parties are clearly critical for successful operations.
2.6 SUMMARY

It has been explained that different authors and researchers see relationship marketing in different ways. However, there is a clear indication that relationship marketing is growing in importance. This importance is confirmed by the fact that marketing practitioners are now moving away from a transactional perspective to a relational perspective.

The focus on one-off transactions with customers is being replaced by long-term relationships with a sense of permanence. The core marketing concept of customer satisfaction still holds good.

Clarity was also given to the term “customer”. A customer can be the end user, an intermediary or any other organization that a producer/supplier or principal does business with; which supports the idea that relationships move cross-functionally and result in networks. These networks are based on a philosophy of co-operation and support which results in benefits for all concerned.

The management of relationship marketing also came into focus. It has become evident that relationship marketing needs to be managed correctly for it to succeed. This success will depend on the whole organization buying into this new paradigm as it grows and unfolds.
A further aspect is that there are important elements that are linked to relationship marketing. The first is inputs, that is, to know one’s customer, to enhance internal marketing and to have good relationships with all stakeholders. The second is outputs, that is, continuous long-term relationships, mutual rewards or benefits for both parties and a competitive advantage through knowing one’s customers.

Lastly, the industry perspective highlights the importance of relationship marketing in the travel industry today. Travel agents need to join a consortium in order to survive. Hence, relationship marketing is now more important than in the past.

In the next chapter consideration will be given to possible relationship marketing strategies in general, the best strategies will be highlighted and possible strategies in a principal-travel agent relationship will be considered.
3.1 INTRODUCTION

In chapter 2 consideration was given to the management aspects of relationship marketing. Furthermore, the important elements of relationship marketing were highlighted and then a brief look at relationship marketing in the travel industry was undertaken.

Chapter 3 will focus on relationship marketing strategies and tactics that can be used by service firms such as travel agents, to build relationships and tie the customer closer to the firm, in other words, to retain customers. Thereafter, consideration is given to relationship marketing retention strategies and tactics in the tourism industry.

3.2 RETENTION STRATEGIES AND TACTICS

The ultimate aim of relationship marketing strategies is to retain customers. Berry and Parasuraman (in Zeithaml & Bitner, 2000) developed a framework explaining the different types of retention strategies and tactics. The framework illustrates that retention marketing can occur at different levels and that each consecutive level of strategy serves to bond the firm and the customer closer to
each other. At each of the levels the potential for sustained competitive advantage is also increased. Focusing on the idea of levels of retention strategies, Figure 3.1 illustrates four types of retention strategies which are discussed in the following sections. Payne, et al. (1995) state that there are five possible relationship marketing strategies, which service organizations could consider. These strategies are totally independent of each other and could be used in conjunction, or an organization may decide to use all five strategies simultaneously. These five strategies are: a core service strategy, relationship customization, service augmentation, relationship pricing and internal marketing. Payne et al’s suggestions are integrated with the views of Berry and Parasuraman in the subsequent discussion and in Figure 3.1.

3.2.1 Strategies built around financial bonds

Level 1 ties the customer to the firm mainly through financial incentives such as lower prices for greater volume purchases or lower prices for customers who have remained loyal to the organization over a period of time.

Financial incentive programmes are formed around the traditional marketing idea, which allows marketers to offer the loyal customers better prices. Some firms attempt to retain their loyal customers by offering them the assurance of stable prices, or at least lower price increases than those paid by new customers. This allows the firm to reward the loyal customers by offering them
cost savings due to the greater revenue the firm generates through serving them over time.

Figure 3.1  Levels of retention strategies

Source: Adapted from Zeithaml & Bitner, 2000
Financial incentives are not new to the tourism, travel and hospitality industry. Most major airlines have frequent flyer programmes that provide financial incentives and other rewards/benefits for travelers who are loyal to a particular airline. Hotels have the frequent guest programme while the car rental firms have the frequent client programme.

These incentive programmes all have similar rewards: financial incentives in exchange for customer loyalty. The financial incentive programmes are popular as they are easy to initiate and over the short-term are known to generate profits. However, these programmes do not have the sustainability to provide long term advantages to the supplier. The popularity of frequent flyer programmes among airlines has resulted in the programme being seen as part of the “travel offering” and thus no longer serves as a differentiator for competitors. Many seasoned travelers belong to more than one frequent flyer programme at the same time.

Another option for financial incentive programs is to concentrate on bundling and cross selling of services (Page, Brunt, Bushby & Connell, 2001). Frequent flyer programmes are often linked to other service providers such as hotel chains, car rental firms and in some cases to credit card firms. The inclusion of other firms in the programme allows clients to earn more mileage points in exchange for their loyalty.
Although these retention tactics are popular and widely used, they are, however, easy to imitate. Increased use or loyalty from customers may be short lived. Furthermore, these tactics need to be structured so that they can lead to repeat or increased business rather than attracting once-off new customers who are prone to endless switching among competitors. Lastly, these strategies will be unsuccessful unless the customer can perceive them as adding value to the service offering.

3.2.2 Strategies built around social bonds

According to Zeithaml and Bitner (2000), a certain group of marketers uses retention strategies that build long term relationships through social, interpersonal and financial bonds (see Figure 3.1). These strategies allow customers to become “clients,” not just nameless faces. Clients become individuals whose needs and wants the firm seeks to understand. Service offerings are customized to meet the individual needs of the customers and marketers manage this process to ensure that they stay in contact with the customers. This process of constant contact allows social bonds to develop.

Rosser (2002) sees the use of the Internet as a tool to develop social bonds in the travel industry. Previously United Kingdom passengers would queue at local travel agents to book their summer break. The continued price war between major airlines and an ever-increasing penetration of the Internet in United Kingdom homes resulted in the queues dropping off.
Travel is one of the few areas that is exceptionally well suited to the Internet. With more people migrating online, the market will continue to grow over the next three to four years.

E-mail with its distinct advantages can develop a one-to-one relationship. This can result in loyalty with clients better than before. E-mail could be used to communicate with holidaymakers on their return from their trips, as one would know when they were returning. The key focus is on personalization. Technology allows online service providers the opportunity to tailor offers to specific clients. The forecast is that these online service providers have the potential to grow and to establish long term interpersonal bonds with their clients.

Social bonds on their own may not necessarily link the customer permanently to the firm and a combination of bonds could be more effective in retaining the customer. However, social bonds are more difficult to imitate than price incentives (financial bonds). If there is no specific reason for a client to move to another service provider, interpersonal bonds can encourage a client to stay in a relationship. Working in harmony with financial incentives, social bonding strategies may be very effective.
3.2.3 Strategies built around customization bonds

Customization strategies extend beyond social ties and financial incentives, although there are common elements entrenched in all three. Customization strategies could include mass customization and customer intimacy. These strategies are based on customer loyalty being encouraged through detailed knowledge of individual customers. This detailed knowledge leads to the “one-to-one” solutions that fit the individual customer’s needs.

The nature of services allows many service firms the opportunity to customize relationships. By learning about the specific characteristics and requirements of individual customers, and then capturing this data for use as required, service firms can more precisely tailor service to the situation at hand. This results in customers remaining with a certain supplier rather than switching to another supplier (Stone & Woodcock, 1995).

According to Payne et al. (1995), a good example of a customized relationship is that of Free Spirit Travel, a Colorado based travel agency with several outlets. The company assigns frequent traveler commercial clients a specific consultant to coordinate all travel arrangements. The travel consultant develops a personal profile card on each business traveler in a company and records information such as preferred form of payment, secretary’s name and seating preference in a computerized reservation system client file. Clients receive personalized
baggage tags with the travel consultant's business card on one side (in case of an emergency) and the traveler's own business card on the other.

According to Zeithaml and Bitner (2000), customizing bonds are developed by knowing your customers, customizing services to suit their individual needs and continuously anticipating the need for new services. This builds strong relationships with the current customer base.

3.2.4 Strategies built around structural bonds

As shown in Figure 3.1, retention can also be achieved through strategies built around structural bonds. Zeithaml and Bitner (2000) state that structural bond strategies are the most difficult for competitors to copy. Structural bonds are formed by providing services to the client and are mostly designed to assist with the service delivery system of the client. Providing customized services to the client that are technology based enhances structural bonds. These customized services often serve to make the customer more productive.

