



**PRODUCT DEVELOPMENT PLAN FOR TRAVEL AGENCY**  
**Case: Moon Travel**

**Thesis**

**Hasan Ahmed Bhuiyan**

**Degree Programme in International Business**  
**International Management**

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SAVONIA UNIVERSITY OF APPLIED SCIENCES  
UNIT OF BUSINESS AND ADMINISTRATION, KUOPIO

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Hasan Ahmed Bhuiyan  
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International Management

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Abstract  <p>The aim of the thesis is to make a product development plan for Moon Travel Agency. And in doing so, I have tried to find out the possible business extension of the existing products and also look out for new product idea(s) for future improvement.</p> <p>The study is based on qualitative data. The importance of the product plan for Travel agency and overall importance of product strategies are based on secondary data. Company's perception of their market and products along with their future objectives assuming the future market is analysed empirically. The main theoretical backgrounds of this thesis were based on development process analysis and the product is on focus.</p> <p>Moon Travel is only selling tickets of IATA affiliated airline and hotels from different providers since their start mostly within Helsinki region. It is awarded the best seller of different airlines' tickets for quite a few times since its establishment.</p> <p>This research plan indicates that with Moon Travel's existing resources it is possible to expand their business in a greater fashion if the said suggestions are going to be implemented rightly. The study has indicated effective solutions for product development of travel agency.</p>		
Keywords Product, Travel agency, Package, Strategy		

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## 1 INTRODUCTION

### 1.1 Purpose of the study

The purpose of my thesis is to find out different possibilities for the development of new travel agency products and ideas when compared with older products. Present market trends towards new technologies and ideas pushed me to decide preliminary to sort out a possible and suitable product strategy by offering new product ideas and by developing existing products with the possibility of future business growth and expansion.

The research work covered of around five months since my joining at Moon Travel (MT) as a trainee. The core objective of the research is to formulate a product development plan for the company so they can have balanced sales across the year round and can have stable flow of customers as well.

In order to develop a product plan and to increase sales, a product development strategy is necessary for the company. So, the main task is to find out, a product development plan as a final research work for MT. In doing that, the research work will find out new ways to reach customers by developing current products and by adding new products in product line. In addition to planning the focus is also on the sales volume and sales revenue. Moreover, for a new product, the goal is to make a package tour to Vietnam.

The study provides an outline of MT's current situation, its competitors' analysis and opportunities for future business as well as a guideline of product development strategy. After the completion of my extended analysis on product development, it is possible to apply the research result on the targeted company for the real benefit. As the research will cover all the parts of the topic and also will deliver an effective description of those, it is logical that the research plan of business expansion by adding new products and developing existing products will benefit the case company.

## 1.2 Reasons of the study

While working as a trainee at MT it was visible that the travel agency business is an ever changing industry where success knocks if we think on scopes and implement those different scopes to welcome new ideas. MT's Managing Director (MD) Mr. Abrar Murad 2009 suggested being an employee of a small company we have to handle various tasks. So that MT's employees had the opportunity to manage customer so dearly as a customer service officer as well as performing other office tasks too. But, above all, finding the possibility of new business ideas is the core part of a company loyal employee to survive with the tremendous competitive nature of the present globalized job market. The definition of a travel agency is what MT's Managing Director said, 'you will be a professional of different interests rather than of any specific.' Murad A (2009)

With the existing resources and technologies of MT, it is affordable and practical to welcome new product ideas or existing product developments. In adding new products it is necessary to establish a concrete contact with product partners such as different air service providers, tour operators and or hotel providers. So that it will be easier for them to look for new products that will suit their customers' requirements and will also increase MT's profit.

However, it should also be noted that developing products, means developing existing products. This will include developing customers' ratio, providing strong after-sales support, providing the value of the money, website development with multiple languages etc.

## 1.3 Structure of the study

This thesis is divided into three parts. These segments have individual importance to produce an effective solution for Moon Travel. In the introductory part, I have introduced the research topic and its features. It includes the purpose and problems of the research.

In the next part titled with literature review is the description of the market research during product development and designing facts. Moreover, knowledge management in the early stage of product development is also in focus. Additionally, I have also

discussed different sub topics of the marketing mix where products are in the spotlight. The research method and process are in the third part, which includes the data gathering process and analysis to find out result of this research. The data gathering process includes an empirical part and secondary part. The most important part of this thesis is the fourth part, which describes the outline of the thesis and produces effective solutions. Later in the conclusion, I have described and summarized my research results.



