

THE MAIN CHARACTERISTICS OF TRAVEL AGENCIES IN MONTENEGRO

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Abstract

Travel agencies in Montenegro started developing in the first half of the 20th century, since when their role as intermediaries in the tourism market has been of exceptional significance for tourism development in the destination. They underwent various phases of development from travel agencies working on someone else's behalf and for someone else's account, through travel agencies which worked on their own behalf and for someone else's account to travel agencies working on their own behalf and for their own account. They underwent a developmental phase from classical intermediaries to travel agencies of entrepreneurial character, as well as from state-owned travel agencies to privately owned travel agencies. Transitional processes through which the travel agencies were going were not simple and they often slowed down their growth and development. So, at some points in time they were forced to relocate from the downtown districts and main business streets, to suffer various financial pressures and to merge under various forms of economic pressures with other economic organizations or to perish. However, they have been and remained one of the main tourism policy makers in Montenegro, with the intention to increase their significance in the years to come. Because of that, it is important to define the basic performances of the travel agencies in Montenegro.

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Review

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1. Introduction

Travel agencies in Montenegro still have not accepted the international definition for identification of this type of intermediaries in the tourism market, so they are still called tourism agencies. In the text below we shall however use the term travel agencies, which are used in most countries of the world.

The first travel agency established in Montenegro was „Putnik“. It was established in 1923 at the initiative and under the auspices of the Ministry of Trade and Industry and the Ministry of Transportation of the Kingdom of Serbs, Croats and Slovenes. During 1927 it became a member of AGOT (Association des Grandes Organisations Touristiques), an association with the head office in Vienna, which united 20 greatest national tourism organizations in Europe. Opening of the Putnik brunch office in Montenegro took place in 1929 (Krajcević and Petrovic, 1995), after which an accelerated development of travel agencies in the destination occurred. In the beginning, the travel agencies were faced with a limited demand of the domicile population for vacations and other specialized travels, so they had to orient themselves to the international tourism market and attraction of foreign tourists. They were offering full-service and were dominantly retail travel agencies. Their business premises were located in the centres of the urban areas of Kotor, Herceg Novi, Budva and Bar. After the World War II, tourism sector became one of the priority economic sectors in all developmental plans of Montenegro, which directly influenced the increase in number of travel agencies.

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During the 70^s the travel agencies went through an expansion of growth and development. That was enabled by an increasingly numerous and rich tourism demand which was using their intermediary services more and more. In this period, the number of successful retail travel agencies is expanding; they are positioning themselves in the downtown areas of Montenegrin towns. During the 80^s, due to great competition and growth in rental prices for the business premises in downtown districts, the travel agencies in Montenegro were forced to relocate from the main business zones. At the same time, the full-service agencies were perishing, and the number of specialized travel agencies was on the increase. During the 90^s, the financial pressure on the retail travel agencies exerted by the state institutions is growing, while they are exposed to an increasing competition, both domestic and international, which is the reason for perishing of a large number of retail travel agencies.

Appearance of the computer booking systems, development of the travel agency chains, appearance of the global distributive systems, development of the on-line travel shops (Conrady and Buck, 2011), and many other changes directly and indirectly influence development of travel agencies in Montenegro. If we add to that the increasing and sharper competition in the national and international terms, it is clear that the travel agencies are facing numerous challenges in the future. Because of the above mentioned, it is necessary to analyse the basic performances of the travel agencies in Montenegro.

2. Literature review

Travel agencies used to be retail in the beginning and used to place other's products and services into the market, bore no risk for the unsold accommodation and other capacities, used to have a direct relation with buyers, their intermediary function was dominant, while commission was the source of income. By tour operators development, travel agencies became the wholesale traders, creating own products and services, bearing responsibility for the unsold accommodation and other capacities, as a rule – not having a direct contact with buyers, organizing function being dominant, while the commission was generated from sale of the own products and services (Dulcic, 2005).

