

KINGSTON QUALITY TOURS: MOVING FORWARD

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Abstract

The travel and tour industry is composed of numerous small travel and tour agencies, often managed by families, and generally located closed to their customers. The case presented the scenario in a small family managed travel and tour agency. The increasing popularity of online bookings had shortened the distribution channels and had an impact in reducing the revenue from commissions earned by the agencies as intermediaries. These small agencies need to reexamine their operations and strategic focus to ensure their profitability.

Keywords: travel and tour agency, ticketing, tour packages, online bookings

COMPANY BACKGROUND

Kingston Quality Tours Company was registered on November 8, 1996. It began its operation on December 1, 1996 with its office located at a busy bus terminal building area in the town of Kuantan. The initial investment was an amount of RM200,000 invested by two shareholders: Bakri Abdul Hamid who contributed 60% and his son, Mohammed Hariri who put in 40%.

The company was managed by the father and son team and both of them had a combined experience of over 30 years, with accumulative expertise in travel agency, airline and hotel operations. Within a year of operation, the company had earned itself a reputation as a professional incentive travel operator and handler that was able to efficiently serve the much demanded tour and conference itineraries of foreign companies. In 1999, Kingston Quality Tours Company marked a significant milestone in its short history by moving to a much bigger office (opposite the Berjaya Megamall Shopping complex) in an upscale part of the town. That was an indicative of its steady growth, impressive performance and its ability to secure a strong customer base. Much of the success was attributed to the skilled and dedicated employees who were able to provide prompt and efficient service to the company's growing local and international clients.

According to Bakri, "Kingston is committed to making a difference to the clients by providing maximum benefits at minimum costs, anchored on sincerity and reliability". He added that, "the aim of the company was to develop successful, long-term mutual beneficial business and clients relationships through the provision of quality and excellence service, and to enhance the company image through customer satisfaction with products and service. Our vision is to capture the largest share of the travel market segment in Kuantan, without compromising quality". The company mission was the provision of excellent service at competitive price.

THE PRODUCTS/SERVICES OFFERED

Major portion of revenue for Kingston Quality Tours was derived through the commission earned from flight reservation and ticketing services. The company was an IATA (International Air Transportation Association) accredited agent which allowed for its system to be linked to a computerized worldwide airlines seats reservations facilities called Abacus CRS (computer reservation system). Abacus was, in turn, linked to SABRE (Global Distribution Systems). The system allowed the assignments of seating arrangement for customers prior to departure. All the ticketing functions were automated.

The company also offered a wide range of outbound tour packages and ground arrangements for leisure travel, incentive travel, common interest tours, and special interest tours. The incentive travel packages which it managed could be individually created and tailored to suit the travel programmes of organizations as part of their employees reward schemes. The leisure tours could be made to match the customers' requirements and would normally include a wide variety of recreational and leisure activities. The special interest tours and common Interest travel were specially designed for both FIT (Free Independent Tours) or GIT (Group Independent Tour) travel and tour arrangements or programmes to cater for specific interests. In complementing those travel and tour services, Kingston also offered ground transfer services whether by coach, chauffeured limousines and/or rail services for corporate and leisure travelers. The company

would make arrangements to meet their customers on arrival and would make bookings and purchase theatre tickets for shows or other events as requested.

Additional products or services offered were hotel reservations and car rental. Kingston had established close networking with hotel chains and car rental companies worldwide. It could provide its customers, via the computerized reservation system linkage, instant confirmations on hotel and car rental bookings. For its customers' convenience, Kingston also provided travel-related services such as handling of visa applications, currency exchange services, itinerary planning, and flight insurance. One other service provided was the Hajj and Umrah package for its muslims to perform pilgrimage to the holy land.

The following table showed the percentage breakdown of total revenue contributed by each product/service type for Kingston Quality Tours in comparison with the small agency industry averages.

Table 1
Comparison of Kingston and Industry Average Revenue Sources

Factors	Kingston		Industry Average (Small Agency)	
	%	Rank	%	Rank
Ticketing – Domestic and In-Bound	20	2	13	4
Ticketing - Out-Bound	40	1	21	1
Hotel Reservations	5	5	7	6
Ground Arrangement/Handling	4	7	9	5
Hajj and Umrah Packages	1	8	6	7
Tour Packages	10	4	3	8
Food/Restaurant Reservations	0	-	2	9
Insurance	14	3	16	2
Transfer	5	6	14	3
Park/Recreation/Event	1	-	9	5