## 2 LITERATURE BEHIND PRODUCT DEVELOPMENT

### 2.1 Introduction of product planning

Product planning refers to the outcome of the final product that is marketed to a specific customer category and marketing area. The real product comes after quite a lot of entrepreneurial and managerial processing through a company's internal and external activities. This activity includes a company's mission and vision of their future business, customer and corporate benefits and prospective growth of the business. Finally after analyzing all those features, a company must shape a product for real benefit. The product comes with its shape, design, price, features and cautions. The discussion below will broaden this analysis for developing and launching a new product of a travel agency, starting with a proper business plan and then illustrating a product development plan and process.

Formal planning can be beneficial to all types of companies, large or small, new or established. It provides a company with a clear statement of purpose, a vision of future motivation, standards for control and management. Sound planning helps the company to run according to its goal and strategy and there is also the possibility of development and growth. (Kotler 1997, 676-677)

Kotler (1997, 676-677) again defines this type of planning with annual long-term planning and strategic planning. Annual planning analyzes a company's current business situation and its future possible growth. While strategic planning analyzes the process of growth and the changing market opportunities.

A proper product plan is necessary for an entrepreneur and is really for his or her benefit. The entrepreneur needs to develop his or her idea in a paper and should include why and how type questions. It is always necessary to think about the plan before investing time and money. (Li 2002, 39)

## 2.2 Preliminary overview of product strategy

In this ever changing era new technologies are coming almost every day, creation of new products is boosting markets much more than yesterday and flexible customer service is rising the sales volume and making markets more competitive than ever.

Here we come across two very realistic questions; (i) how do companies revise their strategy and deploy it to fit with their corporate habit? And (ii) how does it perform throughout the development process?

According to Luis & Luis (2006, 1-8), analysing competitors' future possibilities of growth is the core part to revise in the formulation of a strategy. Moreover, early communication between senior managers and project managers can guarantee an effective deployment of the strategy. The company should have a link between the senior managers and the staff to involve co-operation throughout the product development process.

### 2.2.1 Objectives

Luis & Luis (2006, 1-8) describes, the objective of a company is to identify a systematic way to run companies' strategic objectives throughout the product development process. The final task is to produce an elaboration of objectives that integrates two largely used methods: 'Balanced Scorecard (BSC) and the Quality Function Deployment (QFD). These methods comprehend the elaboration of a matrix that relates both BSC strategic objectives and customer needs used for new products development.

- Balanced Scorecard (BSC)

BSC is to translate the company's vision and strategy through a consistent set of performances. Its main objective is to continue a balanced growth among all the departments of the organization.

Basically BSC provides answers of the following questions:

1. Objectives that should achieve profit.
2. Values that should offer the customer to achieve company's financial objectives.
3. The ways that a company may learn and innovate to achieve their targets.

Monitoring of the objectives achievement, depends on the definition of the performance indicators, targets, and action plans with respective responsibility.

- Quality Function Deployment (QFD)

According to Guinata & Praizler (1993), Quality Function Deployment is a simple and logical method, which is implemented through a set of matrices. The QFD matrices help to determine exactly what the customer wants, how the competitors meet the customer's needs and where there are opportunities niches to be filled out. In addition with that, QFD technique is useful to check whether the company has the necessary resources to fulfil successfully the market niches with the correct quality levels. There are some similarities and differences in the above mentioned methods. Below in table 1 and table 2, I have compared those:

Table 1. *Similarities between BSC and QFD method. Luis & Luis (2006, 1-8)*

Comparison Criteria	BSC	QFD
Method Structure	Involves the company in strategic objectives	Involves the organization in product development process
Involved Team	Managing directors, plan makers, senior personnel	Multidisciplinary team including engineering, marketing, manufacturing departments
Performance	Operate the company strategy Supports company individuals in order to achieve a common goal	Supports clients needs Supports guarantying the achievement of a product that fulfils customer needs

Table 2. *Differences between BSC and QFD. Luis & Luis (2006, 1-8)*

Comparison criteria	BSC	QFD
Scope	Comprehends the entire company and deploy strategic objectives in all levels of the company	Concentrates on the product development process and assists development team
Objectives	Objectives related to the financial, customer, process and learning perspectives	Development process is incorporated with clients and the manufacturing department
Results	Organizational relationship among the objectives	Relationship among customer needs, product requirements, manufacturing operation

The development of a new product has become the hot topic around the world in regards to manufacturing companies. It is proved that the effective development of new products has a superb impact on a company's costs, quality, customer satisfaction and overall company's strategy.

