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**EFFECTS OF AIRLINES ZERO COMMISSION ON THE  
PERFORMANCE OF TRAVEL**

**AGENTS: A SURVEY OF AIR TRAVEL AGENTS IN NAIROBI  
CBD**

**Victoria Mwendu Stephen**



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## **EFFECTS OF AIRLINES ZERO COMMISSION ON THE PERFORMANCE OF TRAVEL AGENTS: A SURVEY OF AIR TRAVEL AGENTS IN NAIROBI CBD**

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### **Abstract**

**Purpose:** The study was an assessment of the effects of airline zero commission on the performance of travel agents.

**Methodology:** A descriptive survey of air travel agents in Nairobi CBD was taken. A population of 350 travel agents was identified out of which a sample of (35) 10% were randomly selected.

**Results:** Findings indicate that travel agents had been affected by the Zero commission. Their profitability, customer satisfaction, employee morale and internal processes were affected negatively. Findings also indicated that charging fees, cost leadership, differentiation, specializing in geographical areas or becoming niche players for specific leisure products, improvement in customer service and increased marketing and communication , expansion of the product base , strategic partnership and external linkages with other service providers were some of the strategic responses being adopted by travel agents. Findings also indicated that Travel agents have increased investment in financial resources, human resources, knowledgeable and creative workforce, and improvement in brand name, a unifying corporate culture, robust IT infrastructure and corporate governance as an effort to recover from the zero commission problems. The study recommends that the travel agents continue using generic strategies and tailor-made strategic responses as this would help them to deal with the problem of zero commission. In addition, the travel agents should also differentiate their products in order to attract more customers. The travel agents also need to continue charging fees and ensure that they deliver good customer service to travelers.

**Unique Contribution to Theory and Practice:** The study recommends that the travel agents continue using generic strategies and tailor-made strategic responses as this would help them to deal with the problem of zero commission. In addition, the travel agents should also differentiate their products in order to attract more customers. The travel agents also need to continue charging fees and ensure that they deliver good customer service to travelers.

**Keywords:** *zero commission, strategic responses*

## 1.0 INTRODUCTION

### 1.0.1: Profile of Travel Agencies: A global perspective

A travel agency is a retail business that sells travel related products and services to customers on behalf of suppliers such as airlines, car rentals, cruise lines, hotels, railways, sightseeing tours and package holidays that combine several products. In addition to dealing with ordinary tourists most travel agencies have a separate department devoted to making travel arrangements for business travelers and some travel agencies specialize in commercial and business travel only. There are also travel agencies that serve as general sales agents for foreign travel companies, allowing them to have offices in countries other than where their headquarters are located (Brownell Travel, 2011).

A travel agency's main function is to act as an agent, that is to say, selling travel products and services on behalf of a supplier. Consequently, unlike other retail businesses, they do not keep a stock in hand. A package holiday or a ticket is not purchased from a supplier unless a customer requests that purchase. The holiday or ticket is supplied to them at a discount. The profit is therefore the difference between the advertised price which the customer pays and the discounted price at which it is supplied to the agent. This is known as the commission (Nicola de Corato, 2011).

In 1992, there were an estimated 67,000 travel agents world-wide, of which 47 per cent were in the United States and 30 per cent in Europe, the Middle East and Africa. Technological changes, including on-line services and ticketless travel, are significantly reducing the need for travel intermediaries. The travel agents most considered at risk are the small neighborhood shops, and the large firms serving corporate clients. A second factor is that airlines in the United States have been reducing the commissions they pay to travel agents. In 1995, major U.S. airlines instituted a "cap" policy on travel agent commissions in order to limit costs. As a result, average commissions for domestic airline ticket sales have since declined (Marian, 2002). Travel agencies are now forced to charge a percentage premium or a standard flat fee, per sale (Michael, 2010).

### **1.0.2: Travel Agents in Kenya**

The Kenya Association of Tour Operators (KATO) is one of Kenya's leading tourism trade associations and represents the interests of over 350 of the most experienced and professional tour operators in Kenya. All members of the Kenya Association of Tour Operators are bound by the rigid Rules of their own Code of Conduct. Intending Safari visitors to Kenya are advised to arrange their holidays through one of KATO members whose addresses and telephone numbers are contained in the directory.

This Code of Conduct is designed to ensure that all members of the Kenya Association of Tour Operators trade honestly which is the only ethical method of trading. The Code covers trading in its widest sense – between members of KATO, and overseas agents and Principals and between members of KATO and their clients.

Members of the Association are required to signify their agreement to observe strictly the Ethics and Standards incorporated in the Code of Conduct and to abide by judgments reached by the Ethics and Standards Sub-Committee and the Executive Committee in any case in which the conditions of the Code of Conduct are considered to have been breached. The focus of this study was all the registered members of KATO.

### **1.0.3: Introduction of Zero Commissions and Performance of Travel Agency Subsector**

According to a survey conducted by Amadeus (2007) among 600 Amadeus travel agencies customers and prospects, 34% of the interviewees quoted the “reduced revenues from commission” as their biggest challenge. Indeed, the decision by the airlines to reduce and/or eliminate travel agency commission has led them to use technology that many of them distrust or are not inclined to use, and to compare prices and travel schedules constantly. As a result of this new environment, traditional travel agencies are at a competitive disadvantage with regard to online travel agencies and to airline carriers which have developed their own direct websites where they are able to control seat availability and prices. Amadeus (2007) further asserts that to reduce their reliance on airline commission payments, travel agencies are applying one or more of the following strategic options: streamlining their operations, controlling staff costs whilst ensuring the customer feels as little impact as possible; expanding or moving into the leisure business where commissions

on non-air products remain high (cruise, hotel, etc.); specializing in geographic areas or becoming niche players for specific leisure products (e.g. destination weddings, student travel, group travel, cruises only, etc.); establishing a service fee driven business model. These strategic options are in line with Porter (1985) generic strategies of cost leadership, differentiation and focus. In support of this, Coulter (2004) also asserts that the introduction of zero commission has led travel agents to consider other strategic options such as establishing a service fee driven business model - applying charges to each transaction.

