

The Relationship Between Marketing Mix And Customer Decision-Making Over Travel Agents: An Empirical Study

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Abstract

Globally, the role of travel agents in increasingly gaining importance in today's travel and tourism industry. A travel industry without travel agents is quite unthinkable as it would result in utter chaos and disorder in the industry. The aim of this study is to investigate the relationship between the 4Ps, namely price, promotion, place and product, and customer decision-making over travel agents in Palembang, Indonesia. Travel agents are seriously considered for these 4Ps activities to ensure that they allocate their resources effectively and efficiently. A total of 215 respondents were selected from customers of three travel agents in Palembang, Indonesia. The data collected was analyzed using three statistical methods, that is, mean analysis, Pearson correlation and regression analysis. The results revealed that only product and price were associated with customer decision-making over travel agents. Based on the findings, strategic recommendations are proposed for the travel industry in Indonesia.

Keywords: Travel agents; price; promotion; place; product

Introduction

In present times, travel agents play an essential and continually expanding role in worldwide travel and tourism. A travel industry without travel agents would be an industry in disorder [1]. Without travel agents, it would be practically impossible for travelers and tourists to shop for suitable flights at the best prices for tours, cruises, packages, hotels, resorts, and so on. Additionally, they provide a suitable one-stop access to virtually all segments of worldwide travel, transportation and tourism [2]. Generally, travel agents play a vital role in the tourism distribution system, forming important link between providers and consumers. Their stock in trade is knowledge and it is this knowledge that they will sell to the consumers [3]. In fact, they have been described as information gatekeepers in the travel purchase decision-making process [4].

Based on referenced material [5], some of the major problems faced by travel agents are customers who blame their agents for dissatisfaction with their travel products. These problems are a consequence of the lack of understanding about and planning of the marketing mix, namely “the four Ps’: product, price, place and promotion [6] and subsequently, how each “P” influences customer decision-making. The concept of 4Ps is an input component of the customer decision-making model. This model operates on the premise that external influences serve as a valuable source of information about particular products, thus influencing customers’ product-related values, attitudes and behaviors [7]. In view of this, it is, therefore, crucial for travel agents to improve their marketing mix in order to attract customers as well as fulfill their needs and meet their expectations.

Interestingly, there is sufficient evidence that the 4Ps have a major impact on the decision-making process in today’s competitive market. However, research related to the development of an integrated marketing mix conducted on travel agents in Palembang, Indonesia is still at its infancy stage. Travel agents in Palembang were chosen as the population for this study for the following reason. As we know, Palembang is the capital city of South Sumatra. There are many attractive places in Palembang, such as Kuto Besak Palembang fortress, AMPERA Bridge, Ledeng Office, MONPERA, SMB II Palembang Museum, Kemaro Island, Musi River, Bagus Kuning, Punti Kayu Tourism Forest, Siguntang Hill, Guguk Jero Pager Palembang Lam, Sultan Agung Grave, Sabokingking, and so on. Thus, travel agents play a vital role in ensuring that tour package arrangements and other related services in Palembang meet the needs of tourists who visit this popular holiday destination. This research is an attempt to investigate how travel agents’ 4Ps affect the customers’ decision-making process.

Based on the review of literature, the authors strongly believe that the 4Ps, namely product, price, place and promotion are important factors that influence customers’ decision making over travel agents. This leads to the formulation of the following research question: “To what extent do travel agents’ 4Ps (that is, product, price, place and promotion) affect customers’ decision-making over travel agents?” The findings of this research will contribute significantly to the tourism industry whereby the 4Ps will be given due emphasis by travel agents in Palembang to sustain their customers’ continual support and purchase of their products or services.

Conceptual Background

In accordance with the research question, the conceptual framework (see Figure 1) was developed to guide this study.

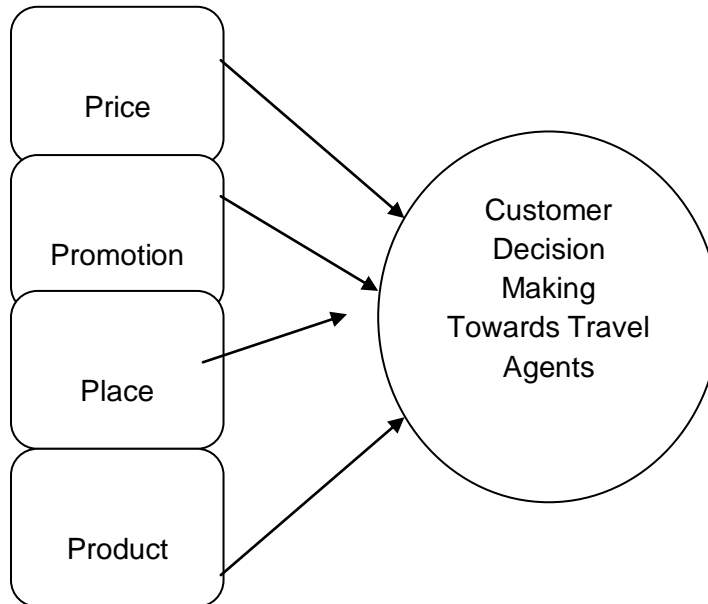


Fig. 1: Conceptual Framework

Price

Conceptually, price refers to the amount of money charged for good and/or services [8]. The price of a product is what the company gets back in return for all the efforts put into manufacturing and marketing the products [9]. Thus, the fastest and most effective way for a company to realize its maximum profit is to get its pricing right [10].