The development process of the company is known as an Innovation Pipeline, or the Innovation Funnel.

### 2.2.2 Product development process

To grow a business more, a firm needs to develop or diversify their products. Competition, consumer demands and developed technology will boost a company to find additional developments in their products. Even products that have been popular for years need to develop their features and services. The strategic product development process will ensure sustainable growth of a company. First of all this process is time consuming and costly. It needs research and market analysis. Also a company has to understand the demand in the market. The product development process goes through several stages. (Luis & Luis 2006, 1-8)

In the table below it has described more about the process:

Table 3. *Development Process Luis & Luis (2006, 1-8)*

<b>Pre Briefing</b>	<b>Briefing</b>	<b>Viability</b>	<b>Viability</b>	<b>Executive Plan</b>	<b>Launch</b>	<b>Launch</b>
<b>Ideas formalization</b>	<b>Concept development and product proposition</b>	<b>Technical</b>  <b>Design development</b>	<b>Financial</b>  <b>Consolidate prototype into product</b>	<b>Project implementation</b>	<b>Launch availability</b>  <b>Pilot batch production</b>	<b>1-6 month assessment</b>  <b>Project evaluation</b>
<b>New ideas and technologies to new product</b>	<b>Deploy idea into real concept</b>	<b>Turn concept into prototypes</b>	<b>Estimate costs and required investments</b>	<b>Conclude strategy</b>	<b>Purchase materials to launch a pilot project</b>	<b>Product performance assessment</b>

Part one starts with several discussions with a company's staff and senior members. Everyone gives their comments and agrees on a specific goal. Later with product reality someone on behalf of the company shows the real product model. After getting approved from the board of director, an estimation of financial requirements is applied on this and a project can be ready to implement. In the beginning, the result of new product implementation comes after a 1-6 month time period and then the company can get an understanding of the product's future.

### 2.2.3 Role of market research during product development

In order to achieve optimal product development knowledge, marketers need to combine process management technology with product development technology. Both factors can develop speedy production, quality product and minimize costs, develop the understanding of clients' needs etc. In Figure 1, I have described several steps of the product development process.

