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## Customer Relation Practices and it's Impact on Customer Satisfaction in Travel & Tour Business (A Case Study of Kathmandu Valley)

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### ABSTRACT

**Objective:** To understand customer relation practices of Travel & Tour Businesses and measure the customer satisfaction through survey.

**Methods and Materials:** Customer relation practices were recorded through semi-structured interviews and observation of travel agencies in Kathmandu. Furthermore, 119 customer feedbacks from the three agencies were gathered. Feedback was gathered by using a questionnaire. Research is based up on primary data. Simple random sampling technique is used to collect data. Descriptive as well as explorative research designs were used to analyze the data.

**Results and Conclusion:** "Details given to Clients" and "Accurate Information" are the first important factors for travel agents. Attraction of the place and recommendation of travel agent are insignificant. Travel & Tour Business is a part of Tourism Industry which is largest industry in Nepal.

**Article type:** Research Paper

**Key Words:** Customer Relation; Travel Agency; Customer Satisfaction; Kathmandu Valley

### BACKGROUND OF THE STUDY

In today's environment, firms are increasingly dependent on the relationship they have with their customers. With the implementation of customer relationships, firms often achieve greater payoff, such as positive word of mouth, referrals and loyalty (Kim & Cha, 2002). In particular for service business, managing customer relationship is important because of the inherent intangibility and heterogeneous characteristics associated with service delivery (Cheng, Chen, and Chang, 2008).

Travel Agency is an organization that deals with different services required to travel from one place to another. This includes air tickets, hotel reservations, transport, Tour guide/ Trekking guide services, information about destination, prepare documents required to travel, and other services. Travelers and potential visitors consult with travel agency regarding their travel needs. Travel agency links up various service providers with their customers.

The concept of Travel agency business dates back to 1841, where Thomas Cook started package holiday and mass travel. It is an organized way of travelling where destination is selected; accommodation, transportation and other amenities are reserved for the visitors beforehand. Hence, visitors are aware of the places they will visit, means of transportation, where they will be accommodated, and the activities they carry out. In total, Travel & Tourism generated US \$7.2 trillion (9.8% of global GDP) and supported 284 million jobs, equivalent to 1 in 11 jobs in the global economy (Travel and Tourism Economic Impact 2016).

Nepal has vast resources which attracts tourists from all over the world- Yearly total of 753,002 people from 45 different countries of the world (Nepal Tourism Statistics 2016). Nepal Tourism Statistics, 2016 shows increase in Travel Agencies from 2768 to 3444, which is 24.4% rise, similarly Trekking Agencies increased from 2016 to 2367, which is by 17.4% in comparison to 2015.

Nepal lies on 102 position in terms of Travel and Tourism Competitiveness (The Travel and Tourism Competitiveness Index 2017). Referring to tourism, the role of travel agencies as intermediaries for distribution of airline reservations, ticketing, and transactions have changed. A focus on customer relationships like providing customers value-added services, expert advice, and recommendations is becoming essential. Therefore travel agencies

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need to establish their own business idea which regards customers as center, and improve their competitiveness by building and developing customer relationship (Jiang & Cui, 2009).

There are differences between customer relation approaches of Traditional Travel & Tour Business and Online Travel & Tour Business, which results in different customer satisfaction level. Most agencies have adopted the internet in their daily operations and some have provided e-commerce services on the internet. Hence, we have distinguished 3 distinctive customer relation approaches. One is the online market, second being the traditional approach and third is Business to Business (B2B) clients.

There is a need for Travel and Tour business to involve customer in the process of travel arrangements to shorten the gap between perceived service and actual service. This involves initial customer contact, providing information, as well as selection of various services which customers will ultimately experience first-hand.

Unless we re-establish our customer relation practices, we will continue to lose valuable clients. Furthermore, customer review and recommendations are valuable input in promoting a business and destination as a whole. Once we understand the expectations of customers and shortfall in service; we can develop our service approach accordingly.

### **OBJECTIVES OF THE STUDY**

This research aims to explore the various approaches to Customer Relation in Travel & Tour Business by travel agencies, and compare the customer feedback from each of the businesses.

The specific objectives are:

- To identify the various factors affecting the satisfaction of travel and tours' customers.
- To measure the effect of current customer relation process on guests' satisfaction.

