ANALYSIS OF TRAVEL AGENTS PERFORMANCES DURING THE ECONOMIC CRISIS - CASE OF CLUJ COUNTY, ROMANIA

VALENTIN TOADER¹, MAGDALENA VORZSAK², CARMEN MARIA GUT³

ABSTRACT. The economic crisis we confront at this moment affects the peoples’ lives and enterprises’ activity. In this paper we evaluate the impact of economic crisis on the travel agents’ activity. The peoples’ standard of living and the enterprises’ activities has a significant influence on the travel agents’ economic performances.

We will base our analysis on two assumptions. Firstly, when the society standard of living is higher its leisure expenditures are higher and the travel agents have more clients. In opposition, in recession the amount of leisure expenditures decrease and the number of private clients of the travel agents is lower. Secondly, in the economic growth times, the number of business clients of the travel agents is rising, while in the recession times the business clients are decreasing.

In order to verify these two assumptions, we will conduct a survey on travel agents from Cluj County, Romania. Using a questionnaire, we will collect the necessary data and by the statistical means we will process and interpret these data. In the questionnaire we will study the evolution of the peoples’ leisure expenditure and business clients’ expenditures on tourism services as reported to 12 months ago.

Keywords: travel agent, economic crisis, economic performances

Introduction

The current global financial crisis affects all economic sectors, bringing lot of instability and uncertainty. Started from the housing sector, passing to the banking and financial sector, at this moment the economic crisis affects all parts of the real economy. This phenomenon affected also the tourism sector, where the private demand decreased and the number of tourist diminished.

Romanian economy was also affected by the crisis as a consequence of the slowdown in the economic growth of the European Union. The impact on financial and banking sector was limited so far due to a prudent approach of the National Bank of Romania. But, in the real economy, the rise of unemployment and employees union demands accentuate.

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According to the Tourism Minister, at this moment, Romania uses only 30% out of its touristic potential, aspect that determine a 3.5% contribution of the tourism sector to GDP. This is a low contribution but, due to the ongoing crisis, the current evolution of tourism sector might be worse. We sustain our opinion presenting some data extracted from the Monthly Statistical Bulletin of the Romanian Institute of Statistics.

Table 1.

<table>
<thead>
<tr>
<th>Indicators regarding the tourism sector evolution in Romania</th>
<th>October 2008</th>
<th>November 2008</th>
<th>December 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals in establishments of tourist reception</td>
<td>3.3%</td>
<td>-5.5%</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Overnights in establishments of tourist reception with functions of tourist accommodation</td>
<td>4.5%</td>
<td>-1.3%</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Index of net use of accommodation bed places</td>
<td>-1.0%</td>
<td>-2.1%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Foreign visitors’ arrivals in Romania</td>
<td>5.8%</td>
<td>-3.1%</td>
<td>-5.2%</td>
</tr>
<tr>
<td>Romanian visitors’ departures abroad</td>
<td>18.3%</td>
<td>15.0%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Source: National Institute of Statistics, Monthly Statistical Bulletin (October - December)

Looking on these data we can observe the decrease on the touristic demand for the domestic tourism services, while the demand of Romanian tourist for abroad tourism services continues to rise. As a consequence of the trends presented above, from 1 October 2008 until 31 December 2008, approximately 900 persons lose their job in the sector of transport and auxiliary activities, activities of travel agents (NIS, 2008).

More than that, the premises for the period February – May 2009 are not so optimistic. The short term indicators evaluated by the NIS in January 2009 present a continuous decline in the Romanian touristic activity (as we can see in Table 2).

Table 2.

<table>
<thead>
<tr>
<th>Short term indicators regarding the tourism sector</th>
<th>January 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Request (demand) of services estimation</td>
<td>-7%</td>
</tr>
<tr>
<td>Number of employees estimation</td>
<td>-9%</td>
</tr>
<tr>
<td>Price estimation for the next 3 months</td>
<td>-19%</td>
</tr>
<tr>
<td>Request (demand) of services estimation for the next 3 months</td>
<td>10%</td>
</tr>
</tbody>
</table>

As a result of these evolutions we decided to analyze the effects of the economic crisis on the economic performances of the travel agents from Cluj, Romania.

Methodology
In order to achieve our goal, we conducted a qualitative research, where the travel agents were the subjects of our research. We used different sources of information: primary (the data gathered from the questionnaire and from the interviews) and secondary (articles and news from Internet and from NIS).