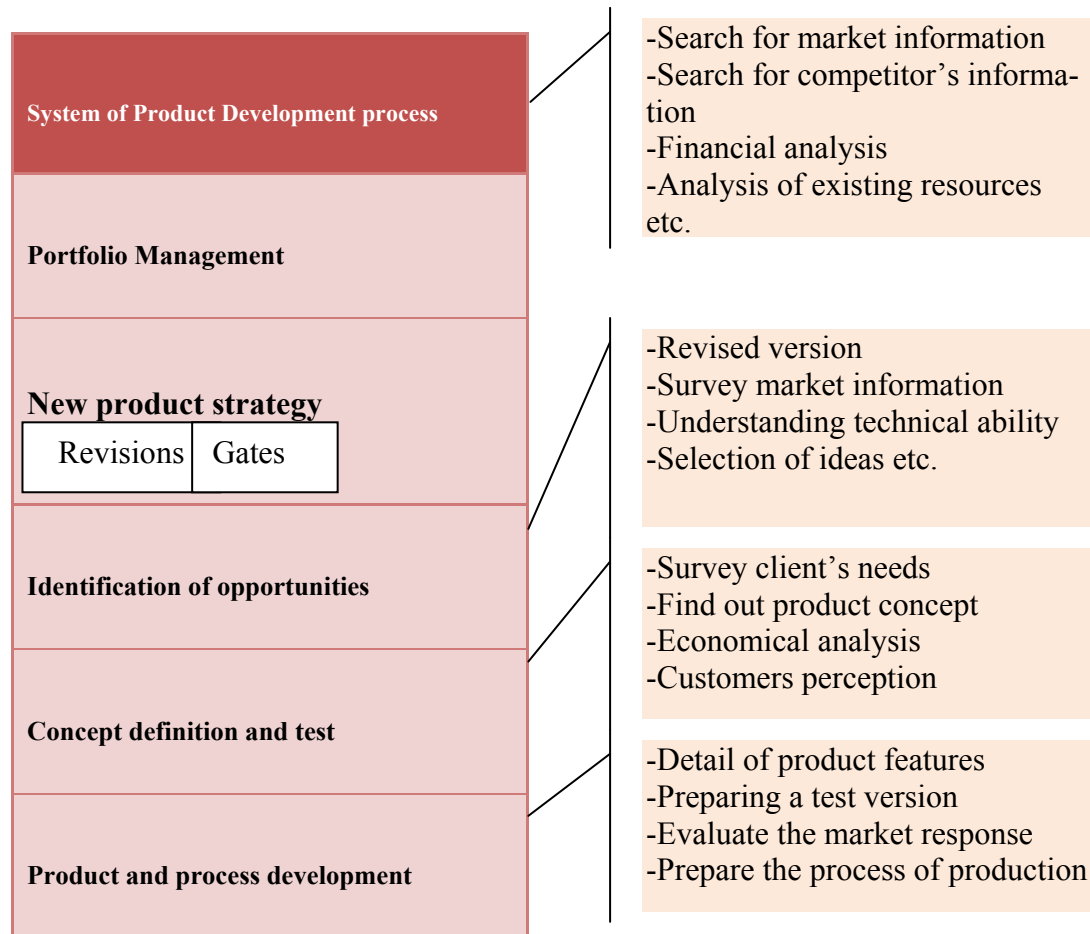


Figure 1. *Steps of Product development Process. Luiz & Fatima (2001, 5-10)*

According to Cooper et al., (1998), in the product portfolio management it is necessary to analyze the set of products in terms of market, financial, and technological dimensions along with internal resources.

According to Kotler (1994, 676), ideas for new products can originate from many sources- consumers response, scientists, competitors strategy, top management etc. However, identification of opportunities such as a revised version of ideas, market information and ideas, use of technology for the selection of ideas can be useful to refurbish the results of achievement. Later with the best ideas, a new product concept can be obtained. From this product concept; it must be translated from the market language into the project technological environment, which is a reason why process management technology and product management technology have combined.

The product development process entails actions inside and outside of a company and between several sectors of development processes. Market research is recommended for product development to get the success of data gathering, its processing and the implementation of new concept and finally in return to have an outstanding result.

### 2.3 Marketing Mix

The 4p's of the marketing mix are the parameters that a marketing manager can manage to achieve company's target. Changes happening on these parameters are subject to changes in companies inside or outside environment. (Kotler & Armstrong 1997, 263-266)

The marketing mix is like a recipe of a products strategic position in the market. So to achieve success in a company's strategic approach the 4p's of marketing are the main tools. (Culliton 1948.).

In the Figure below, I have indicated the 4p's of the marketing mix:

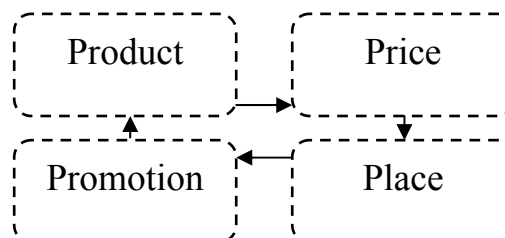


Figure 2. Marketing mix (Kotler & Armstrong 1997, 263-266)

#### 2.3.1 Product

A product is a good or service or the combination of both which is made to satisfy a group of people in a market where people can give a value in exchange of any specific goods or services. Commercially, a product means something that belongs to a company or a person which is produced and delivered for a certain market with a certain process and in exchange of a value is called product. This can be tangible or intangible. (Griffin & Ebert 2004, 308-313)



Considering customer's needs marketers must deliver a descriptive package quoting what a customer really buys when they purchase a product. This kind of understanding means that every product has a value in its pricing which provides benefits to satisfy customer needs and wants. Only this method ensures that marketers formulate strategies effectively. (Griffin & Ebert 2004 308-313)

A product can be tangible or intangible. In both cases customers get value of what they buy. For example, a rechargeable battery with 10 hours long lasting capacity. In addition, to attract customer's marketers can also provide: batteries that have two years guarantee. So then the buyer becomes happy to know this after sales service too. (Griffin & Ebert 2004, 308-313)

Today buyers expect to receive products or services with a greater value and with a reasonable price. Marketers call this the 'value package.' Below are some possible attributes of a package trip (travel agency product) that a customer might consider in time of purchasing the services:

- Crystal clear trip itinerary
- choices from a variety of destinations
- choices of accommodation and transportation
- reasonable price range
- simple process of purchasing
- credit card protection
- comfortable and safe
- insurance services, etc

Though package trips from a travel agency is work involving different media such as Airline Company, hotel and others. In that case feedback from the customer goes to the travel agency as well as service provider too. (Griffin & Ebert 2004, 308-313)

### Classifying Goods and Services

There are two types of buyers according to different groups of products: (i) Consumer products interest group and (ii) Service interest group.