### **REVIEW OF LITERATURE**

Any performance or action that one party can offer to another that is essentially intangible is defined as a service (Kotler & Keller, 2006). Services are deeds, processes, and performances which include "all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concern of its first purchaser" (Grönroos, 2006, p.4). Travel & Tour Business offer intangible products, and even though the product can be expressed in form of detailed information, it can only be experienced at the point of service delivery. By purchasing a service, customers take away experience and feeling, which is individualistic. According to Zeithaml (2006), service is usually produced and consumed simultaneously, so customers sometimes have to interact with the service firms directly which is considered as a process of the service production. Besides, in order to understand the nature of the service experience, customers always have to look for physical cues. The awareness of the importance of these additional variables has led service marketers to adopt the concept of an expanded marketing mix for services, including people, physical evidence and process (Zeithaml et al., 2006, pp.25, 26).

Travel and Tour businesses contribute to several of these elements. Such as Human Resource & Labor Market, Price Competitiveness, Information & Communication Technology Readiness, Prioritization of Travel & Tourism, International Openness, and Tourist Services & Infrastructure. Each of these elements influences visitors' expectation and experience. These elements must be considered by travel and Tour Businesses to ensure customers' satisfaction. Furthermore, organization must satisfy guests' needs and also try to serve the unarticulated needs. (The Travel & Tourism Competitiveness Report 2017, World Economic Forum) 102<sup>nd</sup> position is very far down the pecking order, considering Travel & Tour Business is the highest revenue generating industry of Nepal. We have to start looking into the elements mentioned which directly impacts customers' satisfaction. Human Resource, as well as Tourist Services is two of several elements mentioned by World Economic Forum, and Travel & Tour Business is in the forefront to provide that.

Traditionally travelers had to visit Travel Agent nearby to organize their travel services. Recently the telephone, mail and online market have taken over. In less than two years, the share of online booking has

exploded, from 9% to almost 33% (Criteo, Travel Flash Report 2016). This trend has emphasized Information and Communication Technology (ICT) developments in Travel Agencies in Nepal. Travel agents had to develop practices to exchange information and serve customers online. Online reservation allows individual guests to customize their travel and choose services they prefer. Travel agents are now capable to serve guests understanding individual preference and behavior. ICT allows quicker flow of information and swift travel arrangements. This is likely to add value to visitors' experience.

Online booking has redefined the way customer contact travel services. Travel businesses are now developing ways to serve their customers swiftly. Holidays and international tours are usually planned and organized many days prior to the visit. Each aspect of the visit is carefully examined and organized. However, recent trend shows increase in instant bookings and purchases of travel services. Travel businesses have to deal with these demands, at the same time ensure visitor satisfaction is maintained.

Lynn Manternach (2012) explains customers have a specific set of expectations from you when the relationship begins. Those expectations are based on consumer perceptions of you, your company and your industry. Expectations are formed through personal past experience, as well as the experience of others who interact with the customer.

Andrzej Kobylanski (2012) concludes that customers are taking an important part in the travel service, and personal experiences are very important. Thus, both parties - travel agency and customer - influence the final outcome of this relationship. Similarly, author has established implication for future research to investigate the differences between satisfaction from traditional travel agencies and online travel agents.

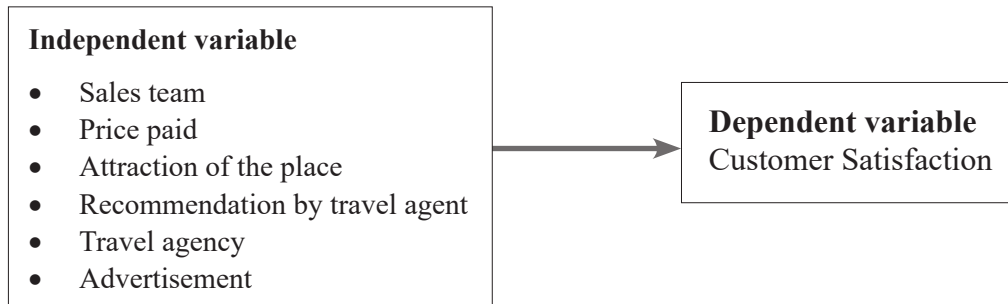
Christian Homburg, Michael Müller and Martin Klarmann (2011) in their research mention that in today's age of relational selling, a key challenge for salespeople is to determine the degree to which their customer-oriented behaviors drive sales performance. Therefore, this study analyzes whether a salesperson's customer orientation in sales encounters has an optimum level with regard to sales performance and customer attitudes. Using triadic data from a cross-industry survey of 56 sales managers, 195 sales representatives, and 538 customers, the authors provide strong empirical support for a curvilinear, inverted U-shaped effect of a salesperson's customer orientation on sales performance, whereas the effect of customer orientation on customer attitudes is continuously positive. Moreover, the findings reveal that the optimum level of customer orientation with regard to sales performance is higher for salespeople selling individualized products, in firms pursuing a premium price strategy, and in markets with a high degree of competitive intensity.

