MARKETING PLAN DEVELOPMENT FOR ONLINE TRAVEL AGENCY
TOURSFORFUN

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Lei Jin
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SIGNATURE PAGE

Project: MARKETING PLAN DEVELOPMENT FOR ONLINE TRAVEL AGENCY TOURSFORFUN

AUTHOR: Lei Jin

DATE SUBMITTED: Winter 2017

The Collins College of Hospitality Management

Dr. Neha Singh
Project Committee Chair
Professor of the Collins College of Hospitality Management

Dr. Zhenxing Mao
Professor of the Collins College of Hospitality Management
ABSTRACT

Traveling from China to the United States has become more and more popular in the past few years. The number of the visitors from China is growing rapidly. According to a study from United States Travel Association (USTA), China was the fourth largest overseas inbound travel market to the US in 2014. USTA also predicts that China will grow to the number one market in 2019. Therefore, it is an ideal time to target Chinese travelers for the tourism industry. Toursforfun is the leading online travel agency (OTA) that brings Chinese visitors to the US and is trying to bring more visitors and maximize the income in the meantime. This study will focus on the analysis of current market status and company information as well as build up a marketing strategy for the company. The marketing strategy model will be established by using situation analysis including SWOT and the 7P marketing mix analysis. A standard marketing plan model will be built up. The conclusion will give suggestions for the company’s future development.
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CHAPTER 1

INTRODUCTION

Current US tourism market situation

From the study by the US Travel Association and the US Department of Commerce, in 2014, the overseas visitors accounted for 47% of all the international arrivals (the other 53% came from Canada and Mexico) and 6% was from China. The top three are 12% from the UK, 10% from Japan, and 6% from Brazil.

Figure 1. Percentage of overseas tourists’ arrivals to the US in 2014

By looking at the data released by National Travel and Tourism Office (NTTO) in Figure 2, it indicates that the travel industry in China is significantly growing. In 2007, the total number of visitors arrived from China to the US was 397,000; in 2014, this number grew into 2,188,000. This reflects a 600% growth in 7 years. For the UK, the
visitation number had a decreasing trend, and for Japan, the trend was flat. This means that both the UK and Japan do not have growth rate as high as China in regard of visitation number.

*Figure 2. Comparison between China, the UK, and Japan in tourists’ number of arrivals*

Figure 3 shows that the total travel and tourism spending by Chinese travelers in 2007 was 4.77 billion dollars, it grew to 23.77 billion dollars in 2014 which was also an approximate 600% increase. Compared to UK and Japan, it was an explosive increase. This trend is predicted to continue for a couple more years.
Also, according to the data of US Commerce Department, “one of 18 Americans is employed directly or indirectly in a travel or tourism-related industry” (US Commerce Department, 2015) and the total contribution of travel and tourism industry is 8% of US GDP in 2014.

The above data indicates that in the tourism industry, the revenue that is generated by Chinese visitors is growing rapidly and ranks as the top one in 2014 compared to visitors from other countries. With the explosively increasing revenue, the government started to focus on attracting even more Chinese visitors. For example, visa restriction is one of the key factors that Chinese visitors consider when deciding whether they are coming to the US for vacation or not (Agrusa, Samuel, & Kuo-Ching, 2011). The government recognized this factor and changed the visa policy.

Before Nov 12th, 2014, the longest visa a Chinese Citizen can get is a one-year, multiple entries visa. After that date, the government of US announced that they will
extend the valid period of visas for students from mainland China to five years and for short-term business travelers and tourists China to ten years.

This change makes it more convenient for Chinese visitors to come to the US, and increase in the number of visitors and revenue in the next few years is highly possible. The World Travel & Tourism Council predicts the tourism industry’s contribution to GDP will keep increasing until 2025. All these data and changes of policy indicate that now is a good time for a tourism company to grow.

**Purpose of Study**

Starting from 20th century, information and communication technology (ICT) is under rapid development. Especially the use of internet has become one of the most popular methods for people to make a purchase on visible goods or invisible services (Ivan, 2013). Based on the study of Xiang, Z., Wang, D., O’Leary, J. T., & Fesenmaier, D. R in 2015, from 2007 to 2012, the use of the internet as a premier travel planning tool is 85.83%. It is the number one method that a traveler chooses to plan their vacation. Compared to the second most common method, previous experience, the percentage is almost 30% more. Also, between 2007-2012, OTA ranked as the most common method that customers used to plan vacations among search engine, supplier site, destination site and other internet resources. From these ratios, it is not hard to tell that OTA is one of the most important methods for today’s travelers. Therefore, how to develop a successful OTA is one of the questions this study will focus on.
In order to assist the company’s future development, this study will build up a marketing strategy plan for the future development of a typical OTA. The marketing plan will include the following major parts:

- Analyze the company and conduct SWOT analysis
- Identify the current market situation and locate the appropriate market segment for the company
- Analyze the marketing mix to make the decision on executing the marketing plan
- Conduct the marketing plan to obtain the expected result will help the company to increase the revenue, decrease the cost and makes the company more competitive.
CHAPTER 2

LITERATURE REVIEW

The purpose of the literature review is to illustrate the reason why this project will be designed under the case study approach. This study will use this approach to analyze the market and the company situation to help Toursforfun build a marketing plan. In the literature review, the importance of a marketing plan to a company is also addressed by analyzing the previous studies, especially in term of how it can positively affect an online travel agency’s operation.

