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«Marketing in tourism. Marketing plan of a small travel agency»

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Abstract

In my work I would like to examine the case study of the small family-run travel agency placed in Saint-Petersburg, Russia. It is already running 20 years, but financial results of the company are not very good during last few years, on my opinion this happens due to the fact that the company uses the same marketing instruments as 10 years ago. I think that if company changes its marketing strategy and creates a suitable marketing plan and marketing strategy, the things will go better.

In order to check if my idea has the right to existence, I have decided to conduct a survey to see if the customers of the company are satisfied with the current level of service and range of offered tour products, to find out also what their preferences are. I have created questionnaires and have asked customers of the agency to fill them in.

The results of the survey have showed that some tourists would like to have more flexible system of discounts, some were not satisfied with the information they found on the web site of the company.

Taking into consideration all the suggestions and dissatisfactions, I have decided to create a simple marketing plan for the company for the year 2012 and I have implemented some changes in the company: I have created a new web-site, introduced a system of feed-back, created an electronic data-base and weekly dispatch of sms or emails with “hot” offers. I have made a selection of mass-media to promote the company giving the preference to the internet.

All of us, we realize that in few years, many travel agencies will disappear, as the young generation prefers to book trips online and to create tour package by themselves. So my idea is to stake on online business in the future.

A goal of my work was to show that marketing is a necessary tool for any company who wants to be successful, especially in tourism industry, as planning helps to avoid many common mistakes. I hope a simple marketing plan which I have created for the travel agency will help it to improve its financial results.

Introduction

During the last decades the development of marketing was fast and intensive, especially in Russian Federation. For Russian companies marketing is becoming a necessary tool, indispensable for taking administrative decisions (so we are observing a transfer from the phase of "birth" of marketing to the phase of "growth"). For the foreign companies nowadays marketing is an instrument of differentiation (here we are talking already of the phase of "maturity"). This can be proven by variety of specialized literature devoted to marketing.

Tourism is one of the fastest developing and profitable sectors of economics. Even in 1990's tourism represented more than 10% of the world trade of goods and services.¹ Marketing is an important tool for any travel institution necessary to maintain and improve the profitability of the company.

This work is divided on 3 parts: in the first part I am describing basic concepts of marketing, tourism and specifics of marketing in tourism in the world and particularly in Russian Federation. In the second part there is a marketing survey necessary to find out the level of satisfaction of the clients of the company. In the third part of the work a short marketing plan is provided.

I have chosen this topic for my dissertation, as I consider that my work could be useful for the company I work in.

For many firms all around the worlds marketing is an essential tool for increasing sales and profitability of the company, unfortunately in Russian Federation not many companies know how to use this tool. I really hope that my work would be able to show the importance of marketing plan for the travel agency in Russian Federation and will improve financial results of my company.

¹ N.K.Moiseeva «Marketing and tourism» Moscow, 2009 p.4//Translated from Russian

PART I

Chapter 1 Marketing in tourism

1.1 Definition of marketing and its importance

There are many definitions of marketing, for example, Kotler defines it as “the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others”. The Chartered Institute of Marketing gives another definition: “Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably”. This definition includes not only identifying customer’s needs but also satisfying them (short-term) and anticipating them in the future (long-term) retention.

Adcock’s definition of marketing includes all 4 Ps: “The right product, in the right place, at the right time, at the right price”. Bartles defines marketing as “the process whereby society, to supply its consumption needs, evolves distributive systems composed of participants, who, interacting under constraints - technical (economic) and ethical (social) - create the transactions or flows which resolve market separations and result in exchange and consumption”. This definition takes into consideration the economical and social aspects of marketing.

“Marketing is organized effort, activity and expenditure designed first to acquire a customer and second to maintain and grow a customer at a profit”.²

Peter Drucker describes the process of marketing this way: “The aim of marketing is to know and understand the customer so well that the product or service fits him/her and sells itself”. Ideally marketing should result in a customer who is ready to buy.³

Russian book give another definition of marketing: «Marketing is the system of management and activity arrangement for elaboration, production and sale of goods or services based on the complex information available on the market about the processes oriented to satisfaction of private or production needs, providing achievement of goals of tourist institutions. »⁴

We see that the common theme between these definitions is to meet the needs and to provide benefits to the target group.

Marketing is needed in any company, regardless of the size, brand image and specialization – all have to use marketing to understand their core customers and grow their business.

Marketing and a marketing department are vital ingredients for business success. It is the role of the marketing manager to plan, manage and execute the marketing strategy throughout the company using intuition, creativity and innovation.

1.2 Specifics of marketing in tourism

Unfortunately, marketing in the true sense of the word is too rarely applied in the business world, and even less in the travel and tourism industry. Of course, there are some tourism organizations which have adopted the marketing philosophy and can be counted among the most effective marketing organizations, but it happens mostly in Europe, not in Russian Federation, also these

² P.Kotler, K.Keller, M.Brandy “Marketing Management” Pearson, 2009 //p.4

³ P.Drucker (1973) Management: Tasks, Responsibilities, Practices, NY: Harper and Row pp.64-65.

⁴ Saak A.E., Pshenichnih Y.A. «Marketing in socio-cultural service and tourism», Saint-Petersburg 2007, p.22
Translated from Russian

organizations remain the exception rather than the rule, and good marketing practice is still rare among the smaller travel companies.

Why does tourism industry need marketing? We have to remember that the main objectives of the marketing are demand and getting profit. Answering the question why do the travel agencies need marketing, I can say that their existence on the market is always related with lower or higher financial risk. Every touristic institution is financially responsible for its own losses. «In 1995-2000 many Russian travel agencies because of the errors committed in the process of their work have become bankrupts and were forced to finish their activity»⁵. That is why the question of the entrepreneurial risk must be in the center of attention of any travel agency. Reduction of degree of this risk can be reached only by using maximally exactly the concept of marketing.

Of course not only competition on the market defines the meaning of marketing, but even more important objective for the travel agency is an increase of productivity and sales of tour products, increase of income, profit and profitability.

Modern marketing-mix affects all scopes of activity of every travel agency, its organizational and functional structures and realization of marketing measures becomes everyday practice of collective of travel agency. Table 2 with content of marketing mix can be found in Appendix.

According to World Trade Organization (WTO), the services sector accounts globally for 1 trillion euros of world trade. Over 2/3 of the workforce in Europe are employed in services and between 60 and 70% of the gross value-added figure achieved by European states can be attribute to services. Services include airlines, hotels, car hire, accountants, bankers, engineers, doctors, travel agents, management consultants etc.

As we see marketing is extremely important in service sector, including tourism industry.

1.3 Specific of tourism in Russian Federation

Despite the economical crisis 2010 has showed an increase in the outgoing flow of Russian tourists, it has increased for 32% compared to 2009.⁶ Better results were only in 2000 when the flow of Russian tourists compared to the previous year has increased by 56%. The most popular countries among the Russian tourists in 2010 taking into consideration absolute data were Egypt, Turkey and China.

Totally in 2010 there were made 39323000 trips from Russia abroad. (See Table 1 «Trips abroad for tourism reason of Russian citizens» in Appendix).

As we see from the table 1, almost all the countries have positive dynamics (except Singapore, Ukraine and Norway).

According to Rata (Russian association of travel agencies) more and more Russians book their holidays themselves and try to do it online, not contacting the travel agency. Although it is clear that the tendency is that in few years almost all the bookings of the tour packages will be made online, the indexes are still relatively low – only about 2-5% of all the tours sold.⁷ During 2 last years the number of the persons booking all their trip online (buying tickets, booking the hotel etc.) has increased on 20%. Experts assume that the percentage of online bookings will be 10% of all reservations in 1-2 years.

⁵ Ismaev D.K. «Marketing of foreign tourism in Russian Federation.Theory and practice of travel agencies». Moscow, 2002 p.7

⁶ http://www.ratanews.ru/news/news_1032011_3.stm

⁷ http://www.ratanews.ru/news/news_1092010_1.stm

Following this tendency many tour operators try to create online travel agencies as they understand that direct sales to the customer via internet is a necessary step. Many travel agencies have already implemented some “innovations”, for example, live agents who consult you when you are visiting their web site, or they give you a possibility to print all the documents (including voucher, insurance, tickets) from their web site. I see a great potential in online travel agencies, but I think that there is still a special segment of clients who want to get services, personal attention, and traditional way of communication.

But Russian Federation has not only outgoing tourism, but also incoming, which has also great potential, on my opinion. Both incoming and out-coming tourisms show positive dynamics in 2010. Potential barriers I see: are the fees an agency has to pay in order to be included in the list of tour operators.

1.4 Marketing in Russian travel companies

During the last years, more and more, large travel companies in Russia use marketing as an effective tool to increase their sales, turnover and profitability. They create multiple bonus programs, flexible discount systems, they use lottery and promote themselves in the internet, on TV, in newspapers, on billboards. Travel industry and approach to marketing has changed.

Even 5-7 years ago the situation was quite different, only few agencies in Russian Federation knew about marketing and tried to use it.

Now there is quite a big amount of agencies that use marketing tools very successfully. Examples of such companies in Russian Federation can be travel agencies Pegas Touristik, South Cross, Coral travel, Russkiy Express, Vand International. Some of them have become popular only because of the right positioning and good advertising campaign.

For example, tour operator South Cross has used emotional marketing in order to build its network of agents in Saint-Petersburg – it has organized a fam-trip to Greece for 4 days for local agents from Saint-Petersburg totally for free (including air tickets, food, excursions, and entertainment), this has created a very positive perception of the brand image of the company in the eyes of agents. Now every time they think about tour operator on Greek destination, first tour operator which comes to their mind is South Cross, so when they have to choose between 2 tour operators, they will definitely prefer the one they have positive emotion with. This way South Cross has stimulated sales for a long period and has created a red of loyal agents, as well as it has promoted its brand image.

PART 2

Chapter 2 Marketing research

2.1. Company's background

Joint stock company travel agency “Vid-Plus” was established by 2 shareholders in 1992 and its first name was “Vid” (the shares were divided accordingly 51% and 49%). The company was created with an aim to provide services of out coming tour operator (that means creation of the tour product and its distribution to the intermediates and final consumers - tourists) on such destinations as Greece, Turkey and Finland. The company had leading position on the travel market of Saint-Petersburg on these destinations during 10 years (till 2002). Company had financial problems in 1998 when there was a default of the national currency in Russian Federation, but it has recovered for 4 more years and saved its leading position. In year 2002, company was restructured in 2002, when 2 stockholders have decided to divide business: in 2002 2 companies were created «Vid» and «Vid-Plus». Unfortunately for «Vid-Plus» who has chosen

to specialize on Greece, management of the air company "Pulkovo" has decided to make all the charter flights to Greece regular ones. In this conditions, taking into consideration also a loss of the half of the company including the staff, company wasn't able to continue being leader. In years 2000 many new companies have entered on the travel market of Saint-Petersburg, including large companies from Moscow able to invest a lot to develop their business in Saint-Petersburg. The travel market of the city has grown vastly, new players has entered the market, large companies dominated the market, using firstly strategy of penetration with damping.

After its restructuring, company didn't manage to recover. It became small family-runned agency, working mostly as a travel agent (selling tour products of other tour operators).