But surprisingly the methods of marketing are quite similar. Both types of products market to the customers through newspapers, magazines, radio, TV, billboards, etc. (Griffin & Ebert 2004, 308-313)

### Goods

The definition of goods refers to a tangible object that is economically benefited and made for consumption and to satisfy a certain group of people. (Griffin & Ebert 2004, 308-313)

More specifically, when people go into a shopping mall, what they put in a shopping basket are all tangible goods. Purchases from online stores seem to be good as long as this product is shipped to the buyers address. (Griffin & Ebert 2004, 308-313)

### Services

Services are a kind of activity that one party can offer to another. This kind of product may or may not be related with a physical touch. Activities such as renting a hotel room, buying a flight ticket, hair cutting, consultancy, etc are service related products. (Kotler & Armstrong 1997, 263-266)

A company must consider four special characteristics when designing marketing programmes, these are: intangibility, inseparability, variability and perishability.

Figure 3 has described these more:

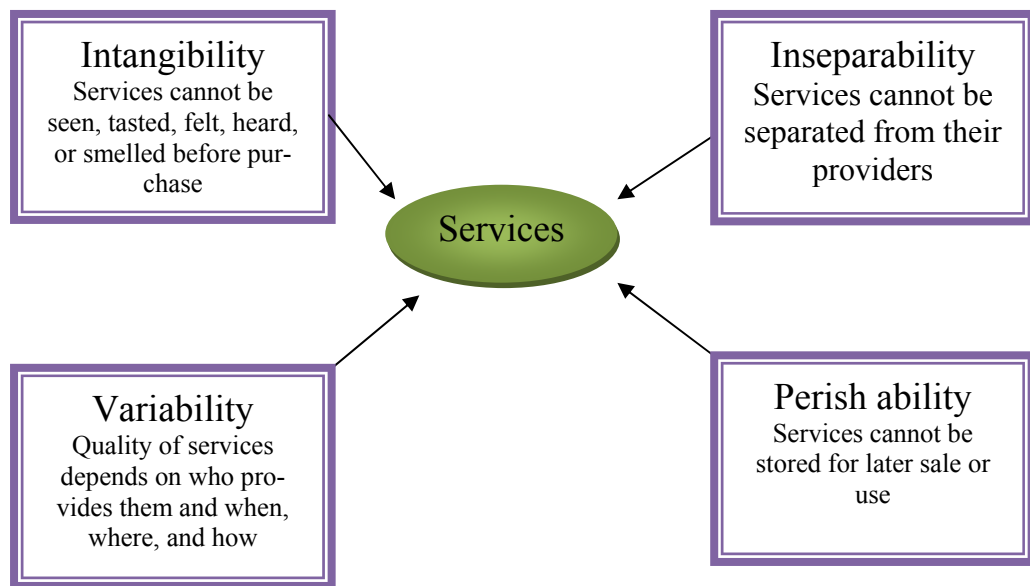


Figure 3. *Service marketing. Kotler & Armstrong (1997, 263-272)*

Service intangibility means, that a service cannot be seen before they are bought or served. For example, an airline ticket bought before the flight is nothing but a promise of a safe and comfortable journey of a passenger from one destination to another.

Service Inseparability means that a service cannot be separated nor from the customer or from the provider. For example, consultants who consult to their customers both party affects with the outcome of the service.

Service Variability means, the quality of service at the time it is given. For example, in a travel agency one agent may be fluent and faster than another agent, in delivering customer services and solving their queries.

Service Perishability means that a service cannot be stored for later sale. For example if a patient missed his or her doctor's appointment, a doctor may charge an extra fee because the service value existed only at that point of the time scheduled. (Kotler & Armstrong 1997, 263-266)

### 2.3.2 Price

In this process of the marketing mix, pricing comes after preparing the product. In pricing managers decide the value of a product according to its cost and profit margin. The discussion below is about the objective of product pricing and then elaborate on some major segments and tools that companies follow in pricing their products.

