

## On the Role Adjustment and Developing New Way of Small Travel Agencies in Shenyang

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**Abstract:** This paper talks about the role adjustment and developing new way of small travel agencies in Shenyang. On the one hand, this paper talks about the feasibility of the business of small travel agencies in Shenyang based on the network theory. On the other hand, based on the analysis on the vertical distribution system in western travel agencies, this paper combined the facts of small travel agencies in Shenyang to analyze how to adjust the role to rely on big and medium-sized travel agencies to become tour agency deputies.

**Key words:** Small Travel agencies; Network Theory; Cooperative Business; Vertical Distribution System

### 1. PROBLEM STATEMENT

Based on the statistics of *2008 Shenyang National Economy and Social Development Report* issued by Shenyang Statistics Department in March, 2009, there are 182 travel agencies within the city. According to the *Small Enterprise Accounting Discipline* issued by Financial Department in April 27<sup>th</sup>, 2004 as well as the National Economic Industry Classification published by National Statistics Department, the existing travel agencies in Shenyang belong to the category of small-sized ones no matter regarding of the staff number (less than 100 people) or of the business income (less than 10 million RMB), the market positioning and business strategy of which have many problems. All the problems are resulted from two aspects. Firstly, there is no network cooperation among small travel agencies in Shenyang, which will lead to promotion disadvantages and a lack of resource sharing, which makes customers lose confidence and understanding of these small travel agencies. As a result, small travel agencies will cover a small marketing with a lower efficiency. Secondly, present tour agency industry work distribution system will make small agencies locate themselves in an unclear position which will lead to a fierce competition or price war among agencies that will strongly jeopardize the development of tour industry in Shenyang. So as not to make these small travel agencies accessory in the competition accompanied by China entering WTO, it is very necessary to analyze the development way out for the small travel agencies.

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## **2. DEVELOPING WAY OF COOPERATIVE BUSINESS BASED ON NETWORK THEORY**

In such a fierce market competition, there is not only complicated competing and cooperating relationship among different enterprises, but this relationship has also formed a huge network, the enterprises within which will become interest partners (WANG, 2005). Business network refers to the mode of more than two enterprises which rely on each other based on formal or informal agreement, that will take the risks and long-termed cooperate with each other, the core of which is cooperation that will lead to a win-win result. Meanwhile, there will also be competition among enterprises. Different knowledge and capacity crystallization of independent enterprises within this network could help each other to absorb more knowledge to innovate (YANG, 2005). The existing of enterprise network could help each other to learn from others, update their knowledge and expand their technology choices.

### **2.1 Build Interest Community among Small Travel agencies through Network Cooperative Business**

Cooperative network could change competing relationship in different areas to strategic partnership, the core of which will make more benefits and special touring products. Small travel agencies could optimize their cooperative environment and improve their mistrust to build an interest community relying these high-valued products cooperation.

### **2.2 Advertisement Alliance to Save Expense**

With the competition of tour industry, small travel agencies should try to improve their promotion to enhance their fame among customers and marketing share. However, small travel agencies have limited money to put on promotion. As a result, cooperative advertisement among small travel agencies could be a good choice, which could publish advertisement in newspaper, magazine, on TV and many other mass media for the products of the alliance. This cooperative advertisement could not only help customers to understand the products, but also save the cost to reach a better result (SUN, 2003).

### **2.3 Cooperation to Increase Income of Tour Industry**

Cooperation of small travel agencies could help a lot in Shenyang tour industry development. Dozens of customers in one tour agency could form a tour team and have one agency to make the tour lines for the team. This could form different tour teams to hold tour activities. This phenomenon often appears in some cold seasons or cold lines, the benefits of which is that customers could have more choices. In this way, the number of the customers could be ensured, and the tour team could take off every day. For travel agencies, this could save the resources to the maximum, for the customers, they could have more flexible time arrangement. Thus, all the small travel agencies could increase their income and then enhance the development of tour economy in Shenyang.

## **ROLE ADJUSTMENT TO DEPUTY BASED ON VERTICAL WORK DISTRIBUTION**

Horizontal work distribution in Shenyang brings many problems of marketing positioning, business operation and many other aspects for small travel agencies that require immediate actions. Firstly, all kinds of travel agencies are running the business of designing, developing, selling and accommodating. Secondly, small travel agencies could hardly fully participate in every section due to limited people, money and material, which will make the developing stay in a superficial level. Some small agencies

could not find an appropriate positioning and become a blind follower that loses its own features with a poor service, and could not develop its core competitive features to expand its business. Compared with this, western travel agencies are on a more mature and formal stage. Western travel agencies take the vertical distribution system which classifies the travel agencies to retailer and wholesaler. Wholesaler only focuses on products designing and organizing instead of accommodation. Retailer will face the customers and sell the products designed by the wholesaler to customers, or sell the projects to services suppliers like restaurants or airlines(CHEN, 2005). Professional distribution of retailer and wholesaler could formalize marketing disciplines and enterprise behavior to the maximum. A small part of big tour wholesalers could take the advantages of their people, money and material to concentrate on products designing and developing. A big part of tour retailers could change to business deputy whose business could reach to every corner of the market. This kind of vertical distribution system could stop overlapping and chaotic competition and ensure a healthy business running.

Small travel agencies in our city could learn from western countries to re-locate their position in the market to become tour deputies who do not take part in product developing but only concentrate on products selling. This could save the small travel agencies from the conflict of previous all-around service requirement versus poor service level. Meanwhile, with deputy selling the professional products could help those big travel agencies concentrate their resources on product designing and developing, promotion and accommodation; this could further enhance the tour industry business running. Deputy agencies could sell the tour products of one enterprise, but a better choice is to sell various products of different enterprises. This is actually a supermarket mode of selling which enable customers to have more choices. In this way, deputy travel agencies will have more motivation to take part in selling activity, and the competition will be stimulated.

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