The management of the company didn't focus on the new technologies, continuing to use traditional methods of advertisement. But the situation on the market wasn't the same as it was 10-15 years ago. There was a huge amount of travel companies of different sizes and different specializations and those who knew how to adapt to the changing conditions on the travel market, those who innovated and staked on individual tourism and not mass tourism have survived and became profitable and successful. Years 2000 have brought to the Russian Federation individual tourism and mass tourism has almost disappeared. In 21 century people all around the world want a personalized service even in the hotel of 3 stars.

Nowadays the company is still functioning, but it survives mostly owing to its loyal clients. Although «Vid-Plus» uses advertisement in newspapers and magazines, it seems to be not very effective.

Size: small travel agency

Location: Central, near the main avenue of the city, not far away from metro station

Staff: 6 persons (General Director, General accountant, 3 managers, cleaner)

Type of clients: individual clients, corporate clients

Main specialization: as tour operator – whole Greece, Spain, Turkey, Egypt, and Thailand. As agent – all world.

2.2 Objectives of research

Research has place in the management of any company even small. It is important to conduct research as we cannot be certain that the products we produce will appeal to our customers unless we know what our customers want. If our sales are decreasing, we have to know whether this is the result of a general economic crisis affecting all products, or the result of clients switching their purchases to other travel products. In each case we have to develop a different marketing plan to respond to the challenge.

I have decided to undertake primary research in order to find out what are the preferences of the clients of the company and to see if they are satisfied with the services of the agency. This research is undertaken in order to build a marketing plan according to it. The most appropriate type of research for a small agency is simple quantitative research. Of course to reach competitors 'clients would be better to undertake some form of random survey of people in the catchment area, but I have decided to create the questionnaire for the existing clients of the

agency as I want to find out their preferences and satisfaction level in order to see if “Vid-Plus” have to develop new products or to specialize on traditional ones.

2.3 Research design and methodology

Selection of respondents

Customers of the company were asked to answer the questions of the questionnaire, a probability sample are 50 persons selected randomly from the database of loyal clients and among loyal clients coming to the office of the company

As a target group of the respondents to answer the questions of the questionnaire, I have chosen randomly 50 clients of the travel agency without taking into consideration their wealthness, social status, age and other criteria and asked them to fill in the questionnaire answering the questions honestly. The main criterion to choose the respondents was that they used the services of the agency during last year. The reason why I have chosen the clients of the agency and not other persons was:

- 1) They are easily accessible via email or direct contact (coming to the office)
- 2) They have chosen our agency among others

Form in which the survey was conducted

A questionnaire contains 29 questions (mostly closed multiple choice questions and open-ended questions). The form of the questionnaire can be found in appendix.

The questionnaires were created in order to find out if the customers are satisfied with the level of services of the company, they are anonymous but there are some questions requiring age, sex, and contact details can be provided in case a person wants to receive offers. The survey was conducted “just at workplace” as the respondents are those coming to the office and using the services of the company. The respondents coming to the office were asked to fill in the form and to put in special box or to give it to the manager. They were asked to answer as honest as they can, the ones contacted via email were asked to fill in the questionnaires and to send the form back. Totally 50 persons were asked to participate in survey – 27 customers answered the questions in the office, other 23 were contacted via email.

Time schedule

The questionnaires were given/mailed to the clients via email in month of August (peak season). Respondents were asked to answer the questions and to send/give questionnaires during maximum period of 1 week beginning from 05/08/2011.

2.4 Data analysis and findings

Totally 50 persons were questioned. Here below we can see the results of the survey (the questionnaire can be found in appendix).

50 persons were asked to fill in the questionnaire. The questionnaire can be found in appendix. The results are the following:

- 1) 64% of respondents (32 persons) have indicated that they travel 2 times per year, 24% (12 persons) travel once per year, 10 % travel more than 3 times per year, and only 2 % travel less than once per year.
- 2) 80% of customers (40 persons) travel abroad, 14% both abroad and inside the country, and 6% only inside the country.
- 3) 66% (33 persons) are traveling with family, 14% with friends, other 20% alone or with girlfriend/boyfriend,
- 4) 56% of respondents got all the necessary information when they called, but 11 persons (22%) got this information with delay, 5 persons answered that they didn't get all the necessary information and 6 persons just didn't call.
- 5) All respondents (44 persons who called) have answered that manager was polite talking to them.
- 6) 84% from those who called (37 persons) were assisted fast by phone
- 7) 92%(46 persons) were served fast in the office
- 8) 100% of those who had to wait in the office did it reading magazines, brochures and other information offered to them
- 9) 80% (40 persons) have indicated that manager was polite, well-trained and educated, but there were still 20% who had doubts about educational level or politeness of the manager.
- 10) 33 persons (60%) were satisfied with travel offers, 30% were not completely satisfied, 4% were not satisfied at all
- 11) The majority of respondents use services of the agency in order to book a trip (78%), 16% to buy a ticket, others either to book a hotel or to issue insurance
- 12) Trip on the plane prefer 62% of customers, cruise-trips lovers represent 28% , 3 persons have answered that they prefer compound trips, other 2 - bus trips or trips on train.
- 13) Mostly our customers prefer long vacations of 2 weeks (40%) or 10 days (32%), only 18% prefer 1 week holidays, others – short vacations of 3-5 days
- 14) 30 persons (60%) have used the website of the company to find necessary information
- 15) 48% respondents found the navigation through the web site easy and user-friendly, 44% didn't like it
- 16) Only 22% (11 persons) knew that we have a group in social network vkontakte.ru
- 17) 70% of respondents think that they paid an adequate price for the trip, 22% are not sure about that
- 18) 64% were satisfied with the discount offered to them, 10 persons (20%) think that it could be higher
- 19) 20 persons know about the company from their relatives and friends, 32% know about the agency cause they are living near, 16% found information about the company in newspaper
- 20) 88% of customers have traveled with the agency more than twice
- 21) 94% believe the information given to them by the manager was reliable
- 22) 56% received their documents in advance, 32 % have indicated that they received them just before the trip, and 6% complain that they didn't receive complete package of documents in time, some documents were missing
- 23) 9 persons (18%) are not sure that they will use the services of the agency in the future, although other 82% have indicated that they will.

- 24) 40%(20) of respondents were people from the age from 25 to 35, 42% (21) from 35-45, 6 persons at the age of 45-60, and 3 persons from the age of 18 to 25
- 25) Mostly our respondents were female 31 persons (62%).
- 26) 76% (38 persons) would like to get new offers via email or sms
- 27) The most preferred destinations are Greece, Spain, Italy, Thailand, Cuba, Turkey
- 28) The majority would like to get special offers 1 or 2 times per month – 31 persons (62%)

2.5 Interpretation of the findings

As we can see from the answers of the customers, mostly they are satisfied with the services they receive from the company; however some of them have indicated that the educational level of the manager wasn't high enough. This can be explained by the fact that during the summer season we had one more manager who didn't have degree in tourism, neither work experience in the tourism, she has committed some errors and was fired in august.

One more point I have to underline is that some clients were not assisted fast by phone, that means that the efficiency of work of managers must be improved.

One more finding, I consider interesting, is that 32% of respondents have chosen the agency because they're living near.

According to the survey, respondents are not very satisfied with the navigation through the website of the company, many of them do not know that the company has a group in vkontakte, that means that probably it can be nice to do a mailing to the loyal customers telling them that they can find us in vkontakte and that some special offers will be launched there.

We can see also from the results of the survey that majority of our respondents are repeated clients. Majority prefers standard trips on airplane, but there is also potential in cruise trips, as 28% of our respondents would like to go for a cruise trip.

PART 3

Chapter 3 Marketing plan

3.1 Executive summary

Vid-Plus was created in 1992 with an aim to provide travel services to the Russian clients willing to travel abroad, particularly in Greece or Turkey, Now with the changing environment, era of new technologies, high competition on the market and economical situation in the world, management of the company has decided to change the specialization of the company and to specialize either on cruise trips, either on exclusive tours in exotic countries.

There are opportunities for both of these types of trips: for cruise trips it is quite easy to find customers, as the prices are low enough but provided level of services is quite high (you can book 8 days trip in Mediterranean with all inclusive basis for less than 400 euros).

In case of exclusive individual trips to exotic countries, it's more difficult to find clients and foreign partners, quite difficult to create a tour package, but the product is innovative and profit margin is quite higher than in case of standard trips. Our target group then will be adventures, young active persons with high level of income. These are lawyers, bankers, executives, doctors,

etc. Target market members will have similar activity interests, more disposable income and less sensitivity to price.

Initially, it will be difficult to compete with experienced providers, especially the market leaders. However, both target markets are an exploitable niche and our service is differentiated in both cases in cases of cruise trips (we have a contract with Spanish cruise company, only we are selling cruise trips of this company on Russian market yet) and in case of exclusive individual trips. In second case we will provide a luxury service with prestige value. Our prices will be out of reach for the majority of travelers. Service will be priced based upon luxury competitor prices and the value added of our offering. Providers that offer offering luxury services similar to ours do so at prices similar to ours. We are competitively priced in the luxury market. Because we appeal to luxury and thus a smaller market, volume will be limited. However, we will be able to capture a higher gross profit margin. In case we will appeal to the first target group, our prices will be also competitive, as the prices of Iberocruceros are lower than ones of another cruise companies, but there is always risk that other travel company will sign a contract with them, and this will be not exclusive product anymore.

3.2 Situational analysis of the agency

3.2.1 Company.

Joint stock company "Travel agency "Vid-Plus" was created in 1992 and had as an objective organization of the outgoing tourism for Russians. Its main destinations were Greece and Turkey.

The company was the first one who launched an airplane from St-Petersburg to Thessaloniki and has opened a destination of Chalkidiki for Russian tourists. It was one of the biggest agencies in Saint-Petersburg from 1992 to 1998, in 1998 devaluation of the Russian currency has shaken the position of the company, but it stayed on the market. It lost its positions in 2000 when the air company Pulkovo (now Rossiya Airlines) has decided to make the charter flight Saint-Petersburg – Thessaloniki regular.

Now the company doesn't have leading position, it is still functioning, but now it is quite small (5 persons) and works mostly with loyal constant customers and corporate clients. It has its own office in the central location of Saint-Petersburg.

Recently in last 5-7 years «Vid-Plus» works mostly as a travel agent. Company organizes tours for its loyal customers and their relatives and friends and also works with corporate clients (contract for the season, groups of 20-30 persons 3 times per year).

Product line: Individual and group trips to all the countries of the world (main specialization – Greece, Turkey), airline tickets, visas, and insurances. Company works as a tour operator on Greek and Turkish markets, some individual tours can be also created in another countries upon the request. Company deals only with out-coming tourism.

Image on the market: Company is not a key player on the market, it used to be largely known in Saint-Petersburg, but it lost its leading position, now the company is in the phase of decline and it survives mostly because it has a good clients' base and some requests from corporate clients.

Technology and experience: Company has a solid background and history of 20 years. The weakness of the company is that it doesn't have an IT department to organize selling of tours online, which could increase the turnover of the company. Company has started to use the social

media by promoting itself in vkontakte.ru (Russian version of Facebook) – by paying internet ads and news in the group. ⁸Company has also created a new version of the website.

Culture: Company doesn't have clear mission and vision, and I think it creates some problems. The values of the company are well trained, satisfied and empowered employees, customer focused services, free circulation of the information within the company, support for innovation.

During last few years financial results of the company were not good at all, and the leaders of the company are even thinking to close it as it doesn't bring profit. Because of this reason I have decided to create a marketing plan for the company in order to try to help to change its financial results and to increase number of clients.