Structural bonds in the travel industry are common. Davidoff and Davidoff (1994) relate that travel agents are linked to preferred principals (airlines). Most large airlines have their own CRS (computer reservation system), which is unique to each airline. Airlines allow selected travel agents the right to use their technology in return for loyalty. This loyalty in turn results in the travel agent being structurally bound to a particular airline.
A further example of such a structural bond is the Galileo GDS (global distribution system). A consortium of major airlines own, control and manage this system. Travel agents have to apply to use the system. Once permission has been granted the travel agent has full use of the system. The system is far more than a reservation system: it allows for internet/e-mail access and information distribution on a range of products/services, including fare/rate calculation. The system thus binds these travel agents to a particular GDS. To enhance the bond further Galileo is also responsible for training all the end-users of their system.

Advantages for the travel agents are that they are linked to one of the most advanced computer systems in the world. Technological advances are also part of the Galileo strategy and they are continuously upgrading their system, by adding new products/services/offerings. A possible disadvantage is that through these structural bonds, it is difficult to switch to another service provider.

With the above discussion as a background, consideration is now given to a few strategies that appear in the travel, tourism and hospitality industry.
3.3 EXAMPLES OF THE APPLICATION OF RELATIONSHIP MARKETING STRATEGIES IN THE TRAVEL, TOURISM AND HOSPITALITY INDUSTRY

Some authors (Davidoff & Davidoff, 1994: Shaw, 1999) state that relationship marketing has been in the industry for some time. However, the researcher is of the opinion that it is only now being considered with greater importance. To confirm this idea, listed below are a few strategies as they are applied in the travel, tourism and hospitality industry currently.

Kleinman (2002) acknowledges that the Marriott Hotel group is aiming to strengthen its presence in the leisure market through relationship marketing. Marriott Hotels has appointed McCann Relationship Marketing (MRM) to handle its United Kingdom direct marketing activity. The appointment was made to see the agency focus on enhancing Marriott’s Leisure breaks offer through strategic communications.

Marriott is positioned as a luxury brand and competes with chains such as Hilton and De Vere Hotels. The mailing campaign will reinforce this positioning as it is designed to act as a cross-selling communication that targets previous Marriott Leisure break and business customers (Kleinman, 2002).

Marriott also has a loyalty scheme called Rewards. Incentives are ‘free’ stays at hotels in the chain and the use of leisure facilities. Through the above actions
Marriott is hoping to cement previous relationships and to sustain current ones. A further development in the travel sector is a resurgence of several travel companies embarking on relationship marketing programmes (Rubach, 2001). She refers to this as customer relationship marketing (CRM). Her findings are based on two companies, Eurostar and the Thomson Group.

Eurostar offers packaged tours (tour operator) and has embarked on a marketing relationship programme by connecting with their customers through improved communication. This communication is about attracting customers with the promise of good customer service. The customer service is more than a marketing issue; it has to span the whole organization from customer service to operational aspects. The importance of communication in relationship marketing cannot be over emphasized, as this is the same approach used by the Thomson Group.

The Thomson Group has three subsidiaries: Thomson Travel, Thomson Holidays and Portland Direct. The Group claims to be redefining its systems to streamline and simplify communications. The reason is to prevent duplication when cross-selling brands within the group. A further reason is that they perceive service and customer satisfaction as becoming important (Rubach, 2001).

This focus is shared by the Indian Hotel industry (IHI). The director of marketing for the IHI, Zaid Farooqi believes that direct marketing and loyalty programmes
should form the basis of relationship marketing (Farooqi, 2001). To enhance this the IHI is planning to use promotions and special offers to lure its existing database of customers back to its chain of hotels. Offers include three-for-two night deals and a 10 per cent discount in winter.

Foreign travelers contribute between 60 and 70 percent of the total business of IHI. The dependency of this sector on international revenue has resulted in a sharp downturn because of a sudden decrease in transatlantic flights. Farooqi (2001) believes that in view of the current global situation, the IHI needs to undertake strong CRM initiatives in the future to get incremental revenue when the foreigners do not arrive. This important aspect emphasizes the management aspect of relationship marketing.

Wong (2002) reinforces that the management of customer relationships is critical in the service industry. Many customers may seek ongoing relationships with service providers to reduce the perceived risk in evaluating services characterized by intangibility. Intangibility and the interpersonal focus of services spur customers to form relationships with individuals and organizations they can rely on. The interpersonal nature of relationships places the focus on employees. Employees play a major role in shaping the service experience, as the interface between the service and its provider is inseparable. The importance of service employees cannot be overemphasized. In a relationship with a service organization the customer expects the core service to be delivered satisfactorily. If this service is to be used as a competitive advantage,
organizations must deliver beyond the expected. The service setting is especially conducive to customers forming relationships in the service arena.

Payne et al. (1995) share the above view that internal marketing for many service firms is perceived as a pivotal relationship marketing strategy. The employee is perceived as the ‘customer’ inside the organization and the job is seen as the product.

Internal marketing is relevant in virtually all organizations, but is of greater importance to labour-intensive service organizations. In these organizations the quality of services sold is determined largely by the skills and work attitudes of the staff producing the services.

Labour-intensive service firms can use marketing to attract, keep and motivate quality staff. This concept allows firms to improve their capability to offer quality services. Service levels need to consistently meet the quality requirements of customers. Service delivery is an important factor in building strong customer relationships in many service firms.

Formal communication programmes designed to shape work attitudes and behaviours can also be an important element of an internal marketing strategy. A service company’s advertising to the external customer can often be designed in such a way that it motivates or educates employees as well. For example, Delta Airlines flighted advertisements making repeated reference to Delta employees as ‘professionals’ and included pictures of actual employees. This is
an example of advertising to external and internal audiences simultaneously. Consideration will now be given to possible recommended relationship marketing strategies for travel agents.

3.4 RECOMMENDED RELATIONSHIP MARKETING STRATEGIES FOR TRAVEL AGENTS

To put forward a specific relationship marketing strategy for a travel agent, a few elements need to be noted. Relationship marketing is growing in importance across all industries, including the service industry. All role players in the hospitality, tourism and travel industry will have to acknowledge and apply a relationship marketing strategy. Small- and medium-sized independent travel agents, in particular, will have to take notice of these developments. As a starting point the travel agent would have to identify its main core business. This core business could be leisure travel or corporate travel. Some larger travel agents have both areas as their focus, namely, the leisure and corporate markets. However, it is only travel agents that are financially strong that can pursue this avenue.

Small- and medium-sized travel agents have the option of joining partnerships or consortiums. The amalgamation with other travel agents immediately affords them the status of a ‘larger’ travel agent. This trend of consortium formation has gained momentum in the industry and now would be the time to join such a consortium. Small- and medium-sized travel agents that decide to continue to
go it alone could find the going challenging. A few of the benefits of joining such a consortium are highlighted.

The consortium’s brand acts as a stabilizer in the market. The group (consortium) brand is usually well established; an example is the Sure Travel Group. The Group markets itself as Sure Leisure and Sure Corporate, depending on the core business of the travel agent. The travel agent need not lose its brand identity either. For example, Jet Travel, an independent local travel agent has joined the group and is now known as Sure Jet Travel. The combination of two “strong” brands gives impetus to the marketing of the brand.

The members of the consortium form relationships with other members, and thus networks and bonds are formed within the group. More importantly, groups usually have preferred suppliers and through the constant contact of preferred suppliers, relationship marketing is enhanced. Preferential rates and commissions are negotiated which would not have been possible if the travel agent was on its own. This sounds positive; however, two important aspects need to be considered, namely, the status of employees and management.

The employees of the travel agent are the marketing tools in the hands of management. Employees need to understand relationship marketing and its importance. Building long term sustainable relationships with all role players in the marketing arena has become vital. Employees need to realize their importance in relationship building. The service quality experience depends on
the performance of the employees and thus management of this process also becomes important.

Managers now need to manage employees to ensure that relationship marketing is taking place. This might require retraining of employees. Managers also need to manage relationships with all stakeholders, suppliers and customers. Maintaining these relationships needs to be managed correctly. Managers and staff alike are going to be faced with new challenges as relationship marketing grows in importance.

In essence, the recommendation to travel agents would be: acknowledge the importance of relationships marketing. It is here to stay and is growing in importance. To survive travel agents should join either a leisure or corporate consortium depending on their expertise. This will facilitate employees and management accepting and working towards making relationship marketing work and is going to require change from many role players.

3.5 SUMMARY

There are many relationship marketing strategies available to marketing practitioners and managers. These relationship marketing strategies do however share the common goal of developing long term relationships with customers, although approaches to the strategies differ. One such approach was that of
retention and four possible alternatives were discussed, namely, retention using financial bonds, social bonds, customization bonds and structural bonds.