The questionnaire applied had 21 questions: 19 closed questions and 2 open questions. Regarding the questionnaire structure, we had 6 questions related to the general effects of crisis on travel agents activity, 5 questions regarding the vacation packages, 5 questions about the air transport tickets, 2 questions related to bus transport tickets, 1 question regarding the other services (rent-a-car, insurance, sights man), 1 question referred to the solution implemented by travel agents in order to ameliorate or to prevent the crisis effects and 1 question about their estimations on 2009 profit. The questions were created in order to verify some assumptions made by the economic specialists from Romania, assumptions that will be verified during the next section.

According to Tourism Ministry, in Cluj county are registered 160 travel agents. From 90 travel agents that we invited to respond to our questionnaire, we received 58 valid questionnaires. These questionnaires were statistically processed.

The majority of travel agents are microenterprises and small enterprises. As we can see from figure 1, 83.3% out of the travel agents are tour operators.

Figure 1. Type of travel agents
Source: authors’ research
**Result and discussions**

The ongoing economic crisis affected until this moment 72% out of the travel agents from Cluj. The effects were multiple, so to find out which are the crisis effects that affected the travel agents activity in Cluj, we selected 6 of them and we asked the respondents to indicate them. In figure 2 we have the frequency of each crisis effect on travel agents respondents.

![Figure 2. Crisis effects on travel agents activity](source: authors' research)

We observe that the decrease in sales and the decrease in touristic demand represent the main two problems of the travel agents, 69% out of respondents affirming that. The national currency devaluation has also negative effects. We mention that the RON (Romanian Leu) registered a consistent devaluation during the time span we analyze (the average value for the time span October – December 2007 was 1 euro = 3,4441 lei while in the same time span in 2008 the average value was 1 euro = 3,8088 lei). As a consequence, the abroad vacation packages become more expensive.

Even if at the national level, the NIS reported the reduction of employees in this sector, we observe that in Cluj this phenomenon was not so significant. The inflation evolution (the inflation decreased from 7.39% in October 2008 to 6.3% in December 2008 and the disinflationary trend continues) did not have a significant negative effect on travel agents.
The first assumption that we want to verify is that the crisis determined the decrease of domestic vacation packages. Our assumption is sustained by the affirmation made by a travel agent representative: “at whole country […], the number of vacations sold is with 10 to 20% lower than in 2007” (Ziarul Financiar, 2008). Our analysis showed that the number of domestic vacation packages sold in October – December 2008 as reported to the same period of 2007 decreased in approximately 40% out of the Cluj travel agents (see figure 3).

![Figure 3. Number of vacation packages sold](source: authors’ research)

The minimum decrease in the number of domestic vacation packages sold is 10%, while the maximum decrease is 75%. The mode of the received answers show that the most frequent value for the decrease in the number of domestic packages sold was 10%. The median being 17.5%, we can consider that affirmation made by the previous travel agent representative was verified in our case (54.5% out of the travel agents who experienced decreases in sales of domestic packahes affirmed that these decreases are between 10 and 20%).

The situation of abroad vacation packages is similar with the case of domestic vacation packages. As the NIS reported, the value of Romanian tourist going abroad increased slowly than in the previous periods (see Table 1). This situation is verified in the case of Cluj: we had more travel agents that declared the number of abroad vacations decreased than in the case of domestic vacations.

The minimum decrease in the abroad vacation packages is 10%, while the maximum value is 50%. The most frequent decrease value (the mode) was 20%, while the median is also 20%. We consider that the assumption is verified in this
case too, 75% out of the travel agents registering a decrease sustained that this decrease was between 10 and 20%.

![Pie chart showing budget distribution]

**Figure 4.** The average budget spent on vacations  
Source: authors’ research

The average budget spent by the people of Cluj on vacation packages fall between 200 and 1350 euro, with the mean value of 481 euro. We observe that the majority of people spent a medium value on the vacation packages.

The president of the National Association of Travel Agencies in Romania (NATA) declared that in the segment of luxury vacations the crisis will not have effects, while in the segment of medium vacation packages the travel agents will lose clients due to the fact that these will prefer to buy cheaper packages (NATA, 2009). This opinion represents the second assumption we verified.