According to Price Waterhouse Coopers (PWC) (2007), the commissions that airlines paid to intermediaries were progressively whittled down, to a point where now zero commission is the norm. For example, BA began to cut commissions paid to agencies in 2003 – and by 2006, it was down to zero per cent. As a consequence, travel agents, had no alternative but to charge their customers a fee for these services. According to Huxley (2004), commission remains the lifeblood of the travel agent and the single biggest expense for the supplier. Many tour operators are looking at cutting the commission they pay to travel agents in the same way the airlines have done over the last few years, and are using other low-cost distribution channels such as the Internet to go direct to customers.

#### **1.0.4: Causes/Triggers of Zero Commission in the travel subsector**

A report of the National Commission to Ensure Consumer Information and Choice in the Airline Industry (2002) identified the major changes that have occurred in the airline ticket distribution system in recent years. The most important developments cited by the Commission include; the digital revolution, the Internet, and the establishment of competitive, online distribution channels such as airline web sites; the introduction and widespread acceptance of electronic tickets (e-tickets), and; competition among airlines, which has forced individual carriers to reduce their costs, including distribution costs such as the fixed sales commissions they once paid to travel agencies and the booking fees that they still pay to computer reservations systems (CRSs).

Amadeus (2007) asserts that the three key variables that triggered the end of the commission model include; the unsustainable financial losses by airlines due to the growth of low cost carriers (LCCs) leading to an increase in the number of bankruptcies; no negative consequences from previous

commission cuts: airlines had progressively lowered the commission payments starting in February 1995; no effective recourse for travel agencies (group actions prohibited by US law).

### **1.1 Problem Statement**

Ten years ago, the travel industry was driven by commission. Travel agents were seen by suppliers as distributors of their product. However, that began to change when commissions the travel agents were paid were withdrawn. Consequently, travel agents started to charge fees and this led to increased costs of service to customers

Studies on the effect of zero commissions of agents have been scarce. Several studies have addressed more qualitative issues of distribution. Wattanakamolchai (1996) who evaluated the convenience of online airline reservation system concluded that customers all over the world are warming up to the idea of making online reservations. The author further argued that Rogers Innovation diffusion theory could help to explain the adoption of the attitudes of customers towards using online reservation systems. Zhang (2011) also discusses airline website focusing on issues such as customer service, marketing and network resources. Lane (2003) covers the effect of the internet as part of investigation into elite fliers. The Price Waterhouse Coopers (2007) conducted a background study on the revolution of distribution channels and concluded that supplier only sites had affected the profitability of online aggregators and travel agents. Another study by Amadeus (2007) asserts that 34% of travel agencies customers and prospects quoted the “reduced revenues from commission” as their biggest challenge. Majority of these studies have gaps as they do not focus on the effect of zero commission on performance of travel agents, with the notable exception of Amadeus (2007). The current study attempted to bridge this gap by establishing the effect of zero commission on the performance of travel agents.

### **1.2 Objectives of the Study**

#### **1.2.1 Specific Objectives.**

- i. To establish the effect of zero commission on the performance of travel agents
- ii. To establish the strategic responses being adopted by travel agents to deal with the Zero commission problem

- iii. To identify the capabilities and competencies used by travel agents to cope with the problem of zero commission

## **2.0 LITERATURE REVIEW**

### **2.1 THEORETICAL REVIEW**

#### **2.1.1: Social Impact Theory**

Social Impact theory was created by Bibb Latané in 1981 and consists of three basic rules. The first rule is that social impact is the result of social forces including the strength of the source of impact, the immediacy of the event, and the number of sources exerting the impact. The second rule is the psychosocial rule that says the amount of impact tends to increase as the number of sources increases. However, the most significant difference in impact exists between having 0 sources and having 1 source. The third rule is that the number of targets also affects social impact. The more targets of impact that exist, the less impact each individual target feels. The social impact theory can be applied to the Travel Agency subsector as it can explained the impact of zero commission on the performance of the subsector.

#### **2.1.2: The Introduction of Zero Commission to Travel Agents.**

For more than 20 years, travel agencies had a monopoly on two aspects of air travel: information and ticketing. Now they have lost these monopolies: information is plentiful and tickets are more and more irrelevant (Nicola de Corato, 2011). By cutting agents' commission, airlines decrease their dependence on travel agencies as a distribution channel. The process started in the US in 1995 when seven airlines, (American, Delta, US, Trans World, United, Northwest and Continental Airlines) joined forces to put a cap on commissions paid to travel agencies Ammadeus (2007). They set an upper limit for travel agents' commissions fixed at 50 USD for domestic flights, and at 100 USD in 1998 for international flights.

#### **2.1.3: Triggers of zero commission**

In recent years, airline competition and technological developments have fostered major and rapid changes such as costless flow of information. As power of information technology grows, all players in a market will have access to far more information. Thus, totally new business models will emerge in which even players from outside the industry are able to vastly change the basis of



competition in a market. Downes (1997) gives the example of the rise of electronic shopping malls, operated for instance by telecom operators or credit card organizations.

#### **2.1.4: Performance**

Guest et al (2003) defined performance as outcomes, end results and achievements (negative or positive) arising out of organizational activities. They argued that it is essential to measure strategic practices in terms of outcomes. These outcomes vary along a continuum of categories such as : financial measures(ROA,ROI, Turnover, PBT); measures of output of goods and services such as number of units produced, number of clients attended to, number of errors in the process, customer satisfaction indexes or ; measures of employee satisfaction such as time an employee puts into work - lateness, absence of an employee (Locke & Latham, 1990: Guest et al, 2003).

