

2014 ASTA Travel Agency Industry Overview

American Society of Travel Agents

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2014 ASTA Travel Agency Industry Overview

Written for the Marketing Outlook Forum

October 2014

Introduction

Agencies contribute substantially to the economy and support the tourism industries' ability to provide jobs. Travel agencies arrange over 142 million trips a year employing a workforce of 106,000+. Agencies provide a payroll output of almost \$6 billion a year and earn over \$17 billion annually.¹ A substantial amount of air, hotel, cruise, tour and car rental are sold through agencies, which also provide customer service to their clients above and beyond the customer service provided by travel suppliers.

Travel agents today are more than intermediaries. They are full service travel managers and counselors. Some work as travel managers at Travel Management Companies (TMC) and help corporations manage travel costs. Others work as travel counselors helping leisure customers realize their travel dreams. All facilitate travel for the better of business and society.

Agency Profitability

The advent of the Internet and its usage by travelers as well as travel suppliers (airlines, hotels, etc.) has significantly changed travel distribution and challenged agencies to evolve, especially leisure agencies. Those that embraced the challenge have adapted and are very optimistic that growth is possible in the current climate. Projections for 2014 and 2015 profits illustrate that optimism.

Exhibit 1: Actual, Projected and Forecasted Profits as a Percentage of Revenue, 2012-2015 by Business Model

	ALL Agencies	Independent Agent (incl. ICs)	Retail Leisure Agency (70%+)	Corporate Agency (70%+)
2012	8%	7%	8%	7%
2013r	7%	8%	8%	6%
2014p	9%	8%	10%	7%
2015f	10%	10%	10%	8%

Source: [ASTA Agency Sales & Revenue Trends](#) ~ Comparison of Half Year 2014 with Half Year 2013

Note: r=revised, p = projected, f = forecast

Many travel agencies have re-invented themselves and flourished in the new marketplace. The ability of the internet to reach diverse groups of consumers has been a large part of the success of many of the newer leisure agencies. Those agencies tend to be very specialized.²

¹ See this document for more detail and sources: http://asta.org/files/pdf/IndustryOverview_2013.pdf

² ASTA's [Niche Markets Report](#)

Agent/Agency Usage

Travel agent usage has increased³ with 18 percent of U.S. travelers planning to use a travel agent in the next twelve months according to MMGY Global’s 2014 U.S. Traveler⁴ surveys. This is up substantially from 2013, when only 12% of U.S. Travelers planned to use an agent within the next twelve months. Planned agent use by affluent travelers⁵ is even stronger with 25 percent of affluent travelers planning to use the services of an agent during the next two years, up significantly from 20 percent in 2013.

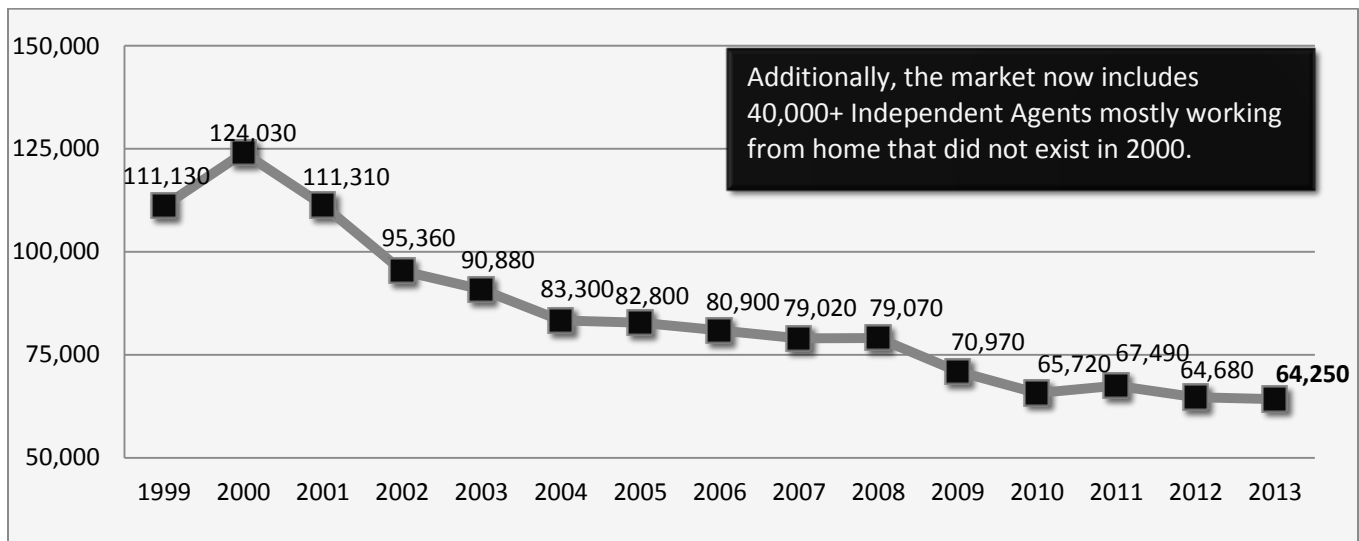
More importantly for the future, there has been a growing trend by younger demographics to use travel agents for complex leisure travel.⁶ More millennials U.S. Travelers (28%) booked with agents during the year than the other generations with the agent usage of matures (21%), Gen Xers (15%), and Boomers (13%) well under millennials.