Cost of a product is a key factor in sales conversion. Sale indicates that guests are willing to pay the price for the product. Similarly, value for money is major determinant of customer satisfaction level. "The optimum level of customer orientation with regard to sales performance is higher for salespeople selling individualized products, in firms pursuing a premium price strategy, and in markets with a high degree of competitive intensity." Christian Homburg, Michael Müller and Martin Klarmann (2011). Sunil Mithas, M. S. Krishnan and Claes Fornell (2005) This research evaluates the effect of customer relationship management (CRM) on customer knowledge and customer satisfaction. An analysis of archival data for a cross-section of U.S. firms shows that the use of CRM applications is positively associated with improved customer knowledge and improved customer satisfaction. This article also shows that gains in customer knowledge are enhanced when firms share their customer-related information with their supply chain partners.

Marion M. Bennett and Chi-Wen Kevin Lai (2005), employing a combination of a quantitative questionnaire administered to 438 travel agencies and personal in-depth interviews, the research found that travel agencies in Taiwan generally regard the internet as an effective tool for their business. Most agencies have adopted the internet in their daily operations and some have provided e-commerce services on the internet. Although travel agencies are affected by e-commerce services, the effect is not found to be significant. Equally, no significant difference was apparent between company size and classification in terms of the effect of e-commerce travel services on travel agents. Travel agencies agreed that commission cutting by suppliers was a threat, but disagreed that disintermediation would occur, although booking offices were seen to be at risk. The research identified two principal future roles for travel agents: first, the need for them to reposition themselves as travel consultants and secondly, the need for them to become more technologically orientated.

## Conceptual Framework

Table 1: Conceptual framework



In above diagram, independent variables are sales team, price paid, attraction of the place, recommendation by travel agent, travel agency and advertisement and dependent variable is the satisfaction level of travelers.

## METHODOLOGY

Because of high competition amongst various travel and tour business in Nepalese context with liberalization and privatization, there is requirement to provide better value service to their customer, so customers become loyal. Now a day customer satisfaction and customer retention are the most important challenges faced by most of tourism business.

Both descriptive and inferential research designs were used in this study. First, the objectives of the study were chalked out on the basis of focus group discussion and exhaustive literature review. Based on literature review, items were identified to assess the satisfaction level of travel and tourism customers. Apart from the items from the SERVQUAL model (in a modified form), additional items of RATER dimensions sorted by relative importance (Zeithaml 1990) were taken. For identifying the satisfaction factors, the respondents were asked to rate their organizations on various categories. All the items were put on a five-point likert scale ranging from strongly disagree to strongly agree.

For the primary data collection, sample of 119 customers, who have their experiences with different travels and tours organizations having operations in Kathmandu Valley on convenience basis were asked. Thereafter, the questionnaire was administered to customers for giving their response on their service quality.

## DATA ANALYSIS AND PRESENTATION

### Factor Ranking

In order to find out the factors that sales team give preference to while dealing with the guests, the travel agency staff were asked to rank the 6 factors in order of their preferences. In the study among the six variables, "Details given to Clients" and "Accurate Information" are the first important factors for travel agents when dealing with guests. "Quality of vehicles" was given the least preference when Travel agents dealt with customers.

Table 2: Factors prioritized by Travel Agents

S.N.	Factors	Mean
1	Price	4.10
2	Quality of Hotels	4
3	Quality of Vehicles	3.67
4	Quality of Guides	4.33
5	Details given to Clients	5
6	Accurate Information	5

## Descriptive Statistics

Table 3: Descriptive Statistics

	Mean	Std. Deviation
Customer Satisfaction	3.87	.93
Sales Team	3.96	.94
Price Paid	3.68	1.01
Attraction of the place	4.37	.99
Recommendation by travel agent	3.92	1.083
Travel Agency	3.54	1.18
Advertisement	3.95	.96

The descriptive statistics consists of minimum ranking, maximum ranking, associated with the variables under consideration. The results show that customer satisfaction is at an average of 3.87 which is more consistent with respect to standard deviation. The highest mean value is 4.37 of attraction of the place whereas the least mean value is 3.54 of Travel Agency.