Looking on the figure 5, we observe that in Cluj this assumption was not entirely verified. The segment of low vacations did register a significant increase due to the clients that changed their preferences to the low vacation segments. In Cluj the greatest decrease recorded the luxury vacation packages: 62.1% travel agencies sold fewer luxury vacations. During the interviews, we found that the sell of luxury vacations was more difficult at the end of 2008 than in previous years: it was harder to convince the clients, some of them choosing, in the end, a medium vacation packages. Other agencies representatives (Wall-Street, 2009) sustained this opinion, adding that luxury packages were available even in December 2008. More than that, they consider that the tourists who could afford in 2007 and 2008 a luxury vacation will have enough money to choose in 2009 the same type of vacation, but for fewer nights.
We believe that the persons from the middle class are most stable clients. As we can see from figure 4 they are the majority (this is a normal situation due to the fact that Cluj-Napoca is one of the most economically developed town from our country), while from figure 5 we can see that the demand for medium vacation packages is the most stable.

The third assumption that we verified derive from a NATA communicate (NATA, 2009), which sustains that the first sign of the sales decline in tourism appeared on the plane tickets segment – in November 2008 as reported to November 2007, the sales of plane tickets diminished with 12%. We will evaluate this aspect from the perspective of business and private clients.

Looking on the figure 6, we observe that in the case of standard flights the assumption is verified, the travel agents that reported reductions in the sales of plane tickets being higher that the travel agents that counted increases in that segment. On the other hand, the sales of low cost plane tickets recorded consistent increases for more then a half of the travel agents from Cluj. During the interviews, the agencies explained this situation as a result of two factors:

- firstly, some of the clients that used to chose standard flights changed their option to low cost flights;
- secondly, some of the bus transportation clients decide to use low cost flights. The motivation is simple. If they will by the plane ticket with 2 months (or more) before the flight the price is approximately the same with the bus ticket. For example, if we take the example of Cluj-Napoca to Rome route, a bus ticket for a round trip is approximately 140 euro, while the price of a low cost plane ticket fall between 50 euro (with two months before) to 130 euro (with 2 weeks before). More than that, the plane trip takes 2-3 hours while the bus trip 1 day at least.
The most frequent reduction at standard flights on the private segment clients was 10%. We had situations of travel agents that recorded low reductions (the minimum value was 3%), but in the same time we had some travel agents that was seriously affected (the maximum value was 70%). The most frequent increase in the segments of the low cost plane tickets was 20%, while maximum increase was 70%.

From the figure 7 and from the interviews we deduced that the business clients continue to prefer the standard flights even if the crisis is affecting our economy. Moreover, in their case, the number of low cost flights is reduced as compared to the standard flights. The main destinations that recorded decreases in plane tickets sales were the countries were the economic crisis has showed its effects: Spain, Italy, USA and France.
The bus transportation services registered substantial reductions. Even if the majority of travel agents that sell these services (6.9% out of the interviewed travel agents do not sell bus tickets) did not counted the decline of demand on this segment, some agencies had great loses: the most frequent value of reduction in demand was 50%, while the mean value was 32.4%. As in the case of plane flights, the main destination that recorded decreases in bus tickets sales were Spain, Italy, Hungary, France and Germany.

![Figure 8. Sales of bus tickets](source)

Regarding the evolution of the number of travel agents’ clients, the NATA sustained that a part of the Romanians renounced at the New Year holidays, aspect that determined a reduction in sales about 10-15%. As a crisis result, the decrease of the clients’ number started from November 2008 (NATA, 2009). This is the fourth assumption that we proposed to verify in this paper.

The figure 9 shows that there are some travel agents that recorded decreases in their number of clients, while we have some other agencies that registered increases in clients’ number. All most half of the travel agents declared that they loosed private clients, the amount being between 5 and 85%. The most frequent value was 10%.
In the case of business clients the demand fluctuations were not so high. We have travel agents where the number of clients decreased, the most frequent decrease value being 10%, while the total values range between 5% and 90%. However, we observe that the business clients are more stable than the private clients for touristic services, aspect confirmed by the travel agents during the interviews. In conclusion, we believe that the NATA assumption is verified.

The fifth assumption we proposed to verify in this paper refers to sales evolution. We supposed that in the conditions of the ongoing crisis, the travel agents sales will decrease. As we can see from figure 10, the sales of more then a half of the travel agents decreased during the time span October – December 2008 as reported to the same period of 2007. The reductions in sales ranged between 5% and 90% (which means that we have travel agents with serious problems due to crisis), while the most frequent decrease value was 10%.
On the other part, we have a segment of travel agents that obtained remarkable result in this period. The sales growth in their case ranged between 10% and 150%, the most frequent value being 20%. So, in our view, in Cluj we have two segments of travel agents: firstly we have the agencies that did not face yet serious problems due to economic crisis and secondly the travel agents which were seriously affected by the economic difficulties.