Basic Company Information

From the data provided by NTTO, OTA ranks as the most common method that travelers used for trip planning. This means the tourism industry has huge potential and the tourism company can benefit from it. Founded in June 2006, Toursforfun is a full-service, online tour and travel agency that offers various travel products, including package tours, local activities, cruises, transportation, hotels and other travel products.

The regions of Toursforfun’s products include North America, South America, Europe, Australia, and Africa. The company has two offices; one is in Los Angeles, the other one is in Chengdu, China. The one in China is considered the headquarters. Major customer resources are from China (including Hong Kong, Macau and Taiwan), as well as Chinese speakers from other countries in the world, especially from North America. It means that the tour products that Toursforfun provides are mainly conducted in Mandarin.
In 2013, Toursforfun was acquired by the largest OTA in China Ctrip with over $100 million in investment, which makes Toursforfun one of the largest OTAs run by Chinese people while targeting Chinese speaking market.

**Importance of marketing plan**

Nowadays, the role of marketing is becoming an important part of the development of a mature business. Marketers will need to persuade the management that the activities they are doing are valued, and the actions they are taking are within the company budget and will benefit the company. Therefore, a marketing plan becomes one of the most powerful tools to illustrate their ideas and gain permission to take business actions (Morgan, N 2012). While developing the marketing plan, it will help marketers and management know the business better through three aspects. First, identify what the most important variables as well as the relationships between them. Second, reasonable predictions will be generated based on the analysis of the market and company situations. Third, developing the marketing plan explains how and why the relationships between these key variables exists (Ketchen, D., & Hult, G. T. M. 2011).

A successful marketing plan will list out the key elements for a business to develop, and by listing these elements, a proper guideline of how to conduct future marketing actions will be drawn. This is why more and more companies are trying to use a marketing plan as the discipline of the company development (Kumar, V). In the study of Ketchen & Hult in 2011, they testified that the contributions gained by using a marketing plan as a discipline are enhanced through several aspects such as market orientation, strategic types, and the product life cycle in the past few decades. Plus, the
marketing plan can assist on the innovation of product design, pricing strategy, sales channel and promotional methods as well (Ilić, D., Ostojić, S., & Damnjanović, N. 2014). Hence, it is not hard to tell that the marketing plan is intimately correlated with many major components of a successful business.

**SWOT Analysis**

SWOT analysis has been defined as the analysis of the current internal and external situations of an organization, and this includes Strength, Weakness, Opportunity and Threat (T. Hill and R. Westbook, 1997). In the past several decades, there have been numerous researchers have done studies on SWOT analysis and its effect on business. Researchers recognize SWOT analysis as a logical approach that every organization should use it to analyze the company situation internally and externally (Ghazinoory, S., Abdi, M. and Mehr, M. 2011).

As a mature analysis method, SWOT analysis can be a good foundation to formulate a company’s marketing plan (Ebonzo Menga, A. D., Lu, J., & Liu, X. 2015) and will help the company’s decision-making process. Gajanand Gupta (2016) asserts that the SWOT analysis can help a company to identify the current performance in terms of strengths and weaknesses, as well as the future development, which are opportunities and threats.

In 2011, Ghazinoory did a literature study on SWOT analysis, and he found that there were more than 550 research papers published to assist an organization’s strategic decision making process by using SWOT analysis. These studies are across various fields and industries, including manufacturing, tourism, technical aspects etc. Since this project
is trying to build up a strategic marketing plan for a travel agency and help to make strategic decisions, SWOT analysis will be conducted in the situation analysis while building the marketing plan model.

Among the tourism industry, SWOT analysis is widely used to help the organization identify the internal and external environments. For instance, on the industrial level, McDowall, S., & Wang, Y. (2009) conducted a study of international tourism development in Thailand by using SWOT analysis (Table 1). They summarized that in their study, SWOT analysis functions as the foundation of the marketing plan. And based on the analysis, the result may help them to convert the weaknesses into strengths and convert the threats into opportunities, or at least give some clues as to how to improve on the weaknesses and avoid threats.
Table 1 An example of SWOT analysis on tourism development in Thailand