A second approach sees communication as the main element in building relationships. Another approach is to manage existing relationships to ensure that they remain sustainable over the long term. A fourth approach is to ensure that employees are focused on delivering the relationship marketing promise. This might require training and a paradigm shift for many staff members. Lastly, the success of all relationship marketing strategies is entrenched in proper management.

A brief look at relationship marketing strategies in the service industry was conducted. This investigation has shown the growing importance of CRM in the travel, tourism and hospitality industry. A strong emphasis was placed on the communicating with existing clients and a growing idea is that service industry members should form partnerships or consortiums to develop their relationship marketing strategies. The latter idea is well suited for small- to medium-sized travel agents wanting to pursue the relationship marketing path.

Finally, a recommendation was made that travel agents need to identify their core business strategy as being either leisure or corporate. This will allow them to join a consortium that specializes in one of these areas. The formation of these groupings will allow small- to medium-sized travel agents to apply relationship marketing strategies and to reap the benefits.
Chapter 4 deals with the empirical part of the project; the focus is on the research methodology, questionnaire construction and capturing of the data. An analysis of the data concludes the chapter.
CHAPTER 4

RESEARCH METHODOLOGY AND EMPIRICAL FINDINGS

4.1 INTRODUCTION

In chapter 2 the development of relationship marketing was discussed. This was followed by general strategies of relationship marketing.

Chapter 3 focused on the relationship marketing retention strategies that marketers could apply. It was concluded with examples of such strategies as they are applied in various organizations in the tourism, hospitality and travel industry. To put the empirical findings into perspective, it is important to understand the research methodology followed. Chapter 4 therefore covers the rationale for the data collection, details of the research methodology and an explanation of the questionnaire and its administration. The chapter is concluded with the findings of the empirical research.

4.2 RATIONALE FOR DATA COLLECTION

According to Lamb, Hair and McDaniel (1998) marketing research is a process of planning, gathering and interpreting data relevant to a marketing decision. The findings of this interpretation are then communicated to management for decision-making. Marketing research can play a pivotal role in the marketing
system. It presents marketing decision makers with data on the effectiveness of the current marketing mix and also provides invaluable data for possible changing trends. Furthermore, marketing research is an invaluable data source for both management information systems (MIS) and decision support systems (DSS) (Blythe, 1998).

The essence of marketing research is therefore to seek solutions to problems or answers to questions. The survey of the current research was designed to provide the relevant data to achieve the objectives of the study.

4.3 RESEARCH METHODOLOGY PROCEDURES

To achieve the objectives set out in chapter 1 and to find solutions to the problems and sub-problems, the following procedure was followed.

- **Literature survey and secondary data collection.** The study of various literature sources aimed at providing a clearer perspective of relationship marketing. A theoretical framework was developed to assist with the empirical study.

- **Data collection.** Secondary data for the literature study was gathered using the following resources: Gale database, books, magazines and journals. Primary data was gathered by means of a structured
questionnaire (see Appendix A) which was mailed to all travel agents in the Eastern Cape.

- **Statistical analysis of data.** The service of a statistician at the Port Elizabeth Technikon was used. The statistician’s primary function was to assist in processing and analyzing the data obtained through the questionnaire.

- **Conclusions and recommendations.** The empirical findings assisted the researcher in formulating conclusions and recommendations, which are addressed in chapter 5.

### 4.4 JUSTIFICATION OF EMPIRICAL DATA COLLECTION METHOD

The empirical study was quantitative in nature. According to Lamb et al. (1998), the three options available when undertaking quantitative research are experiments, observations and surveys.

#### 4.4.1 Experimental research

According to Lamb et al. (1998), experiments take place in a controlled environment. To obtain the best results certain factors are held constant except the factors being tested. The researcher can then observe the changes and draw conclusions.
According to Chisnall (1991) the use of experiments in a marketing situation could be restrictive. This restriction is evident when a researcher attempts to use the highly organized test market operations of consumer products marketing. It may not be possible to generalise the outcomes as a whole. Experiments could, however, be used to test sub elements of marketing, alternative marketing approaches to industrial sectors and customers using alternative methods of distribution. Examples of these distribution methods could be using appointed stockists instead of direct sales. The need to manipulate environmental factors made experimental research unsuitable for the current study.

4.4.2 Observation research

Observation research can also be used to gather primary data. There are three methods of observational research: people watching people, people watching activity and machines watching people. These research methods do not rely on direct interaction with people, but on observing the behavioural patterns of people. Chisnall (1991) states that observational research may be relevant to some industrial surveys, such as observing the types of equipment in use and the processes involved. For example, factors affecting safety could be monitored and then supplied to design engineers in new product development. However, it is difficult to measure motivations, attitudes and feelings of respondents when using this method. Observation was hence also not suited to the project on hand.
4.4.3 Survey research

Lamb et al. (1998) note that surveys are the most popular technique for gathering primary data as they allow for interaction with the respondent to obtain facts, opinions and attitudes. According to Hawkins and Tull (1994), surveys are usually categorized according to the method of communication used in the interview process: personal, telephone, mail, or computer. These options were available to the researcher in the current research.

Figure 4.1 shows the popularity of some of these techniques from 1978 to 1990. Clear indications are that telephone and mail interviews were more popular. Due to the lack of available data, computer interviews were excluded in Figure 4.1.

4.4.3.1 Personal interviews

Personal interviews are known for producing high-quality information, but this advantage is offset by a high cost. The expense is incurred by travel, time and mileage costs. Furthermore, personal interviewing should be seen as a function requiring special skills (Chisnall, 1991). Interviewers need to be informed of background information which they may require during the interviewing process. Chisnall emphasises that professional interviewing skills are of paramount importance.
Figure 4.1  The popularity of different types of surveys

Source: Hawkins & Tull, 1994. p. 40
Hague and Jackson (1996) support Chisnall, but refer to personal interviewing as face-to-face interviewing. They note that face-to-face interviewing is widely used in market research and apart from its generally high cost and sometimes extended timetable, there are relatively few disadvantages. Face-to-face interviews can be used for consumer and business-to-business research. These interviews can be conducted ‘in the street’, at the respondent’s home, at the workplace or at special events.

Baines and Chansarker (2002) agree that personal interview questionnaires are generally administered in shopping centres (more commonly known as mall intercepts), or in the street (street interviews), or at the respondent’s home (door-to-door interviews). The interviewer can also visit business premises (business-to-business interviews). However, this survey method tends to be time-consuming and expensive, although it may be required for complex questions that need clarification. Furthermore, the response rate is usually high as it is generally more difficult to refuse someone face-to-face.

Hawkins and Tull (1994) point out that in a personal interview, the interviewer asks the questions of the respondent face-to-face. These interviews may take place at the respondent’s home (door-to-door) or at a central location (mall intercept). Mall intercept interviews involve stopping shoppers in a shopping mall at random, qualifying them if necessary, and conducting the interview. Qualifying the respondent means ensuring the respondent meets the sampling criteria.
Personal interviews were not considered in the current research for the following reasons. The population was spread across the Eastern Cape province. The two options the researcher could have used were door-to-door or mall intercepts. The door-to-door situation would have required interviewers going from travel agent to travel agent. These personal interviews would have required extensive traveling (time consuming) and would have resulted in large expenses.

The other option of mall intercepts would have been impossible because the respondents had to be “managers” of travel agents, and mall intercepts would not have been effective. The only way to reach them directly would have been by going from agency to agency, but as outlined above, this was not practical.

4.4.3.2 Telephone interviews

Telephone interviews have several advantages when compared with personal interviews. A number of authors debate the merits of telephone interviews. Chisnall (1991), for example, states that telephone surveys can be very effective when developing a research programme and designing a sampling scheme. A sample is easily selected and the programme easily managed. Telephone surveys are also useful if information is required urgently. Follow-up personal interviews can be used to support telephone surveys if specific analyses of important elements of the objectives need to be clarified.
According to Hague and Jackson (1996), telephone research is used as the main alternative to face-to-face interviewing. They state that the use of this technique has grown rapidly in commercial market research over the past decade. The popularity of this technique in business-to-business research is that all business respondents are contactable by phone and are familiar with communicating in this way.