The challenge for leisure agents is reaching those consumers and, for both corporate and leisure agents, it is getting their “value” message out to potential clients.

Number of Agents and Agencies

The Bureau of Labor Statistics’ data illustrates the effect the airline commission cuts, 9-11, increased productivity (better technology) and internet D.I.Y. travel sales had on the travel industry. It also shows that the steep decline in full-time professional agents slowed as agencies adjusted to the changes. The 2009-2010 economic slowdown led to another dip in the number of agents, but agencies are recovering.

Exhibit 2: Number of Full-Time Employed U.S. Agents, 1999 - 2013



Source: Bureau of Labor Statistics

³ “MILLENNIALS WARMING UP TO AGENTS,” Travel Market Report, July 18, 2014

⁴ <http://www.mmgyglobal.com/news/news-mmgy-in-the-news-aug-2014>

⁵ “Survey Says: More Affluent Travelers Plan to Use Travel Agents,” Travel Agent, September 5, 2014

⁶ “MILLENNIALS WARMING UP TO AGENTS,” Travel Market Report, July 18, 2014

While the number of agency employees has dropped almost 50% since the peak in 2000, an estimated 40,000 independent agents have entered the marketplace. These independent agents include 2nd careerists, downsized brick & mortar, new growing businesses, and new agents. They are taking advantage of technology to lower their overhead.

Census Bureau data shows a comparable decline in the number of agencies. It slowed after 2002, but has not plateaued like the BLS numbers. Much of the continuing decrease is related to market consolidation.

Exhibit 3: Agencies, Locations, Revenue, Payroll & Total Employees for Travel Agencies, 1992 & 1997-2011

Year	Travel Agency Firms	Travel Agency Locations	Revenue (millions)	Annual Payroll (\$millions)	Total Employees (includes travel agents)
1992	20,742	26,403	\$6,964	\$3,305	161,025
1997	22,938	29,544	\$9,977	\$4,511	179,511
1998	21,896	28,872	na	\$4,775	185,391
1999	20,674	27,390	na	\$4,885	184,912
2000	19,362	25,975	na	\$5,313	183,143
2001	18,094	24,654	na	\$5,533	182,054
2002	14,838	21,705	\$9,387	\$4,281	147,948
2003	13,815	18,860	\$10,527	\$4,467	145,676
2004	13,062	17,592	\$11,759	\$4,569	132,246
2005	12,726	16,926	\$12,986	\$5,027	127,225
2006	12,248	16,640	\$14,820	\$5,281	129,216
2007	11,803	15,804	\$17,289	\$6,499	122,517
2008	11,421	15,866	\$17,093	\$6,766	123,191
2009	10,666	15,107	\$14,792	\$5,681	106,576
2010	10,152	14,271	\$16,449	\$5,356	105,085
2011	9,778	14,366	\$17,556	\$5,482	105,458
2012e	9,387	14,079	\$17,665	na	105,985
2013e	9,293	13,938	na	na	104,925

Source: U.S. Census Bureau, (NAICS 56151 , SIC 4724)

Notes: 1) The Employee data does not match the BLS data for travel agents, since the total employees referenced here includes non-travel agents. 2) e = estimate

Travel Agency Distribution

Agencies processed \$146 Billion in sales in 2013.