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Geographical location and accessibility</td>
<td>• Shortage of qualified workers in the tourism industry</td>
</tr>
<tr>
<td>• Ample natural resources and scenic environments</td>
<td>• Negative image</td>
</tr>
<tr>
<td>• Ingrained culture of hospitality of local resident</td>
<td>• Environmental degradations</td>
</tr>
<tr>
<td>• Stable economy</td>
<td>• Political instability</td>
</tr>
<tr>
<td>• Supportive government</td>
<td>• Safety and security of tourists in outlying areas</td>
</tr>
<tr>
<td>• Increasing infrastructure development in Thailand and neighboring countries</td>
<td></td>
</tr>
<tr>
<td>• Joint regional marketing</td>
<td></td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Threats</strong></td>
</tr>
<tr>
<td>• Increasing interest in Asia and the Pacific</td>
<td>• Intensified competition among other nations</td>
</tr>
<tr>
<td>• Emerging markets of India and China</td>
<td>• Political instability and religious in neighboring countries</td>
</tr>
<tr>
<td>• Growth of Asia Pacific economy</td>
<td>• Disease and natural disaster</td>
</tr>
<tr>
<td>• Internet as a powerful distribution channel</td>
<td>• Oil prices</td>
</tr>
<tr>
<td>• Changing demographics</td>
<td>• Safety and security</td>
</tr>
<tr>
<td>• Growth of cultural tourism</td>
<td>• Exchange rates</td>
</tr>
<tr>
<td>• Low-cost airlines</td>
<td></td>
</tr>
<tr>
<td>• Visa and immigration policies</td>
<td></td>
</tr>
</tbody>
</table>

On an organization level, there are also some studies on how SWOT analysis will benefit travel agencies. The travel agency will usually conduct the strategic planning to build competitive advantages. SWOT analysis as one of the core components of strategic planning will be used to identify and assess the internal and external environments (Lawton, L. J., & Weaver, D. B. (2009). Olsen & Roper (1998) believed that if the company could find the correlations between organization’s internal and external component, then the performance of the company would be more effective and efficient.
Marketing Strategy: the 7P marketing mix

The term “Marketing Mix” was first mentioned by Neil Borden in 1953 and now it is widely used in different industries and businesses. Marketers usually refer to its concept as the tool to develop a strategic marketing plan to fulfill the market needs and/or the customer’s demands (Van Waterschoot, W., & Van, d. B. 1992). The traditional practice will categorize four controllable variables in the marketing mix framework, which are Product, Price, Place, and Promotion, commonly called the 4P marketing mix. (Zineldin, M., & Philipson, S. 2007).

In addition, researchers find that when delivering services as the goods, environment factors are important too; it involves more intangible goods and will emphasize the service delivery processes (Constantinides, E. 2006). Therefore, 4P’s marketing mix is not enough to assist in building up a marketing plan for service marketing (Magrath, A. 1986). In 1981, Booms and Bitner first proposed the concept of 7P’s marketing mix for services marketing. They added another three controllable variables onto the original 4P which are personnel(people), processes, and physical evidence as illustrated in Figure 4. Booms and Bitner also defined the 7P in their research.
**Product** - Kotler and Keller (2006) defined the term “product” as “Anything that can be offered to a market to satisfy a want or need.” It can be tangible like the groceries, vehicles, and clothes. It can also be intangible, like services, admissions and digital goods (Lin, S. 2011). For travel agency, their products include tours, transportations, tickets, hotel accommodations, etc.

**Price** - It is defined as the quantity of payment that one gives another party in exchange for goods or services (Schindler, Robert M. 2012). In the modern world, the price usually indicates the value of the goods or services from the seller’s perspective and the normal price will be illustrated in some kind of currency. In the tourism industry, a price is a number of payments that the customers use to get the desired goods or services. By
applying an appropriate pricing strategy, the company will be able to maximize earnings (Monyane, M. S. 2014).

**Promotion** - As one of the most powerful tools, promotion usually stands for the communication package that sellers use to release the exchange of information directly and indirectly about the product they sell or the brand image they have (Chunawalla, S. 2007). A four-year research program from Promotion Marketing Association (PMA) found that promotions makes significant contributions to a company for its brand value and will positively assist in generating more sales on both tangible products and intangible services.

**Place** - It generally refers to the distribution channels of where the goods or services will be reached by customers (Bag, S., & Biswas, D. 2013). It usually includes retail stores, wholesale stores and internet websites. Nowadays, internet purchasing behavior is becoming a major part of people’s shopping processes. A company’s website is more like a counter or shelf in a retail store and it gives people access to the products or services they want (Alipour, M et al., 2011).

**Personnel (People)** - It includes employees, customers, and anyone who is part of the service delivery or product purchasing process (Pomering, A et al. 2011). A customer is essential to making the business run; most economic behaviors are meant to attract customers to make the purchase. For the service industry, employees can represent the company because many employees will be at the front line and have interactions with customers (Sapre, A., & Nagpal, A. 2009). Their service quality can affect customers’ buying decisions.
**Process** - It refers to how the services are received by the customer. Zeithaml (2006) described it as “actual procedures, mechanisms, and flow of activities by which the service is delivered – the service delivery and operating systems.” Among service-oriented businesses, a well-designed service providing process can increase the satisfaction of customers. When the process is more convenient, the customer is more likely to be attracted and retained (Kushwaha, G. S., & Agrawal, S. R. 2015). Therefore, the process can impact how to satisfy the customers regarding the received goods and services.

**Physical Evidence** - It is described as the external environment while customers are using the purchased services (Nouri, B. A., & Soltani, M. 2015). In the tourism industry, it is the comfort of the flight seats, the cleanliness of the hotel room or the attitude of the tour guide, etc. (Rust, et al, 1996). All these tangible elements will be summarized by the customer and will become the overall experience for the purchased goods and services. The external environment will affect customer’s expectations for the services as well (Shostack, 1977).
CHAPTER 3

METHODOLOGY

Case Study Approach

The Case study approach is used in this study. It is an intensive study that focuses on a single unit, and by analysis this single unit, the result and conclusion will be able to apply to a larger set of units with similar conditions (Gerring, J 2004). Toursforfun will be the company that this study focuses on and will be counted as the single unit in this case study approach.