Baines and Chansarker (2002) consider telephone interviewing as quick and relatively inexpensive because the quick response lowers labour costs. The researcher can also contact people who might otherwise have been inaccessible. However, persuading respondents to participate in telephone interviews is still somewhat of a challenge, as many people see this as an invasion of privacy. A further advantage is that telephonically gathered data can be entered directly into computer databases. Software packages also allow for question rotation to eradicate respondent bias. According to Hawkins and Tull (1994), computer-assisted telephone interviewing (CATI) requires the respondent to read the questions from the computer screen and to enter the responses directly in the computer. The advantage is that this system is managed from a central point.

From the above discussion it is hence clear that telephone interviewing is less expensive, that sample selection is more effective as the researcher can be specific, and that data can be captured timeously at a central point. However, due to the concise nature of the questions, the data provided in a telephone
interview could be of poorer quality than that provided through in-depth interviews.

Telephone interviews were not utilised in the current research due to the nature of the data to be collected. A further restriction was that the interview would have to have been as concise and short as possible and this would not have fulfilled the aims of the research.

4.4.3.3 E-mail interviews

E-mail interviews are expected to grow in stature in the future. They can be semi-interactive as respondents can inquire about the meaning of certain questions or terms. E-mail surveys are limited by the number of subscribers being online. The researcher is of the opinion that further limitations are invalid e-mail addresses and the fact that questionnaires are easily ignored and/or deleted.

The researcher did not consider e-mail interviews because not all travel agents have e-mail addresses. E-mail address lists are difficult to acquire from the industry, and due to staff turnover, e-mail addresses change from time to time.
4.4.3.4 Mail interviews

Mail interviews hold many benefits when compared with the other data collection methods. These are relatively low cost, elimination of interviewers and field supervisors, centralized control, and promised anonymity for respondents. Some researchers believe that mail questionnaires give the respondent more time to reply objectively, yet one of the disadvantages is the low response rate.

According to Hague and Jackson (1996), self-completion (mail) data collection may be used in conjunction with either telephone interviewing or face-to-face interview. However, they confirm that non-response and subsequent bias of the results of the research can be particular problems. They suggest that an alternative to using the traditional mail methods as a means of distributing the self completion questionnaire, the fax or e-mail can be used as alternatives. However, a limitation of equipment may prevent using the latter two options to their full potential.

Baines and Chansarker (2002) also stress that mail questionnaires are relatively inexpensive to administer. The average questionnaire, covering letter, response paid envelope and associated material can usually be sent out for around R10. Baines and Chansarker acknowledge the low response rate but outline ways of increasing the response rate. These include providing an incentive; designing a simplistic questionnaire, pre-notifying respondents, supplying a cover letter and third party sponsorships.
A noted advantage of using mail questionnaires is that the respondent is free to complete the questionnaire in his or her own time and in private. Mail interviews are mailed to the respondent and the completed questionnaires are returned by mail to the researcher. According to Hawkins and Tull (1994), mail interviews are widely used and very popular for all the above-mentioned reasons.

The researcher decided on a mail survey for the current study based on the above advantages, and after taking all the advantages and disadvantages of the other survey methods into account.

4.5 QUESTIONNAIRE CONSTRUCTION

According to Martins, Loubser and Van Wyk (1999), questionnaires can vary in shape and size. Factors affecting the design of a questionnaire are information required, the target group and the survey method.

The development of a questionnaire is guided by three parameters. The first is to determine the information needed to solve the research problem. The second is to identify the population to be surveyed and the third is to determine the best means of collecting the needed information. For example, a researcher constructing a questionnaire for a mail survey will be guided by the respondent’s level of experience and involvement in the subject or industry.
4.5.1 Question type

A researcher has the option of using structured questions with structured or unstructured responses. The following question types are available for use.

- **Dichotomous questions.** The dichotomous question only offers two fixed alternative answers to choose from.

- **Multiple-choice questions with single answers.** The multiple-choice question is a fixed alternative question but it offers more than two fixed alternative answers. According to Baines and Chansarker (2002), if the researcher does not provide respondents with these options, they may not have selected the most appropriate response. By listing the key influencing factors, the researcher can obtain a more accurate response. However, Baines and Chansarker recommend an ‘Other’ category to ensure that possible salient factors can be included by the respondent.

- **Multiple-choice questions with multiple answers.** This type of question allows for more than one response.

- **Checklists.** A checklist typically lists an item’s attributes which the respondent is required to rate in terms of importance or applicability.

- **Rankings.** The respondent is asked to rank a set of items in terms of given criteria. Baines and Chansarker (2002) also recommend an ‘Other’ category with ranking questions: once again the reason is to highlight salient factors. Their concern with rankings is that the researcher can
identify factors as more or less important but not how much more important one factor is than another.

- *Grids.* The respondent is given a grid and asked to identify certain elements.

- *Scaled questions.* The respondent is required to mark a point on a scale.

Checklists were decided upon for the question type. This question type gave the researcher the opportunity to determine the importance level and applicability of certain statements as they pertain to the travel agents’ situation.

4.5.2 Question format

The Likert scale was used as it indicates a degree of agreement or disagreement with each of a series of statements related to a specific topic (Martins et al. 1999). The center value was purposefully omitted not to allow for respondent bias. The sum of these statements revealed the attitude towards or perception of a given subject or topic. The statements used in the current questionnaire were all closely connected with the subject and the middle option was purposefully omitted to force all respondents to either decide positively or negatively and take a stand. This was done as it was believed that it could result in a more accurate outcome.

To summarise then the researcher decided to use the scaled question type for the following reasons:
• to keep the questions as concise as possible;
• to ensure that the questions were as definitive as possible;
• to ensure that questions were simple.

Questions were worded in such a way as to allow for focus on the relevant information and to ensure that the respondent was able to understand all the questions. Lastly, questions that could embarrass the respondent were avoided.

4.5.3 Pre-testing

Pre-testing of the questionnaire is an important step in the entire research process. Churchill and Iacobucci (2002) point out that the real test of a questionnaire is how it performs under actual conditions of data collection. Pre-testing ensures that the questionnaire has been designed to perform the function it was intended for and that the data collected is relevant and accurate.

The procedure for the pre-test should be as close as possible to the actual investigation (Churchill and Iacobucci, 2002). This implies that a mail survey should be tried out by post. After the pre-test it may be necessary to make amendments to the questionnaire.
The researcher targeted five travel agents as a pre-test audience. No adjustments had to be made to the questionnaire before administering it to the entire population.

4.5.4 Population and sample

The entire population of travel agents in the Eastern Cape served as the focus group for the study. These agents were identified by using the Braby’s electronic directory listing of all travel agents in the Eastern Cape. The Internet site www.redindex.com was used to systematically examine the entire listing of all the towns and cities. This resulted in a population of 50 travel agents.

4.5.5 Administration of the questionnaire

Following the suggestions of Baines and Chansarker (2002), the questionnaire (APPENDIX B) was pre-empted by a letter of introduction (APPENDIX A) which briefly explained the purpose of the research. Next followed the questionnaire and a self-addressed envelope for convenient dispatch of the completed questionnaire by the date requested.

The returned questionnaires were checked for completeness before being handed to the statistician for processing.
4.5.6 Response rate

The initial response was slow. To improve the response rate each travel agent in the entire population was reminded about the questionnaire by telephone. This resulted in a few agents responding by fax. However, it was then discovered that most travel agents in the East London area did not receive their questionnaires. Other completed questionnaires could have been lost due to the postal delivery service. Some travel agents in the greater Eastern Cape area also operate under the same brand name but in two different towns, with the result that only the ‘head office’ replied. This resulted in a lower than anticipated response rate. The final number of returned questionnaires came to thirty, which resulted in a response rate of 60%, as shown in Figure 4.2.

Figure 4.2 Response rate of Eastern Cape travel agents
4.6 FINDINGS OF THE EMPIRICAL STUDY

This section deals with the findings of the empirical research. These findings will be correlated with the structure of the questionnaire and discussed under the following headings: importance of and focus on relationship marketing, perceptions about general relationship marketing strategies and appropriateness of relationship marketing strategies.

4.6.1 The importance of relationship marketing

The perceptions that travel agents in the Eastern Cape have about building and maintaining relationships within the industry and their focus on such efforts were gauged by means of the first twelve statements of the questionnaire. These related to issues such as the importance of relationships as part of marketing; focus of relationships; enthusiasm about these relationships; and commitment to relationships.