3.2.2 Collaborators

Marketing collaborators are companies helping to the travel company to promote, sell and distribute its tour product to the customers.⁹

Among collaborators of Travel company "Vid-Plus" we can name:

- a) Insurance company "MSK standart". It provides services of insurance to the tourists of travel agency.
- b) Newspapers and professional magazines, such as Astok, Metro, Tour Navigator
- c) Air-tickets booking-office "Transtour Travel Nord".
- d) Reservation systems Light soft, tour-box, hotusa, keytel etc.
- e) Travel agencies working as agents of Travel agency "Vid-Plus"

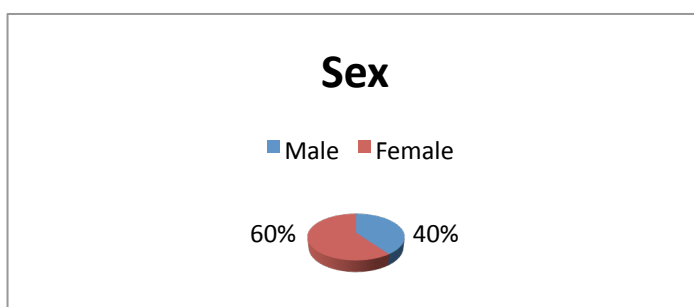
3.2.3 Consumers

Market size and growth:

Travel company "Vid-Plus" works with direct clients (natural persons) and corporate clients. Company has different clients with different level of income, different age ranges and profession. According to company's database created in 2011 and based on data collected in 2010 and 2011 of 278 consumers who purchased tour packages, we have provided a secondary research. So the main characteristics of the company's consumer are:

- a) Sex: Male (40%) Female (60%)

Image 1

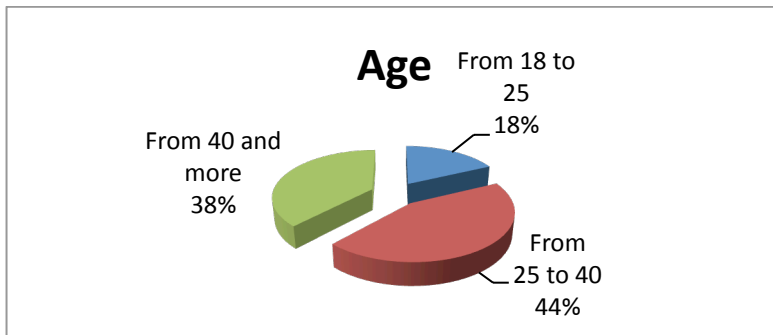


⁸ <http://vkontakte.ru/club17220383>

⁹ Lashmanova N.V., Ababkova M.U. "Marketing in social-cultural service and tourism", Saint-Petersburg, 2009// p.176. Translated from Russian

- b) Age range¹⁰: From 18 to 25 (18%)
 From 25 to 40 (44%)
 From 40 and older (38%)

Image2

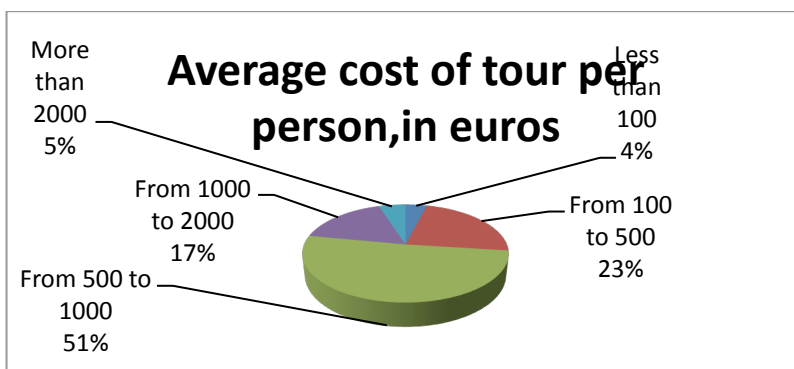


- c) Most common sectors of work of tourists¹¹: Finance and accounting, Oil and gas, Construction, Medicine.

- d) Average spending on tour package/per person:

- Less than 100 euros -4%
 From 100 to 500 euros -23%
 From 500 to 1000 euros – 51%
 From 1000 euros to 2000 euros – 17%
 More than 2000 euros – 5%

Image 3



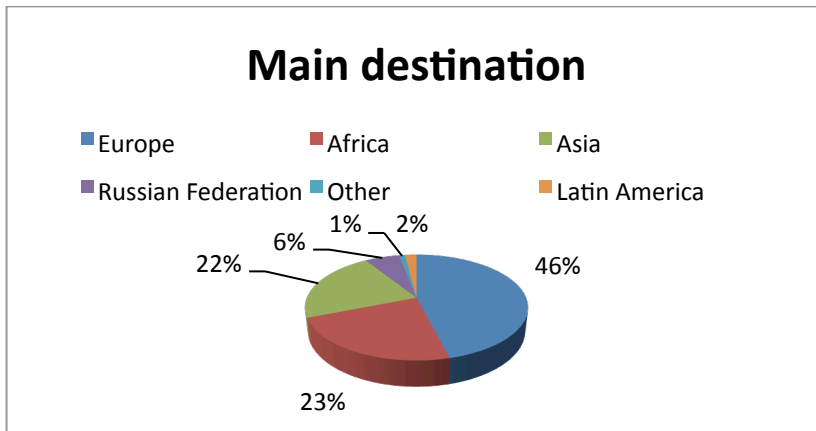
- e) Main destination:

Europe – 46%, Russian Federation – 6%, Africa – 23%, Latin America – 2%, Asia – 22%,
 Other – 1%

¹⁰ We take into consideration buyers of the tour packages. There is no range of 18 and less, because children are not authorized to buy tour packages, if we will take into consideration, number of children who travelled abroad with the agency, it will be considerably high in comparison with other age ranges.

¹¹ According to available data of years 2010-2011. Numbers are average and calculated on basis of the available info about bookings. In total: 302 bookings were made during 2010-2011.

Image 4



f) Type of trip:

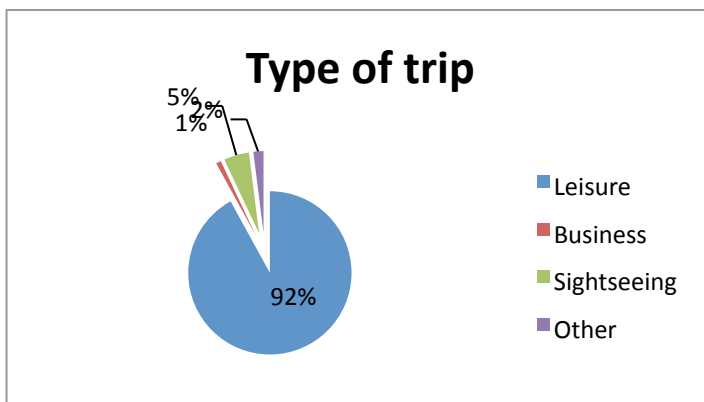
Leisure (Sea) – 92%

Business – 1%

Sightseeing/ Excursions -5%

Other – 2%

Image 5



g) Duration of the trip:

Less than 3 days – 5%

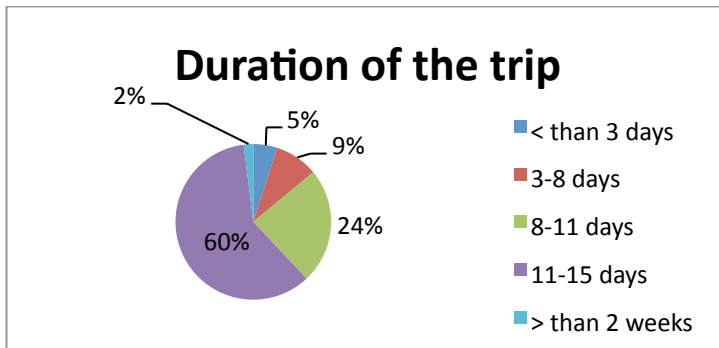
From 3 days to 8 days – 9%

From 8 days to 11 days – 24%

From 11 days to 15 days – 60%

More than 2 weeks – 2%

Image 6



h) Marital status of traveler:

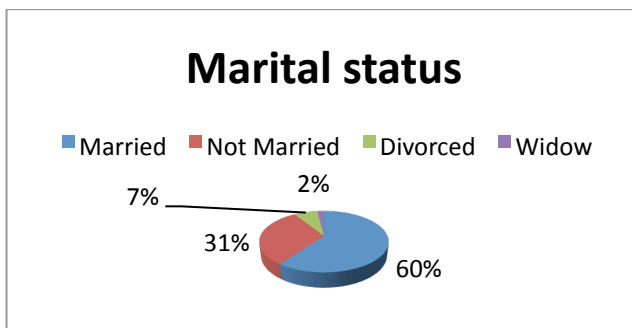
Married – 60%

Not married -31%

Divorced -7%

Widow – 2%

Image 7



According to analyzed data we can see that an average consumer of the services of travel agency “Vid- Plus” is male, with the age range from 25 to 40, staying abroad from 11 to 15 days (per trip), most probably married, who prefers to go to Europe and prefers holidays on the beach.

3.2.4 Competitors

It is a very well known fact that tourism industry is highly competitive; there is a very big concentration of travel companies, especially in big cities, such as Moscow and Saint-Petersburg.

According to the data of Federal Agency of Tourism in Russian Federation (Rostourism) in the Unique Federal Register of Tour operators on 01.01.2011 are registered 4405 tour operators, some of them have really strong positions. See table 3 in appendix for details.

Image 8

Structure of the register of tour operators depending on their activity

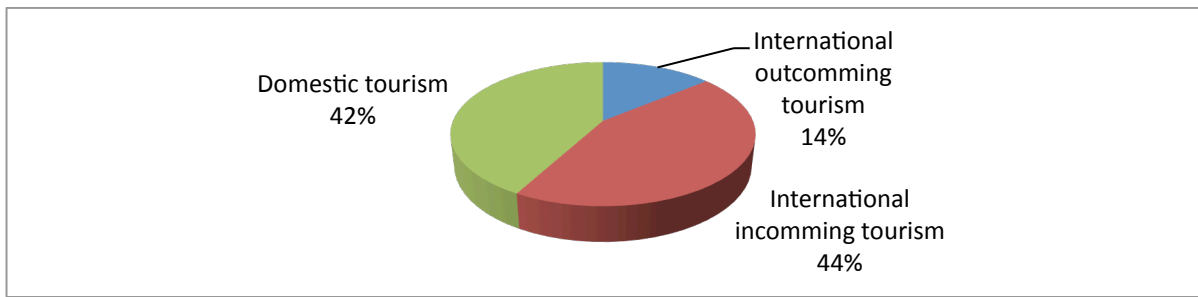


Image 9

Structure of the register of tour operators depending on the type of financial provision