Also, the case study approach can help transit the theory to real practice better than other methods. When researchers are browsing literature, many definitions and theories will be summarized, and by using the case study approach, they can identify if these theories and definitions are applicable to the subject they are studying for (Breslin, M., & Buchanan, R. 2008).

Moreover, from the data collection side, since researchers already have a clear study of the field through the case study approach, they will know better that if all the data and resources in hand are necessary or required. It helps people to eliminate the invalid information and concentrate on the project they are doing (Almutairi, A. F., Gardner, G. E., & McCarthy, A. 2014). Therefore, the marketing plan will be established under the case study approach.
Establish Marketing Plan

This study is trying to establish a marketing plan for the OTA Toursforfun. Therefore, the frame of the marketing plan will be applied as the research methodology. The marketing plan will help the company to clarify the current situation and position, find the appropriate target market, and design the developing strategy based on the 7P’s marketing mix analysis. The execution of the marketing plan will be considered as well. The company is intended to use this marketing plan to standardize the development path and assist in meeting the sales objectives. The marketing plan frame and a brief introduction to each aspect will be as follows:

1. **Summary**: An initial summary will be in writing. It will introduce some basic company information and why the company is looking for a suitable marketing plan.

2. **Situation Analysis**: SWOT analysis will be the main tool to evaluate the internal and external company environment.

3. **Market Segmentation & Target market**: This will segment the current market of online travel agency (OTA) and figure out which segment(s) should be targeted.

4. **Marketing Strategy**: By combining the analysis and the desired objective, market strategies will be proposed based on 7P’s marketing mix framework to meet the objective.

5. **Execution and Measurement**: This will explain how the company will execute the plan and how to measure the result by executing the marketing plan.
After the marketing plan is fully established, the conclusion will be provided based on the finding and result. The limitation and future study possibilities are going to be summarized at the end of this project as well.
CHAPTER 4

FINDING

The complete marketing plan will be built in this chapter, along with the detailed analysis of the company from different perspectives. By finish this chapter, the company should have a clear guideline of what to do next, and the management should know better about the company’s current situation, market position, and path for future development.

Summary

Toursforfun is a China-based OTA established in 2006. On the company's website, Toursforfun is being described as “A full-service, online tour and travel superstore offering a wide range of products and services geared toward intrepid travelers as well as those vacationing for the first time.” It has two offices, one in Azusa, California with 50 employees and the other in Chengdu, China which functions as the headquarters with over 150 employees.

In 2013, the largest OTA in China name Ctrip invested 100 million USD on Toursforfun. This investment makes Toursforfun the largest OTA in the US among its competitors. After the company was invested in, it had rapid growth of 18.89 in its overall revenue for the year 2013 compares to 2012. But in 2014, the increase rate suddenly dropped to 6.21% compared to 2013, and it is getting worse in 2015 with almost no increase. The management does not want this downward trend to keep going in 2016 or in the future, so they decided to develop a reliable marketing plan to analyze the problems and provide solutions for future development.
Situation Analysis

Internal Analysis:

The internal analysis will introduce the company’s most updated information so that the company will know what kind of foundation they have as well as the current company situation while they are trying to build a marketing plan. The internal analysis includes the company’s culture and image, structure, employees, products and services. It will also analyze the sales reports from 2013-2015 in order to find the reason why the sales are increasing at lower rates. It will also help to find the strengths and weaknesses of the company for SWOT analysis.

Company Culture and Image:

According to the website, the company’s mission statement is:

Toursforfun offers a global inventory of handpicked tours and activities geared toward independent travelers at the best price-in-class, with optimal ease of purchase. Collaborating with local travel experts around the world, Toursforfun designs flexible tour packages that save travelers time and money. At the workplace, Toursforfun create an exciting and enjoyable atmosphere where fellow experts can apply their lifelong passion for travel to the task at hand, ensuring that our customers arrive at their dream destination 100% satisfied.

From the above statement, it indicates that the company is trying to provide the most reliable products and offer the best customer service to satisfy customers. It focuses on how to build up close relationships with the high performing local tour providers to
deliver high-quality products to the customer. This is the mission that the marketing plan should focuses while it is being established.

**Company Structure and Employees:**

The company is in a functional structure; it is a common structure for a company to divide its employees into groups (departments) with designated function, such as Marketing, Product, IT and Finance (Miles, R. E., & Snow, C. C. 1992). The company is divided into the following departments:

- Management- Formed by CEO, CFO
- Marketing Department
- Product Department
- Finance Department
- IT Department
- Customer Service Department

There are 48 employees in the US office, and over 200 employees in the China headquarters. The China office has a bigger capacity than the US office. Over 80% of customer service representatives are in China and the majority of its members of other departments are located in the China office as well. The US office is formed with a few people in each department to keep the company fully operational when the shift in China is over. Also, the US office will do more communication with our suppliers and deal with the issues that happen while the customers are using our products and services in the US.
Products and Services:

The company provides a variety of travel related products and services to travelers worldwide. It includes tour packages, local activities, hotels, cruises, air tickets, theme park and show tickets, destination transportation services, and private tour itinerary designs. The region of the products and services are mainly in North America, including the US, Canada, and Mexico. Europe and Australia region are growing rapidly as well. The company now have the website in three languages, include Chinese, English, and Spanish. The 24/7 customer service is being provided by using these three languages too. The company receives inquiries and bookings worldwide through the internet and phone call daily. Since all the products and services are provided online, there is only a limited number of walk-in customers.