It was pointed out in chapter 1 that very little research has been done on relationship marketing as it pertains to the principal and intermediary. The focus of most of the questions was therefore on the relationships between the travel agent and the supplier. Table 4.1 reflects the respondent's level of agreement with each of these statements.
Table 4.1 Statements regarding the importance of relationship marketing

<table>
<thead>
<tr>
<th>Please indicate your agreement with each of the following statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 It is more important for travel agents to manage their operation effectively than to be concerned with their relations with suppliers.</td>
<td>5</td>
<td>17</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>2 Our agency is enthusiastic about long-term relationships with our suppliers.</td>
<td>0</td>
<td>1</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>3 Building good relations with suppliers could be to the advantage of both the agency and the supplier.</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>4 The focus in our agency is mostly on single transactions.</td>
<td>6</td>
<td>21</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>5 There is a great commitment to meeting customer expectations in our agency.</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>6 Our agency is enthusiastic about managing the relations formed with our suppliers.</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>7 Our commitment towards these relations includes all staff (management and employees).</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>8 Frontline staff form an integral part of ensuring that these relations with suppliers will grow over the long term.</td>
<td>2</td>
<td>0</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>9 In our agency all departments work in harmony to achieve long-term relations with our suppliers.</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>10 In our agency, management perceives the development and maintenance of relations as very important.</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>11 The travel industry in general has been guided by the growing importance of building relationships with suppliers.</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>12 In the tourism industry, attention has always been given to relationships as part of marketing.</td>
<td>0</td>
<td>0</td>
<td>22</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 4.1 shows that 73% of the respondents disagreed with statement 1: “It is more important for travel agents to manage their operation effectively than to be concerned with their relations with suppliers.” Only 17% of the respondents thus agreed that it is more important to travel agents to manage their operations.
than to be concerned with their relations with suppliers, and 10% strongly agreed.

When travel agents’ enthusiasm for their long-term relations with suppliers was evaluated, Figure 4.3 resulted. It is clear that there were high levels of enthusiasm for these relationships among the respondents, as only one respondent was of the opinion that their agency is not enthusiastic about such relationships.

Figure 4.3: Enthusiasm about long term relationships

Statement 6 related to the enthusiasm with which the long term relationships formed with suppliers are managed by the responding travel agents. It was found that all respondents acknowledged that their agency is enthusiastic about the management of relationships with suppliers, while half of them seemed to be very enthusiastic (strongly agreed with the statement).
Based on the analysis of the data in Table 4.1, it is clear that respondents realize the benefits of their long term relationships with suppliers as 43% agreed and 57% strongly agreed that such relationships could be to the advantage of both the agency and the supplier/principal (see statement 3). No-one disagreed with this view.

It was pointed out in chapter 2 that for relationships to be successful they have to be managed. Furthermore, cross-functional relationships, internal marketing and the buy-in of all members into the principles of relationship marketing is vital. Statements 6, 7, 8 and 9 were used to verify respondents' opinions on these matters.

Table 4.1 (statement 10) shows that the management of travel agencies perceived the development and maintenance of relations as very important, as 40% of respondents agreed and 60% strongly agreed with this statement. As indicated earlier, all the respondents were enthusiastic about the management of relationships with suppliers.

The commitment of staff to maintaining supplier relationships is reflected in the fact that 67% agreed and about a third (33%) of the respondents strongly agreed that in their agency all departments work in harmony to achieve long term relations with their suppliers (see statement 7). None of the respondents indicated a lack of such harmony (see statement 9). Furthermore, all the travel agents were of the opinion that their agency's commitment to relationship
building includes all staff, that is, management and employees (see statement 7).

Frontline staff often play an important role in the interaction with the final consumer, but their actions are also important in dealing with suppliers (principals). Respondents’ views on this matter were tested by means of statement 8.

Seven percent of the travel agents strongly disagreed and hence did not believe that frontline staff play an integral role in ensuring that relations with suppliers will grow over the long term. However, 60% thought that they would, and a third of the respondents felt strongly about the role frontline staff can play.

The task of meeting customers’ expectations is also not overlooked as all respondents agreed that there is a great commitment in the agency to meet customer expectations (see statement 5). Table 4.1 shows that 77% of the respondents strongly agreed with this statement.

Overall, the travel agencies were positive towards practicing relationship marketing in their organisations. Their reactions to statement 4, namely, “The focus in our agency is mostly on single transactions” showed predominantly levels of disagreement. Twenty percent of the respondents strongly disagreed, while 70% disagreed with this statement. Only three respondents were of the opinion that their agency still focuses on single transactions.
When asked about their perception of relationships and relationship marketing in the tourism industry in general, it was interesting to note that 73% of respondents agreed and 27% strongly agreed that attention has always been given to relationships as part of marketing. As far as the travel industry per se is concerned, 67% agreed and 33% strongly agreed that the travel industry in general has been guided by the growing importance of building relationships with suppliers (see statement 11).

4.6.2 Perceptions of general relationship marketing strategies

Chapter 3 provided an overview of the possible retention strategies. Particular attention was paid to strategies built around financial, social, customization and structural bonds. Examples of strategies currently applied in the travel industry were provided. It was hence deemed appropriate to canvas the opinions of the travel agents in the Eastern Cape in this regard.

Perceptions of respondents about general relationship marketing strategies and of retention strategies applied by the travel industry in particular, were verified by means of statements 13 to 21 of the questionnaire. These mostly focused on strategies to develop and maintain relationships between suppliers and travel agents. Table 4.2 shows a summary of the responses to the said statements.
Table 4.2  Perceptions about general relationship marketing strategies

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>13  Commission restructuring could result in relationships with preferred suppliers.</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>14  Relationships could be strengthened by travel agents forming consortiums.</td>
<td>0</td>
<td>1</td>
<td>12</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>15  Future trends could force travel agents into maintaining good relationships with suppliers.</td>
<td>1</td>
<td>3</td>
<td>12</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>16  Certain airlines are offering travel agents higher commission in exchange for loyalty.</td>
<td>2</td>
<td>1</td>
<td>20</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>17  Our agency assigns a specific consultant to certain accounts in order to let social bonds develop.</td>
<td>0</td>
<td>4</td>
<td>17</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>18  Our agency is committed to satisfying customer needs and wants.</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>23</td>
<td>0</td>
</tr>
<tr>
<td>19  The internet could be used to customize offerings for specific customers.</td>
<td>0</td>
<td>4</td>
<td>21</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>20  Certain principals offer services to travel agents, which could result in better relationships.</td>
<td>0</td>
<td>1</td>
<td>25</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>21  Override commission is a financial bond to strengthen relationships with suppliers.</td>
<td>0</td>
<td>1</td>
<td>14</td>
<td>15</td>
<td>0</td>
</tr>
</tbody>
</table>

It was stressed in chapter 3 that the ultimate aim of relationship marketing strategies is to retain supplier-travel agent relationships. This is only possible if the parties involved in the relationship are satisfied with their experience. All the respondents agreed that their agency is committed to satisfying customer needs and wants (statement 18), with 77% of them strongly agreeing to the statement. This is in line with their response to statement 5, "There is great commitment to meeting customer expectations in our agency", where there was a strong agreement by 77% of the respondents.
Furthermore, 87% of the respondents believed that future trends in the industry could force travel agents into maintaining good relationships with suppliers (see statement 15). One travel agent strongly disagreed with this statement, and another three disagreed. These four agents do not seem to see the need for such relationships. It is against this background that travel agents’ views about retention strategies were evaluated.

4.6.2.1 Financial bonds

Bond formation has been identified as one of the strategies that can be applied to achieve stronger and healthier relationships with suppliers. Financial bond formation is one such example. Forty percent of the respondents agreed and 60% strongly agreed that in the light of commission restructuring, this change could result in forming stronger bonds. These stronger bonds could in turn lead to stronger relationships with preferred suppliers. The benefit of this bond is that the travel agents serve fewer suppliers and in return for their loyalty, receive the financial gain of override commission. The benefit to the supplier is greater control of the distribution network and greater turnover through fewer retail outlets.

To maintain these good relationships, they need to be developed and managed and this will result in bonds with certain suppliers only. The above idea is reinforced by 27 (90%) of respondents positively acknowledging higher commission payments in exchange for loyalty (see statement 21). This means
that 1 (3%) of respondents did not acknowledge override commission as important. These could possibly be a smaller agent who had not yet joined a consortium or had not yet acknowledged the current changing trends.

Loyalty is captured in the idea that preferred suppliers will support individual travel agents with higher commission (override commission) in exchange for loyalty. This loyalty will lead to strong financial bonds that are beneficial to both role players.