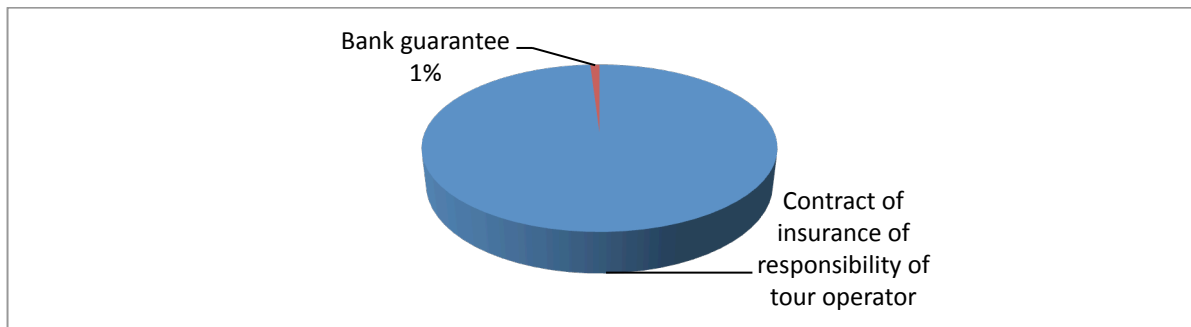
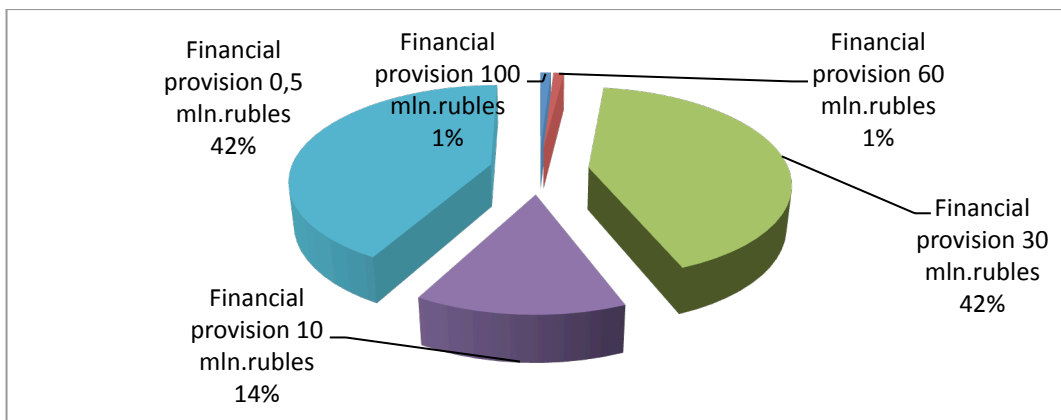


Image 10

Structure of the register of tour operators depending on the size of financial provision



According to the data of Russian Alliance of Tour Industry the number of registered in Russian Federation tour agencies has reached 7500, with more than 1300 agencies registered in Saint-Petersburg¹². But this is only official data, in reality number of functioning agencies is quite bigger. Saint-Petersburg is the second biggest city in Russian Federation, and of course there is a huge amount of travel agencies opened in this city who compete with each other.

It is very difficult to name main competitors of the travel agency, as there is a very big number of travel agencies in St-Petersburg, and all of them can be potential competitors (as travel agency «Vid-Plus» doesn't provide unique services).

In order to find out some of main competitors of the travel agency "Vid-Plus", we have to take into consideration its location, type of clients, main specialization and other characteristics.

¹² <http://www.tourshow.ru/firms/>

It is difficult to name all competitors as their number is big, and the industry is highly competitive, but we'll name just few of them according to the main specialization of the company - Greece.

The key players on the market of Saint-Petersburg with the main destination as Greece:

- 1) Mouzenidis travel
- 2) Atlas
- 3) Solvex tourne
- 4) Neva
- 5) Aurinkomatkat
- 6) Pegas Touristik
- 7) Natalie Tours
- 8) Aurinkomatkat
- 9) Biblio-Globus
- 10) Vilar tours
- 11) Intourist
- 12) South Cross
- 13) Versa travel

All these companies are tour operators on the destination of Greece (they have seats on the charter flights or are charter flights holders). Among these companies the main competitors of travel agency Vid-Plus can be named Atlas, Solvex-Tourne, Neva, as they also work with all destinations in Greece, other tour operators have only specific destinations in Greece (for example, only Crete).

What do our competitors have that we don't?

Our competitors definitely have an advantage, they have more than 1 office in different districts of the city (franchise network), they have well-trained staff, as well as subventions from the foreign partners, but the main advantage on my opinion is that they use correctly the tool of marketing in order to attract new customers.

3.2.5 Climate - PEST analysis

Political and regulatory environment - governmental policies and regulations that affect the market. Among these policies we can name the implementation of the Order of the Federal Agency of Tourism from 10.05.2007 № 28 «Approval of the statement of introduction of the Unique Federal Register of Tour operators». After the implementation of this law, the number of tour operators has decreased, as previously travel company needed only the license in order to operate and to provide services of tour operator, after the implementation of the new law, travel companies willing to provide tour operator's services have to "secure" their activity by paying every year a fixed sum (minimum 100 000 rubles equal to 2500 Euros) to insurance company or bank (liability insurance or bank guarantee). The sum of money payed depends from the size of financial provision. The full text of the statement can be found on http://www.licen.ru/tour/tour_polozhenie.html

The implementation of this statement has changed the structure of the travel market in Russian Federation, especially in regions, leaving only medium-sized and big-companies able to provide services of tour-operators, all other travel companies were obliged to act only as travel agents.

Economic environment – business cycle, inflation rate, interest rates and other macroeconomic issues.

The economic environment changes every day, and it is very difficult to forecast the demand in this sector, as it depends a lot on economical and political situations in the countries. For example, with the beginning of economical crisis in Greece, some tourists have changed their decision to go to Greece, and have chosen other destinations (because of the fear of political and economical situation in the country). Of course, not all the information we have about economical and political situation in foreign countries is reliable, but many persons believe to the media. The economical situation in Russian Federation is more or less stable. The inflation rate on 10.06.2011 is 4,8% but is forecasted to be about 7% by the end of the year 2011.

Social/cultural environment – society's trends and fashions. There is a trend to ecotourism and short stays abroad (for example, few weekends in Europe instead of a full trip of 2 weeks) in society, facts that I have mentioned previously. There is also a tendency to visit other countries only to participate in cultural events (like concerts of foreign stars, or temporal exhibitions).

Olympic games in Sochi 2014 will bring a lot of tourists to Russian Federation, this can be considered also a big social event which has already influenced a lot tourism industry in Russian Federation (many hotels were built, a lot of investments were made).

Technological environment – new knowledge that makes possible new ways of satisfying needs, the impact of technology on the demand for existing products.

In the era of new technologies, online travel agencies are becoming more and more popular, the generation which uses the services of ordinary travel agencies becomes older and older, and there is a tendency that in 10-15 years the biggest part of all the trips will be booked online. Also many persons prefer to organize their trip themselves, as new technology allows to do it. The young generation aged from 15 to 40 are using internet in order to organize their holidays.

In few decades the number of traditional travel agencies will decrease, and slowly they will disappear, as we are living in the era of new technologies and new products, only few traditional agencies will survive in order to provide luxury services to vip and corporate clients.

Now there are a lot of online travel agencies in Europe¹³, in Russian Federation we don't have travel agencies who operate only online, mostly travel agencies have good web platform with all the tools to simplify the booking for the potential customer and to provide maximum of useful information, but they do not operate exclusively in internet, they also have offices with direct selling.

3.3 SWOT-analysis

Stregths:

1) Travel company Vid-Plus exists on the travel market of Sain-Petersburg for 20 years, during this period it has created a good image among its clients, it has loyal clients using the services of the company for many years.

¹³ www.logitravel.com, www.edreams.com

- 2) Travel agency has stable foreign partners with good reputation and reliable partners in Russian Federation.
- 3) Company's office is owned, so the company doesn't need to pay rent.
- 4) Company deals with corporate clients which are travelling few times per year in groups of 30-40 persons.

Weaknesses:

- 1) Size of the company is too small to compete with big mass-tour operators and big companies.
- 2) It has only one office in Saint-Petersburg, no other offices, no representatives.
- 3) Weak HR, some managers have work experience of less than 1 year and doesn't speak foreign languages, accordingly their salaries are not high, so they are not really motivated which influences the financial results and quality of the work.
- 4) Vid-Plus doesn't have marketing department, neither marketing strategy. It uses only traditional methods of promotion (advertisement in newspapers).
- 5) Company doesn't use special software for travel agencies to keep all the information about clients, bookings etc.
- 6) Company doesn't have clear sales strategy.
- 7) Not flexible working hours. Work hours from 11-00 to 19-00 from Monday to Friday.

Opportunities:

- 1) Company has signed contracts with some companies with which doesn't work almost no one in Saint-Petersburg and Russia (Hotusa, Keytel, Iberocruceros). This can create demand if the company will use correctly the marketing tool.
- 2) Company has created a new renovated web-site.
- 3) Company has started to structure data about tourists, creating database with all the data.
- 4) Vid-Plus has started to do mailing to its clients using their emails and mobile numbers

Threats:

- 1) Strong competitors with more than 2 offices in Saint-Petersburg, and representatives in other cities and countries.
- 2) Big threat of substitution of the products (many tour operators, supply is higher than demand in most destinations)
- 3) Damping of some travel agencies (like Magazin Goryashih Putevok who offers to the clients "the discount" up to 50% on the price of the trips, working as travel agent and getting the commission of 10-15% from tour operators. They explain the fact that they work without any profit and suffer losses in order to enlarge their database of clients to make them buy other products of the company – cars, financial services etc. Must probably this is made to eliminate other competitors, although according to RATA any discount of more than 5 % from the price of the trip is considered to be damping).
- 4) Dependence on tour operators and their pricing strategy in many cases.

3.4 Market potential

Key Steps in Estimating Market Potential:

1. Define your target market and market segments.
2. Define the geographic boundaries of your market.
3. Derive an average selling price.
4. Determine the average annual consumption.

Estimating Market Potential: $MP=N \times P \times Q$

Where: MP = market potential, N = number of possible buyers, P = average selling price, Q = average annual consumption

Unfortunately, as there is a lack of statistical data about the travelers in Russian Federation, we can just make an assumption that must probably 2% of the citizens of St-Petersburg would like to make a cruise trip during the year 2012. So let's assume that $N = 5\,000\,000 \times 2\% = 100\,000$ (per year)

Then average selling price (P) of the cruise trip is 600 euros and $Q = 1$ (most probably they will make a cruise trip only once per year).

Then $MP = 100\,000 \times 600 \times 1 = 60\,000\,000$ euros

Then we have to find out our market share, percent of captured market is approximately 1% (as we have about 70 agencies in St-Petersburg).

Market share = Market Potential *Percent of the market captured = $60\,000\,000 \times 1\% = 600\,000$ euros

3.5 Goals and objectives

Here I propose a mission and vision Vid-Plus could use:

Mission: To satisfy every customer's need, to organize vacation of dreams, to provide qualitative and reliable information to the client about the destination place.

Vision: To find out not occupied niche, to create a unique tour product able to satisfy customer's needs, to be accessible online and offline 24 hours per day, to provide reliable and full information a customer may need, to increase number of the offices, to create a strategic alliance with foreign partner.

Goals:

- 1) To create a well-functioning website during the year 2012 which will bring profit to the company (company has invested money in the new site now, but it is not very popular), probably it needs clearer structure and promotion with SEO and SEM methods.
- 2) To increase clients base, turnover and profitability of the company.
- 3) To sign exclusive contracts with foreign partners and to start dealing with incoming tourism. To create interesting receptive programs for foreigners.
- 4) To open new offices, not only in Saint-Petersburg, but also abroad.