Sales Report Analysis:

As shown in the sales report in table 2, the gross profit in 2013 has an increase of 25% compared to the year 2012. In the year 2014, the increase rate was 12% and in the year 2015, the gross profit decreased by 10% compared to the year 2014. The decreasing trend became the most concerning problem of management. The main purposes of the marketing plan are to figure out what might be happening and stop the number from decreasing.

There are several details that need to be noted on this sales report. First is the number of customers who sign up. The number in the year 2015 was almost double compared to the year 2014, but the actual profit is less than the previous year; this might indicate that even though the traffic of the website is increasing, the actual spending
might be less. Second is the number of orders placed for the whole year. Although the number of registered customers doubled in the year 2015, but the order placed in the year 2015 is nearly the same as the year 2014. The third is the average dollar amount per transaction. Starting from the year 2013, the number decreased approximately $40 per year. The last is the total cost. Even though the change is not significant, it has constantly increased from the year 2013 to 2015.

After taking a look at the comparison of these items on the report, a preliminary conclusion can be determined as following: even though the registered customers of the website have increased significantly, customers’ willingness of purchase still remains at a similar level. Plus, people tend to spend less money on the provided products and services. Thus, the cost of providing the products and services is still increasing, and the overall gross profit will either grow slowly or not grow at all.
### Yearly Sales Report

<table>
<thead>
<tr>
<th>Customer Signup</th>
<th># of Orders</th>
<th>Avg. Order</th>
<th>Total Sales</th>
<th>Total Cost</th>
<th>Gross Profit</th>
<th>Gross Profit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>68</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>0%</td>
</tr>
<tr>
<td>2008</td>
<td>320</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>0%</td>
</tr>
<tr>
<td>2009</td>
<td>2867</td>
<td>$746.22</td>
<td>$1,590,560.64</td>
<td>$1,186,562.63</td>
<td>$433,998.01</td>
<td>22%</td>
</tr>
<tr>
<td>2010</td>
<td>12938</td>
<td>$741.75</td>
<td>$8,747,701.90</td>
<td>$5,296,292.93</td>
<td>$3,451,408.97</td>
<td>23%</td>
</tr>
<tr>
<td>2011</td>
<td>18772</td>
<td>$773.42</td>
<td>$11,238,766.24</td>
<td>$8,647,953.61</td>
<td>$2,590,812.63</td>
<td>22%</td>
</tr>
<tr>
<td>2012</td>
<td>26062</td>
<td>$781.53</td>
<td>$17,565,696.87</td>
<td>$13,568,883.51</td>
<td>$3,996,813.36</td>
<td>23%</td>
</tr>
<tr>
<td>2013</td>
<td>25605</td>
<td>$883.59</td>
<td>$20,884,498.31</td>
<td>$15,916,261.12</td>
<td>$4,968,257.19</td>
<td>24%</td>
</tr>
<tr>
<td>2014</td>
<td>26176</td>
<td>$844.07</td>
<td>$22,181,452.29</td>
<td>$16,634,702.18</td>
<td>$5,546,601.11</td>
<td>25%</td>
</tr>
<tr>
<td>2015</td>
<td>49146</td>
<td>$806.50</td>
<td>$22,363,490.18</td>
<td>$17,292,934.60</td>
<td>$5,070,555.38</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Table 2. Sales report for Toursforfun from the year 2013-2015**
External Analysis

The external analysis will focus on analyzing the market environment, economy and the government policies that may have effects on a company’s business. The competition situation will be included as well. By taking a deep look at the external elements, the company can define the opportunities and threats in SWOT analysis.

Travel Industry Environment

According to the date from USTA in Figure 5, in 2015, the US received about 77 million travelers from oversea. The majority are from Canada and Mexico, these two counties together shared half of the arrival travelers. Visitation from China accounted for 7% which is 2.6 million. It makes China the third largest overseas inbound travel market to the US in 2015. This number is predicted to reach 5.7 million which is a significant increase. The data in Figure 6 from the National Travel and Tourism office from US Department of Commerce supports that prediction as well.

Figure 5. Chinese visitation percentage among oversea arrivals to the US
Economy

From USTA’s 2015 report on the Chinese international inbound traveler market profile, international travel imports totaled $148 billion in the US, creating a $98 billion travel trade surplus. The contribution from Chinese visitors reached $25 billion, and the average spending of Chinese visitors was $7,200 per person which makes it the highest...
among every other country. The travel export from the US to China occupied 18% of all the exports; it means travel export is a very important characteristic among the trade between US and China.

