



TRAVEL
INDUSTRY EXCHANGE

WHY TRAVEL SPECIALIZATION IS THE KEY TO FUTURE GROWTH

TRAVEL PROFESSIONALS ARE FLOURISHING AGAIN, THANKS TO SPECIALIZATION

Nearly 20 years after the Internet and OTAs threatened to make brick-and-mortar travel agencies extinct, information overload is helping to drive their resurgence as more consumers look to travel professionals for expert advice.

While countless websites and meta-search engines promise to put the world at consumers' fingertips, many are discovering how difficult it can be to assemble a vacation from raw data. Advisers who specialize in popular segments and help travelers sift through their own research are proving to be some of the biggest winners.

The move to specialization began more than a decade ago when most airlines stopped paying commissions. Today, 73 percent of agents report that niche markets are important to their business, according to a survey last year by the American Society of Travel Agents (ASTA).

MAJORITY OF AGENTS ADVOCATE SPECIALIZATION

A recent Questex Travel Group survey produced similar findings, with more than 70 percent of agents saying they believe it is important to market themselves as niche or destination specialists. More travelers who are used to researching their own travel are turning to such travel experts to help them narrow down their choices.

"It has definitely come full circle," said Jill Taylor of Chicago-based Jetset World Travel, which specializes in destination, special-occasion, and multigenerational travel. "We are so busy right now, we are turning away business."

Still, the ASTA survey shows about a third of agents still identify themselves as generalists, and niche travel experts say untapped potential remains in specialty markets.



"There is an old saying, 'jack of all trades, expert in none,'" said Eric Goldring, whose Goldring Travel in Colts Neck, New Jersey, specializes in luxury cruises. "That is the approach of many travel agents. Sometimes it is out of necessity – just needing business. But many times it is as a result of a fear of losing business or failure."

"In reality, if you are really focused on one or two niches, you can work incredibly efficiently so that you have the ability to not only get your work on a booking done in a third of the time, but have time to market yourself to gain yet more business."

CRUISES, ALL-INCLUSIVES, AND LUXURY ARE TOP SPECIALTIES

According to the ASTA survey, the top three specialties today are cruises, all-inclusive resorts, and luxury. In the future, agents see family and multigenerational travel and adventure travel moving up the list. Other high-growth potentials include special-occasion travel, health-and-wellness travel, villas and vacation homes, and specific destinations and audiences, including the oh-so-coveted millennials.

Here is a look at some of the top and emerging niche markets:

CRUISES: Cruises have long been a top niche market for travel advisors, with 70 percent of cruisers booking their trips through travel agents, according to the Cruise Lines International Association (CLIA). And this market is expected to remain lucrative.

CLIA's 2015 Annual State of the Cruise Industry report predicts a record 23 million passengers will sail this year, with 61 percent of North American CLIA-certified travel agents reporting an increase in 2015 travel bookings. The report also notes that cruise lines are enticing travelers with nearly 1,000 ports of call in new, exotic locations, especially the fast-growing Asian market.

CLIA also revealed that member cruise lines are scheduled to debut 22 new ocean, river, and specialty ships in 2015 for a total investment of more than \$4 billion.

As cruise fares drop and cruise lines change commission models, some agents have focused on the luxury cruise market, which often is all-inclusive — meaning they get commissions for more of the tab. Likewise, many luxury lines are adding longer trips. CLIA reports its specialty segments — sophisticated ships, luxury yachts, elegant ocean liners, and the newest river cruises — have grown 21 percent annually from 2009 to 2014.



ALL-INCLUSIVES: Tom Carr started All Inclusive Outlet of Lexington, Kentucky, 15 years ago with a very narrow niche, selling only Sandals and Beaches resorts in Jamaica. As he gained experience and his agency expanded, he now handles all-inclusive bookings of every variety. All-inclusive travel can include spa, family, honeymoon, and gay and lesbian travel, among other categories.

Luxury all-inclusive travel is getting to the point where it deserves exclusive focus because a commission is paid on the total package, making it potentially more lucrative than the cruise market, Carr said. Cruise companies typically sell port of call experiences post-departure, making them non-commissionable.

For agents looking to specialize in all-inclusive travel, Carr advises starting small, becoming an expert on a few good resorts, and avoiding trying “to sell everything all at once.”

VILLAS: The vacation rental market has long vexed travel advisers. With the rise in do-it-yourself rental sites the likes of Airbnb and VRBO, some travel professionals view vacation rentals more as a threat than an ally. But it's a growing segment that can't be ignored. Agents who embrace it rather than fight it can build successful niche ventures.

Bobby Gibson's Atlanta-based Villas Caribe by Travel Keys has always cultivated and courted travel agency partners by gaining their trust so they don't worry his company might steal their clients. “Some of our highest-

end clients are through our travel agent relations,” he said, adding that it is a complex market many agencies shy away from, but one that is harder to ignore.

Villas Caribe has a special website that gives agents access to high-end, proven products free of the unwanted surprises travelers might encounter when attempting to book a vacation rental on their own.

Gibson said his company typically pays a 10 percent commission. He believes it’s a good market for agents because clients looking for a villa usually are willing to spend more than they would for a hotel. Many luxury hotels also are increasing their offerings for residence-type villas and bungalows.

HEALTH AND WELLNESS TRAVEL: Gone are the days when travelers looked to hotel spas just for a quick pampering. Those spas now offer an in-depth experience, from yoga retreats to boot camps to healthy meetings and even alternative medicine. Recent studies show health and wellness tourism is growing twice as fast as any other sector, and much of this is in the lucrative luxury travel space.