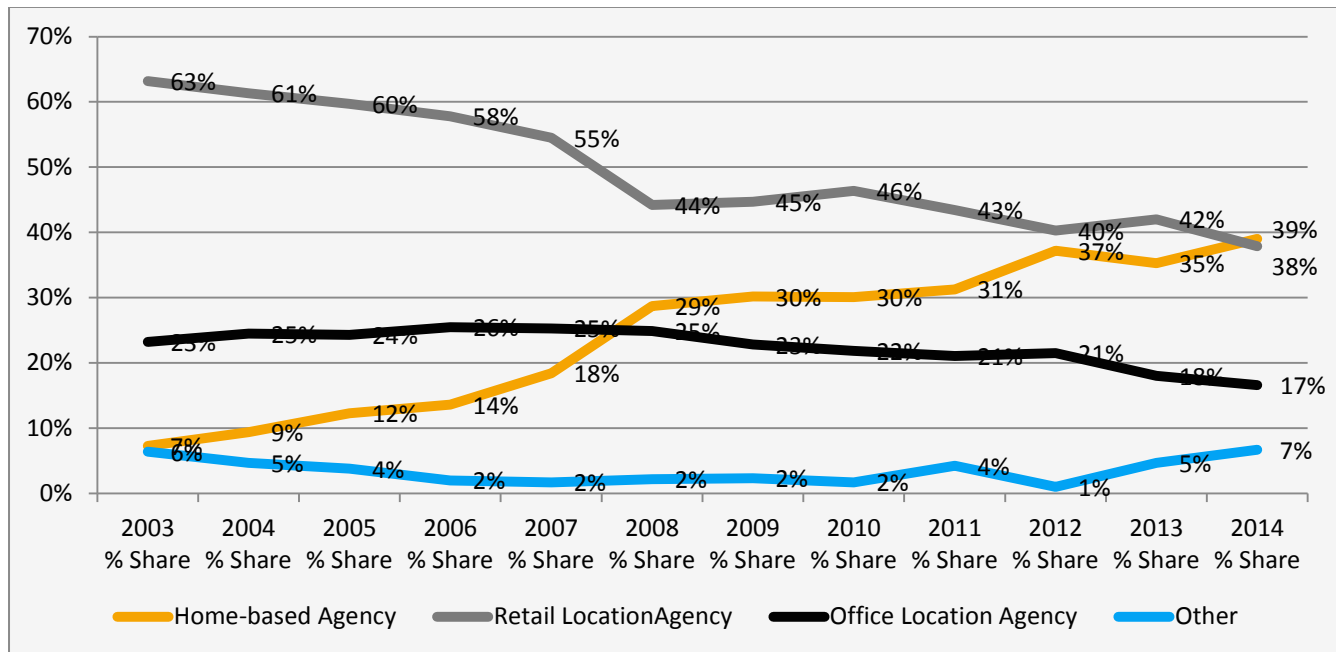
- Air - \$86 Billion (64% of the market place)
- Hotel - \$33 Billion (24% of the market place)⁷
- Cruise - \$11 Billion (68% of the market place)
- Tour –\$12 Billion (66% of the market place)
- Car –\$5 Billion (31% of the market place)

ASTA members represent 83% of all agencies sales when including OTA members. Not including OTAs/OTA member sales, ASTA represents 77% of traditional agency sales.⁸

Agency Demographics

Comparing 2003 with 2014, the percentage of home based grew by 434 percent. Many small-to-mid-sized agencies have either moved to a home-based model or are considering it for financial savings. Across the country, many other industries are also seeing an increase in telecommuting. The advent of mobile technology allows agents to conduct their businesses anywhere. Overall, retail locations have seen a larger drop than office locations suggesting that mostly retail agencies are adopting the home-based model.

Exhibit 4: Agencies Broken Out By Location



Source: [2014 ASTA Agency Profile](#)