THE EMPLOYEES

The agency was considered a very small company by industry standard since there were a total of only 8 employees. It was headed by the major shareholder, Bakri Abdul Hamid who assumed the role of the managing director. He had extensive experience in the industry, working his way and accumulating valuable experience in the industry. He began his career in the industry by working as a sales executive with FDO Travel Company for a year, before moving on to the same position at a much bigger company called SMAS Travels located in the capital city of Kuala Lumpur. He remained in that position for only a year before being promoted as a manager for SMAS Travels branch office in Kuantan, a town on the east coast which was about 250 kilometers from Kuala Lumpur. In November 1994, he left SMAS Travels to work at Jelai Holidays Company, where he assumed the position of its manager. He stayed there for only 7 months. While moving along in his career, he had managed to complete the KOMMAS and

ABACUS training courses. He also managed to become a registered tour guide. He left Jelai Holidays because he felt that he had enough experience and knowledge on the industry to start and manage successfully his own travel and tour company. With the small savings he had accumulated over the years, he set up the Kingston Quality Tours. His main role in the company was to acquire new customers and to establish and maintain relationships with current customers. His tasks required him to spend most of his time out of the office. Thus, he left his son, Mohammed Hariri Bakri, the other shareholder, to oversee the whole operations and specifically, to manage the financial operation of the company.

Mohammed Hariri Bakri held the position of the second managing director. He began his career on July 1, 1997. He graduated with a Bachelor of Business Administration degree from University Technology MARA. Before joining his father at the Kingston Quality Tours Company, he worked for two years at a bank, thus gaining important experience and understanding on the financial industry. He had also taken and completed the training on ticketing from KOMMAS and ABACUS. His major responsibilities at Kingston were to manage the company finances, the preparation and analysis of financial statements, and controlling operating costs.

The assistant manager of Kingston was Samiah Abdul Malik, Bakri's daughter. She started working at the Company at almost the same time as his brother Mohammed Hariri. She had previously worked as a reservation clerk in SMAS Travels company in Kuantan. Her two main duties were to handle the day-to-day operations and to manage the employees' affairs.

The sales and accounting manager, Suhaimi Kamludin began working with Kingston on March 1, 1999. He had no prior experience in the industry, but he had attended courses on basic reservation and ticketing conducted by the Executive Council (EC) Malaysia, and had also completed ABACUS ticketing course. His roles were to make and follow-up on sales calls and to keep track of customers' transaction records.

There were two ticketing and general clerks. They were Fazliyatul Maziah and Norhayati. Fazliyatul started with Kingston on January 16, 2002. She had also completed the KOMMAS and ABACUS ticketing courses and had 3 years of experience working as a senior ticketing clerk before joining Kingston Tours. Norhayati joined Kingston Tours on January 7, 2002. Her work experience were mainly in the hotel industry as food and beverage clerk for 2 years, food and beverage junior secretary for 3 years, and as room supervisor for a year before joining Kingston. Both these ticketing and general clerks were the front-liners who were stationed at the front desk counter at the office. Their tasks were to handle incoming calls, to provide travel advice and consulting services, and to make travel arrangements for clients. The finalized itinerary and tickets issued would be delivered to the customers by the dispatch clerk, Mohd. Izwan. Izwan started with the company 2 years ago and he had no prior work experience.

OPERATIONAL FUNCTIONS OF THE KINGSTON QUALITY TOURS COMPANY

The operational functions of the company are as presented in the following table. The company operations were divided into 5 areas: Operations, Management, Marketing, Innovations, and Finance. The Operations section provided basic information on the company such as the location, size and capacity, operating hours and its suppliers. It indicated that it had sufficient

staff, was located within a busy area, and it had close rapport with its suppliers. The management section provided an overview on the staff experience, competencies and attitude, the entrepreneurial thrust of the manager, and the overall planning approach. It noted that it had very competent management staff and they had been with the company since it first started operation. The employees worked closely as a team and they were dedicated. But, the quality of service at the frontline could be improved.

The Marketing section gave a summary on the product/service image, the product and service differentiation and orientation, advertising and distribution channels, customer segments and loyalty, and sales target. The company prided itself on being reliable and in its ability to consistently respond fast to its clients. It provided a complete service package from major services such as ticketing and travel consultation to minute services such as money changing and insurance services. The innovation section focused on the company's activities relating to maintaining product superiority, newness in technology used, and product cohesiveness. The company indicated that, since it was a very small operation, there were no innovative or new product development activities. The Financial aspect looked into the financing structure, profit margin, breakeven ratio, and internal control. The company relied on bank overdraft facilities and other external funding sources, especially to overcome its short-term cash flow problems. Its average breakeven ratio was high and its average profit margin had been consistently below 5%.