Pricing objectives should be derived from overall marketing objectives, which in turn should be derived from corporate objectives. The most common pricing objectives include achieving a targeted return on investment and market share, stabilizing of price and margin, and meeting or preventing competition. In addition, the success or failure of a business can hinge upon how pricing decisions integrate with the firm's cost-marketing strategy, business condition, demand, product variables, channel distribution and general resources [11].

According to Alexander [12], when travel agents sell a travel product to a customer, they will charge a percentage of the sales price as an agency commission. Generally, the commissions are between 10% and 20% of the sales price. However, different travel agencies have different pricings for the same air itinerary. Thus when suppliers demand high pricing charges, travel agents reciprocate by charging their customers a higher price in order to continue enjoying good commission rates.

As such, competitive pressures in terms of pricing are affecting travel agencies, particularly about reducing agency commissions [14]. Therefore, travel agencies have to offer many interesting tour programs to customers at affordable, reasonable and competitive prices. In wake of this, it was posited that price will have an impact on customer decision-making over travel agents, as stated below:

H₁: Price will influence customer decision-making for choosing travel agents.

Promotion

In conceptual terms, promotion is the element in an organization's marketing mix that serves to inform, persuade and remind the market and/or the organization of a product, in the hope of influencing the recipients' feelings, beliefs or behavior [15]. Promotion is aimed at communicating a message to customers about a product or service that is being offered by a firm [16].

The promotional elements comprise a mix of tools available for marketers. Commonly known as the promotional mix, it includes elements such as advertising, personal selling, sales promotion, public relations and direct marketing [17]. In this present day, the travel industry faces stiff competition as many travel agencies are aggressively promoting their products and services in an attempt to create customer awareness as well as attract them to purchase as much and as often as possible. In view of this, travel agents offer a range of promotions such as discount airlines ticket, hotels, cruises and car rentals, free gifts and a free tour guide. Based on the above discussion, this study hypothesized that:

H₂: Promotion will influence customer decision-making for choosing travel agents.

Place

Conceptually, place is defined as a channel, distribution or intermediary. In short, it is the mechanism of goods and services that facilitates the flow of goods and services from the manufacturers and service providers to the end users. The concept of place is to make the right goods and services available in the right quantities and at the right locations when customers need them [18].

The decision of a proper distribution channel involves numerous interrelated variables that must integrate wholly into the total marketing mix. Due to the fact that time and money are required to set up an efficient channel and since it is difficult to change these channels once they are set up, decisions pertaining to place are critical to the success of a firm [19].

As noted by Stevens [20], experienced management, well-trained employees, adequate financing, aggressive sales and marketing are all essential attributes of a successful travel agent. However, no single factor (except staff) has as much influence in an agency's survival and growth as its place. Therefore, travel agents with a strategic location and within close proximity to customers' homes have an added advantage in terms of patronage. Besides, a good and

clean environment with beautiful decorations of the place, comfortable chairs, good lighting, good ventilation and spacious parking lots are good reasons for customers to visit the travel agency. In this respect, it is reasonable to hypothesize that:

H₃: Place will influence customer decision-making for choosing travel agents.

Product

In conceptual terms, a product is anything that can be offered to the market for attention, acquisition or consumption including physical objects, services, personalities, organizations and desires [21]. Products can be classified into two major categories, that is, tangible and intangible. A tangible product is a merchandize that can be touched, such as a book, chair, television, and so on. In contrast, intangible products or services are elements of products which have unobservable product attributes and can be measured in terms of delivery, credit and warranty [22].

As the travel industry becomes increasingly competitive, it is essential for travel agent to concentrate on product aspects that include hotel and resort accommodation, and transportation facilities (for example, car rental needs, and so on) in order to gain a competitive edge. As more and more customers place great emphasis on these aspects, their influence on customers' overall satisfaction and decision-making is higher as compared with other sectors [23]. Besides this, many travel agents are now offering contemporary services such as insurance protection, passport and visa applications, inoculation procedures, toll-free phone numbers, corporate and leisure travel planning, and incentive travel services to garner new customers, whilst retaining the existing ones. Additionally, some travel agents have resorted to maintaining automated individual profiles that include customers' frequent flyer number, airline seating preference, smoking or non-smoking designation and other specifications for a custom-designed trip [24]. Based on this, it is reasonable to hypothesize that:

H₄: Product will influence customer decision-making for choosing travel agents.

Methodology

Sample

A total of 215 respondents were selected from customers who made decisions of buying travel products from travel agents in Palembang, Indonesia. Three travel agents were chosen for the study, namely PT Yeka Madira Tour and Travel Services, Skytour and PT Mitra Suryawisatama. The use of convenience sampling was justified by the fact that this study was constrained by time, manpower and cost resources. The sample shows that male (60.9%) respondents were higher than female (39.1%) respondents.