Figure 4.4 Higher commission can lead to loyalty

It was also put to respondents that certain airlines are offering travel agents higher commission with the aim of strengthening loyalty (see statement 16). While the majority of the respondents agreed with the statement, 11% thought that this was not the case. In fact 2 respondents strongly disagreed with the
statement. Seeing override commission as a financial bond aimed at strengthening relationships with suppliers (statement 21) was endorsed by 97% of the respondents.

4.6.2.2 Social bonds

Developing *social bonds* is another important retention strategy. The importance of such a strategy is captured in the development thereof. A confirmation of this is where 26 (87%) of respondents were committed to assigning a specific consultant to certain accounts. This allows for relationships to develop but also for travel agents to “tailor make” their offerings for their clients, resulting in satisfied customers and repeat business.

4.6.2.3 Customization bonds

Long term relationships can also result from strategies built around *customization bonds*. As stated in chapter 3, these strategies are based on customer loyalty being encouraged through detailed knowledge of individual customers. Detailed knowledge leads to the one-on-one solutions that fit the individual customer’s needs.

Ninety seven percent of the respondents acknowledged that principals in the travel industry offer services to travel agents that could result in better relationships (statement 20). Strong agreement came from 13% of the
respondents, while one travel agent disagreed that such a practice could lead to better relationships. Four respondents thought that the Internet could not be used to customize offerings for specific customers, while almost an equal number (5) strongly agreed that the Internet could be effective (statement 19). The majority of the respondents (70%) were in agreement with the statement.

4.6.2.4 Structural bonds

*Structural bonds* are suggested in the literature as forming part of retention strategies. One example of structural bonds is the forming of consortiums. Travel agents had to indicate their level of agreement with the statement that “*Relationships could be strengthened by travel agents forming consortiums*” (statement 14). The statement was strongly agreed with by 57% of the respondents, while 40% agreed and 3% disagreed. For smaller agencies to survive they might need to join a consortium. Joining would lead to the strengthening of relationships with preferred suppliers and the formation of bonds.

4.6.3 Appropriateness of relationship marketing strategies

The researcher believes that for a firm to remain sustainable there should be some form of relationship marketing in place. The travel agents’ views on the matter were ascertained by statements 22 to 25. Their responses are reflected in Table 4.3.
Table 4.3 Appropriateness of relationship marketing strategies

<table>
<thead>
<tr>
<th>The following are possible strategies which travel agents could use when dealing with suppliers. Please indicate your degree of agreement.</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form relationships with preferred suppliers.</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Encourage employees to become part of the relationship marketing focus.</td>
<td>2</td>
<td>0</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Individual travel agents could join a consortium.</td>
<td>0</td>
<td>2</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>To maintain a high standard of service delivery, travel agents should attract, keep and motivate quality staff.</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>18</td>
</tr>
</tbody>
</table>

The importance of forming relationships with suppliers has been pointed out above. However, to reinforce the concept, Figure 4.5 shows that 57% of the respondents strongly agreed and 43% agreed that it is indeed important to form relationships with preferred suppliers (statement 22). This suggests that no respondents relied on single transactions (an earlier marketing approach) and that the concept of travel agents being general sales agents is slowly coming to an end.
The importance of relationship marketing as perceived by the respondents, is further highlighted by the fact that the majority (see Figure 4.6) acknowledged the importance of employees becoming part of the relationship marketing focus. This indicates that no respondents rely on single transactions (conventional marketing approach) and that the concept of travel agents being general sales agents is slowly coming to an end.

No longer does one agent sell the product offerings of all principals; they now sell greater quantities of product offerings of preferred principals who in exchange offer override commission.
A further recognition of the importance of staff is that all the respondents saw that a high standard of service delivery could be maintained through attracting, keeping and motivating quality staff (statement 25). This is achieved through careful selection, proper training and the creation of an ideal working environment.

Respondents’ views on joining a consortium as part of a future strategy were also tested. A total of 93% of the respondents agreed that this was a worthwhile option to follow. This equates to only 7% not yet seeing the necessity to form bonds and networks through consortia formation (statement 24, Table 4.3).

Finally, the respondents were asked to provide their own strategies. Three (10%) of respondents highlighted teamwork as important within the firm. This focus on harmony between departments assists in the formation of long-term relationships.
One respondent felt that an incentive scheme for staff and suppliers was important. Through this motivation, bonds could form and relationships grow. Another travel agent felt that in order to grow these relationships, the suppliers (principals) should pay weekly visits to travel agents. These visits could allow for stronger bonds to develop. These additional strategies that were mentioned are all aimed at strengthening travel agent/supplier relationships.

4.7 SUMMARY

Chapter 4 dealt with the research methodology and focused on aspects such as data collection methods and procedures, questionnaire construction and sample identification. The findings were presented.

Chapter 5 focuses on the results of the study captured in the conclusions and recommendations.
5.1 INTRODUCTION

Chapter 1 consisted of an explanation of the reasons for the study, its significance and objectives. The aim of the research was to determine if travel agents in the Eastern Cape have relationship marketing strategies in place. A second aim was to determine the nature of such relationship marketing strategies as currently applied.

Chapter 2 covered the development of relationship marketing over time and the current status it enjoys in the marketing field. Consideration was given to the importance of relationship marketing by focusing on a managerial approach. Other important elements of relationship marketing focusing on inputs and outcomes were also considered. Attention was then given to trends of relationship marketing in the travel industry.

Chapter 3 focused on relationship marketing strategies and tactics. Consideration was given to retention strategies with a focus on: strategies built around financial bonds, strategies built around social bonds, strategies built around customization bonds and strategies built around structural bonds. This
led to the provision of examples of relationship marketing strategies as applied in the travel, tourism and hospitality industry.

Chapter 4 reported on the methodology used in the research expressed under the following headings: rationale for data collection, research methodology procedures, justification of data collection method and questionnaire construction. Following this process assisted in and led to the findings of the empirical study which were captured under the following headings: importance of and focus on relationship marketing, perceptions about general relationship marketing strategies and appropriateness of relationship marketing strategies. Chapters 2, 3 and 4 provided the basis for drawing conclusions and making recommendations.

Chapter 5 captures the essence of the study and also provides the conclusions and recommendations deduced from the empirical research. These conclusions also address the research objectives outlined in chapter 1.

5.2 CONCLUSIONS

This section presents conclusions from the findings of the literature and empirical study. These conclusions will be discussed under the following headings: the importance of relationship marketing, general relationship marketing strategies, current strategies within the travel industry and the relationship marketing retention strategies that could be applied.
5.2.1 The importance of relationship marketing

Different authors and researchers see relationship marketing in different lights and hence have different perceptions of relationship marketing. However, the findings clearly indicated that relationship marketing is growing in importance, as all the respondents agreed that relationship marketing is of more importance than managing their operations. Practitioners are now moving away from a transactional perspective to a relational perspective and this paradigm shift results in marketing being looked at in a new light. All respondents agreed that building good relations with suppliers could be advantageous for both the agency and the suppliers. The findings showed that one off transactions with customers is being replaced by long term relationships with customers that eventually bond into relationships that have a sense of permanence. This is in line with views of authors such as Sheth (2000) who perceives relationship marketing as marketing that establishes, maintains and enhances relationships with customers and other parties (at a profit) to achieve mutual objectives.

The tendency towards building long term customer relationships was also evident in that all respondents indicated great commitment to meeting customer expectations. This meeting of expectations should lead to satisfied customers and future repeat business. This confirms that all respondents are committed to some form of marketing, as the meeting of expectations leads to satisfied customers which still remains the core element of marketing.
5.2.2 Management of relationship marketing

The management aspect of relationship marketing also came into focus. Some authors state that relationship marketing has been around for some time, while others believe it is a current and growing field. Current or not, it has become evident that relationship marketing needs to be managed correctly in order for it to succeed. This success will depend on the whole organization buying into the new paradigm as it grows and unfolds. This requires managing a complex web of relationships (discussed below).

5.2.2.1 Supplier relationships

All the respondents acknowledged that they were enthusiastic about managing the relations formed with their suppliers. As many as 93% of the respondents agreed that all front line staff form an integral part of ensuring that relations with suppliers will grow over the long term, while all respondents agreed that all departments (functions) in the firm needed to work in harmony to achieve long term relations with suppliers. To achieve this harmony each department needs to be managed by the applicable line manager, and should be marketing driven to achieve organizational objectives.

Relationship marketing has expanded to include internal marketing. In order for relationship marketing to succeed, it requires the successful management of
external relationships, which are supported by effective internal relationships. All the respondents confirmed their commitment towards these relations.