Main division of travel agencies is into outgoing and incoming agencies. Outgoing travel agencies provide products and services to visitors (tourists and visitors) who travel abroad from the source destination, while the incoming agencies provide products and services to visitors in the target destinations. In today's circumstances of business operation, the number of combined travel agencies, i.e. the agencies which have business activities in the domain of outgoing and incoming business operation is growing. The main reason for that is dispersion of business risk and higher possibility of earning, i.e. achievement of better business results (Spasic, 2010).

Exposed to an increasingly versatile and numerous competitions, travel agencies strive not only to get better connected in the domain of horizontal, vertical and lateral integration, but strive to apply the modern information technology, primarily in the domain of promotion and distribution of their products and services. Thus, travel agencies were less and less linked to direct contact with consumers and at the same time they were servicing with better quality bigger and bigger parts of the global tourism market.

A trend which is present in travel agencies is related to their investing in improvement of: additional web functionalities (on-line sales channels, booking tools, etc.), on-line distribution (investing into booking portals) and mobile sale distribution (sale via mobile phones). The mentioned trends are a result of the business interaction of the travel agencies with the global distributive systems such as Amadeus, Sabre, Galileo and Worldspan (Njegus, 2010, Tsai et al., 2005, Holloway et al., 2009). Owing to the new technological accomplishments, for instance in reporting and telecommunications, travel agencies are able to find the potential travellers around the world, contact them and proactively distribute a various set of products and services (Conrady and Buck, 2011, O'Connor et al., 2008).

Domestic authors mention a few instances of travel agencies in Montenegro, whether they are from Montenegro (Uskoković, 2000), or from former Yugoslavia (Cacic, 1995, Popov,

1997, Cavlek, 1998, Unkovic and Zecevic, 2009, Stetic and Salov, 2000). Data of this type can be found in the archives possibly, or by surveying the travel agency managers. Even when it comes to some state institutions such as MONSTAT (Statistical Office of Montenegro), they do not possess the necessary statistical data related to travel agencies. That is why this work is focused on field survey, so that the results would be as authentic and scientifically founded as possible.

3. Methodology

In Montenegro, there are 30 travel agencies with the business activity code 7911 (CRCS, 2011). Following the overview of the available reference material on travel agencies, in 10 from 30 mentioned travel agencies; the test survey with the travel agency managers was carried out. The obtained results were then used for formulation of an in-depth survey. Received survey data were processed in the statistical software SPSS, after which the results received were presented in this paper.

The survey was prepared in April 2011. The basic goal of the paper is to identify the basic performances of the travel agencies in Montenegro, while the basic hypothesis of the survey is that travel agencies in Montenegro are not oriented enough to the global tourism market, nor stimulated enough by the economic/tourism policy measures, and are thereby not efficient in their business operation to the desirable extent.

4. Results

Structure of travel agencies in Montenegro during 2011 was as follows:

Table 1: Basic characteristics of travel agencies

Characteristics	Share (%)
Northern region	10.0
Central region	20.0
Southern region	70.0
Private ownership	93.3
Mixed ownership	6.7
Travel agents (retail travel agencies)	40.0
Tour operators (wholesale travel agencies)	60.0
Specialized travel agencies	53.3
Combined travel agencies	40.0
Non-specialized travel agencies	6.7

Source: author

Structure of travel agencies corresponds to the distribution of tourism turnover at the state level in which the dominant place is taken by the Montenegrin coastline. A small number of travel agencies is in mixed ownership, i.e. the mix of private and state-owned property, and these are the travel agencies in the Montenegrin coastline which will soon be 100% privately owned. The larger number of tourism agencies are the tour operators which sell their products and services, i.e. which are entrepreneurially oriented. They create their package arrangements, after which they offer them to the tour operators outside Montenegro or sell their products and services via Internet on their own.

Diversity of natural resources enabled the travel agencies in Montenegro to have a high degree of specialization. In that sense, they are most specialized in offering the products and services within the following selective tourism types: adventure tourism, ecotourism, sport tourism,

business tourism, cultural tourism, health tourism, religious tourism, food and wine tourism, agro tourism, nautical tourism, urban tourism, rural tourism, educational tourism, fishing tourism and hunting tourism (Vučetić, 2009).