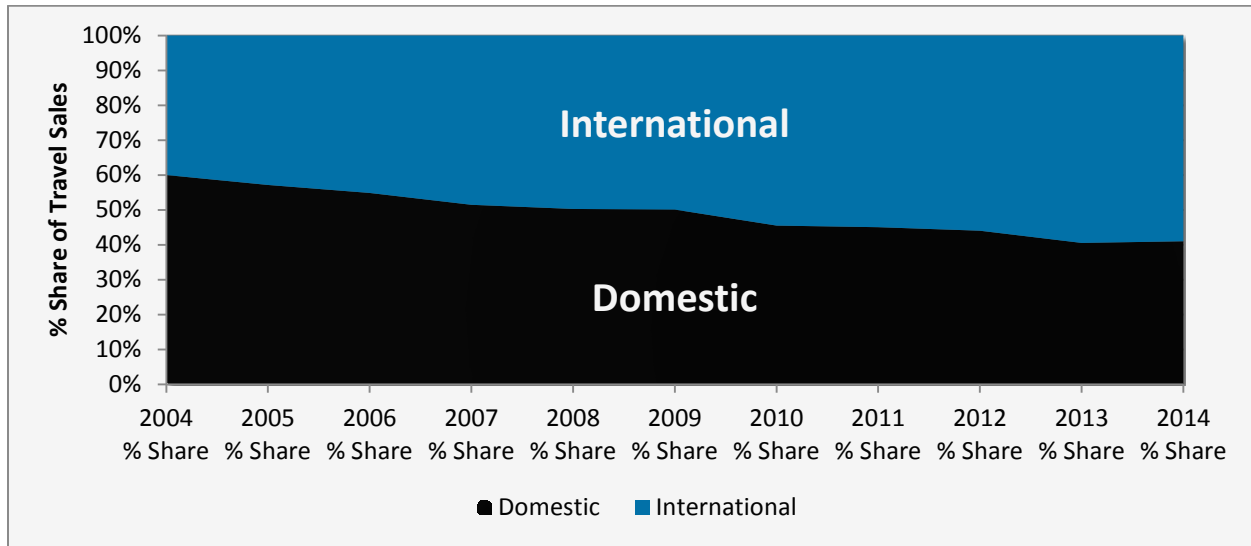
⁷ Hotel sales for agencies tends to be under-reported because many bookings by-pass the GDS.

⁸ See this document for detail and sources: http://asta.org/files/pdf/IndustryOverview_2013.pdf.

Many of the remaining “brick & mortar” retail agencies may have employees both in the office and telecommuting. In February 2014, “brick & mortar” agencies reported that 33% of their employees telecommute.

The percentage share of international sales has increased over the last decade and agencies expect the share of international sales to continue increasing. Agency expertise is most needed for overseas trips and many Americans, especially the millennials, are looking for a more local and unique experience.

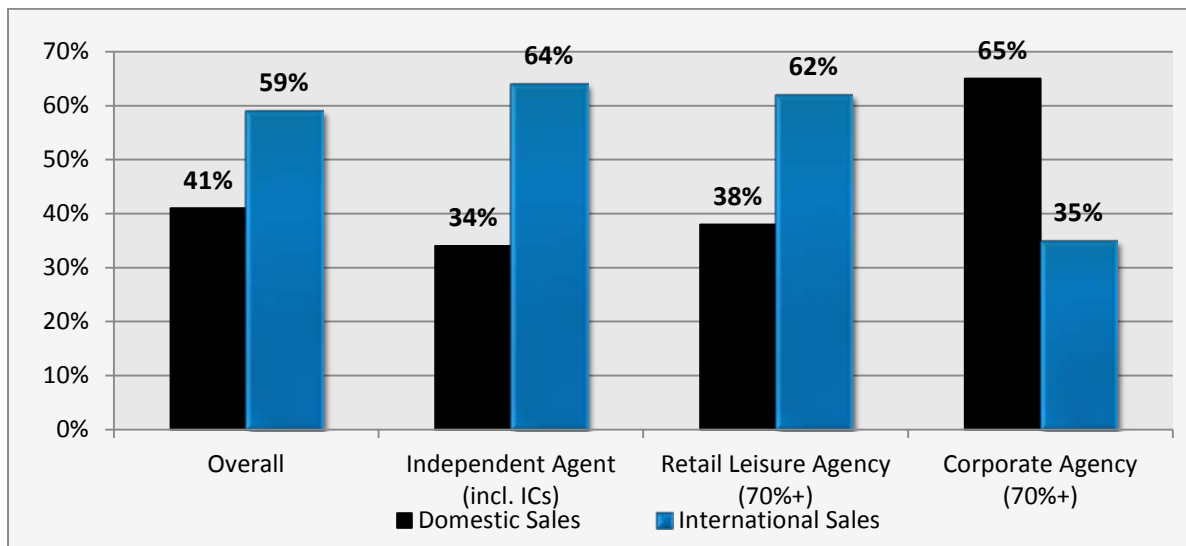
Exhibit 5: Domestic vs. International Sales



Source: [2014 ASTA Agency Profile](#)

Leisure agencies are pushing the shift to international travel sales. Corporate travel is more likely to be U.S.-based.