Table 2
Operational Functions of the Company

1	OPERATIONS	
	Location	Upper floor of 2-storey shop house, within a large, busy shop houses area, in a new part of the Kuantan Close to 2 shopping mall: Berjaya Megamall and East Coast Mall Easy accessibility, within walking distance to bus and taxi terminals, and the Kuantan Stadium Ample public parking area in front of the site.
	Size and Capacity	3 departments: Administration, Operations, Finance Sufficient staff
	Operating Hours	Weekdays: 8:45 to 5:45; Saturday 8:45 to 1:30
	Building	Rented from Teratai Company
	Access to Suppliers	Good relationship with all airlines and package suppliers Established contract rate with local and international hotels Established good rapport with a few transport company for inbound tourists Offered tour packages through contact with other travel agents globally.
2	MANAGEMENT	
	Staff experience	Cumulatively, the management staff had over 30 years of experience in the travel and tour business

	Staff Competency	Very skillful managerial and supervisory staff. At other levels, on-the-job training were provided. Usually, the staff would be able to learn on how to do their job within a short time period since the task were not complex.
	Staff Commitment	Management staff had been with the company since its establishment in 1997 Supervisory staff had been with the company for over 10 years. Turnover of support staff and frontline staff once every 2 years.
	Staff Attitude	Generally, all staff would complete all their assigned tasks. Other staff would assume the responsibilities of those staff on leave. However, not all the support and frontline staff were excited about their job. But, they did work as a team and communicated well with each other.
	Entrepreneurial thrust	Very strong, with the manager overseeing and running day-to-day operations.
	Planning system	Clear job descriptions were provided for each job type Sales target were set on a monthly basis Tasks were assigned for the next week, such as confirmation of passengers, handling Flight tickets, ground arrangement, etc.
3	MARKETING	
	Service Quality/Image	Response Time was dependent on task complexity : Easy transaction – 30 minutes Moderate transaction – within 1 day Complicated transaction – within 3 days Reliability: 100% reliability were assured for travelers Friendliness: Adoption of “Customers are our number one priority” as the company’s motto Courtesy: Treat all customers politely at all times
	Waiting/Service area	Comfortable and ample seating area Average waiting time: 15 minutes per customer
	Product/Service Differentiation	Not much different from other travel agencies’ products/services, but personalized consultation services were provided based on the customers’ needs.
	Channels for advertising	Mainly through Word-of Mouth and pamphlets Issue: Sometimes, regular customers were not informed of good deals and bargains through e-mail.
	Product/Services Range	Provided complete package from consultancy to others such as travel insurance, money changing, car rental, hotel reservations.
	Level of Customer Loyalty	Almost 80% were repeat customers. No loyalty program provided, but the company attempted to provide excellent service at each opportunity.

	Customer Segment/target market	Classification is based on: Family group Government group Individual Database of each client had been established which included their past travel history and preferences.
	Sales Target	5% of Kuantan travelling population segment.
	Distribution Network	No formal MOU with any travel-related companies, but in this business, each company complemented others to provide the completed product range.
4	INNOVATIONS	
	Product Superiority	Core Product was Ticketing both outbound, inbound and domestic Ticketing and tour packages were among the two major products
	New product development	Company was a very small operation, thus no new product/service development over the last year
	Research and Development	No R&D activities
	Product/Service technology	Heavy reliance on IT to support the sales activities
	Product Cohesiveness	All products and services were related to the core business which were travel and tour.
5	FINANCE	
	Long term Financing Availability	OD facilities arrangement available with banks
	Breakeven ratio	2005: 74.7% 2006: 70.4% 2007: 67.2% 2008: 73.2% 2009: 64.3%
	Short-term cash flow and financing	Cash flow problems were overcome by external funds such as savings, credit cards. Short term cash flow problems were mainly due to government used of local order which would usually take about 1 month to recover the cash.
	Profit margin	2005: 3.1% 2006: 0.3% 2007: 1.2% 2008: 4.7% 2009: 2.0%
	Internal Control	Very minimal cash transactions. Very minimal wastage since value of assets is very small and all within the visibility of management.

THE CUSTOMERS

Kingston basically grouped its customers into two major types: Individual customers and Corporate customers. These two customer types could be further grouped into two types: FIT or GIT. Almost 65% of its revenue was derived from the individual customer group.

Individual Customers: The company had built a strong based of individual customer loyalty and 80% of the Group 2 and 3, as indicated in Table 4, were repeat customers. They had been with the company for almost since the company's first year of operation. From the initial data base, the company had managed to build and expanded its customer based, mainly through word-of-mouth and good rapport maintained by the manager. The concerned, as indicated by the manager, was the aging client base. The company derived the most revenue from Group 1 customers, based on revenue derived per transaction. The revenue derived from the individual customer groups had steadily increased over the past 5 years in spite of several economic downturn.