#### Objectives of pricing

Usually a company makes pricing to meet business objectives but it also includes satisfying other objects related to building up a product. Pricing of a product differs in different markets. Some companies have a monopolised market with their unique product and some have only the right to do business on a specific market. Pricing also depends on corporate image, social value, market condition, and geographical condition or situation. (Ricky & Ronald 2004, 319-366)

#### Profit-Maximizing Objectives

Maximizing profit is sometimes very tricky. Low prices sometimes give a bad image about the company or on the other hand it can lead to high volume. A high price sells low volume of products but keep a standard of quality and company image. For example, low prices from Telecomunication service providers enable them to sell more, but places huge pressure on their network in regards to volume. But high price can attract more customers with a high quality of services and benefits. On the other hand high prices return a company's cost and effort within a short time but low prices take time and often take longer than expected. To reduce this kind of problem companies try to set a reasonable price which can return minimum profits but will keep the value of the company and customer. (Ricky & Ronald 2004, 319-366)

#### Market Share Objectives

Establishing market share in different markets often differs from one market to another. Sometimes it's easier than expected and sometimes it's take time to achieve this objective. In the long run, a business must make profit to keep it running. A new com-

pany can set their prices lower in the beginning to attract more customers and to offer their customer to have a try, but they might have to be ready to make losses too. But for some established and well known companies this is easier than newcomers, because customers are more likely to buy a product that they are used to regardless of prices. (Ricky & Ronald 2004, 319-366)

### Other Objectives

In some conditions neither maximizing profit nor market share is the main objective. For example, in the time of recession in 2009 companies have tried to stay in the market with their maximum effort to keep their company running and to overcome the situation.

### Price Setting Segments and Tools

Regardless of the objectives, the company's managers measure the potential impact on deciding the final pricing. This may include all costs of producing a product and estimated profit of the company. Managers worldwide normally use two tools for this purpose: cost-oriented pricing and breakeven analysis. (Ricky & Ronald 2004, 319-366)

### Cost-oriented pricing

Cost oriented pricing considers the desire of making profit by covering product costs. A travel manager will make their trip pricing by calculating the costs of fares, worker wages, etc. Managers may include also rent, utility costs, insurance, and other fixed and variable costs.

Let's have an example of a package trip that costs 700€ altogether for a single person. If a manager sells this at 700€ it won't make any profit, nor will it make profit if it is sold for 850 or 900 or even 950. To have a mark-up a manager should compare the costs and profit. In this case if the reasonable mark-up is 600€ over costs, a package trip should amount to 1200€ selling price. A mark-up usually calculates as a percentage of selling price and is calculated as below:

Mark-up percentage = Mark-up/Sales price

For my trip price, the mark-up percentage is 50%:

Mark-up percentage =  $600/1200 = 50\%/600$

This mark-up of .50 for a trip will be gross profit of 600 euro. Out of this profit the manager has to cover the product making costs, utility costs, insurance, rent, wages etc. (Ricky & Ronald 2004, 319-366)

Breakeven analysis

To cover variable costs, a manager of a firm uses cost oriented pricing that changes with every single unit of products produced and sold. It will also produce money to cover the firm's fixed costs- that are fixed regardless the number of product produced or sold. Break-even analysis costs versus revenues for various volumes. It shows, at any particular selling price, the financial result, the amount of loss or profit for the company. (Ricky & Ronald 2004, 319-366)

To continue with the Package trip example, the manufacturing cost for a single trip is 700€. Then there are fixed costs for one year 5.00.000€. The amount of total trip sold in a year does not affect these fixed costs. And variable costs depend on the amount of products sold every day. Therefore, we must know how many trips a manager should sell to cover both fixed and variable costs. We can find the solution of the query below. In calculating the breakeven point of my example package trip let's have a look at the table below.