Table 2: Investment types

Characteristics	Share (%)
Inbound private investment	75.9
Inbound and outbound private investment	13.8
Outbound private investment	10.3

Source: author

In the process of transition from socialist into the market economy system, most travel agencies in Montenegro were privatized or established by domestic investors. In most cases, investors are the former managers in former state-owned travel agencies. Montenegro is a small tourism destination with an expressed seasonal concentration of tourism turnover and a relatively small tourism offer, because of which major tour operators do not have the need to open their own branch offices, and directly invest in that respect. Foreign travel agencies use the intermediary services of the domicile travel agencies on contractual basis, while the joint ventures or direct investments are symbolic. From total number of travel agencies: mainly incoming – account for 56.7%, fully incoming – account for 33.3% and mainly outgoing account for - 10.0%.

Most travel agencies are without a network of branches (86.7%), while only 13.3% are with a network of branches. These are the small travel agencies operating in the small national tourism market and are present in the small part of the global tourism market, which requires existence of branches in Montenegro. At the same time, the existence of branches of travel agencies outside the national borders is economically unjustified.

Travel agencies in Montenegro are the independent economic entities (73.3%), while only 26.7% are dependent economic entities. Horizontal and vertical cooperation participate with 53.3%, and lateral cooperation with 6.7% share, while 40% travel agencies in Montenegro are not included in any form of business cooperation. From total number of travel agencies in Montenegro, 73.3% are included in the national association of travel agencies MTA - Montenegrin Tourism Association, while only 30.0% agencies are included in international associations of travel agencies.

Table 3: Tour operators by states

Characteristics	Share (%)
Russia	44.4
Serbia	40.7
France	33.3
Great Britain	33.3
Italy	25.9
Germany	22.2
Ukraine	18.5
Croatia	14.8
Slovenia	14.8
Poland	14.8
Other countries	14.8

Source: author

From total number of travel agencies, 89.7% operate with the tour operators, while the tour operators from Eastern Europe and former Yugoslav countries dominate. This confirms the fact that the travel agencies from Montenegro are present in a small part of the global tourism market, and the previously mentioned data of other type confirm the fact that they are less globalized in business terms.

Female managers' share in travel agencies is 80%. In addition, female managers dominate in the age structure, so their share up to 29 years of age is 85.7%, from 30 to 39 years of age 62.5%, while from 40 to 49 years of age it is 100%. Their educational structure is also significantly better than at male managers, so in the segment of highly educated managers there are 80% of them, in the bachelor segment 66.7%, with post-secondary education 100% and secondary education 80%. Bearing in mind that no great capital is necessary for establishment of travel agencies, and that they can be established as commercial entities, business activity of an individual, that the non-governmental organizations can get involved in their activities, the ground is fertile for the female managers to demonstrate their business skills in the travel agencies in Montenegro.

Table 4: Professional structure of managers (%)

Profession	Female managers	Male managers
Graduate tourism manager	100	-
Graduate in economy	60	40
Graduate in philology	100	-
Administrative technician	100	-
Tourism technician	100	-
Mechanical engineering technician	-	100
Other professions	50	50

Source: (Vucetic, 2012c)

From total number of surveyed travel agencies, 66% employ up to 9 workers, while 34% employ from 10 to 49 workers. They employ 62.5% full-time workers and 37.5% seasonal workers. The highest number of seasonally employed workers are in age between 25 and 29 (41.9%) and from 20 to 24 years old (39.5%). They are hired for jobs of tour guides and trip managers and are usually tourism students and seasonal workers for whom this is an additional job. It is interesting that the employers are more satisfied with work of seasonal than the permanently employed workers in travel agencies (Vučetić, 2012a). When it comes to the employees' salaries, 40% receive up to 500 € per month, 20% receive from 501 to 600 € per month, 16.7% receive from 601 to 700 € per month, 3.3% receive from 701 to 800 € per month, and 20% receive more than 800 € per month (Vučetić, 2012b). From total number of travel agencies, four micro agencies were at loss in operation during 2010.