#### **2.1.4: Impact of Zero commission on Performance**

The IBIS Centre for Market Research (2011) attempted to understand the compensation structure of the insurance agents in India and analyze the ramifications of the Swarup Commission recommendations. Furthermore, it attempted to analyze the advantages and disadvantages of a fee-based model as against the commission-based model. According to the proposed fee-based system, insurance agents would charge a fee for the services rendered instead of getting a fixed upfront commission out of the premium paid by the consumer. The author concluded that the adoption of a fee-based model would affect insurance agents, investors, and insurance firms. For insurance agents, scrapping of commission payments would severely impact their livelihood. In addition, experts pointed out that zero commission would mean no performance incentive for the agent. Most of those who relied on commissions from insurance policies would lose their earnings. In support of this, Amadeus (2007) asserted that zero commission had reduced revenues for the travel agencies while an estimated 10,000 agents had opted out of the business.

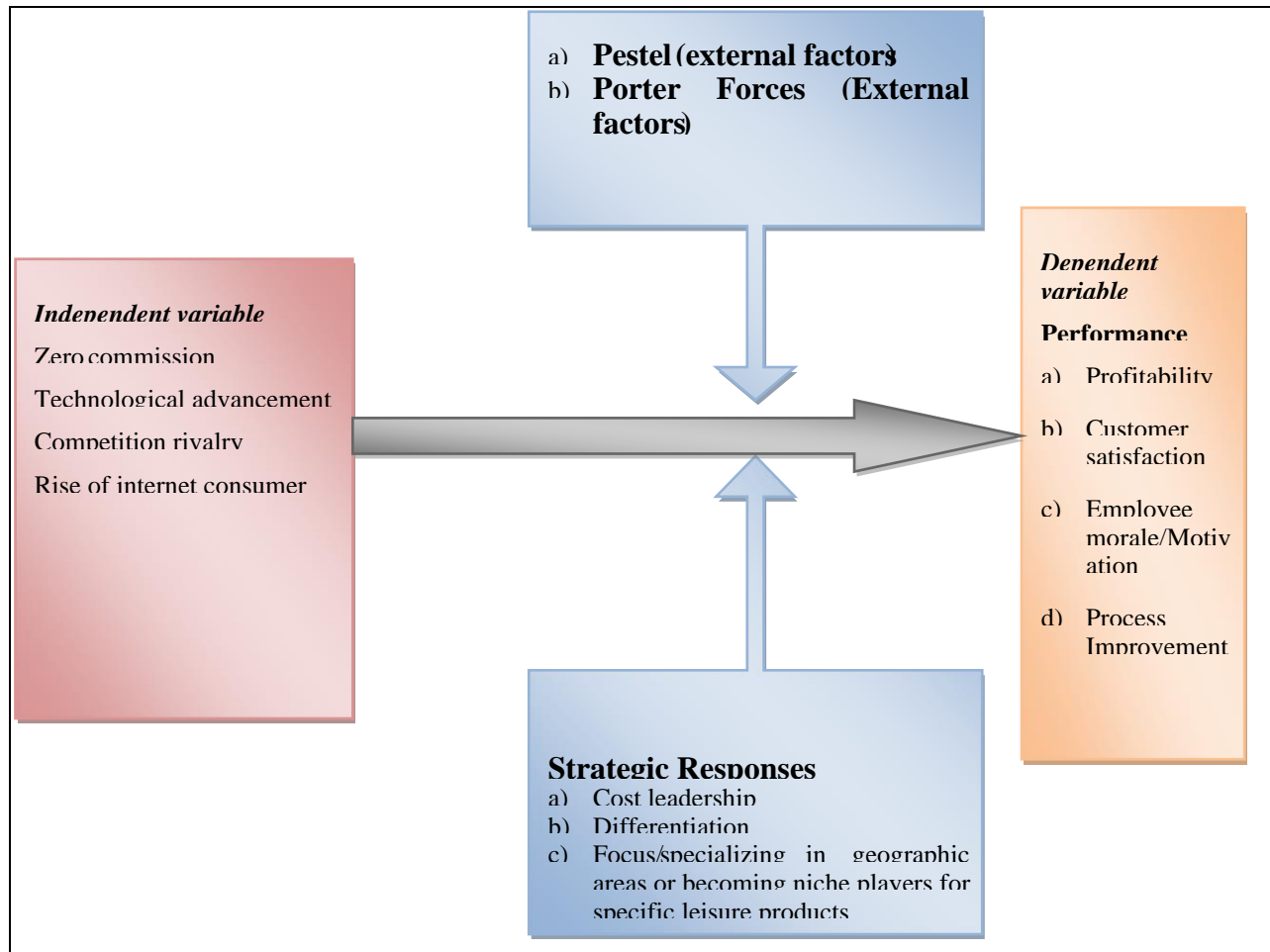
#### **2.1.5. Strategic Responses adopted by Travel agents**

In an environment that is very competitive and turbulent, organizations in the profit making and not for profit have to position themselves strategically over other players in the industry that they compete with. To succeed in an industry, an organization must select a mode of strategic behavior which matches the levels of environmental turbulence, and develop a resource capability which

complements the chosen mode (Acur and Englyst, 2006). Various authors have identified the modes of strategic behavior that may be adopted by organizations. These include Manimala (2011) and Aboagye-Debrah (2007) who identify three modes of strategic behavior namely; reactive, preemptive and aggressive. In addition, Steger (1990) has developed a conceptual model of business responses to environmental change. He places business in one of four categories, depending on their response to environmental risk and environmentally related market opportunities. These positions are characterized as indifferent, offensive, defensive, and innovative. Oliver (1991) also suggests that firms can adopt an array of strategic responses that include but are not limited to; acquiescence, compromise, avoidance, defiance and manipulation.

## **2.2: Conceptual Framework**

The conceptualization of the variables was as follows:



Source; Researcher (2011).

### 3.0 METHODOLOGY

A descriptive survey of air travel agents in Nairobi CBD were taken. A population of 350 travel agents was identified out of which a sample of (35) 10% were randomly selected.

