



AN OCCASIONAL SERIES OF ARTICLES EXPLORING REVENUE OPPORTUNITIES AND BEST PRACTICES FOR TRAVEL AGENTS

Agents without borders

An exploding middle-class population across the globe represents an enormous pool of potential clients for travel sellers in the U.S. **By Johanna Jainchill**



If a U.S. travel agent were to follow the money, the trail would lead right out of the country.

By 2030, the BRIC countries — Brazil, Russia, India and China — will produce a total of 2 billion new middle-class consumers, armed with more disposable income than they have ever known. Much of that income will be spent on non-essential items, such as travel.

While governments and travel suppliers grapple with how to handle this flood of tourists, many U.S. travel agents are wondering something more fundamental: How can I make them my customers?

The lure of the international market became much more appealing to North American travel agents when the Internet tore down commerce borders. Until then, it had been very difficult to find potential customers in foreign countries and even more challenging to communicate and do business with them.

Jack Mannix, a travel industry consultant, said that before the Web, travel companies set different rates in different markets around the world, knowing that customers had no exposure to other markets.

"If you were an American, you were buying in American rates from American travel agents, even though you might be able to get the same sailing in France for less money," Mannix said. "Before the Internet, they could partition the world and dump inventory at cheaper prices on other markets. Today, thanks to the Internet, because of the transparency in the world, it's tough to keep a lid on it."

The BRIC countries are the four largest emerging economies, but there are many smaller, newly industrialized markets, as well. And when it comes to travel, even many established markets have low penetration when it comes to products such as cruises and tours.

What many of these countries currently lack is an ingrained network of travel sellers who have dealt with the breadth of travel products in which U.S. agents have long enjoyed expertise.

At the same time, while the U.S. travel market is not yet saturated, it is not growing at nearly the rate of emerging markets around the globe.

That confluence of factors presents a very attractive opportunity for U.S. agents to seek clients abroad.

"It's something I am thinking about for the future," said Susan Geringer, owner of Geringer Global Travel, which

specializes in outbound travel to India. "As the years go by, the numbers will be enormous, especially for people in India and China coming to the U.S. There's a good business for it, and there is money to be made."

The opportunity is clear.

World Travel and Tourism Council President David Scowhill told Travel Weekly earlier this year that the opportunities arising from the growing number of travelers in the BRIC countries was crucial for growth.

He said the number of outbound travelers in China, for example, was set to double over the next 10 years.

Moreover, he predicted that those numbers will continue to grow as the world's share of gross domestic product moves from developed economies to countries such as

China and India. Between 2011 and 2021, their share of global GDP will increase from about 15% to nearly 30%.

Executives at U.S. travel companies are already well aware of

the momentum and the momentum and have been adjusting their products to capitalize on the trend.

"We need to be not just an American company but a Russian company, a Chinese company, an Indian company," Arne Sorenson, president of Marriott International, said during the WTTC's summit in May. "We need to figure out what's the right thing for those people."

Likewise, Carlson CEO Hubert Joly told summit attendees that 70% of the hotels Carlson will build over the next few years will be outside the U.S.

"The U.S. is our home, but our second homes are now in India and China, and that's how we are thinking," Joly said.

So where are the opportunities for U.S. travel agents to seize this momentum?

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— Jack Mannix, travel industry consultant

'Before the Internet, travel companies could partition the world and dump inventory at cheaper prices on other markets. Today, it's tough to keep a lid on it.'

Word of mouth helps a U.S. agency establish an international presence

One way that agents in the U.S. have organically grown business abroad is by tapping into ethnic markets state-side.

Craig Hsu, vice president of Travel Design USA, has long sold outbound travel to Chinese-Americans living in the U.S., through his family's 25-year-old travel company, based in Torrance, Calif.

Eventually, those clients, who often travel back and forth to China and to other neighboring countries in Asia, spread the word. Travel Design now has brand recognition in several Asian countries.

The company is growing its travel business in Asia without doing any marketing or having a physical presence there.

"It wasn't so much that we were looking for this market, it's just who we are: Chinese-American," Hsu said. "When people live here, they often have dual residences overseas. They have friends and family and relatives in China and Hong Kong and Taiwan and any other Asian countries they come from. They want to travel, too, and

they contact us."

Hsu's agency sells trips to everywhere in the world. His family started a sister company, China Discovery Tours, that specifically markets tours to China for the U.S. market.

In a region in the nascent stage of a travel boom, which doesn't have enough travel sellers to fulfill the growing need, Travel Design's expertise is valuable.

"People in those countries aren't as expert or know the cruise lines as well as we do, and so they call us," Hsu said.

The company's website is translated into Chinese both for its Chinese-American customers and also for Chinese-speaking people in Asia.

With cruise being Travel Design's "bread and butter," Hsu said, his team translates all information about every ship, itinerary and destination.

But it takes more than a website and brochures to be able to sell to people abroad.



Craig Hsu, Travel Design

"The reason it works with us is we speak their language," Hsu said. "We can relate to people over there."

He explained that his team can write and speak in several dialects of the Chinese language, to accommodate clients from mainland China, Hong Kong or Taiwan.

Those cultural nuances give overseas clientele comfort in dealing with Travel Design.

"That's how we are able to capture and cater to those types of clientele overseas," he said. "That's why they feel more comfortable talking to us and dealing with us, not just for our expertise."

As for cruise lines that won't allow Hsu to sell the cruises to those markets, he simply sells the ones that do.

"We try to steer them to another cruise line," he said. "It usually isn't a big problem. They trust our expertise."

Hsu said with the Asia market growing, his company benefited from growth there when the U.S. market weakened.