The largest age group who responded to this study was those aged 20 to 30 years old (33.0%). The majority of the respondents were married (67.0%). Most of them had also worked in the private sector (29.3%) and earned Rp 1.000.000 to Rp 2.500.000 per month. In terms of their monthly purchase with a travel agent, 32.6% of the respondents purchased travel packages once a month. The most purchased travel products by the respondents were airline, bus and train tickets (68.4%).

Measurement

In general, the measurement employed in this study was modified from previous research in order to reflect situational conditions. The five-point Likert scale was developed to measure perceived price, promotion, place and product over choice of travel agents. As the Likert scale is an interval-scale instrument, it is, therefore, appropriate for measuring the above continuous variables.

The measurements for gauging respondents' perceived price, promotion, place and product over choice of travel agents were adapted from the studies of [25], [26] and [27]. The modifications generated four, six, four, six and four items respectively. Apart from this, the Cronbach alpha coefficient for perceived price, promotion, place and product over choice of travel agents were 0.75, 0.74, 0.74, 0.77 and 0.65.

Results

Table 1 presents the scale means and correlation for the variables of this study. In comparison, perceived product ($r = 0.92, p < .01$) showed the strongest correlation with customer decision making, followed by price and place ($r = 0.90, p < .01$) and promotion ($r = 0.74, p < .01$).

Table 1: Descriptive statistics and correlations

	M	1	2	3	4	5
1. Price	4.10		0.64**	0.85**	0.84**	0.90**
2. Promotion	4.20	0.64**		0.75**	0.82**	0.74**
3. Place	4.10	0.85**	0.75**		0.95**	0.90**
4. Product	4.11	0.84**	0.82**	0.95**		0.92**
5. Customer Decision-Making	4.31	0.90**	0.74**	0.90**	0.92**	

Note. ** $p < .01$.

Multiple regression analysis was used to access the direct effect of perceived price, promotion, place and product on customer decision over travel products. The findings as summarized in Table 2 show that only perceived price and product significantly and positively influenced customer decision-making over travel agents. As shown in Table 2, perceived product ($\beta = .47, p < .01$) was the strongest determinant that significantly influenced the customer decision-making over travel agents, followed by price ($\beta = .43, p < .01$).

Except for H_2 and H_3 , all these findings provided grounds for full support of H_1 (price) and H_4 , (product) which indicated that both price and product influenced customer decision-making for choosing travel agents. The value of the adjusted R^2 (0.90) implies that this model explained 90% of the total variance in customer decision-making over travel agents.

Table 2: Multiple regression results of perceived price, promotion, place and product on dependent variable (customer decision making)

Customer Decision Making		
	Beta (β)	Sig.
Price	0.43	0.000**
Promotion	0.02	0.594
Place	0.07	0.318
Product	0.47	0.000**
R²	0.90	
Adjusted R²	0.90	
F-Value	481.13	

Note. ** $p < .01$.

Discussion and Implication

Based on multiple regression analysis, the findings revealed that among the 4Ps tested, that is, price, promotion, place and product, only price and product stood out as the most important marketing mix to affect customers' decision-making over travel agents. Both price and product emerged as two of the strongest predictors. This finding thus corroborated with other studies of reference, namely [28] and [29]. In terms of product, the perception of high product quality and high customer satisfaction will directly lead to high levels of purchase intention and repeat buying. As claimed by [28], matching products to customer expectation will increase customer decision-making over travel agents. When customers see that travel agents have a complete package of products, they will be more interested to buy from that particular travel agent. Product attributes such as product quality, complete and accurate information, capability to give suggestions and assistance, superior service, and so on may influence customer decision-making over travel agents.

On the other hand, travel agents must also remember to offer a reasonably prized tour package in order to gain the trust and satisfaction of their customers. This is extremely important because price reflects customers' perception of the value of products or services and all other marketing decisions are closely related with the price decision [30]. In this respect, travel agents can retain existing customers by offering an attractive and competitive price, giving special discounts for a certain market that include business markets or customer markets. The impact of price on customer decision-making is voluminous and vital. The reason for this is because present day customers are smart and possess the ability to differentiate between good and bad travel agents in terms of the price they pay and the quality of the travel package received.

In terms of managerial implications, travel agents should, preferably, not just focus on the tangible aspects of a product. Rather, they should to seriously focus on the intangible or unobservable product attributes, such as safety, prestige, unique services, and so on [31]. Additionally, travel agents must possess sound knowledge about price setting since undercharging (lost margin) and overcharging (lost sales) may have significant effects on profitability. More importantly, travel agents must fully understand how customers perceive price and how their perceptions affect their decision-making over travel agents. In short, the pricing set by travel agents should start with analyzing customer needs and value perceptions, as well as matching the price with customers' perceived value. On the whole, product and price are part and parcel of a tour package since customers often compare the price with perceived benefits derived from the products or services [17].

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