## 4.0 RESULTS FINDINGS

### 4.0.1: Response rate

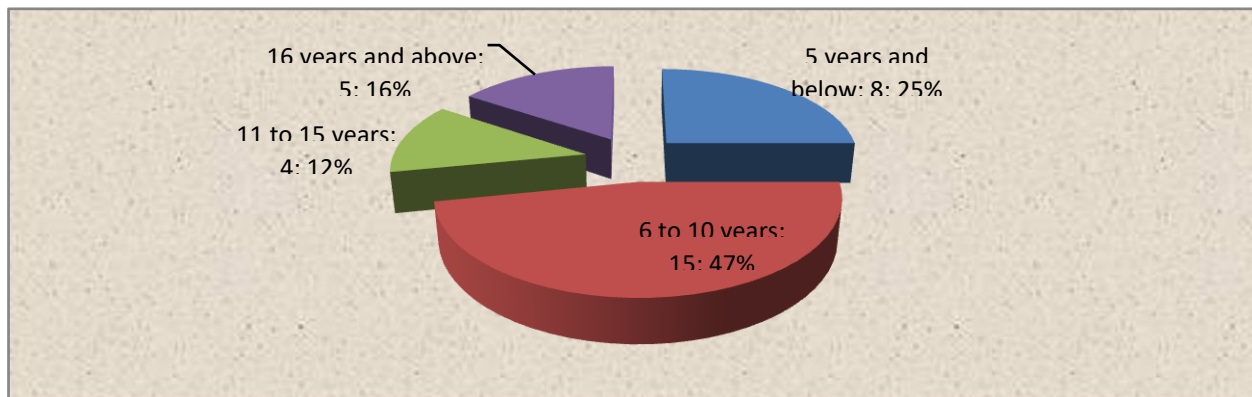
Results in table 4.1 of the study indicated that the successful response rate was 32 (91%). The unsuccessful response was 3(9%). The successful response included those questionnaires that were properly filled and returned.

**Table 1: Response rate**

	Frequency	Percentage
Successful	32	91%
Unsuccessful	3	9%
Total	35	100%

### 4.0.2: Period of existence

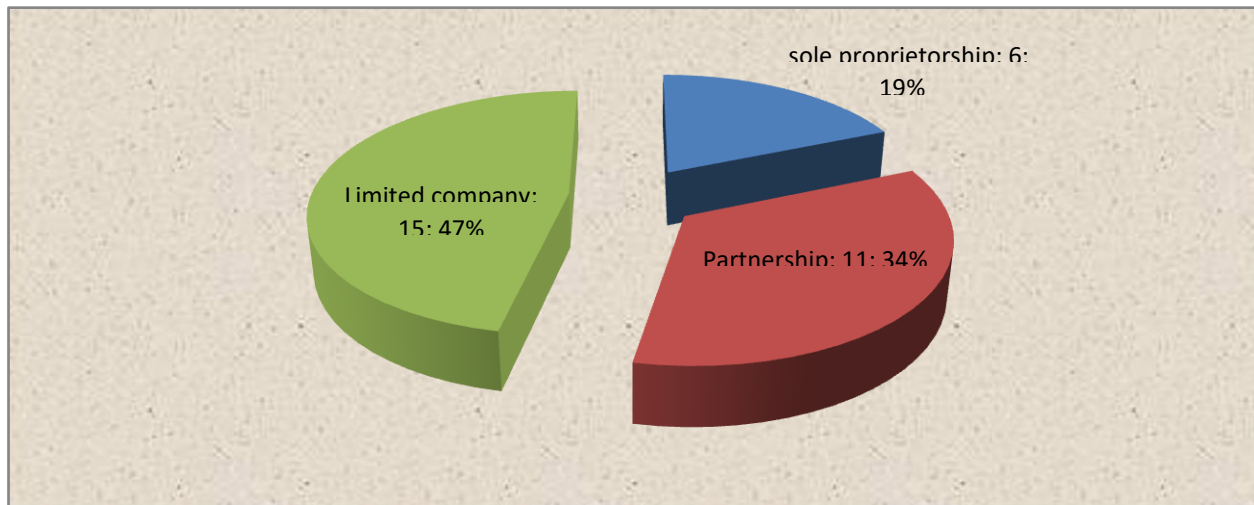
Out of the travel agents involved in the study, majority of the travel agents 15 (47%) had been in existence for 6 to 10 years. Meanwhile, 8 (25%) have been in existence for 5 years and below, and 5(16%) have been in existence for 16 years and above. The findings in figure 4.1 further indicate that 4 (12%) have been in existence for 11 to 15 years. The finding implies that a majority of travel agents had been in existence long enough to experience the effect of zero commission. Diagrammatically this can be illustrated as shown in figure 4.1 below.



*Figure 4.1: Period of existence*

**4.0.3: Ownership type**

Results in figure 4.2 indicated that a majority 15 (47%) of the travel agents were limited companies, while 11(34%) were partnerships, and 6 (19%) of the travel agents were sole proprietorship. Diagrammatically this can be illustrated as shown in figure 4.2 below.



*Figure 4.2: Ownership type*

**4.0.4: Gender**

A majority of the respondents 22 (69%) were male while 10 (31%) were female. The finding implies that the travel agents’ sector is a male dominated field. Females make up the minority of those who work in travel agency businesses. Diagrammatically this can be illustrated as shown in figure 4.3 below.

