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Agents without borders: There's great opportunity overseas

By Johanna Jainchill

Referral marketing occurs thousands of miles from home

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. [Read More](#)

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 nonessential 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.



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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 Scowsill 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 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 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?

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.

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



Jeff Anderson

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 forward 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 Princess in the U.S., Canada and Mexico.



Jan Swartz

Royal Caribbean International and Celebrity Cruises allow agents to sell to foreign clients if they work through the cruise lines' offices in those countries.

And the effort for some agents might not be worth it, since they are subject to commission rates specific to those countries, and the sales aren't counted toward their override and co-op goals in the U.S.

What's changed since Princess and other cruise lines with similar policies, such as Holland America, first enforced these rules is the Internet, which has prompted many suppliers to relax such rules.

"The suppliers that allow it are growing as borders come down because the Internet has broken them down," Anderson said. "The world is a smaller and smaller place; more suppliers are being supportive of it."

While travel suppliers no longer have the ability to be opaque about their pricing around the world, they still manage to set different rates in different countries by offering products in different currencies and through region-specific promotions.

And the way many agents see it, that is why these companies are preventing or limiting agents from selling to people abroad.

According to one agent who asked to remain anonymous, this policy came back to bite the cruise lines this summer in Europe, where overcapacity led to a slashing of cruise prices in the Mediterranean.

According to the agent, the lines had high hopes for selling the cruises at higher prices to the local source markets. When they couldn't sell enough, and agents here weren't allowed to reach out to those markets, the cruise lines were forced to drop their prices.

Some lines, the agent said, began looking the other way, allowing agents to sell to those markets. But travel agents increasingly want those divisions formally removed.

Some cruise lines are already, in Anderson's words, "laissez-faire" about it. Carnival Cruise Lines, for example, sells its cruises in dollars and at the same price to every market around the world, as do most of the luxury lines.

"We don't have the restrictions up because we don't have regional pricing," said Philip Ordever, Crystal Cruises' vice president of international sales and marketing.

Nor does Crystal have multi-currency pricing, Ordever said, adding that it is a "dollar-denominated cruise line."

Ordever said the local sales reps were not threatened by this policy and that the numbers show they needn't be.

Twenty-five percent of Crystal's passengers are international, while 20% of its business is sold through international representatives. Only 5% of foreign clients are being sold by North American agents.

While local general sales agents in foreign markets have expressed concern about Crystal's open policy, Ordever observed that if the line "put up the drawbridge," it would be disadvantageous to the general sales agents, as well, since many of them also sell to people in various countries.

Ordever said that many of the major U.S. travel agencies have some international presence, such as a U.K. website or toll-free number.

But having a website is often not enough, he said, and whether or not the cruise line's policies allow international transactions, the local laws often do.



Philip Ordever

"The U.K. has a lot of consumer-protection laws," he said. "They are extremely onerous on sellers of any vacation packages. Numerous agents say they want to open in the U.K., and I say, 'Look at the travel laws that dictate how you can sell, and the costs involved.' It's a heck of an investment in bankruptcy protection and consumer-protection fees."

Anderson also pointed to the difficulties of navigating the different laws in different countries.

"It's not as simple as saying we want to go to the U.K.," he said. "It's, are we licensed to do business in the U.K.? And what suppliers will let us sell their product there? And do we need licenses? Do we need a physical presence, or can we stay here and market in the U.K.?"

Anderson would not disclose in which countries Avoya is now selling, but said it was important to first consider language issues.

"Do you speak a language other than English? If not, don't try to go to Germany, and don't go to France," he advised. "The language barrier is one of the first and foremost things to evaluate."

He added that being able to handle different currencies is paramount.

For those reasons, Avoya's international strategy, 18 months in, has been "slow and very deliberate."

"It's these types of intricacies that become pretty substantial barriers to entry," he said.

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