- 5) To deal with customers with high-level of income to provide them luxury services.
- 6) To hire high-qualified staff with minimum 5 years of work experience in tourism.
- 7) To focus on the new tour products – trips exclusive individual trips to exotic countries or cruise trips

Marketing Objectives

1. Maintain positive, steady growth each quarter.
2. Experience a growth in new customers who are turned into long-term customers.
3. To be recognized as provider of travel services of high quality.
4. Increase turnover of the company.

Financial Objectives

1. A reduction of fixed overhead through disciplined growth.
2. To decrease the variable costs associated with the production of trips.
3. Increase sales by 50% within 3 months and profitability of the company.

Long-term goals:

- 1) To increase sales by 100% in one year, to increase profitability of the company
- 2) To retain existing customers, to increase their level of satisfaction
- 3) To attract new customers
- 4) To open a new destination, and to become a leader on this destination (for example, no one in Russia sells cruise trips on the budget cruise liners Iberocruceros, but we do)
- 5) To sign exclusive contracts with strategic partners abroad
- 6) To open an incoming department and departments for real estate and education abroad
- 7) To motivate the staff by new bonus policies and non-monetary instruments (social package, for example)
- 8) To introduce new discounts politics
- 9) To use new media for promotion (to specialize on social networks and internet ads)
- 10) To develop network of agents
- 11) To improve the web-site of the company, to make it more user-friendly
- 12) To create a well-functioning website during the year 2012 which will bring profit to the company (company has invested money in the new site now, but it is not very popular), probably it needs clearer structure and promotion with SEO and SEM methods.
- 13) To sign exclusive contracts with foreign partners and to start dealing with incoming tourism. To create interesting receptive programs for foreigners.
- 14) To open new offices, not only in Saint-Petersburg, but also abroad.
- 15) To deal with customers with high-level of income to provide them luxury services.
- 16) To hire high-qualified staff with minimum 5 years of work experience in tourism.

Short-term goals:

- 1) To increase sales within 3 months by 50%
- 2) To try different types of media for advertisement

- 3) To promote the company in social networks, to increase number of members of the official group of the company by 100%
- 4) To launch a special campaign for the members of the group vkontakte
- 5) To increase salary of staff by 10%
- 6) To attract new customers and to retain existing
- 7) To hire a new manager with solid experience in tourism
- 8) To start to do direct mailing to the loyal clients of the company with special offers
- 9) To sign contracts with foreign partners from Spain and Italy
- 10) To develop the program and print a serie of leaflets for foreign touristscomming to St-Petersburg
- 11) To prolong the contract with corporate clients
- 12) To install Amadeus terminal

3.6 Strategy of the company

In order to define market strategy of the company, we have to understand the role it plays on the target market: leader, challenger, follower or nicher.

Image 11

Hypothetical market structure

40% MARKET LEADER
30% MARKET CHALLENGER
20% Market follower
10% market nichers

Source: P.Kotler,K.Keller "Marketing Management" Pearson Education,2009 p.312

I think that the right role for the agency has to big a market nicher, as the market is already divided between the key players and company doesn't have enough financial resources to play the role of market leader or market challenger.

Market nichers are usually small firms avoiding to compete with larger firms by targeting small markets of little or no interest to the larger firms.Firms with low share of the total market can become highly profitable through smart niching.

Why is niching so profitable? Most probably is because the market nicher ends up knowing the target customers so well, it meets their needs better than other firms selling to this niche

occasionally. The nicher can achieve high margin whereas the mass marketer achieves high volume.

As niches can weaken, companies must continually create new ones. Undoubtedly, multiple niching is preferable to single niching. By developing strength in 2 or more niches, the company increases its chances to survival.

The key idea in successful nichemanship is specialization. So I would recommend a role of service specialist or product specialist. Kotler in his book «Marketing Management» defines service specialist like that: « The firm offers one or more services not available from other firms. A bank may take loan requests over the phone and hand-deliver the money to the customer». «Product or product-line specialist is the firm who carries or produces only one product line or product».

One of the following strategies can be applied in the company:

One strategy is to specialize or concentrate. Thus, a company may utilize its energy and strengths to pursue a single purpose or it may restrict its efforts to only a few aims.

Another strategy focuses on diversification by moving into new and profitable markets. This may result in greater growth than would be possible without diversification.

Still another strategy can be to focus on innovation - new products and new services. Thus, a company may look for new ideas whose time has arrived. But investing in innovation is also risky.

I consider that the right strategy for «Vid-Plus» would be strategy of differentiation (specialization + innovation) – to create a unique product, to provide unique services to the target group of the clients.

For example, to specialize only on luxury tours to exotic countries in Latinoamerica, Africa, also Antarctica. A good strategy could be also to develop the destinations which are not developed by other companies, to innovate, these can be for example budget cruise trips from Spain which have signed contract with Vid-Plus. For the moment Vid-Plus is a unique agency who is selling cruise trips on Iberocruceros.

An opportunity exists for two reasons:

1. Tourism is a growing industry (4% annually) and within the industry, cruise trips offer one of the biggest profit margins and the interest to this kind of trips is growing.
2. There are few companies specialized on cruise trips.

I see the strategy of the company as following – differentiation, creation of unique tour products for specific segment of the population.

Originally, Vid-Plus had chosen the strategy to work with the mass-tourism that means providing services of medium – low quality to the tourists, minimizing expenses. But then company's strategy has changed, as the travel industry has changed and many tourists preferred medium-high level of the products and services, company has switched to the strategy of specialization, specializing on the few destinations as tour operator and providing high level of

services to the clients with high level of income. On my opinion, it is to time for the company to use the strategy of diversification and innovation and to provide to the clients new and unexplored products and destinations. For example, cruise trips are not that popular in Russia, Vid-Plus has signed a contract with Iberocruceros – budget Spanish Cruise Company. This product can be interesting to many Russians, as it is relatively cheap (an average cruise trip of 8 days in Mediterranean countries will cost 400 Euros per person on the basis of all inclusive) and there is no company in Russian Federation who sells the cruises of this company. These trips can be a good alternative to the standard trips to Europe for 1 week, as they combine leisure and excursion activities and give the possibility to see many countries in one trip.

3.7 Market segmentation, definition of target market and positioning

Markets can be segmented in many different ways. Some agencies decide to cater for groups of holidaymakers according to their age, their social class, or their regional distribution. Talking about incoming tourism tour operators have specialized in handling groups of tourists from specific countries. Just as with demographic segmentation, we can segment by psychographic variables. Stanley Plog in the United States has found that tourists can be categorized broadly as either psychocentrics or allocentrics.¹⁴The former are self-inhibited, nervous and lack the desire for adventure, preferring well-packaged routine holidays in popular tourist destinations, mainly of the “sun, sand, sea” variety, while the latter are more outgoing, have varied interests and are willing to explore new places and find new things to do. Such tourists are more likely to travel independently. This model is simplistic, as most of us have mix of these characteristics, and it is noticeable fact that many mass tourists to popular destinations, who would fall into the psychocentric category, gain confidence after a number of trips abroad, and become more adventurous. They may hire a car, for instance, and drive to the areas less frequented by tourists, during their routine package holiday. Nevertheless, the model is helpful in thinking about the facilities we should provide to meet these differing needs.

Yet another way of segmentation is according to the benefits the product offers. In many cases, different benefits appeal to different markets. Sometimes both markets are attracted at the same time, while in other cases different markets are attracted at different times of the year. Large tour operators might be though at first to be largely undifferentiated in their marketing segmentation. In fact, their products have in some cases become highly differentiated, even if less specialized than with small companies.

There is also such thing as volume segmentation, that means customers are divided according to the frequency of purchase. Discounted rates are offered for those who make purchases frequently.

I would say that the target groups of the clients will be:

- a) For a standard tour product but with high level of services provided:
 - Residents of Russian Federation
 - Frequent travelers
 - In the age group from 30 to 55
 - Middle-high level of income
 - Singles, families, business clients

¹⁴ Plog S. “Why destination areas rise and Fall in popularity”, October 1972

- b) For an exclusive tour product, including exotic destinations, cruise trips of medium-high category and new products:
 - Adventurers ready to discover new destinations (cruise trips lovers, lovers of exotic destinations). These are lawyers, bankers, executives, doctors etc.
 - Age range from 18 to 50
 - Buying power: high

- c) For incoming tourism:
 - European foreigners willing to visit Saint-Petersburg
 - Age range 30-50
 - Corporate clients and groups

3.8 Plan of action: strategy and tactics

3.8.1 Product

In book of P.Kotler “Marketing Management” we see the following definition of the product: “Product is anything that can be offered to a market to satisfy a want or need and consists of a set of attributes, including physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas.” It is necessary for the companies to surround their core product with a set of carefully selected additional tangible and intangible attributes or benefits. This mix of benefits makes the desirable customer offering.

Products of the company are actually consulting services and creation or distribution and sale of the tour product (it can be tour package, air or train ticket, hotel room etc.)

The type of product depends a lot on the specialization of the firm. In our case we are talking about following products, services:

- Consulting services
- Standard (group) tour packages
- Exclusive (individual) tour packages
- Cruise trips
- Sell of Airline and train tickets
- Reservation of hotels
- Yachts rent
- Other services

More exactly company’s core products are:

- Individual and group leisure and business tours to Greece (all the destinations)
- Individual and group leisure tours to Spain, Finland, Turkey, Egypt, Turkey

Additional products:

- Tours to all other countries of the world
- Cruise trips
- Yachts
- Insurance
- Airline tickets

- Wedding packages
- Study tours
- Others

So as we see company tends to specialize on concrete countries, instead of specialize on concrete product. I think that this is not the right way to act, as I have chosen for the company a strategy of differentiation, it has to specialize on unique tour products.

I suggest the following products to be the core products of the company:

- Cruise trips on different types of cruise ships (from budget to luxury ones)
- Individual tours to exotic countries (Specialization on Latinoamerica and Asia)

Why do I suggest these products? Cruise trips is one of the most dynamic destinations in the tourism, and it is not very popular yet in Russian Federation, although cruise trips provide all the necessary services for the tourists: the service provided on the board depends from the category of the cruise liner it can be from 3 stars to 5, plus it adds extra benefit, tourists are able to see many different countries in relatively limited time (normally a trip lasts 1-2 weeks), they do not need to pay extra money for the food and they pay relatively cheap in comparison with the cost of the same trip organized with other means of transport). A commission payed for selling a cruise trip is from 10 to 25% depending from the cruise company. So it is one of the most interesting and perspective types of trips. Different types of clients can use these trips as there are budget cruise companies and luxury exclusive ones.

Individual trips to exotic countries are normally not destined to people with low level of income, they are aimed to those who are not afraid of big distances, different cultures and are ready to pay for that. These trips have a good margin for the travel agencies in both cases if they create the tour packages themselves or they buy it from another tour operator.

- We will position the exclusive tours to exotic countries as something unique destined to the clients of high level.
- We will position cruise trips as unique experience for potential clients, possibility to see many countries in limited time and to get services of a nice hotel.

Product levels

There are 5 customer-perceived value benefit levels which influence market offering.