**Government Policy**

Policy wide, starting from Nov 12th, 2014, the government of United States announced that they will issue ten-year multiple entry B1/B2 short-term tourist and business travel visas to Chinese travelers. Compare to the one year visa before, it obviously will attract more travelers to apply for US visa. The data in Figure 7 from the US Department of State Bureau of Consular Affairs proved that too. The visas issued in the fiscal year 2015 is significantly more than the fiscal year 2014. From the figure, it shows that the US government is issuing more travel visas every year, reflecting government’s positive attitude on incentive travel industry.

*Figure 7. Total number of B1/B2 visas issued worldwide from the year 2009-2015*

[Diagram showing issuance of B1/B2 visas from FY09 to FY15]

**Competitiveness**
In the 21st century, competitiveness is becoming one of the key factors for a company to survival and success (Ambastha, A., & Momaya, K. 2004). In 1992, D'Cruz J and A Rugman defined competitiveness as the ability of a firm to provide high-quality products and services superior to other firms who are providing similar products and services. Like every other business, Toursforfun has several major competitors as well. They are Usitrip.com, Lulutrip.com, and Taketours.com. All these websites are providing similar products and services from similar or even same suppliers. They are all targeting the international travelers from China. Even though, the scale of Toursforfun is slightly larger than other competitors because of the mother company Ctrip, but the competition is still a serious problem. Therefore, how to keep the competitiveness becomes a major issue that Toursforfun will need to face.
## SWOT Analysis

<table>
<thead>
<tr>
<th>Internal</th>
<th>Beneficial</th>
<th>Harmful</th>
</tr>
</thead>
</table>
| **Strengths** | • Multi-language service website  
• Scale of the business  
• Funding support  
• Variety of products and services | **Weaknesses** | 
• Cost of products and services is increasing  
• Customer’s willingness to purchase is lower in percentage  
• Communication between US office and China office is inefficient |

<table>
<thead>
<tr>
<th>External</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
</table>
| **Opportunities** | • Increasing number of travelers  
• Targeted market intends to spend more money  
• Government policy incentive the travelers | **Threats** | 
• Chinese currency is depreciating against USD  
• The growth of major competitors  
• Lack of products in the future |

*Table 3 SWOT Analysis matrix for Toursforfun*
Strengths

- Toursforfun provides goods and services in three different languages, which are English, Chinese, and Spanish. The company has websites in three languages as well to assist customers from different countries.
- Compared to the competitors, Toursforfun has the largest scale of business. It has over 200 employees and is still increasing. They have their own tour buses, contracted tour guides and bus drivers which most OTAs do not.
- As of now, Toursforfun is the only OTA among its competitors in America that has funding support from overseas. After Ctrip acquired Toursforfun, the capital of Toursforfun become the top one among its competitors.
- In the year 2016, there were over 200 vendors providing different kinds of products in different countries to Toursforfun include North America, Europe, South America, Australia, and Asia. Toursforfun now has over 5480 products according to the website, which is one thousand more products than its competitors.

Weaknesses

- As shown on the sales report, the company is suffering from increasing cost of products. It means the company’s cost control is having a problem. The major products from 2013-2015 remain similar, and the cost of those products did not change. Therefore, the pricing strategy and the new products that added in 2015 may cause the issue.
- There is a significant growth in the number of customer accounts registered on the website. But among these accounts, the rate of customers who are actually placing
orders dropped. The company needs to figure out ways to convert the high volume of visitation and registration into purchases.

- As mentioned before, the company has two offices in both China and the US. Even though it is a good way for us to provide 24/7 services by setting up two offices, there are still problems too. For example, when the marketing team is establishing relationships with new business partners, it is really hard to keep the leaders of both teams on the same page or make some emergency decisions with notifying other parties that involved. Or when the IT team in China needs to do some updates to our back-end systems, they will occasionally forget to inform the US office. That will give the employees in the US office a hard time to process the reservations or use other functions of the system. If this issue does not get fixed, not only will working procedures be affected, but also the relationships between the employees from the two offices will be hurt too.

**Opportunities**

- According to the data from USTA and Department of Commerce, oversea travel is increasing. And more people are choosing to use OTA as the main tool to book the tours or transportations or accommodations.

- Also, the number of travelers from China to the US is growing rapidly, and they are intending to spend more money than travelers from other countries. As predicted, the growth will last for at least another 5 years. It is a good time to target this market.

- The government is positively supporting the travel industry as well, as reflected by the change of the visa granting policy. Now it is easier for travelers from China to
stay longer in the US without renewing their visa every year. The government consider this policy to have a positive effect on the US.

**Threats**

- The devaluation of the Chinese currency is becoming a major issue. In Dec 1st, 2013, it took 6.09 Chinese Yuan to get 1 US Dollar, but in Dec 1st, 2015, it increased to 6.40. And most recently on Dec 1st, 2016, that number turned to 6.89. So overall, the cost for travelers visit the US from China is increased.

- Toursforfun has the largest scale of business among its competitors, but the competitors are improving as well. Usitrip.com is focusing only on Chinese-speaking customers, they are putting all of their resources on that target market and are trying to specialize in it. Lulutrip.com is located in San Jose, near Silicon Valley, which makes their IT team stronger so their website is better than Toursforfun. Takteours.com is establishing the English and Spanish website now, it may take away some of our potential customers.