Table 4: Correlation analysis between study variables

	Customer Satisfaction
Sales Team	0.67*
Price Paid	0.43**
Attraction of the Place	0.33*

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

\**. Correlation is significant at the 0.05 level (2-tailed).*

Correlation between sales team, Price Paid, Attraction of the place and customer satisfaction

Less than 1 percent level of significance, there is a positive correlation between price paid and customer satisfaction. Similarly, there are positive correlation between customer satisfaction with sales team and attraction of the place at 5% level of significance.

Table 5: Regression Equation of Customer Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.252	.320		.787	.433
Sales Team	.503	.066	.512	7.661	.000
Price Paid	.185	.067	.201	2.758	.017
Attraction of the Place	-.133	.083	-.143	-1.609	.110
Recommendation of Travel Agent	.088	.075	.103	1.173	.243
Travel Agency	.157	0.57	.201	2.775	.006
Advertisement	.160	.072	.166	2.223	.028
<b>R<sup>2</sup>=0.87</b>	F(5,113)=45.23				

a. Dependent Variable: Customer Satisfaction

The explanatory power of the R<sup>2</sup> is 0.87 indicating that 87 percent variation in the satisfaction of customers is explained by variation of the independent variables included in the model. The F statistic of this model is also statistically significant at 1 percent. It is hypothesized that the signs of all independents variables are positive and significant. The predictors such as sales team, price paid, and attraction of place, recommendation of travel agents, travel agency and advertisement are found with positive sign as per expectation. It is found that other variables

keeping constant, one percent point increase in sales team leads to 0.503 percent on the satisfaction of customers. Similarly, it is noted that one percent point increase in travel agency quality increases by 0.16 percent on the level of satisfaction of customers if other variables keeping constant. Likewise, one percent point increase in advertisement increases by 0.16 percent on the level of customers' perception if other variables keeping constant. Here sales team and travel agency services are significant at 1% level of significance and price paid and advertisement are significant at 5% level of significant. In this research, attraction of the place and recommendation of travel agent are insignificant.

### CONCLUSION

The study aims to examine how customer relation is established in different travel agencies of Kathmandu valley. Furthermore, the study will explore the effect of current customer relation process on guests' satisfaction. Travel agency's customer relation practices were described through observation and semi-structured interviews with Travel Agency staffs. The survey questionnaire gathered customer satisfaction details through rankings given to different service variables. In addition to this, questionnaire also consisted factor ranking of different variables that would influence customer's experience. There are factors such as- Price and Travel Agents' Recommendations, which was considered important by customers when dealing with Travel Agents.

The findings reveal that Travel Agency has very little face to face contact with customers. Most of the services are booked online, and information is exchanged through online sources. Customer relation is established mainly through online platform. This includes advertisement in various social networking sites and websites. Customers send in inquiry online which is then followed up by the sales team of the agency. Customers usually inquire asking for tour plan, hotel reservation or general information. Sales team responsiveness is crucial to ensure sale of products. Similarly, providing accurate information is decisive to ensure customers are aware of what they are getting and hence are convinced to buy the services. Personalized service is crucial in this aspect. Furthermore, Travel agency also maintains a good Business to Business (B2B) relation with agents around the world. It is another way of attracting their customer. Customer relation with partner agents is maintained by being responsive to inquiries and providing accurate information.

Customers are attracted to a travel agency through recommendations from various sources. Travel agency must ensure they have made an impression to ensure referrals for further business.

Sales Team who are at the forefront of customer relation is crucial to customers' purchase decision. Sales team responsibilities, such as having product knowledge and giving accurate information, are important aspect of customer relation. Customer relation is influential to customer purchase decision. Customers were willing to recommend and contact the agency again when they were satisfied with the Travel Agency services. Similarly, being responsive to guests' queries and personalized service is a must have skill for customer relation.

From the survey, it can be concluded that majority of customers are satisfied with the travel and tours services. Among seven factors, only three factors are highly correlated with customer satisfaction. Similarly, sales team and travel agency services are significant at one percent level where as advertisement and price paid are significant at five percent level of significance.

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