- 1) Core benefit (the benefit the customer is really buying). In our case we are talking about possibility to have a rest, to relax.
- 2) At the 2nd level marketer has to turn core benefit into basic product. Here we can refer to the different types of trips customer can buy.
- 3) At the 3rd level we are talking about expected product, this is actually what the client expects when he is buying this product. In our case client can expect good organization of the trip, good service, attention on all stages of his trip, main basic services like airplane ticket, transfer to the hotel, hotel accommodation, breakfast etc.
- 4) At the 4th level the marketer prepares an augmented product that exceeds customer expectations. For example, free SPA in the hotel, wi-fi and a plasma tv in the hotel etc.

- 5) At the 5th level stands the potential product, which includes all possible augmentations and transformations the product or offering may undergo in the future. This is a level on which companies search for a new ways to satisfy the client and distinguish their offers. For example, individual transfer free of charge for just-married or fruit basket and bottle of wine in hotel room special occasion etc.

But as the competition is very high, travel agencies have to search continually for still other features and benefits in order to gain a market edge.

3.8.2 Price

Price has little to do with cost, and far more to do with what customers are prepared to pay for a product. In a market where product is unique, or without satisfactory substitute price will be set high. A luxury item the purchase of which offers the owner prestige, will also command a high price. However, it is more likely for the tour products to be sold in highly competitive environment, where price is constrained by the substitutability of the product be other, similar products.

We can also say that the price depends a lot on demand. For example, individual consumers make judgments about products based partly on price. Price acts as a guide to quality, and where consumers can compare with other products, price must be perceived as neither too expensive, nor too cheap. If the price lies outside an acceptable range, customers will either seek much more information before they make a purchase of product either will reject it.

The aggregate demand for a product is the demand resulting from the total of each individual consumer's demand patterns, and these will constantly change according to the price and market circumstances, such as availability, convenience of purchase, and competition level. So here we are talking about price elasticity on demand.

In setting prices, the company wants to know what levels of demand it is likely to experience at different prices. For the new product it is especially difficult to find out. The 2 most common methods of assessing demand are:

- Asking potential customers what they would be willing to pay for the service
- Test marketing the product at different prices in different regions

For the destinations we work with as agents (standard trips) we will continue to apply our price strategy of cheap value pricing, using discounting tactics, we will apply a small discount of 3 % in order to attract people with low-middle level of income, we will apply discounts for early booking, for quantity purchases, seasonal discounts, distressed stock, for our loyal customers discount up to 7% depending on the destination.

For cruise trips we cannot establish high price, so we will use strategy of following price leadership, and we will use "value for money" pricing charging medium prices for the product, prices will be set based on what competitors charge, although we will apply small discounts up to 3% for our loyal customers. The average price for the budget cruise trip for 1 week will be established at 400 euros, for a cruise trip on the liner of 5 stars – 1000 euros, not including airticket.

For exclusive trips to exotic countries we will put adequate prices, but relatively high, we will establish the price based on our costs as well as based on the price established by our competitors, it will be a combination of value for money pricing and premium pricing. As these trips are oriented to the people with high level of income, they are not very price sensitive, so the price for these trips can be high. The prices will differ a lot the average price will be from 2000 euros to 7000 euros per person for a trip of 1 week, including ticket.

Internal influences on prices

Gross profit is the price of the product less the direct cost of its production.¹⁵ For a travel agent, it is the difference between the price paid for travel services and the price charged to the consumer – commission on travel services and holidays packages sold. These commissions usually range from 8 to 15%, in case of cruise trips they can be up to 25%.

For example, if we are selling a tour to Egypt for 9 days for a New Year 2012 in a hotel of 5 stars Swiss in Dreams in Sharm El Sheikh on All inclusive basis, the Gross Profit will be: 2576 USD x 14% commission = 360 USD.

Tour operator's package price is based on raw materials cost (the price tour operator pays to the airlines, hotels and other organizations offering the services which are included in the package) plus overheads (the cost of running the company, including administrative costs, salaries and marketing costs such as advertising, distribution, reservations, brochure production etc.) These costs are deducted from the gross profit to ascertain the net profits.

Other influences on price

- 1) The economic health of the country. For example, an economical situation in Greece has decreased price of the tours in Greece for 20-30% in comparison with previous year, which has increased a demand on this destination.
- 2) The elasticity of demand for travel and tourism products.
- 3) Level of competition faced by firms and substitutability between competing products.
- 4) The nature of the target market which defines what kind of holiday or other travel products they will buy and at what price.

Price policy

We will use price policy of increasing the turnover of the company. It can be increased in one of the 4 ways:

- a) By getting more persons to buy the product
- b) By getting present purchasers to buy it more frequently
- c) By finding new uses for the product
- d) By increasing the price of the product

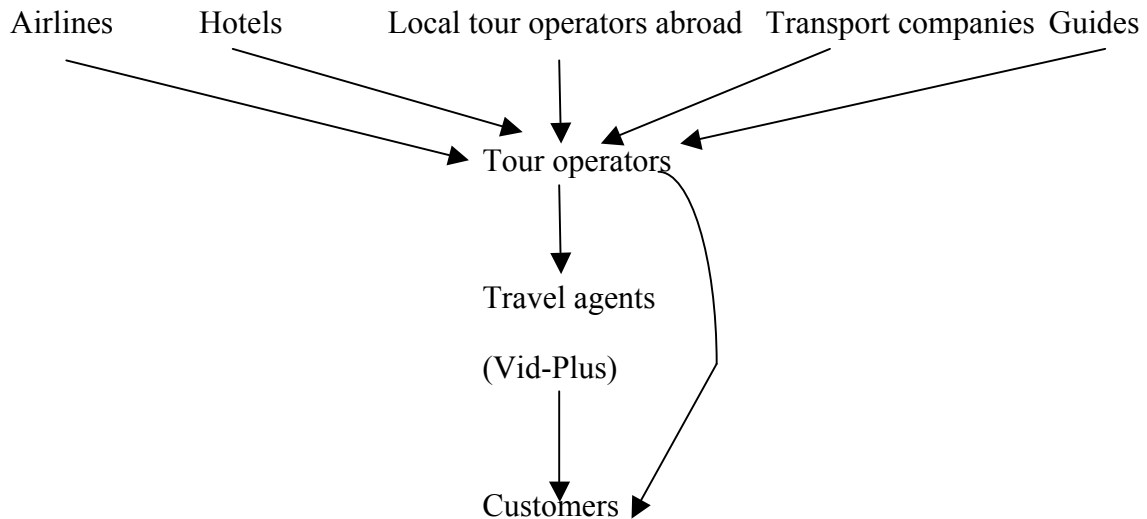
We will try to focus on the first 2 ways. Company will also use price policy of meeting competitor's prices, following price leadership, and cost-plus pricing mechanism (costs for a product+ share of overhead costs+% markup for products=selling price).

¹⁵ Holloway J., Robinson C. "Marketing for tourism" Longman,1998 p.90

3.7.3 Place

In order to distribute our product we will use the combination of direct sell and sales through intermediates.

Taking into consideration that the company is mostly selling the tours of other tour operators the chain can be the following



Company aims to distribute the product using:

- Direct selling
- Web site with reservation system
- Sell through agents in case we are talking about tour-operator's products (for example, some cruise trips, trips to Greece)

In order to be able to compete, we will use the following strategies:

- developing "exclusive distribution" contracts, to represent specialist tour operators whom the larger chains are reluctant to support, nice idea would be to represent some of the cruise companies or have a franchising contract with foreign tour operator
- providing a superior professional service with informed recommendations rather than merely retailing whatever the consumer asks for

One more idea in order to be competitive while distributing the tour product is to create strategic alliances or consortia with other travel companies to unite for marketing purposes while retaining financial independence. One of advantages in this case will be a publication of joint advertisement.

3.7.4 Promotion

In order to promote tour products, company will use the following media:

- Specialized travel magazines and newspapers (such as Tour Navigator, Tonkosti Prodaj, Voyage)
- Internet (company will promote the web site using seo, sem, create banners on the web sites of their partners and also promote itself in social networks – vkontakte and facebook)
- Participation as a visitor in the travel exhibitions in Moscow and Saint-Petersburg
- Word of mouth

For the year 2012:

We will put advertisement in 1-2 travel magazines with frequency 1 per month, in newspaper – once a week during the peak season (June-August, Christmas), during the low season once per month and we will choose 1, maximum 2 media. According to the results, we will decide within first 3 months of 2012 which media we want to keep. As the efficiency of the current media we use is almost equal to 0, we have to find another media.

We will focus on promotion in internet, paying advertisements in vkontakte and facebook. The decision about frequency of these advertisements will be made according to demand. For the beginning there will be a test launch of this campaign limited to 100 euros per month, equal to 400 visits of the official group of the company in vkontakte (cost of 1 click 0,25 cents). We will also promote our groups, by paying once a fee of 150 euros to attract 20 000 of new members in our group). There will be special offers launched every day in the group in order to increase demand.

Also once per months we will lift up our web site in google and yandex the estimated cost for this is about 50 euros + the cost to maintain the site per year is estimated to be 400 euros.

We will do mailing and send sms to our loyal clients willing to get special offers, for the beginning with a frequency once per week.

2 times per year we will visit travel exhibitions in St-Petersburg and Moscow.

The results of efficiency of advertisement will be reviewed every month, so accordingly, series of decisions can be made to maintain the current media of advertisement or no.

3.8 Human resources

Travel Company “Vid-Plus” has a simple organizational structure. Managers are divided according to geographic area: one is working with European destinations and cruises, other is working with exotic destinations. The staff of the agency includes:

- ✓ General Manager
- ✓ Manager on European destinations
- ✓ Manager on Exotic destinations
- ✓ Chief accountant
- ✓ Office –cleaner
- ✓ IT –administrator

General manager’s responsibilities include:

- Work with corporate clients
- Organization and monitoring of work process
- Participation in travel exhibitions, seminars, trainings
- Education and motivation of the staff
- Establishment of business relations with foreign partners
- Work with VIP clients
- Taking managerial decisions concerning the strategy of the company, advertising campaign, strategic alliances etc.

Managers on European destinations and exotic destinations:

- Assist clients by the phone
- Consult clients in the office
- Organize direct sells in the office
- Get feed-back from clients
- Create special offers and tour packages for individual clients, for the website and groups in social networks, promote tour products of tour operators
- Promote company in social networks
- Do weekly mailing and send sms to customers of the company with travel offers
- Participate in trainings and seminars organized by the partners

Chief accountant

- Is responsible for work with accounting documents (profit and loss statement, balance etc.)
- Controls expenses within the company
- Controls all internal documentation in the company (for example, contracts with suppliers)

IT/administrator

- Maintains good functioning of all office equipment
- Is responsible for maintenance, upgrade of the web site of the company

Office cleaner

- Cleans the office daily

Minimum requirements for the managers of the agency:

- Aged between 20 and 35
- Russian nationality
- Work experience in tourism – minimum 2 years, good knowledge of the main destinations of the out coming tourism
- Good knowledge of Microsoft office
- Bachelor/Master degree in tourism, economics or field related to it
- Good command of English written and spoken, knowledge of other languages is an advantage

- Desire and ability to learn fast
- Responsibility
- Ability to work in stress conditions and extra hours

Salary:

General management of the company has established the following salary policy:

Managers get a fixed salary of 12 000 rubles (300 euros) + 10% from the profit they make

General Manager has a fixed salary of 16 000 rubles (400 euros), extra depend if the company makes profit or not.

General accountant is working part-time 1-2 times per month; her salary is 6000 rubles (150 euros) per month.