- Although Toursforfun has the most products on the market compare to its competitors, but most of the products that Toursforfun provides are identical with our competitors, many of them are even from the exact same vendors. Like in Los Angeles, only three major tour vendors provide package tours that are 4 days or more, and have the abilities to depart the tour bus every day with Mandarin-Speaking tour guide. The company needs to find a method to differentiate itself with the competitors because unique products can help a travel agency to maintain its competitiveness. (Zare, S., & Chukwunonso, F. 2015)
Market Segmentation & Target market

This section will divide the market into several segments, analyze their characteristics and set up the targeted market for the company. By determining the market segment and target market, it will assist the company to come up with the most efficient and effective market strategies.

Segment 1: Leisure travelers who want to participate the package tours which include the assigned transportations, tour guide, hotel accommodations and sightseeing arrangements. They usually have one or more following characteristics.

- Not familiar with the destinations they are going to or prefer everything to be set up by an agency instead of doing their own researches and bookings.
- May have language barriers.
- Tide budgets which require more economical ways to travel since package tours are always cheaper than booking everything separately.

Segment 2: Leisure travelers who already have a travel plan and only need some day tours or booking for local activities, rental cars, tickets, and hotel nights. Compare to segment 1, their characters are different.

- They are familiar with the destinations and are willing to spend more time and effort to ensure the best quality of each part of their vacation.
- Their travel budget is normally higher than travelers in segment 1.
- They normally have the ability or confidence to minimize the effect the language barriers or other issues that they may have.
Segment 3: Luxury travelers who desire to have a customized tour and maximize enjoyment during their vacation. Compared to package tours, customized tours cover everything that is needed for a vacation as well, but it is usually an independent group formation, unlike the package tours where travelers from different countries will be in one large group. The characteristics of this segment can be concluded as following.

- They are willing to make the booking procedure as easy as possible with the highest level of flexibility and comfort.
- They evaluate the service quality as the most important part.
- The travel budget for them is the highest among different segments.
- The language barriers or other issues will not usually be a problem for them because the most customized tour will have their private tour guide and/or bus driver to handle everything during the tour.
Marketing Strategies

After conducting the previous analysis, the marketing strategies will be established by the 7P marketing mix. The goal is to help the company grow its profit again. The 7P’s include product, price, place, promotion, personnel (people), processes and physical evidence.

Product

It’s the core part of the company and will be the major source for any companies to gain profit. In this case, the product will be the goods and services that Toursforfun provides to its customers on the website.

Like every other business, Toursforfun needs to improve the quality and the quantity of the products at the same time. But unlike the products in grocery stores, most travelers only intend to spend money on a same travel product once. For example, people need to consume food or drinks every day, but travelers may only visit a national park one time. If, as a travel agency, Toursforfun only sells the same thing every year, no doubt the customer will seek other resources to try different products.

If the quality of the service drops, the customers will not consider that company as the premier purchase option anymore. Even a company may have varied products on its website, a bad reputation may hold them back.

Price

Price is the most direct element that the customers see when they are browsing the products. A reasonable and attractive price will help the company gain more attention and
tends to provide incentive for the sales. In the sales report, it shows that in 2015, even though the traffic of the website went up, purchases went down. This suggests that the price was not catching customers’ eyes. The pricing strategy needs to be more precise based on customers’ opinions. And the pricing should be closely connected to the promotions to gain more attention from customers.

**Place**

For Online Travel Agency, the place means the website. It is a place where all the sales are generated and all the purchasing behaviors occur. Unlike the traditional travel agency, Toursforfun does not have an office open to the public or do face to face sales. All the procedures are conducted by a “buffet” style. Therefore, the impression of the website will be the key factor to help the customers determine whether or not to continue to use the website. Only if the customers stay on their website will the company get the chance to show them their products and possibly generate sales. That’s also why nowadays people emphasize the importance of user experience on a website.

**Promotion**

Promotion is extremely important for any business. You will need to direct people to your business, regardless of whether a website or a physical store. Without proper directions, customers may not even know what the business is selling. For OTAs, there are several different channels to promote the products or the company itself.

Search Engine Optimization (SEO): It is a widely-used technique for internet marketing. This will increase the visibility of a website when people are conducting a search on a search engine is regard to the related field. The more effort a company put on
SEO, the better the website will be promoted to the customers. Toursforfun will need to put more resources into SEO so that more customers will see its website when conducting travel related searches online.

Google AdWords: It is the largest online advertising tool that allows the advertisers to pay to display their advertisements to web users. By using this service, Google will distribute the advertisements to its search engine and/or its partner website based on the advertiser’s selection. Of course, this service is not free. It charges every time customers click on the ad; but it is totally worth it considering that Google is the largest search engine in the world right now.

Social Media: By creating an official account on major social media websites like Facebook, Twitter, Instagram, and YouTube, it will be easier for the company to interacted with the existing and potential customers. It will be the perfect place to promote the newest products and incoming promotions or discounts. The newsletters that send to the followers from the social media or the previous customers is a good way to distribute the word as well.