Figure 11. Solutions to pass through the crisis
Source: authors’ research

Confronted or not with serious problems or, at least, being worried about their future, the majority of the interviewed travel agents declared that they think about some solutions to pass the crisis. We identified five possible solutions and we required to tell us which measure they intend to use in the future. The figure 11 presents the results obtained.

17.2% out of the interviewed travel agents declared that they do not plan any special measure. Analyzing their situation we found out that their sales increased, remained at the same level as in 2007 or registered low reductions.

A more strictly cost control will be realized by 75.9% out of the travel agents. This is the easiest solution to implement due to the fact that the firm can control its operational costs. During the interviews the agencies affirmed that they plan to cut utilities costs, to reduce dead periods (one possibility is to change the daily schedule), and even to reduce the number of employees. In spite of the fact that some travel agents declared that they take into consideration to reduce the employees’ number, during the time span October – December 2008, in only 12.1% out of the travel agents the number of employees decreased (as we can see in the figure 12).
35.4% out the travel agents declare that will cut tariffs. According to NATA president, the travel agents will cut tariffs up to 30%, while the ongoing crisis will became more acute (Gazeta de Sud, 2008). During the interviews we deduced two sources for price reductions:

- the decrease of accommodation prices. The hotels managers will reduce their prices in order to use more efficiently their resources;
- the travel agents commissions. Some agencies are willing to renounce to a part of their commission in order to keep the clients.

44.8% out of the interviewed travel agents opted for changing the strategy of agency development. Discussing with the travel agents we deduces the following measures:

- in the structure of abroad packages, the agencies will offer more vacations near to Romania. In this case, the transportation cost will be lower and the price of vacation may be lower;
- the reduction of nights' number. The travel agents consider that the people from Cluj are glad to leave the town even for 5 - 7 days and not only for 10 or 14 days. In the current conditions the reduction of the nights’ number may contribute seriously to the reduction of price vacation.

Besides these measures presented above, the NATA president propose another measure. He suggest to travel agents to implement for vacations a reservations system similar with the system of low cost plane tickets. That means the possibility of client to reserve its vacation at a lower price with two or three months before. We are skeptical regarding the success of this system due to the fact that in this period the clients are very reluctant. Due to the incertitude determined by the economic crisis, most of the clients prospect the travel agents supply, because they would like to go in vacation. In spite of that, they can not take a
decision yet, because they do not know how will affect the crisis their situation in the following months.

Knowing the problems that the travel agents face at this moment and the solutions they intend to implement in order to pass through crisis, in the end of questionnaire, we requested to travel agents to estimate the evolution of their profit in 2009. The results obtained are presented in the figure 13.

![Figure 13. Estimation of travel agents’ profit in 2009 Source: authors’ research](image)

**Conclusions**

Analyzing the effects of ongoing crisis on the activity of Cluj travel agents, we deduced that not all the travel agents are similarly affected. We observed that are some agencies where the crisis effects are visible, while other agencies continue to be prosperous.

The decrease of sales and the decline of touristic demand represent the main problems the travel agents are confronted with. National currency devaluation represent from July 2007 (and more accentuated nowadays) a threat for travel agents contributing to price growth.

Over 40% out of the agencies declared the sales of vacation packages decreased with 10-20% as reported to the last three months of the 2007. More than that, the decrease in the sales of domestic vacations is higher than in the case of abroad vacations.

Regarding the type of vacation packages, we find that the clients tend to reduce their spending on vacation packages, substituting the more costly packages with less costly one. This is why we consider that some of the clients of luxury vacation packages (over 60% out of the agencies declared that the sales for this type of vacation decreased) opted for medium vacations (or luxury packages for
fewer nights), while some of the clients of medium vacations chose a low vacation package.

In the context of economic crisis, the private clients chose to renounce to standard flights and to fly with the low cost flights (more than a half of the interviewed travel agents declared the number of low cost plane tickets sold augmented). On the other hand, the business clients did not change considerably their option for standard flights.

The analysis of sales evolution divided the travel agents into two categories: “the prosperous” and “the losers”, the second category being higher. The majority of travel agents, but especially the second category, search solutions to ameliorate the crisis effects. A more strictly cost control, price reduction or changes in agency strategy are the main directions that agencies are following.

In spite of the solution implemented, the perspective of profitability in 2009 is not so good: more than a half of the travel agents are expecting to obtain lower profits than in 2008.

REFERENCES