5.2.2.2 Commitment by all

The literature maintains that for relationship marketing to be effective, all managers need to be committed to the cause. All the respondents perceiving the development and maintenance of relations as very important confirm this commitment. It is imperative that developing and maintaining these relations are managed effectively and efficiently. More importantly, these relations extend both internal (staff) and external (suppliers/intermediaries). Relationship marketing has thus expanded to include internal marketing and the successful management of external relationships with suppliers.

5.2.3 Current strategies within the travel industry

It was pointed out in chapter 2 that the belief is that one-to-one marketing (relationship marketing) has always been part of the customer relationship approach. However, its importance is only now being realized and acknowledged with greater enthusiasm. One aspect that could give momentum to this enthusiasm is the possibility of commission restructuring.

Commission restructuring is the lowering or removal of commission levels. These changes could lead to bonds or networks being formed. Sixty per cent of
the respondents strongly agreed and 40% agreed that commission restructuring could result in better relationships with preferred suppliers. The idea of preferred suppliers will result in long term relationships, where suppliers pay a higher than normal commission in exchange for loyalty and support. The greater the support towards the supplier, the greater the turnover and thus the greater the commission percentage as an incentive to remain loyal.

According to the literature study reported in chapter 2, relationship marketing could be defined as a combination of relationships, networks and interactions. One way to embrace the idea of relationship networks and interactions is for travel agents to form, or join a consortium. The idea is for a group of travel agents to form their own consortium or for a single travel agent to join an existing consortium. The idea of joining a consortium was supported by 97% of the respondents. Only one respondent did not see the necessity for joining a consortium to foster relationships. This is an indication that some travel agents have yet to focus on relationship marketing. However, changing trends in industry such as commission restructuring will “force” the latter party to reconsider its position on relationship marketing.

Sheth (2000) notes that relationship marketing is aimed at establishing, maintaining and enhancing relationships with customers and other partners (suppliers) to achieve mutual objectives. The entire travel, tourism and hospitality industry in the Eastern Cape has not yet accepted these changing trends, as 13% of the respondents disagreed that future trends could force them
into maintaining good relationships with suppliers. However, 87% of the respondents indicated that they were aware that changing future trends could force them into maintaining good relationships with suppliers.

5.2.4 Relationship marketing retention strategies

It was evident from the empirical findings that some travel agents acknowledged that certain airlines have retention strategies in place. The majority of the respondents indicated that certain airlines offer travel agents higher commission in exchange for loyalty. This loyalty implies that travel agents no longer sell the services of all airlines, but only a selected few. In return, based on the amount of revenue generated, the agent receives a higher than standard commission. This “arrangement” keeps the travel agent loyal to certain suppliers only and ultimately leads to a bond being formed, which could result in relationship marketing over the long term. Ninety three per cent of the respondents agreed that override commission is a financial bond aimed at strengthening relationships with suppliers.

Another retention strategy is the formation of social bonds. The majority of respondents agreed that by assigning a specific consultant to certain accounts, social bonds could develop. This development is ascribed to the fact that due to repeat business the consultant gets to know the specific needs and wants of her/his account portfolio. These needs are then identified during future business transactions and without the account holder asking for them, they are fulfilled.
This leads to a value added service and greater satisfaction for the client. All the respondents confirmed that they were committed to satisfying customer needs and wants, thus emphasizing the traditional marketing view of maximizing satisfaction of customer needs and services.

Further proof of the support of customer satisfaction is evident in the majority of respondents believing that in order to customize their offering for specific clients, they could use the Internet. The Internet is thus seen as a tool whereby the travel agents can form bonds with clients to uncover their specific individual needs. This behaviour leads to customization, which adds value to the service or offering, and which could ultimately result in long term relationships, also with suppliers.

Another strategy to encourage long term relationships between principal and retailer is through support by the principal. Ninety seven percent of respondents acknowledged that currently certain principals offer services to travel agencies. These services could be in the form of promotional activities, information technology support and staff training. These services could lead to better and stronger relationships as many intermediaries “expect” this type of support from principals. The advantages of this support is as follows: promotion could create the demand needed for the service or offering; IT support could assist the agencies in using and applying software more effectively; and lastly, staff training allows consultants to sell the principal’s offerings with more confidence. These aspects all lead to a win-win situation for both parties.
5.2.5 Overall conclusions

It is evident from the findings that travel agents are aware of and approaching relationship marketing with far greater enthusiasm. All the respondents agreed that one should form relationships with preferred suppliers. This confirms that long term commitment and loyalty will develop even further in due course.

Environmental changes are evolving and many new threats are appearing on the horizon. These threats are more real for smaller to medium-sized travel agents. The majority of the respondents acknowledged that one way to develop the long term relations, is for the “smaller” independent travel agent to join a consortium as discussed in chapter 2. Consortium membership offers a form of security for smaller travel agents who are currently under threat by environmental changes. Consortium membership also allows for relationships to develop with preferred partners and suppliers.

A further strategy which is considered important is that of internal marketing. Internal marketing means focusing on the employees of the firm with the same enthusiasm and drive as the external role players. This internal marketing focus is acknowledged by 93% of the respondents agreeing that all employees need to be encouraged to become part of the relationship marketing focus. This means that the lower echelons of staff and management need to focus on relationship marketing, but at the same time management needs to support the
staff in their endeavours and treat them as if they were customers in the organization.

Internal marketing is endorsed by all the respondents acknowledging the importance of staff. This importance is captured in the strategy that management should attract, keep and motivate quality staff. This strategy is based on the idea that quality staff could maintain a high standard of service delivery. Although in practice service level consistency is something management is faced with on a daily basis, it must be remembered that it is a vital ingredient in maintaining service levels and building long term relationships with all parties concerned.

Relationship marketing is thus growing in importance within the industry. However, some travel agents still need to become fully committed to the concept.

5.3 RECOMMENDATIONS

This section deals with the recommendations that have resulted from the above conclusions.
5.3.1 The importance of relationship marketing

Travel agents should realize that marketing as a discipline is evolving. This evolution means focusing less on transactional marketing and moving towards relational marketing. Relational marketing results in long term sustainable relationships. However, traditional marketing and its core fundamentals should still be practiced. The “customer” and satisfying his/her needs and wants still holds good for effective, sustainable business practice.

All travel agents should thus adjust to the challenges posed by the growing importance of relationship marketing. Those travel agents that are currently engaged in relationship marketing should build and expand on their efforts. Travel agents that are not engaged in relationship marketing are advised to seize the opportunity in the business environment or risk the danger of becoming marginalized.

5.3.2 Relationship marketing strategies

Travel agents that pursue the relationship marketing approach should consider the careful management of those relations formed with suppliers. This management element is of great importance to the effectiveness of relationship marketing.
The process starts with top management being committed to the strategy. It then involves management managing the relations with suppliers and managing the internal structures of the firm. Continued effort should therefore be put into firstly, making all staff part of the relationship marketing drive and secondly, ensuring that all departments work in harmony to achieve the objective of building relations over the long term.

However, the management of these relations extends into two other areas as well. Travel agency management should develop relations with suppliers. Travel agents should purposefully develop strong and lasting bonds. Furthermore, these relations should also be maintained to ensure that they remain sustainable over the long term.

Travel agents could expand their management portfolios to include the management of corporate clients’ accounts and budgets. The travel agent could then charge its client a negotiated fee to “manage” its travel account. This service fee and the current commission income will allow the agent to ensure a reasonable level of remuneration. However, the more corporate accounts a travel agent can manage, the greater the service fee income, and the less reliance on commission remuneration.

This concept of account management could lead to long term relationships, especially if the travel agent delivers a level of satisfactory service to the account holder. Satisfactory service will ensure that the parties remain loyal to
each other which could result in the benefits associated with relationship marketing.

All respondents acknowledged that relationship marketing has always been part of the travel industry. However, travel agents should credit these relationships with far greater importance. This importance is captured in the development and maintenance of these relationships over the long term. A long term emphasis should be applied as the sustainability of these relationships is of paramount importance. The respondents also acknowledged that relationships have always been part of marketing. While this trend is positive, travel agents should consciously refocus their marketing effort so that it is driven by these relationships.

Commission restructuring is inevitable. Travel agents should thus align themselves to this trend. Commission restructuring will allow for bond formation with preferred suppliers only. The importance of this trend is that through using preferred suppliers, long term relationships will develop. Travel agents need to forego the idea of selling the offerings of all suppliers and concentrate on selling the offerings of preferred suppliers, as is the trend in the United Kingdom and United States of America. This alignment could result in override commission for the travel agency and loyalty for the principal (airline), resulting in a win-win situation for both parties. More importantly, this situation will foster relationship marketing over the long term. Principals who have loyal travel agents in their distribution network, usually also offer other services. Travel agents should
consider these services which consist of promotional support, training opportunities and IT support.