From total number of surveyed travel agencies:

- 33.3% sell airline tickets using the Amadeus software and IATA hardware,
- 10.0 % have the ability of direct on-line payment via Internet,
- 66.7% have their own vehicles,
- 63.3% have their own business premises, and
- 86.7% generated profit in 2010.

Travel agencies in Montenegro represent a significant factor of tourism sector development; however, their operation is not stimulated by additional measures of the economic/tourism policy. In the second half of the 20th century, they had priority in development (along with hotels) of the destination offer. That manifested in placement of favourable credit lines with preferential interest rates by the Central Bank of Montenegro, retention quotas, different types of benefits for investment in selective tourism offer, reduction of income tax rates and reduction of

basic sales tax for travel agencies (Vučetić, 2008). Today, there are not any incentive measures, nor have any new ones been introduced. Bearing in mind the increasing and sharper competition, the question is posed whether the travel agencies will survive in the future, to what extent and which will be their role.

5. Conclusion

Abundance and versatility of natural resources, as well as versatility and quality of the anthropogenic resources enabled development of the tourism sector in Montenegro. Tourism development has had and still has priority in all the destination developmental plans. In line with the abovementioned, travel agencies have had from start, i.e. from their establishment a stimulating ambiance for sound growth and development.

Development of travel agencies in Montenegro has had its ups and downs. Ups in agency development were especially expressed during the 40^s, 60^s and 70^s of the 20th century and in the first decade of the 21st century. On the other hand, downs in development of travel agencies are related to the World War II, great economic crises and recessions which occurred in cycles, great petrol crisis, natural disasters (such as earthquake in 1979) and social crises including the violent dissolution of former Yugoslavia.

It can be said that the human resources in travel agencies are of higher quality than in the hotel management. The reason for that lies in the fact that most jobs in a hotel are of labour-intensive character, but also in the fact that the level of education in the state has risen since introduction of the Bologna Declaration, which is why the workers with secondary level of education were replaced by workers with faculty degrees in travel agencies. Travel agency employees are specialized for certain selective tourism types; they have a relatively long work experience in travel intermediation and know foreign languages very well. Even when it comes to seasonal workers, these are usually the students of faculties of tourism and hotel management, economy and philological faculties. What is especially valuable is acceptance of the lifelong learning concept in travel agencies.

Travel agencies' offer is versatile, while they are trying to service the market niches at the global tourism market, especially the ones related to the environmental protection. These are the international markets for ecotourism, adventure tourism, rural tourism, health tourism and agro tourism. It is good that the agencies strive to place their package arrangements and other products and services. Also, many of them have their own offer of the eco summer pastures, ethno villages and other forms of accommodation offer characteristic for Montenegro in the rural areas. Agencies offer almost all types of travel arrangements and round tours.

Travel agencies invest significant funds (in average 10% of the generated profit) for promotional purposes and distribution of their products and services, which provides them, along with the good price competitiveness, a good positioning in the tourism markets of the Eastern Europe, former Yugoslav countries and a part of the Western Europe. All the agencies have their web sites and attempt to introduce the direct on-line payment offer and dynamic packaging. This should be added the contract with well-known tour operators and other business partners in the field of hotel management and transportation.

Motivation of employees by salaries is better in travel agencies than in hotel management. Average salary in travel agencies is above average in the economy of Montenegro, while at the time of global economic crisis, only four agencies were at a loss, but were not liquidated but kept on with their work, taking loans from banks.

What lacks in the intermediation sector are the incentive measures for development of travel agencies by the economic/tourism policy makers. They could arise from the VAT reduction, preferred interests for incoming-oriented agencies, introduction of a progressive taxation rate on travel agencies profit, etc. Significant help would be the VAT payment on the basis of the generated profit, and not the accrued profit during the on-going month. Introduction of incentive measures would eventually increase the efficiency of travel agencies in Montenegro, and thereby their contribution in the future tourism sector in the destination.

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