Print Media: It is not a bad idea to put some advertisements on newspapers or magazines. Even though the internet is now the major method for people to receive information, people are still receiving mail in their mail-box and are reading newspapers and magazines.

**Personnel (People)**

The employees are representing this element, especially the front-line customer service representatives. They are the people who get in touch with customers directly.
Their attitude and professionalism represent the company’s image and standard. By providing the excellent customer service experience to customers, it will not only increase the satisfaction of the customers but also enhance the brand image of the company. In order to achieve this goal, Toursforfun needs to make sure that a proper training and quality check is conducted.

**Process**

A process mainly means the procedure of buying products from the website. As the study mentioned before, the user experience of the website is important. Since the customers are doing every step online without face-to-face consultation, the company will need to make the product descriptions as clear as possible as well as the steps from browsing to check out. When people feel confused, they need more time to make a decision. And that may lead them to leave the website or give up the purchase. The technique team needs to make sure the process is easy and clear without any confusion.

**Physical Evidence**

Normally, OTAs only handle the online service part like inquiry or reservation. The vendor and the tour supplier are the ones who are actually performing the tours and meet with the customers. But the post-sale issues like complaints or claims for compensation will come directly to the OTAs, and it will actually hurt the reputation of OTAs more than the vendor or tour supplier. Therefore, Toursforfun needs to make sure that the vendors and tour suppliers are providing high quality goods and services as described.
Execution and Measurement

In order to put the marketing plan into action, rather than being just a theory, the plan needs to be executed properly. Each department of Toursforfun will have their own tasks on executing the plan. Tasks for each department should be assigned as following:

- The management level needs to explain the basic procedures and the desired result of executing this marketing plan. It also needs to clarify the purpose of each department and coordinating the resources among different departments to optimize the efficiency. Tracking the results is the main part of its purpose as well in order to make an adjustment if anything goes wrong.

- The marketing department is in charge of doing search engine optimization and advertising. It also needs to come up with appropriate promotions and pricing strategies based on the sales report statistics and customers’ feedback.

- The product department will focus on adding new products to the website and analyze the old product listings to figure out the most popular and unpopular products so that they can enhance their product listing by promoting the popular products and removing the unpopular ones. They also need to edit the product descriptions to make them clear to customers.

- The finance department needs to keep an eye on the numbers. This department has direct access to the real-time sales reports. Any abnormal fluctuate of the cost or profit should be notified to the management.

- The IT department should work on improving the user interface of the website. The website needs to be as easy as possible for the customer to search for products and complete their purchase. The IT team should enhance
the back-end system as well for the employees of Toursforfun to improve their work efficiency.

- The customer service department will focus on fulfilling customer satisfaction and improve their professionalism in order to provide better customer service. Property training and evaluations should be conducted as well to ensure the service quality.

The best way to measure the effectiveness of this marketing plan is to look at the change on the sales report. Since 2015 was a huge drop, the company expects to see an increasing trend in both sales and profits. The report should be generated on a monthly and quarterly basis. A meeting of manager from every department should be conducted at least once per month to share problems and progress. Proper adjustment should be made by the management team if there are any changes in the internal or external environment to ensure a positive result.
CHAPTER 5

CONCLUSION

This study analyzes the current situation of Toursforfun as an OTA in the US. Both internal and external environment are considered and discussed. A SWOT analysis is conducted which clarifies the strengths, weaknesses, opportunities, and threats. According to the sales report, it points out that the company is facing the problem of a reduce on profit in 2015. The company expect to figure out the reason for this decreasing trend and solve the problem. Therefore, a marketing plan is generated by using 7P marketing mix as the tool.

In the marketing plan, it lists the potential solutions to solve the problems from SWOT analysis. The increasing cost might be the main reason that the sales went down in 2015. In order to resolve this issue, the company needs more effort on cost control process. Also it specifies the function of every department of the company by conducting the marketing plan and analyze the expected results.

Implications

This study has several implications for the travel industry, especially for the Online Travel Agencies. For start-up companies, it will help them to build an effective company structure and form the proper teams to make the business runs efficiently. For mature companies, it points out the potential problems and several methods to increase the profit and generate more sales.
By conducting the SWOT analysis, it can help organizations to identify the internal and external environment, so that they will be able to find the potential problems or the potential develop pattern.

It also emphasizes the importance of having a marketing plan for a company. The marketing plan can be used as the guideline for the development of the company, and it can provide the solutions to solve the problems that the company has.

**Limitations**

There are limitations to this study as well. First, Toursforfun is an OTA whose major customer component is Mandarin Chinese speakers, so if the demographic is different, the internal and external environment might change as well. It may cause the marketing plan to have different procedures. Second, since the company is based on the internet as the website, the formation is different than the traditional travel agency with offices that are open to the public. The methods to make promotions, and provide services as well as other aspects might be different. Third, this study only compared the data from 2013-2015. It is a relatively narrow data range. In the future studies, by expanding the data range, it may help the company to get a more specific analysis report on the sales history.

This study is specifically conducted for a company in the travel industry. Therefore, it may not apply to other types of businesses like hotels or restaurants.
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