Exhibit 6: 2014 Domestic vs. International Sales Broken Out By Agency Type



Source: [2014 ASTA Agency Profile](#)

Tour and Cruise represent the largest share of agencies sales measured in dollars. Air was the largest segment for many decades and first started decreasing in 2005. Many leisure agencies, at that time, began moving away from selling air directly with the lack of commission revenue and increasing liability (debit memos, regulations).

Exhibit 7: Agencies Sales Mix by Travel Segment, 2002-2014

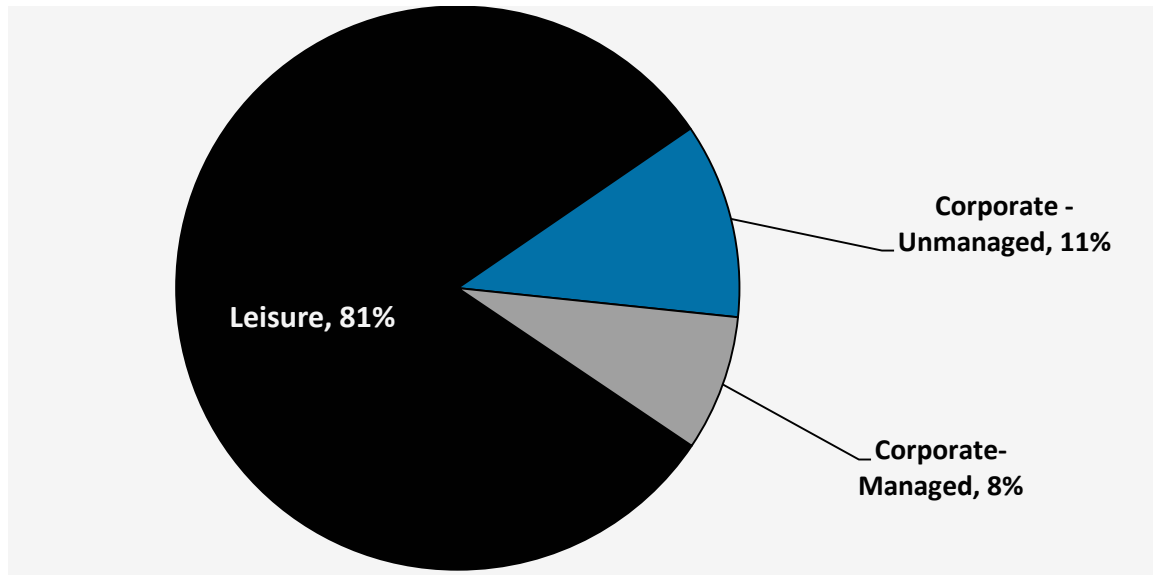
	2002 % Share	2003 % Share	2005 % Share	2006 % Share	2007 % Share	2008 % Share	2009 % Share	2010 % Share	2011 % Share	2012 % Share	2013R % Share	2014P % Share	% Change 14/02
Tour/Packages	27%	29%	30%	30%	31%	37%	35%	29%	29%	31%	31%	33%	21%
Cruise	22%	22%	24%	24%	25%	20%	25%	25%	25%	26%	26%	26%	19%
Airline	34%	32%	29%	27%	26%	24%	24%	28%	25%	25%	24%	23%	-32%
Hotel	8%	9%	9%	8%	10%	13%	9%	10%	11%	10%	11%	11%	30%
Car rental	5%	5%	5%	4%	4%	3%	4%	4%	4%	4%	4%	3%	-30%
Other	4%	4%	4%	7%	4%	3%	4%	3%	5%	4%	5%	5%	19%

Source: [2014 ASTA Agency Profile](#)

Note: 2013 sales by segment is revised from last year's projections, 2014 sales by segment data is projected.

The ratio of leisure versus corporate travel has shifted very little over the past decade with most agencies selling leisure travel. However, those selling corporate travel represent a larger share of the market measured in dollars.