According to the Global Wellness Institute of New York, the spa industry grew 58 percent from 2007 to 2013, from \$60 to \$94 billion, while wellness tourism increased nearly 13 percent from 2012 to 2013, to \$494 billion in revenue.



That trend is only going to accelerate, according to Susie Ellis, president of Spafinder Wellness and the Global Wellness Institute, which recently relocated from New York to Miami. She noted that Even, the new hotel brand from InterContinental Hotels Group, is dedicated solely to wellness.

According to a survey last year by Spafinder, 20 percent of travelers have taken a health-focused trip of some sort, and over 60 percent said that they would like to do so. From meeting planners to families, travelers are increasingly looking for wellness and fitness to be a key part of their trip.

MULTIGENERATIONAL TRAVEL: Another fast-growing area is multigenerational travel, also known as family travel. A recent survey by MMGY Global of Kansas City, Missouri, and Preferred Hotels & Resorts of Chicago, shows multigenerational vacations now represent half of all vacations taken by both grandparents and parents. Multigenerational travelers use the services of traditional travel agents much more often than do other leisure travelers.

During the last year, 38 percent of multigenerational travelers used the services of a traditional travel agent, and 41 percent said they intend to do so during the next two years, according to the survey. Both percentages are twice as high as agent usage among all other leisure travelers.



Jill Taylor, whose Jetset World Travel books a lot of weddings and family events, including big anniversary celebrations, said travel professionals who handle multigenerational travel need to listen to their clients to make sure everyone's needs are met. They also need to do a lot of follow up to find out what worked and what didn't. "The only way we're going to get better is by knowing what didn't go well," she said.

MILLENNIALS: Another MMGY study holds some of the best news yet for travel professionals. MMGY Global's 2014 Portrait of the American Traveler found that millennials – the generation seen as the future of travel – also are the age group most likely to use a travel adviser.

More than a quarter of millennials surveyed in February 2014 said they had used a travel agent during the previous 12 months, compared with 15 percent of Gen X consumers, 13 percent of Baby Boomers and 21 percent of older travelers.

The MMGY study predicts millennials will be even more likely to use a travel agent. Thirty percent of millennials said they will use an agent in the next two years, compared with 19 percent of Gen Xers, 16 percent of Boomers, and 27 percent of older travelers.

Millennials are more likely to do their own research, so they are looking for experts to help them answer the questions their research can't. "They love to plan travel, but they are not 100 percent skilled at it," said Taylor. "Many people have been burned by booking something online. We don't take away the fun of their planning; we take away the stress. Younger people like that."

Jetset World Travel calls its agents "advisers" in part because of millennials. As Taylor explains, "We're a concierge service. When you say travel agent, younger people think of an older person sitting there with a headset booking a flight."



ADVENTURE TRAVEL: Like health and wellness, adventure travel is often referred to as one of the fastest-growing tourism markets. It's one the Adventure Travel Trade Association of Seattle believes has vast potential for travel agencies. The trade group reports the sector has accelerated at a 65 percent yearly rate since 2009. Tour operators specializing in this market expect business to be up 23 percent this year.

Dan Austin of Austin Adventures in Billings, Montana, calls adventure travel an up-and-coming niche for agents because they can make better commissions than selling cruises or Disney vacations.

"The margins and commissions are so much higher for what we do," he said. "I talked to a travel agent yesterday. The booking was \$78,000, and the commission was 12 percent of that. I had (an agent) a couple of years ago who booked a group for \$260,000. To this day she teases me that I paid for her new kitchen."

As with villa rentals, it is important for agents selling adventure travel to find a tour operator they trust, who won't steal their clients for future bookings, Austin said. Once that trust is established, there is "huge" potential. "Adventure travelers are repeat clients," he said. "They'll do two, three, four trips a year. It's really a great market for travel agents."



GOLF: While the decline of golf in America has been making headlines in recent years, golf tourism has remained steady. One of the country's largest golf tour operators is making an aggressive effort to attract more travel agency partners.

Alan Hale, a former travel agent who now is president and CEO of Fairways Golf Vacations of Birmingham, Alabama, says his company has enjoyed tremendous growth during the last six years. Moreover, the first two months of 2015 have exceeded expectations.

“Our golfers are travelers and they travel with companions, buddies, and spouses,” he said. “The travel agency community has the potential to tap into this lucrative, repeat market. Golfers are enthusiasts, and nearly 50 percent of the 26 million golfers in the USA travel to play.”

Fairways introduced a white-label website program and began an outreach to the agency community in 2014. Education efforts and further penetration of this segment are planned for 2015.

Fairways, like all-inclusives, pays full commissions on the total package, including room, greens fees, car rentals, and spa treatments, Hale said.

AGENTS NEED TO BECOME ‘REAL EXPERTS’

Whatever the niche, agents who have succeeded by specializing emphasize that travel professionals can't just hang out a new shingle; they need to become real experts. Educational programs offered by ASTA, hotels, resorts, and cruise lines all can help agents learn about new products.

Eric Goldring said travel professionals need to be comfortable in their niche. In luxury travel, for instance, an adviser “whose jaw drops when a client is ready to spend over \$100,000 or who begins to apologize for the cost of things that are – frankly – beyond their life experiences and comprehension, is not appropriate for that market,” he said.

“Focus has to be on a niche that an agent feels in her or his bones, whether it be adventure, religious or wedding travel,” Goldring said. “In the end, if you are good within the niche you focus on, you will make a name for yourself, and referrals and proper marketing success will follow. But merely sticking a flag in the ground and waiting for people to come will probably result in failure.”