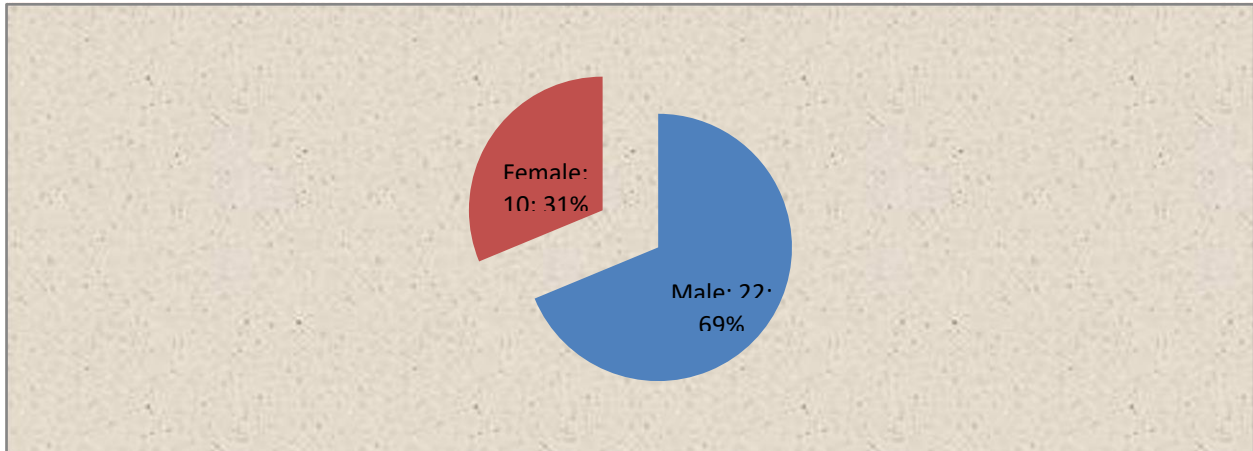


Figure 4.3: Gender

#### 4.0.5: Age

The findings in figure 4.4 indicates that an equal majority of respondents 14 (44%) were aged between 31 to 40 years and between 21 to 30 years, while 2 (6%) were aged between 41 and 50 years and 2(6%) were aged over 50 years. The findings indicate that the employees of the travel agents are youthful. Diagrammatically this can be illustrated as shown in figure 4.4 below.

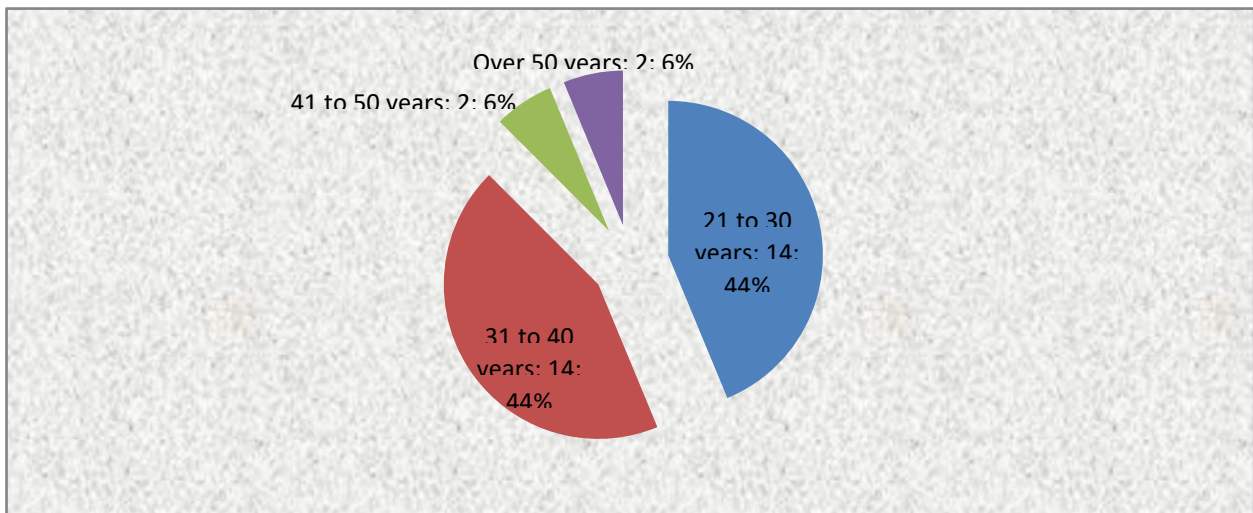


Figure 4.4: Age

#### 4.0.6: Length of service

Results in figure 4.5 reveals that a majority of respondents 21(66%) indicated that they had worked for their respective firms for 5 years and below. Meanwhile, 7(22%) of the respondents had been in the firm from 6 to 10 years, and 3(9%) respondents had been in the firm for 11 to 15 years and 1(3%) had been in the firm for 16 years and above. The finding implies that there is high mobility of staff in the travel agent's subsector.

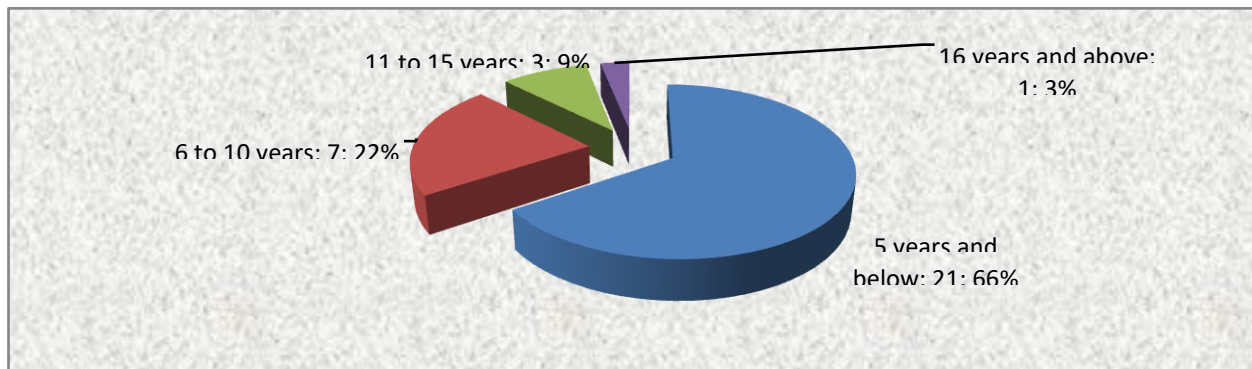


Figure 4.5: Length of service

#### 4.0.7: Effects of Airlines Zero Commission on the Performance of Travel Agents

Results in figure 4.6 indicate that a majority 16(50%) of respondents agreed that Zero commission has negatively affected the profitability of travel agents while 10(31%) strongly agreed that zero commission has negatively affected the probability of travel agents. 5(16%) of the respondents neither agreed nor disagreed with the statement while 1(3%) of respondent disagreed with the statement that zero commission has negatively affected the probability of travel agents.