It-administrator is also working part-time, he maintains website of the company at a distance, and checks if the office equipment is functioning well 1-2 times per month. His salary is 4000 rubles per month (100 euros).

Cleaner gets the salary of 2000 rubles (50 euros) per month.

As we see, the managers can be motivated to work hard, as they get 10% from the profit they make, so the more expensive tours they sell, the bigger is profit margin, the more money they can add to their basic salary.

In the hiring process participates only the general manager (as the travel agency is very small, this is the only one person who has a right to take these decisions). Decision is made mostly on the fact if a person has work experience in tourism and based on the personal interview, as this is crucial in tourism industry. In order to find a right candidate company puts an advertisement about vacancy on specialized sites like job.ru, superjob.ru, headhunters.ru

In order to keep talented and highly effective workers company provides them with good working environment, although the basic salary is low it is still competitive for the travel industry and also workers are motivated to increase their salaries by selling more. In the summer period salary can reach up to 40 000 rubles (1000 euros)

The results of the work are evaluated daily and then monthly based on the sales volume and profit brought to the company, manager can get a bonus (usually from 20% to 50% from the basic salary).

I consider that for the year 2012 salary has to be increased by 20% in order to motivate the staff, as well as monthly trainings have to be implemented in order to increase knowledge of the workers.

Chapter 4 Financial plan

Forecasting the budget:

- 1) Method of problems solving consists in estimating the budget according to the sum of expenses of the advertisements which the company will use

The three main objectives for the advertisement campaign for 2012 are:

1. Maximizing business from existing clients
 - Method: direct mail, sms
2. Improving firm's reputation and profile
 - Method: weekly advertisement in local newspaper, promotion in social networks
 - Budget: $52 \text{ weeks} * (170 \text{ (cost of ad in newspaper)} + 25 \text{ (social network promotion)}) = 10140$
3. Reaching potential clients
 - Method: advertisement in internet, maintenance and promotion of the web site
 - Estimated budget: $50 * 12 + 400 = 1000$ euros

→ The total estimated marketing budget in case of promoting standard tour packages is 11140 euros per year.

In case that the company will focus on exotic exclusive destinations and clients with a high level of income, approximately 10 000 euros will be added to this amount in order to customize the web site and to advertise in specialized editions for business travelers and other persons with high level of income.

→ So the marketing budget for the year 2012 will be then 21 140 euros.

2) Method of percentage from sales volume.

For example, according to the norms established for the travel agencies in Russian Federation, the total amount of money spent on advertisement campaign shouldn't exceed 6 % of the sales volume.¹⁶

In case we expect to sell 300 units at the price of 600 each one, than marketing budget will be about 10 800 euros per year (sales volume*price per unit* marketing budget as percentage from sales = $300 * 600 * 6\%$).

3) Method of comparison with competitors

This method is based on the evaluation of the sales volume and marketing budget of the main competitors of the agency and on later comparison of these results with the results of your company. This method can help to the agency to correct some expenses having influence for the competitiveness.

Break even point for the month of October 2011 in case we use the standart strategy of selling standart product:

Assumptions:

Fixed costs per month:

Electricity – 2000 rubles

Public Utilities – 4000 rubles

¹⁶ <http://katalog.turkompot.ru/turizm/C/3.7.2.8..php>

Burglar alarm – 5000 rubles

Telephones – 5700 rubles

Internet – 1000 rubles

Water – 1800 rubles

Trash removal – 1200 rubles

Salary – 50 000 rubles

Advertisement – 16 000 rubles

Total fixed costs: 76 700 rubles which is approximately equal to 1770 euros.

Variable costs:

Average cost of the unit: 540 euros

Estimated average price per trip per person: 600 euros

Estimated number of trips to be sold in month of October: 10

Break Even Point Calculation

Break Even Point = Fixed Costs / (selling price - variable costs)

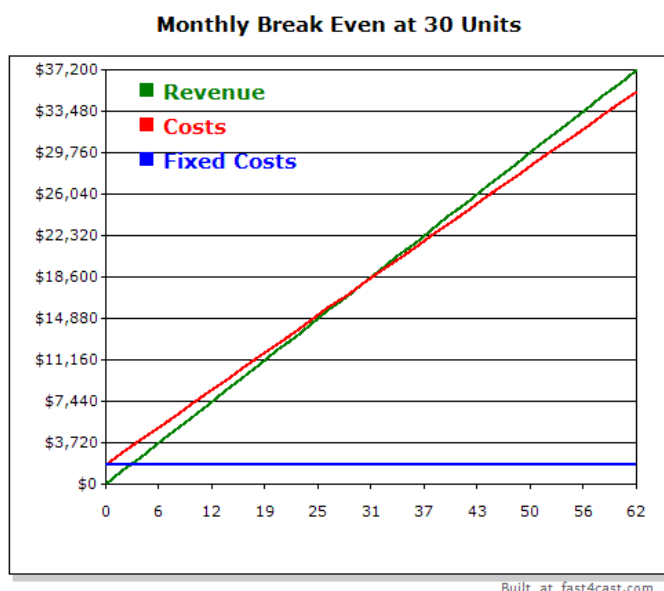
Break Even Point = 1770 euros / (600 euros - 540 euros)

Break Even Point = 1770 euros / 60 euros

Break Even Point = 29,5 units

To break even the company must sell 30 units per month.

Image 12



In Tables 4 and 5 we can find calculations of NPV forecasted for 3 years supposing that

- 1) The average price of a trip is 600 euros per person and will specialize on middle-priced trips, like budget cruises.
- 2) We will specialize on luxury products for clients with high-level of income.

Tables can be found in appendix. As we see the payback period will be about 1 year.

As we can see it is more convenient for us, to specialize on luxury services, even if demand will be less high than in the case of budget and middle-level yours, as in the first case we are suffering losses every year, and in second variant even if we will invest money, we will get them in the first year. All we will need are 15 000 euros for initial expenses in order to be promoted to the target audience, this cost will include specialization of the web site, trainings for the staff, promotion in specialized magazines for businessmen and people with high level of income.

This money can be taken from the bank as a bank loan for 1 year with an interest rate of about 11% per year.¹⁷

Chapter 5 Monitoring and control

Performance control

It is necessary to observe profitability for each type of travel service we sell. In fact, we have to look at profitability not only at the programme level, but also by brand, season, resort and hotel. This allows for continual adjustment throughout the season to attempt to maintain profit levels. Resort and hotel performance will also influence the following season in terms of the rates the operator is willing to pay hoteliers.

Performance information has to be monitored monthly, during the season, even weekly.

Quality control

It is important that tour operators check that the description of the hotels corresponds with reality. It is also important to deal with complaints. The correct operation of monitoring system means that complaints are fed back in the form of corrective actions that prevent complaints in the future. Questionnaires as we've used during the marketing research can also help to control the quality. The level of repeated bookings must be taken into account in measuring quality control.

Financial control

Company's management has to check constantly that sales, promotion and other expenses remain with agreed limits. But in time of falling sales, too often the control mechanism are needed to cut promotional spend where it might be more appropriate to increase it to generate more sales.

Efficiency control

¹⁷ <http://www.creditforbusiness.ru/>

If performance control has indicated a weakness in some aspect of the company's marketing, there will be need to make an analysis to find out whether the structure of the department or the marketing activities have to be changed in some way to make marketing more efficient. All means of measuring success must be taken into account.

Strategic control

Sometimes it becomes necessary to look at the total process by which strategic marketing is undertaken in the company, in order to judge whether the firm is taking advantage of the marketing opportunities open to it.

Conclusion

In this work I have tried to enlighten the theoretical part of marketing, its importance for tourism industry and travel agency particularly combined with the application of marketing planning in practice.

In the first part there are only theoretical aspects of marketing, specificity of marketing in tourism and its application in Russian Federation. Literature review showed that travel companies in Russian Federation are just starting to apply marketing tools, while their foreign colleagues are using marketing tools already for many years.

In second part I've conducted a survey using questionnaires for the customers of the company, I've found out that some of them are not satisfied with the time they wait on the phone to be assisted, some are willing to get consultations from more qualified managers; some are not satisfied with the web site of the company.

In the third part, I've tried to create a simple marketing plan for the company, using basic marketing concepts.

I hope my work will make a contribution not only as a theoretical material for those who are interested in marketing but also elaborated marketing plan will be put in practice.

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Appendix

Table 1. **Trips abroad of Russian citizens for tourism reasons** (in thousands)

	Country	2010	2009	2008	2007	2006
1	Turkey	2367,6	1966,7	2212,8	1923,4	1475,6
2	Egypt	2198,3	1615,4	1426,7	1255,4	902,8
3	China	1440,4	999,2	2059,3	1651,7	1307
4	Finland	709,0	556,3	666,9	657,1	562,6
5	Germany	470,7	363,3	330,3	231,3	225,7
6	Thailand	464,8	233,1	258,8	232,2	144,8
7	Italy	451,5	336,1	398,1	334,1	245,8
8	Spain	411,4	296,3	365,4	318,6	246,1
9	Greece	386,7	282,3	349,2	244	198,8
10	UAE	286,9	214,3	228,1	207,2	173,9
11	Czech Republic	267,5	213,9	227	178	136,2
12	Bulgaria	263,2	207,4	207,5	173,1	148,3
13	Cyprus	234,3	155,1	172,4	150,5	113,1
14	France	222,7	200,1	229,2	170,7	138,6
15	Ukraine	205,4	219,5	309,8	249,1	511,7
16	Israel	184,8	134,7	98,7	45,3	23,7
17	Tunis	180,1	123,2	149,0	129,7	93
18	Montenegro	143,3	108,1	84,6	66,5	65,8
19	Austria	135,5	96,6	102,1	767	53,4
20	Switzerland	123,3	106,4	83	57,6	44,4
21	Great Britain	119,8	96,4	87,3	79,2	60,7
22	Croatia	99,2	75,4	119,3	116,4	73,6
23	USA	85,8	72,4	56,3	32,8	25,2
24	India	77,2	64,1	64,4	53,3	39,6
25	South Korea	74,2	58,7	49,4	32,6	28,9
26	Netherlands	72,8	56,0	48,6	33	24
27	Latvia	72,6	48,7	46,3	32	32,9
28	Dominican republic	66,8	39,2	30,4	12,5	6,6
29	Lithuania	58,1	44,2	77,8	63,8	44,6
30	Vietnam	51,5	30,6	33,3	25,7	15,2
31	Poland	43,0	38,0	45,7	109,0	169,2
32	Cuba	37,8	21,7	22,2	15,7	15,9
33	Indonesia	32,1	26,4	28,4	4,9	3,1
34	Hungary	31,7	27,0	31,2	22	21,1
35	Maldives	27,0	20,0	30,0	18,4	10,3
36	Japan	26,1	23,9	31,9	25,3	23,3
37	Sweden	25,3	19,5	20,8	14,6	12,3
38	Denmark	22,3	20,9	23,4	15,5	13,8
39	Portugal	20,9	11,6			
40	Singapore	19,6	19,9	27,8	20,6	12,3
41	Serbia	19,2	18,6	54,3	55,3	
42	Malta	17,9	12,4	18,8	17,7	15,5
43	Morocco	16,0	10,3			
44	Norway	12,8	14,0	20,7	18,9	17,7
45	Slovenia	12,1	10,0			

46	Estonia	11,5	8,3	76,8	27	71,1
47	Mexico	10,4	0,284			
48	Jordan	10,2	10,1	16,4	9,9	4,9
	Total	12605	9555,2	11313,7	9369	7752,8

