

# SWISS TRAVEL AGENCIES ARE ON THE UPSWING



After a disappointing year of 2011 Swiss travel agencies are now recovering. Revenues increased slightly - albeit from a lower basis for comparison. Online competition is stagnating, which has also had a positive effect.

The average travel agent was able to increase its 2012 sales by 9 per cent to 5.12 million Swiss francs. This is in comparison to 2011 where the lowest sales figures for the last ten years were recorded.

These results of a survey carried out by the Swiss Federation of Travel Agencies (SRV) and the University of St. Gallen who interviewed around 440 travel agents, were recently presented to the media.

**Additional staff was hired to cope with the growth.** This seemingly led to higher productivity as can be seen in the increase of sales per employee: this rose by 5 per cent to 1.09 million francs.

Yields also increased slightly for travel agencies. The bottom line increased 1 to 1.2 per cent. The trend is positive, so a minimum net return of 2 per cent should be achieved, said Walter Kunz, Managing Director of the SRV.

Travel agents are still far from achieving the high turnover and yields of the good years: 2000, 2001, 2007, and 2008. "The direction is right, but we are not yet where we want to be," said Max E. Katz, president of SRV.

## **Travel agents expect an increase in demand**

Travel agencies are optimistic about future development: 40 per cent expect an increase in demand. According to the study, long-distance travel, trips for singles or couples, cruises and beach holidays in particular are expected to increase.

Travel agencies assume that the growth will not be based on discounts, as was partly the case in the past. The majority expect prices to stabilize. However, margins are still low and under constant pressure, it was said in the communiqué.

The Swiss population enjoyed a lot of travel last year. On average 2.8 trips with at least three foreign overnight stays were made. These results of a study by Allianz Global Assistance and the Lucerne LINK Institute were also presented.

## **Online bookings are stagnant**

Online competition was considered a major threat to the travel agencies in recent years. The proportion of online bookings is now stagnating at a high level, Carlos Pugnetti, head of Allianz Global Assistance, Switzerland, said. It is possible that the online segment share will continue to grow in the long term. However, it will be achieved through demographic change and not by further

market share gains from existing customers.

The SRV study also showed that competition from foreign suppliers is not considered a threat. Half of the participating travel agencies assessed the importance of foreign competition as low. Just over ten per cent assessed their influence as high.

### **Flight offers only with personal data**

The Association is worried about a new idea the airlines have for product distribution. The project, named New Distribution Capability (NDC), would consist of making offers only if personal data is provided.

According to Christian Laesser, a professor at the University of St. Gallen, in addition to privacy concerns, the main danger of this system is that the customer's maximum willingness to pay would be reduced: "If a customer flies to Paris every Friday and returns on Monday, the airline would notice it and possibly increase the relevant prices for these customers," said Laesser.

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