Another strategy that all travel agents should consider is joining a consortium. Consortia formation gives small- and medium-sized travel agents the security they lack if they operate on their own. A consortium also allows them to form bonds and networks with other travel agents. In addition, a consortium has the power to negotiate favourable rates/offerings with preferred suppliers.

While respondents acknowledged that marketing is important to them, they should maintain and expand this function. Travel agents could achieve this by assigning certain consultants to certain accounts/principals, thus allowing social bonds to develop. Furthermore, the Internet could be used to customize offerings for travel agent clients, resulting in a value added offering which in turn could effect long term relationships.

It is clear that relationship marketing is growing in stature. This change will bring about a whole new focus on the function of marketing, as it is currently defined. A new paradigm shift will require many changes in the industry. Organizations will need to change from within to accommodate the changes in the business environment.

These changes should include travel agents aligning themselves with preferred suppliers. However, travel agents should make a distinction between a primary
preferred supplier and a secondary preferred supplier. The main advantage of this situation is that if the primary preferred supplier cannot deliver a service/product/offering, the travel agent has the option of approaching the secondary preferred supplier.

It is also evident that organizations need to change. However, this change cannot be superficial. Travel agents would need to undergo a culture change driven by relationship marketing. A culture of relationship marketing must start at top management and filter down through the ranks. Employees who do not see executives making a commitment to relationship marketing are unlikely to do so themselves.

Furthermore, business tools are becoming available which could help travel agents in these endeavours. There are employee relationship management applications that could be used. These applications include customer-driven strategies, interactive two-way communication, service level applications and relationship strategies, to mention a few. However, for these tools to be effective a culture of relationship marketing should pre-exist. Travel agents should ensure that this culture pervades the enterprise so that it crosses over to channel and business partners as well.

Environmental scanning and marketing research should also be part of this culture. After September 11 there has been a slump in air sales worldwide. The above exercises would have revealed this. Travel agents should then consider
that part of the transport market that is growing rapidly. Environmental scanning and market research would have identified cruise travel as the market segment that is growing. This revelation could trigger travel agents to refocus their business to cruises travel; thus, selecting a cruise liner as a preferred supplier and establishing long term relations with them.

Furthermore, travel agents should utilize all opportunities that come their way. One such example is Go Australia, which has launched an innovative training programme for travel agents called Anzaq (the Australia and New Zealand Accredited Qualification). This programme was developed to enable selected travel agency staff to obtain an accredited qualification as a specialized consultant for these two destinations. Additional benefits include, annual update seminars, override commission, additional sales and advertising support and preferred status in annual travel agent education programmes. Eastern Cape travel agents could become involved in similar programmes.

5.3.3 Further research

This research identified the need to expand relationship marketing in the industry. The study concentrated on the distribution channel, with a particular focus on relationship marketing between suppliers (principals) and retailers (travel agents). Travel agents are in a unique position in the distribution channel since they accommodate both principals at the one end and customers at the
other. Thus, further research should include the customers. This could result in a holistic picture of relationship marketing in the industry.
LIST OF SOURCES


APPENDIX A

28th February 2003

The Manager/ess

Dear Sir/ Madam

RESEARCH PROJECT

I am a lecturer in the Department of Sport and Tourism Management at the Port Elizabeth Technikon and am studying towards an M-Tech degree in Marketing. As part of my studies I need to investigate the relationship-marketing strategies as applied by travel agents in the Eastern Cape.

You will shortly receive a questionnaire in the mail. The questionnaire aims to investigate the role of relationship marketing between the principals and the travel agent. The information you provide is for research purposes only and will be kept strictly confidential.

Your assistance in this endeavor will be highly appreciated, as your contribution will be invaluable to the project. Please do not hesitate to contact me should the need arise.

Thanking you in advance.

Yours sincerely,

G FISHER
Tel: 041-504 3765 (b)
Cell: 082 5639 565
E-mail: Gfisher@petech.ac.za
Dear Sir/Madam

I am studying towards an M Tech degree in Marketing at the Port Elizabeth Technikon. The project focuses on the role of relationship marketing in the hospitality, tourism and travel industry. The emphasis is placed on relationships between suppliers (principals) and travel agents.

Kindly assist me by completing the attached questionnaire. The questionnaire can be returned in the self-addressed envelope provided. The information you provide is for research purposes only and will be kept strictly confidential.

Thank you for your time.

Yours sincerely

G. Fisher
Tel: 0415043765
Cell: 0825639565
E-mail: Gfisher@petech.ac.za
### AN INVESTIGATION INTO THE RELATIONSHIP MARKETING STRATEGIES
**APPLIED BY EASTERN CAPE BASED TRAVEL AGENTS**

**INSTRUCTIONS:**
- Please complete all questions, by making an X in the appropriate block, indicating your choice.
- Kindly return the completed questionnaire using the self-addressed envelope, by not later than 22nd April 2003.
- Relationship marketing is perceived as a long term relationship which is formed between two parties, resulting in a beneficial bond for both parties.

**QUESTIONNAIRE**

<table>
<thead>
<tr>
<th></th>
<th>Please indicate your agreement with each of the Following statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>1</td>
<td>It is more important for travel agents to manage their operation effectively than to be concerned with their relations with suppliers.</td>
<td>1</td>
<td>2</td>
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<td>2</td>
<td>Our agency is enthusiastic about long term relationships with our suppliers.</td>
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<td>2</td>
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<td>3</td>
<td>Building good relations with suppliers could be to the advantage of both the agency and the supplier.</td>
<td>1</td>
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<td>4</td>
<td>The focus of our agency is mostly on single transactions.</td>
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<td>2</td>
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<td>5</td>
<td>There is a great commitment to meeting customer expectations in our agency.</td>
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<tr>
<td>6</td>
<td>Our agency is enthusiastic about managing the relations formed with our suppliers.</td>
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<td>7</td>
<td>Our commitment towards these relations includes all staff (management and employees).</td>
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<td>8</td>
<td>Front line staff form an integral part of ensuring that these relations with suppliers will grow over the long term.</td>
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<td>2</td>
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<td>4</td>
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<tr>
<td>9</td>
<td>In our agency all departments work in harmony to achieve long term relations with our suppliers.</td>
<td>1</td>
<td>2</td>
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<td>10</td>
<td>In our agency, management perceives the development and maintenance of relations as very important.</td>
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<td>2</td>
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<td>11</td>
<td>The travel industry in general has been guided by the growing importance of building relationships with suppliers.</td>
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<tr>
<td>12</td>
<td>In the tourism industry, attention has always been given to relationships as part of marketing</td>
<td>1</td>
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<tr>
<td>13</td>
<td>Commission restructuring could result in relationships with preferred suppliers.</td>
<td>1</td>
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<tr>
<td>14</td>
<td>Relationships could be strengthened by travel agents forming consortiums.</td>
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<td>15</td>
<td>Future trends could force travel agents into maintaining good relationships with suppliers.</td>
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</table>
Please indicate your agreement with each of the following statements:

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<tr>
<td>16</td>
<td>Certain airlines are offering travel agents higher commission in exchange for loyalty.</td>
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<td>2</td>
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<tr>
<td>17</td>
<td>Our agency assigns a specific consultant to certain accounts in order to let social bonds develop.</td>
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<td>18</td>
<td>Our agency is committed to satisfying customer needs and wants.</td>
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<td>19</td>
<td>The internet could be used to customize offerings for specific customers.</td>
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<td>20</td>
<td>Certain principals offer services to travel agents, which could result in better relationships.</td>
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<td>21</td>
<td>Override commission is a financial bond to strengthen relationships with suppliers.</td>
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The following are possible strategies which travel agents could use when dealing with suppliers. Please indicate your degree of agreement:

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<td>22</td>
<td>Form relationships with preferred suppliers.</td>
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<td>23</td>
<td>Encourage employees to become part of the relationship marketing focus.</td>
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<td>24</td>
<td>Individual travel agents could join a consortium.</td>
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<td>25</td>
<td>To maintain a high standard of service delivery, travel agents should attract, keep and motivate quality staff.</td>
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If you have used any other strategies that seem to work, please list them below.

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Thank you for your kind co-operation.

Please mail the questionnaire, using the envelope provided, to Mr G. Fisher, before 22nd April 2003.