Source: Rata-news http://www.ratanews.ru/news/news_1032011_3.stm

Table 2: Content of complex-marketing

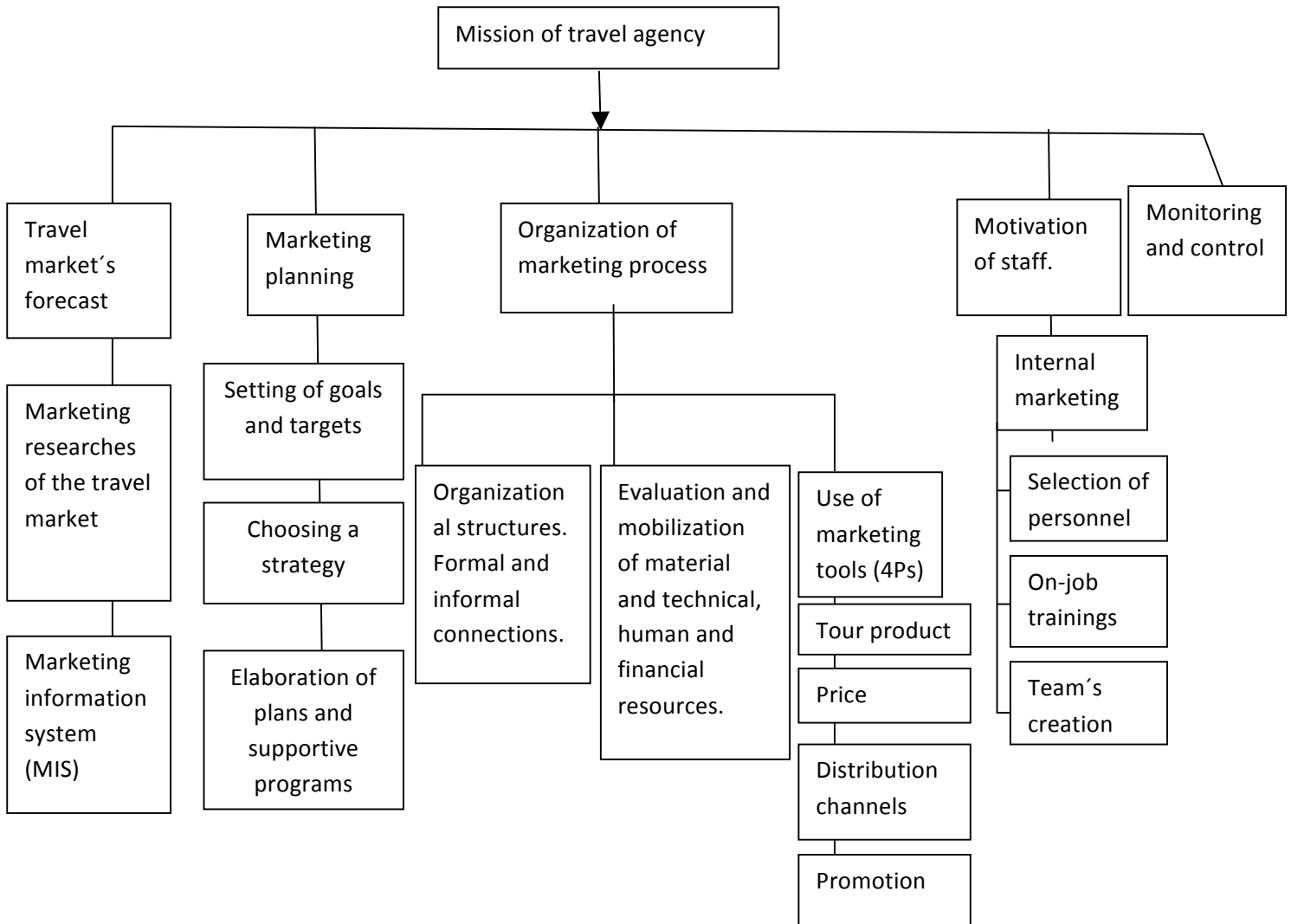


Table 2. Source: Ismaev D.K. "Marketing of foreign tourism in Russian Federation. Theory and practice of activity of travel agencies." Moscow, 2002 p.9 – Translated from Russian

Table 3: Information about registered tour operators in Russian Federation
Structure of the register of tour operators depending on their activity

Source: <http://reestr.russiatourism.ru/>

Total number of touroperators		Domestic tourism	International tourism				Types of financial provision	
			Incomming	Outcomming			Bank guarantees	Contract of insurance of responsibility of tour operator
		Size of financial provision, millions of Rubles						
		0,5	10	30	60	100		
Number of TO	4405	1830	638	1861	37	39	30	4375

Table 4

Initial data		
Initial costs	Variable expenses	90% from income

<i>Average price per unit</i>	€ 600,00	WACC	8%
	€ 21		
<i>Fixed costs</i>	240,00	Tax rate	35%
<i>Amortization/per year</i>	€ 500,00		
	Demand/year 300,0 units		
Year	1	2	3
<i>Demand</i>	300,00	300,00	300,00
		180 000,00	
<i>Sales revenue</i>	180 000,00 €	€	180 000,00 €
		21 240,00	
<i>Fixed expenses</i>	21 240,00 €	€	21 240,00 €
		162 000,00	
<i>Variable expenses</i>	162 000,00 €	€	162 000,00 €
<i>Amortization</i>	500,00 €	500,00 €	500,00 €
<i>EBIT</i>	-3 740,00 €	-3 740,00 €	-3 740,00 €
<i>Tax and income</i>	-1 309,00 €	-1 309,00 €	-1 309,00 €
<i>Earnings after tax</i>	-2 431,00 €	-2 431,00 €	-2 431,00 €
<i>Net profit</i>	-1 931,00 €	-1 931,00 €	-1 931,00 €
	-4 976,37		
NPV	€		

And another calculation of NPV, in case if we will use the strategy of focusing on expensive trips.

Initial data			
<i>Initial costs</i>	€ 15 000,00	Variable expenses	85% from income
<i>Average price per unit</i>	€ 3 000,00	WACC	8%
<i>Fixed costs</i>	€ 21 240,00	Tax rate	35%
<i>Amortization/per year</i>	€ 500,00		
	Demand/year 100,0 units		
Year	1	2	3
<i>Demand</i>	100,00	100,00	100,00
		300 000,00	
<i>Sales revenue</i>	300 000,00 €	€	300 000,00 €
		21 240,00	
<i>Fixed expenses</i>	21 240,00 €	€	21 240,00 €
		255 000,00	
<i>Variable expenses</i>	255 000,00 €	€	255 000,00 €
<i>Amortization</i>	500,00 €	500,00 €	500,00 €
		23 260,00	
<i>EBIT</i>	23 260,00 €	€	23 260,00 €
<i>Tax and income</i>	8 141,00 €	8 141,00 €	8 141,00 €
		15 119,00	
<i>Earnings after tax</i>	15 119,00 €	€	15 119,00 €
		15 619,00	
<i>Net profit</i>	-15 000,00 €	15 619,00 €	€
NPV	25 251,68 €		

Questionnaire

Please answer the questions below by marking \surd or X in front of the answer you consider suits you the most or write an answer where needed. When you will complete the questionnaire, please give it back to the manager who gave it to you or send it to us via email to info@vidplus.ru. We will be very grateful if you will spend few minutes answering the questions in order to help us to improve our services. For any questions or enquiries we stay at your disposal.

1. How often do you travel?
 - a) Less than once a year
 - b) Once a year
 - c) 2 times per year
 - d) More than 3 times per year
2. Do you travel abroad or inside the country?
 - a) Abroad
 - b) Inside the country
 - c) Both
3. Do you travel alone, with family, friends?
 - a) Alone
 - b) With family
 - c) With friends
 - d) With others (please, specify)
4. Did you get all the necessary information when you called us by phone?
 - a) Yes
 - b) No
 - c) Yes, but with delay
 - d) I didn't call (pass to question 7)
5. Was the manager polite assisting you by the phone?
 - a) Yes
 - b) No
 - c) Not exactly
6. Were you assisted fast by phone (less than in 5 minutes)?
 - a) Yes
 - b) No
7. Were you served fast in the office (less than in 5 minutes)?
 - a) Yes (pass to the question 9)
 - b) No
8. If no, were magazines, brochures and leaflets offered to you while waiting?
 - a) Yes
 - b) No
9. Was the manager educated, well-trained and polite?
 - a) Yes
 - b) No
 - c) Partially
10. Were you satisfied with the travel offers?
 - a) Yes
 - b) No
 - c) Not completely
11. Why do you usually use services of the travel agency?
 - a) To book a trip (tour package)
 - b) To buy a ticket
 - c) To book a hotel
 - d) To issue insurance

- e) Other (please, specify)
- 12. Which product would you buy more likely?
 - a) Holiday package with mean of transport - airplane
 - b) Cruise trip
 - c) Trip on the train
 - d) Bus trip
 - e) Other (please, indicate)
- 13. Which is the most suitable duration for the trip according to you?
 - a) Less than 3 days
 - b) 3-5 days
 - c) 1 week
 - d) 10 days
 - e) 2 weeks
 - f) More than 2 weeks
 - g) Other
- 14. Did you use the website of the company to find the necessary information for your trip?
 - a) Yes
 - b) No (pass to question 16)
- 15. Did you find the navigation through the website user-friendly?
 - a) Yes
 - b) No
 - c) Other (specify)
- 16. Do you know that we have a group in vkontakte.ru?
 - a) Yes
 - b) No
- 17. Do you consider the price asked for a trip an adequate one?
 - a) Yes
 - b) No
 - c) Not sure
- 18. Were you satisfied with an offered discount?
 - a) Yes
 - b) Could be higher
 - c) No
 - d) A discount wasn't offered to me
- 19. Where do you know from about the company?
 - a) From Friends, relatives
 - b) From internet
 - c) From the newspaper
 - d) I'm leaving near
 - e) I don't remember
 - f) Other (please specify)
- 20. Did you use the services of the agency before?
 - a) Yes more than twice
 - b) Yes once
 - c) No, it's my first trip
- 21. If yes, do you consider the information given you by the manager about the place of your holidays reliable?
 - a) Yes
 - b) No (please, specify why)
 - c) Not completely (please, specify why)
- 22. Did you receive all documents necessary for the trip in advance?
 - a) Yes I received full package of documents in advance

- b) No
 - c) Other , please give details of your complaint
 - 23. Will you use the services of the agency again in the future?
 - a) Yes
 - b) No (please specify why)
 - c) Not sure (please specify why)
 - 24. Please specify your age rage
 - a) 18-25
 - b) 25-35
 - c) 35-45
 - d) 45-60
 - e) More than 60
 - 25. Please specify your sex?
 - a) Female
 - b) Male
 - 26. Would you like to be notified via email or sms about our new offers?
 - a) Yes (Please indicate your email/mobile number and your name)

 - b) No, thank you.
27. If yes, please write us the list of destinations you're interested in?

-
- 28. Please, indicate how often would you like to receive offers?
 - a) Daily
 - b) Few times per week
 - c) Once a week
 - d) 1-2 Times per month
 - e) I want only seasonal discounts

- 29. Please leave your comments about the work process of our company (things needed to be improved)

Thank you for your time! We would be glad to see you again!

Best regards Vid-Plus's team