The findings further revealed that 18(56%) of the respondents agreed that Zero commission has negatively affected the customer satisfaction of travel agents customers, 8 (25%) neither agreed nor disagreed while 6(19%) strongly agreed with the statement that zero commission has negatively affected the customer satisfaction of travel agents customers.

A majority 21 (66%) of respondents agreed that Zero commission has negatively affected the employee morale for travel agents staff, while 8 (25%) strongly agreed and 2(6%) neither agreed

nor disagreed with the statement that stated Zero commission has negatively affected the employee morale for travel agents staff.

Results in figure 4.6 further revealed that 16(50%) respondents agreed with the statement that stated Zero commission has negatively affected the internal process of travel agents, while 9(28%) respondents strongly agreed, 6 (19%) neither agreed or disagreed and 1(3%) respondent disagreed with the statement that Zero commission has negatively affected the internal process of travel agents.

The findings in figure 4.6 revealed that 23(72%) of the respondents agreed that Zero commission has negatively affected the expansion of travel agents, while 4(13%) respondents strongly agreed, 3(9%) neither agreed or disagreed and 2 (6%) respondents disagreed with the statement that stated Zero commission has negatively affected the expansion of travel agents

Finally a majority 19 (59%) of respondents agreed that Zero commission has negatively affected the product variety of travel agents, while 8 (25%) respondents strongly agreed,4 (13%) respondents neither agreed or disagreed and 1(3%) respondents disagreed with the statement that stated Zero commission has negatively affected the product variety of travel agents . The findings imply that zero commission affected the performance of the travel agents negatively.

Diagrammatically, this was presented in figure 4.6.



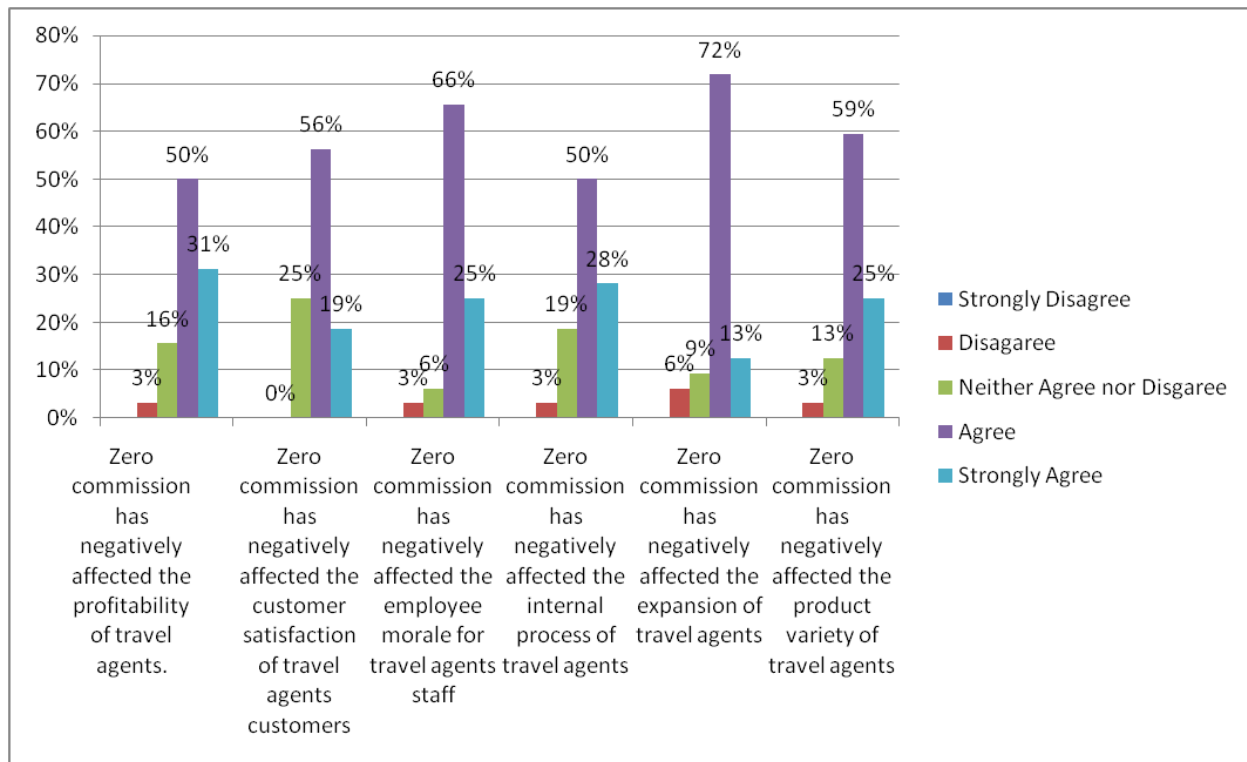


Figure 4.6: Effects of Airlines Zero Commission on the Performance of Travel Agents

**4.0.8: Strategic responses being utilized by travel agents to deal with the impact of Zero commission**

The findings in figure 4.7 indicate that a majority 18 (56%) of respondents agreed that charging fees by travel agents enabled to deal with the impact of zero commission, while 8(25%) respondents strongly agreed,5(16%) respondents neither agreed or disagreed and 1(3%) of the respondents disagreed with the statement that charging fees by travel agents enabled to deal with the impact of zero commission.

A majority 16 (50%) of respondents agreed with the statement that cost leadership has helped travel agents to deal with the impact of zero commission, while 9 (28%) respondents strongly agreed and 6(19%) respondents neither agreed or disagreed that cost leadership has helped travel agents to deal with the impact of zero commission.