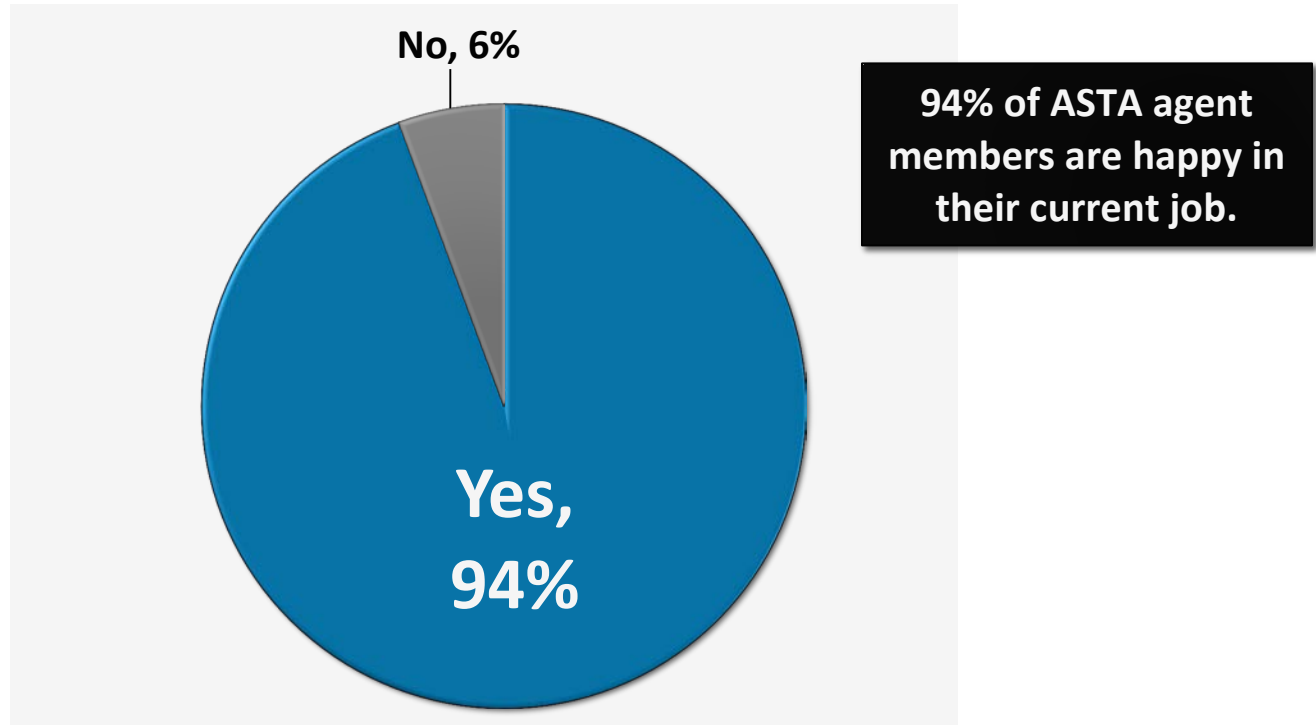
Exhibit 8: Leisure versus Corporate Sales



Agent's View of the Industry

ASTA recently asked our Research Family⁹ how they felt about their current agency position. The response was overwhelmingly positive with 94% saying they are happy. 85% of the respondents also plan to remain in the travel agency profession for the foreseeable future.

Exhibit 9: Percentage of ASTA Members Happy In Their Current Agency Position



Many respondents commented on how much they enjoy their job and hope to see more young people join the industry. There was a consensus from most that education (geography, technology, and destination) was the key to success as well as strong sales skills and customer service.

About ASTA

[ASTA \(American Society of Travel Agents\)](#) represent 83 percent of all travel sold in the United States through the travel agency distribution channel. Together with hundreds of internationally based members, it is the leading global advocate for travel agents, the travel industry and the traveling public. ASTA's history of travel industry advocacy traces back to its founding in 1931 when it launched with the mission to facilitate the business of selling travel through effective representation, shared knowledge and the enhancement of professionalism. For more information, visit [ASTA.org](#).

⁹ The ASTA Research Family is a panel of 500+ ASTA agency members that we use for our [Travel Agency Benchmarking series](#). Panel members are recruited annually in January and answer 7-9 surveys between January and October.

ASTA's sister association, [The National Association of Career Travel Agents](#), represents a professional community of independent travel agents ready to assist the traveling public.

ASTA conducts comprehensive research on the travel agency industry on subjects as diverse as GDS Usage, Service Fees, Agency Demographics, Compensation, and Financial Benchmarking. ASTA also uses vendors to conduct research on other aspects of the travel industry including consumer attitudes towards service fees. More information on [ASTA's research program](#) is available on www.asta.org.

Please contact Melissa Teates at mteates@asta.org or 703-739-2782, if you have any questions.