"We're lucky that we are able to tap into both markets," he said.

— JJ

INTERNATIONAL

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The largest online travel agencies are ahead of the game and have been for years.

Expedia Inc.'s CEO, Dara Khosrowshahi, has stated he expects non-U.S. bookings to account for at least half of Expedia's business within the next few years.

In fact, already in the first quarter of this year, Expedia's international bookings increased by 20%. They now account for 39% of all Expedia bookings.

In just the last few months, several brands in the Expedia family have launched country-specific websites: Hotels.com in Indonesia and Vietnam; Expedia in Korea, Thailand, Malaysia and Singapore; and Hotwire in the U.K. and Ireland.

Khosrowshahi, speaking at the WTTC summit, said that the global demand out of Asia and Brazil was "growing at multiples of the domestic rate," while Asia and Latin America were still in a very early stage of growth.

Right now, Khosrowshahi said, Asian travelers are still mostly traveling within Asia, but "the next stage is going further afield."

Khosrowshahi wants to capitalize on those trends, and as the world's largest

OTA, Expedia has the resources to do just that.

But more traditional travel agencies are also beginning to make forays into the vast world of international sales.

One example is Avoya Travel, No. 37 on Travel Weekly's 2011 Power List, with annual sales of \$200 million. Avoya has carefully plotted its move into global sales, starting with changing its name from America's Vacation Center to Avoya.

And while the company has made a substantial investment in the strategy and is already selling to people in multiple countries and in many currencies, its trajectory is deliberate and slow.

"The hunger for people to grow their business internationally is met with a tremendous number of challenges, whether they are legal or operational," said Jeff Anderson, Avoya's vice president of marketing. "What is paramount is what the cus-

tomers experience is going to be. The customer experience needs to come first."

Selling globally, Anderson said, is more complicated than most agents imagine. However, he asserted, "There are big dollars out there if you are willing to figure it out and stick with it. It's not something you solve overnight. It's a strategy that requires patience, money, time and energy that goes into something that is far more complicated than the way we do things here."

He pointed not only to the nuances of culture and basics such as language, but to the question of whether agents can work the hours necessary to serve an overseas market.

"If we can say, 'Yes, we can deliver to their language, to their culture, in the hours operationally that they want to be talked to,' if we can check those boxes, the next question is which suppliers actually let us move for-

ward in those countries," he said.

The supplier question is a roadblock many agents encounter in terms of selling abroad, especially with cruise lines.

Earlier this year, Princess Cruises' executive vice president of sales and marketing, Jan Swartz, sent a letter to travel agents reinforcing the line's policy that forbids U.S.-based agents from selling to people in foreign markets. Their policy is among the strictest in the industry, but it's on par with others.

Princess explained that members of its network of general sales agents in more than 70 countries have made local investments to build and promote the Princess brand.

"These agents do so with the expectation that consumers in their local markets will book Princess Cruises' products through their local authorized retailers and ultimately allow them to make a return on their investment," Swartz wrote. "We would like to continue to ensure that the marketing and promotional activities of agencies located in particular geographic areas are not subject to 'free riding' on investments by agencies located outside of those geographic areas."

In order to protect those local investments, Swartz said, the line has historically limited North American agents to selling



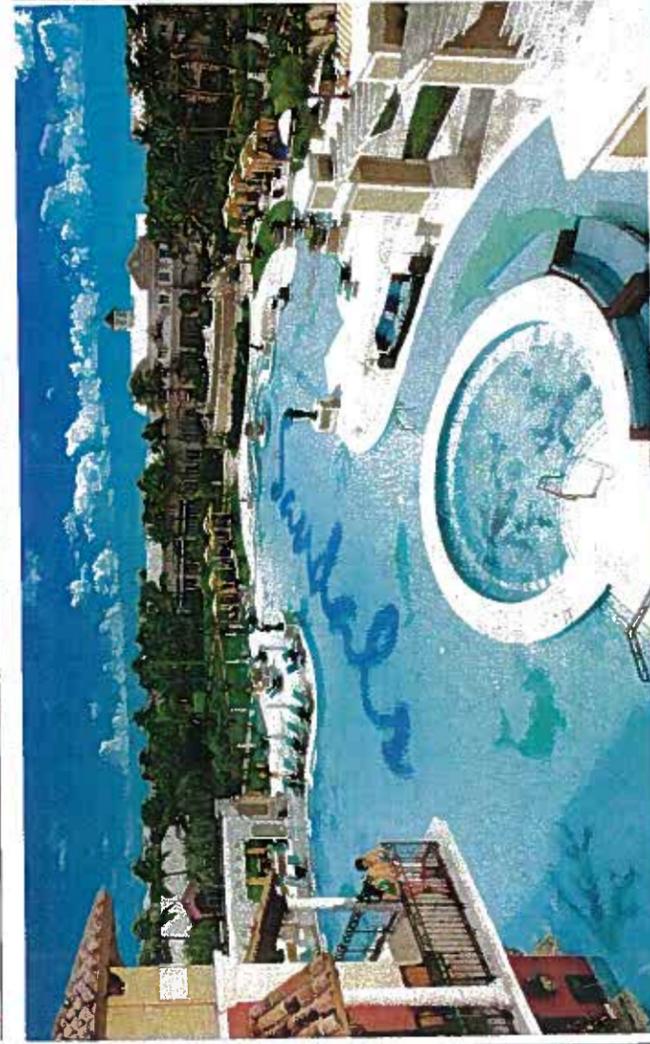
Jeff Anderson, Avoya



Jan Swartz, Princess



Philip Orlever, Crystal



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