The findings presented in figure 4.8 further revealed that 18(56%) of the respondents agreed with the statement that differentiation as a strategic response is being utilized by travel agents to deal

with the impact of zero commission, 8 (25%) of the respondents strongly agreed and 5 (16%) respondents neither agreed or disagreed while 1(3%) respondents disagreed that differentiation as a strategic response is being utilized by travel agents to deal with the impact of zero commission.

A majority 15 (47%) respondents in figure 4.8 agreed that specializing in geographical areas or becoming niche players for specific leisure products helped travel agents to deal with the impact of zero commission, while 9(28%) respondents strongly agreed and 5(16%) respondents disagreed with the statement.

Furthermore, 12(38%) respondents indicated that improvement in customer service and increased marketing and communication helped travel agents to deal with the impact of zero commission, while 10(31%) respondents strongly agreed and 8(25%) respondents neither agreed or disagreed and 1(3%) respondents strongly disagreed and disagreed with the statement that improvement in customer service and increased marketing and communication helped travel agents to deal with the impact of zero commission.

Results in figure 4.7 revealed that majority 17(53%) of respondents indicated that expansion of the product base has helped travel agents to deal with the impact of zero commission, while 10 (31%) respondents strongly agreed, 3(9%) respondents neither agreed or disagreed while 2(6%) respondents disagreed with the statement that expansion of the product base has helped travel agents to deal with the impact of zero commission.

Finally, the findings in figure 4.7 revealed that majority 17(53%) respondents indicated that strategic partnership and external linkages with other service providers has helped travel agents to deal with the impact of zero commission, while 7(22%) respondents strongly agreed and 6(19%) respondents neither agreed or disagreed while 2(6%) respondents disagreed with the statement that stated strategic partnership and external linkages with other service providers has helped travel agents to deal with the impact of zero commission. The findings imply that travel agents are using various strategies to deal with impact of Zero commission. Diagrammatically, these results were presented in figure 4.7

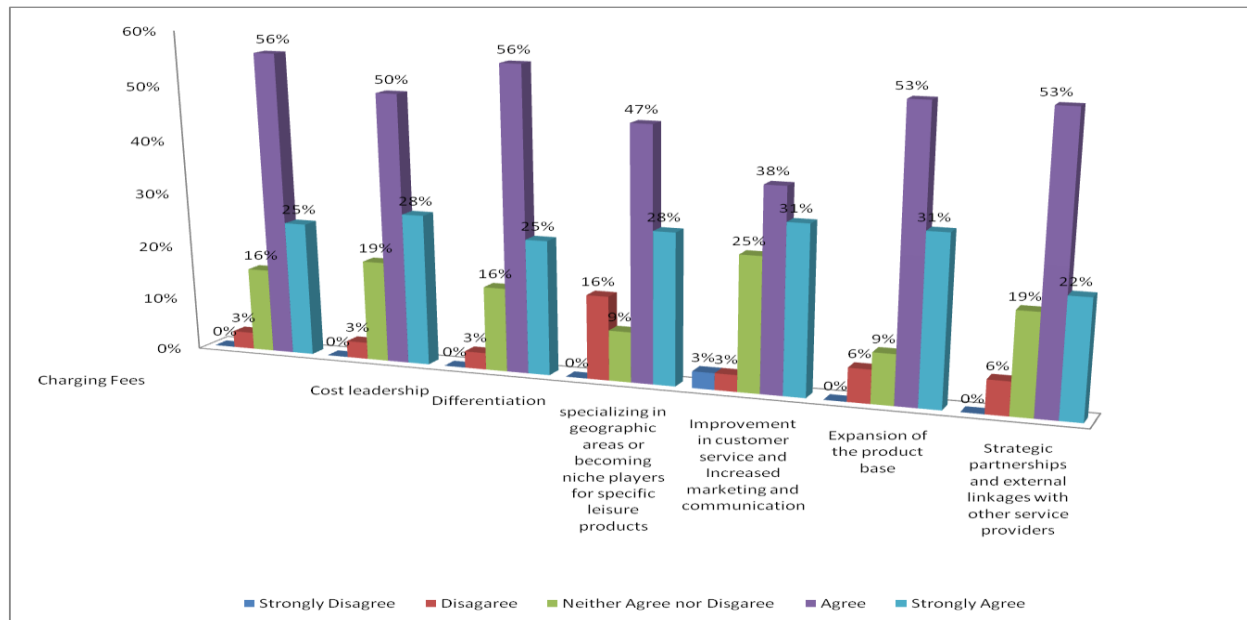


Figure 4.7: Strategic responses being utilized by travel agents to deal with the impact of Zero commission

#### 4.0.9: Competencies and Capabilities applied by the Travel Agents to Recover from the Impact of Zero Commission

The results in figure 4.8 revealed that a majority 21(66%) of respondents agreed with the statement that increased investment in financial resources is one of the capabilities employed by travel agents to recover from the impact of zero commission, while 10(31%) respondents strongly agreed and 1(3%) respondents neither agreed or disagreed with the statement that increased investment in financial resources is a capability employed by travel agents to recover from the impact of zero commission.

The findings in figure 4.8 also revealed a majority 15(47%) respondents agreed that investment in human resources, a knowledgeable and creative workforce is a capability that was employed by travel agents to recover from the impact of zero commission, meanwhile 9(28%) of the respondents strongly agreed and 4(13%) of the respondents neither agreed or disagreed with the statement that stated investment in human resources, a knowledgeable and creative workforce is a capability that was employed by travel agents to recover from the impact of zero commission.

A majority 24(75%) respondents indicated that increased improvement in brand name is a capability that was employed by travel agents to recover from the impact of zero commission.

(13 %) respondents neither agreed or disagreed while 3(9%) strongly agreed with the statement. Results in figure 4.8 also indicated that 15(47%) respondents agreed that a unifying corporate culture is a capability that was employed by travel agents to recover from the impact of zero commission, 9 (28%) respondents strongly agreed, 6(19%) neither agreed or disagreed and 3(9%) respondents disagreed that a unifying corporate culture is a capability that was employed by travel agents to recover from the impact of zero commission.

