



## Partner Update - *Travel Trends*

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The U.S. travel trade publication, *Travel Weekly*, recently published its annual Travel Industry Survey for 2007. The survey analyzes a few elements of the retail travel industry: agency profile, business mix, supplier relationships, and external trends and events affecting the industry. This week's Partner Update highlights several relevant key findings from the survey.

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### Retail Travel Agency Profile

Single location travel agencies are the dominant traditional players in the industry. While they comprise 54% of all traditional travel agency offices, 40% are multi-branch travel agencies, with 6% being all others.

Within the 40% of multi-branch agencies, one-third is head offices. This implies that each multi-branch agency has on average two branch offices.

Compared to the previous year of 44%, this year 52% of all agencies surveyed have been in the business for more than 20 years. *Travel Weekly* proposed that "the difference may be the result of a greater number of smaller, less-experienced agencies closing their doors."

Within the brick-and-mortar agency segment, agencies under \$2 million in gross booking revenue make up 47% while those grossing between \$2 million and \$10 million comprise 32% of the total. Agencies with over \$10 million of gross booking revenue are 21% of the overall.

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### Travel Agency Business Mix

Agencies' main source of revenue was from the leisure market: 73% of total sales in 2006 were leisure and 27% business.

Airline ticket sales are becoming less important in travel agencies' business models due in large part to the near elimination of previous airline commission structures. 27% of 2006 sales is from air purchase, compared to the 36% of 2003. While air sales are decreasing, agencies are focusing more efforts on cruises, tours, and packaged travel.

The International Travel percentage of retail agency revenue has been an uphill trend for several years, this year it reached a high of 47%. *Travel Weekly* suggested that it is because "clients turn more often to agents to plan complex international trips" and travel agents are pushing more international trips with their clients because of higher booking value, thus higher commissions.

In regards to tour sales, 88% of agents reports using traditional tour operators for packages the last year and almost two-thirds of agencies have self-assembled packages for some clients. Packages from airlines (45% of agents), hotels (27%), and online (25%) are used by

travel agencies as well.

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### Travel Agency and Supplier Relationship

Most agencies are a part of consortia groups which negotiates preferred supplier agreements on behalf of its member agencies. Therefore, travel agents tend to send most of their business to their preferred suppliers. 50% of cruises and 40% of tours are sold through their preferred travel supplier.

The survey also reported which support services from travel suppliers are most important to agents: fam trips ranked the highest with 60%, while e-mails, educational seminars, and overrides/incentives follow closely with figures just above 50%.

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### Adverse External Events Affecting Retail Travel Business

Travel agents were asked by the survey to name the four events or trends that they think have been affecting and will continue to adversely affect their business.

Elements that affected revenue in 2006:

- 56% - Internet competition
- 51% - Increased cost of travel
- 47% - Security/terrorism fears
- 43% - Airport hassles/delays

Elements that will affect revenue in the next two years:

- 52% - Increased cost of travel
- 51% - Security/terrorism fears
- 49% - Internet competition
- 43% - Airport hassles/delays

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