Corporate Customers: Competition to secure and maintained corporate client was very stiff. Currently, Kingston had 3 major corporate accounts, as indicated in Table 5. The amount of revenue derived from the corporate accounts fluctuated according to the individual company annual approved budgets, which would be closely linked to the national economy. However, as companies aspired to build a stronger corporate social responsibility agenda, the manager felt that there would be opportunities for growth in the corporate client base.

Table 4
Individual Customer Segments (FIT)

No.	Type	Demographic Profile	Type of Products/Services	Percent of Total Revenue
1	School children on school trips from within the city	12 to 20 years old Group of 40 pax	Domestic and outbound – tailored package (School vacation)	30%
2	Female middle age – from within the city	30- 45 years Medium to high income Small group of 3 to 5 pax	Outbound shopping trips and vacation – outbound – Air Tickets (No specific time preferences)	25%
3	Lecturers – conferences	Lecturers from 4 Universities – Travelling individually or in pairs	Outbound tickets and hotel accommodations (Throughout the year)	20%
4	Others	Young couples Retirees	Domestic and Outbound tour packages	25%

Table 5
Corporate Clients (FIT/GIT)

No	Company/Council	Percent of Total Corporate Customers
1	Amoco Chemical (Malaysia) Sdn. Bhd.	40%
2	Pahang Institute of Professional Development	30%
3	Kuantan City Council	30%

CRITICAL SUCCESS FACTORS

The factors that Kingston considered as most critical for the success of its performance were as provided in Table 6. Kingston indicated that there were four factors that were extremely important and no major decisions were made without considering them. There were (1) customer loyalty, (2) employee commitment, (3) acquiring new customers, and (3) sound financial standing. The next seven factors were considered as very important in determining the success of the company and they were often taken into account when decisions were made. There were: (4) acquiring corporate accounts, (4) controlling cost/expenses, (5) company (brand) recognition, (5) risk considerations, (6) competence employees, (7) close industry networking, and (8) achieving quantitative objectives. The last three factors were considered as moderately importance: (9) monitoring competitors, (10) monitoring changes in external environment, and (11) new product/service development. They were usually not discussed or deliberated upon when decisions were made.

Table 6
Critical Success Factors of Kingston Quality Tours

Factors	Mean Score
Company (Brand) recognition	Very Important (4.8)
Customer Loyalty	Extremely Important (5.5)
New product/service development	Low Average Importance (3.1)
Competence employees	Very Important (4.7)
Close Industry networking	Very Important (4.4)
Sound Financial standing	Extremely Important (5.1)
Controlling cost/expenses	Very Important (4.9)
Acquiring new customers	Extremely Important (5.1)
Acquiring corporate accounts	Very Important (4.9)
Achieving quantitative objectives	Very Important (4.3)
Employee commitment	Extremely Important (5.3)
Monitoring competitors	High Average Importance (3.9)
Monitoring changes in external environment	Low Average Importance (3.2)
Risk considerations	Very Important (4.8)

Scale:

1	2	3	3.3	3.6	4	5	6
Not Important	Minor Importance	Low Average Importance	Moderate Importance	High Average Importance	Very Important	Extremely Important	

THE FUTURE OF KINGSTON QUALITY TOURS COMPANY

Kingston Quality Tours Company, as any other Travel and Tour agencies, faced multiple challenges such as changing customers' preferences, increasing knowledge of and widespread use of information technology (IT) by customers, and increasing customers' demand for value and convenience. The travel industry was confronted with a major transition in the distribution channels whereby customers became closer to suppliers as a result of the impact of IT. Customers became increasingly aware of travel options available to them through e-marketing which also enabled them to access to relevant information and made direct online bookings. The popularity and ease of online bookings, coupled with the reduction in commission earnings from suppliers, were some of the major challenges faced by travel and tour companies especially the small travel and tour operations such as Kingston Quality Tours Company. There would be an increasing need for agencies to differentiate their product/service offerings by adopting strategies that would provide competitive advantage and maintain customers' loyalty. The travel and tour agencies that provided value to customers through the provision of tailored travel and tour packages, and delivering exceptional customers' services would be more assured of better performance.

QUESTIONS FOR DISCUSSION:

- Q1. Conduct a SWOT analysis on Kingston Quality Tours.
- Q2. Discuss the external challenges faced by small travel and tour agencies such as Kingston Quality Tours. What are the opportunities for the agency to move forward?
- Q3: Discuss the two major internal strengths of Kingston Quality Tours. How would these two strengths be used as competitive factors?
- Q4: Discuss the problems of aging managers/owners and aging client base and suggests ways of overcoming the problems without disrupting the current operations.
- Q5: How do travel managers find opportunities in the shift in the customers' behavior?