Finally the study revealed that majority 22(69%) of the respondents agreed that investment in robust IT infrastructure is a capability that was employed by travel agents to recover from the impact of zero commission, while 6(19%) respondents strongly agreed and 3(9%) disagreed with the statement that investment in robust IT infrastructure is a capability that was employed by travel agents to recover from the impact of zero commission. The study also revealed that 16(50%) of the respondents indicated that investment in corporate governance is a capability that was employed by travel agents to recover from the impact of zero commission, while 7(22%) respondents neither agreed or disagreed and 6(19%) respondents strongly agreed with the statement that that investment in corporate governance is a capability that was employed by travel agents to recover from the impact of zero commission. The findings imply that travel agents are using the SWOT analysis to identify and use their internal strengths, resources and capabilities.

## **5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.0.1: Summary of findings**

The chapter summarized the finding of the study. The study also came up with various conclusions and recommendations. Results from demographic data indicated that the majority 47% of travel agents had been in existence long enough to experience the effect of zero commission, that the travel agents sector is still male dominated field, that the employees of the travel agents are youthful and that there is high mobility of staff in the travel agents subsector.

In summary, the research findings indicated that 50% of the travel agents believed Zero commission has negatively affected the profitability of travel agents, while 56% indicated that it negatively affected customer satisfaction. The study also revealed 66% indicated that zero commission has negatively affected the employee morale for travel agents staff, while 50%

indicated that it negatively affected the internal process of travel agents, 72% respondents indicated that the expansion of travel agents has been affected negatively by zero commission and finally 59% respondents indicated that zero commission has negatively affected the product variety of travel agents. The finding implies that the zero commission has affected the performance of the travel agents negatively.

On evaluating the strategic responses being utilized by travel agencies to deal with the challenge of zero commission, the research findings indicated that a majority 56% of respondents agreed that charging fees was a strategy employed by the travel agents to deal with the impact of zero commission. Meanwhile, 50% indicated that cost leadership was a strategy employed by the travel agents to deal with the impact of zero commission and 56% indicated that differentiation was a strategy employed by the travel agencies in dealing with impact of zero commission. The findings of this study revealed that 47% respondents indicated that specializing in geographical areas or becoming niche players for specific leisure products was a strategy employed by the, travel agents. Meanwhile, 38% indicated that improvement in customer service and increased marketing and communication was a strategy employed by the travel agents. 53% also agreed that expansion of the product base was a strategy employed by the travel agencies in dealing with impact of zero commission. The findings imply that travel agents are using various generic and tailor-made strategies to deal with impact of Zero commission.

On evaluating the capabilities and competencies being employed by travel agents to cope with zero commission, the research findings indicated that 66% of respondents agreed that increased investment in financial resources was a capability employed by the travel agents to recover from the impact of zero commission. Results further indicated that 47% agreed that investment in human resources, a knowledgeable and creative workforce was a capability employed by travel agents, while 75% agreed that increased improvement in brand name was a capability employed by travel agents, and 47% indicated that a unifying corporate culture was a capability employed by travel agents to recover from the impact of zero commission. 69% respondents indicated that investment in robust IT infrastructure was a capability employed by travel agents, and 50% of the respondents agreed that investment in corporate governance was a capability employed by travel agents to

recover from the impact of zero commission. The findings imply that travel agents are using their internal strengths, resources and capabilities to overcome the impact of zero commission.

### **5.0.2: Conclusions**

Out of the research findings, the following conclusions can be made. First and foremost, performance of travel agents has been negatively affected by the zero commission, the profitability of the travel subsector has been negatively affected by the zero commission. Furthermore, the customer satisfaction, the employee morale and the internal process of the travel subsector has been negatively affected by the zero commission. In addition, the expansion of travel agents has been negatively affected by the zero commission. It can also be concluded that the product variety of travel agents has been negatively affected by the zero commission.

In respect to strategic responses, the following can be concluded. First, travel agents have adopted charging fees, cost leadership differentiation, specializing in geographical areas or becoming niche players for specific leisure products as strategic responses to zero commission. Furthermore, travel agents have adopted improvement in customer service and increased marketing and communication as a strategic response to zero commission not to mention the expansion of the product base as a strategic response to zero commission. Travel agents have also adopted strategic partnership and external linkages with other service providers as a strategic response to zero commission.

In reference to capabilities and competencies employed by travel agencies to cope with the zero commission problems, it can be inferred that travel agents have increased investment in financial resources not to mention increasing the investment in human resources, a knowledgeable and creative workforce. The improvement in brand name, adopting a unifying corporate culture and investment in robust IT infrastructure were other competencies and capabilities employed by travel agents to cope with the problem of zero commission. It can also be concluded from the findings that travel agencies have invested in corporate governance in an effort to recover from the zero-commission problem.

### **5.0.3: Recommendations**

The study recommends that the travel agents need to put various measures into place which include continued use of the generic and tailor-made strategic responses as this would help them to deal with the problem of zero commission. For instance, the agents should continue using cost leadership as it would help them to manage costs. In addition, the travel agents should also differentiate their products in effort to attract more customers. The travel agents also need to continue charging fees and ensure that they deliver good customer service to travelers. It is also important for travel agents to look inside the organizations and identify the resources and capabilities they have, and to use this to recover from zero commission problem.

### **5.0.3: Areas of further research**

There are several conceptual areas that may need to be researched further. For instance, the travel agents are using a cocktail of strategies to safeguard performance from the negative effects of zero commission. However, this study does not clearly say which of the strategies are the most preferred and most effective. It is therefore, important to conduct a regression analysis in order to establish the most effective strategies. Regression analysis is carried out to assess the actual impact of independent variables on the dependent variables. A regression analysis may therefore be done to determine the magnitude of causal relationships between the strategies and performance indicators such as profitability, customer satisfaction and employee morale.

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