Table 4 *Break even analysis (Ricky & Ronald 2004, 319-366)*

Fixed costs	500000€
Variable costs	700€
Unit price of a single trip	1200€
Break even point	$= \text{Fixed costs} / (\text{Unit price} - \text{Variable unit costs})$ $= 500000 / (1200 - 700) \text{ €}$ $= 1000 \text{ trips}$

So, it means if 1000 sales are made in a year a company can cover all its costs but will not make any profit. In order to any make profit they have to sell more and the number should be exceeding 1000 trips. (Ricky & Ronald 2004, 319-366)

### 2.3.3 Promotion

Promotion is a way to advertise, to attract and finally to sell a product to customers. It is a part of the communication mix: the total message any company sends to its future customer concerning any product development or to launch any new product or to have some seasonal sale. For customers, this is nice to have their expected product with a lower price but it is nicer when prices also come down and the amounts of products rise or come with some extra features. (Ricky & Ronald 2004, 319-366). Below we will discuss some promotional objectives of a company.

#### Promotional Objectives

The core objective of giving promotion is to have a product at a discounted price. In addition, a company can communicate information with their customers, position product against competitors, and they can add value. (Ricky & Ronald 2004, 319-366)

### Communicating Information

Consumer need to know about the product before they buy it. Thus communicating information may advise customers about a product and its features. (Ricky & Ronald 2004, 319-366)

### Positioning

Positioning means to place an image of a product in customer's mind. Positioning a product is difficult because the company tries to attract some specific market segments rather than the market as a whole. In this case the company needs to identify which market segment they are targeting and who are their competitors. (Ricky & Ronald 2004, 319-366)

### Adding Value

Value addition means to offer customers the same product but with a lower price. This is actually done by cutting product advertising costs and replacing that cost by giving them discounts in the time of selling that product. (Ricky & Ronald 2004, 319-366)

### Controlling Sales Volume

Companies like Hallmark card producers experience seasonal sales patterns. So to balance sales volume in off season they give discounts and offers. This way the company can balance their volume of production and they can keep running this balance across the year. (Ricky & Ronald 2004, 319-366)



### 2.3.4 Place

Place refers to the channel of product distribution. It may be from factory to outlet or from outlet to final customer or from factory to customer. Selecting an appropriate distribution channel is a strategic process. This determines both the amount and cost of a product and market demand. Normally marketers are determined to keep the enough flow of their product. (Ricky & Ronald 2004, 319-366)

Below there are three strategies: intensive, exclusive, and selective distribution that provide different forms of products distribution channels.

- Intensive distribution: Intensive distribution means distributing products through as many different channels as possible. These may vary from product to product. Retail products like milk, sugar etc can enter into the market through different channel members of channels.
- Exclusive distribution: Here the manufacturer has the right to distribute its products to a specific channel. This kind of distribution only applies in high cost products such as distributing Audi cars. An airline product also belongs to this category as only the manufacturers have the right to select its distribution channels.
- Selective distribution: This kind of distribution channels only specified on one kind of product. Such as furniture or electronic items only displayed in a furniture shop or electronic shops respectively. (Ricky & Ronald 2004, 319-366)

Moreover, internet based online shops are becoming very popular nowadays. Customers feel very comfortable to order or purchase a product from online shops rather than going to a supermarket. As online shops are a place where customers from all over the world can visit and buy products and get information about any product. It is getting popular for all types of products now a day. In addition to this, it has low costs and set-up fees as well as low barriers to enter into the market. The medium of payment through credit cards or from direct bank accounts is also raising the demand of internet based shops. (Ricky & Ronald 2004, 319-366)

## 2.4 Competitor analysis

In this ever changing business environment competitor analysis is needed in all levels of business. Some firms may find it difficult to cope up with their competitor's strategy and may form their own strategy targeting a certain group of customers. On the other hand, some may think this is only the way that a firm may bring business if they can compete with their competitors' given prices in the market. However, a company has two strategies to analyse whenever they formulate a competitors' approach: 1.) Who are the competitors and 2) What are their motives? (Li 2002, 39)

To find out who are the competitors of one's business you have to look at the market and the similarities between products or services. Here they can additionally look for the same manufacturer, service provider, what are their value prices, and the customers' response to their products etc.

From the customers' loyalty and comments on another company's product, a company can sort out the reason why their competitors are providing this or that service. Also a company can identify what they want from their pricing and how they can achieve their breakeven point, along with what are the future changes coming from any specific advertisement. (Ricky & Ronald 2004, 161-163)

However, knowledge of competitors' resources and capabilities is necessary to perform competitively. Before starting a big change in acquiring an additional resource there must be different modifications and advertisements in operation. From analysing the competitors' SWOT we know the competitors' capabilities. (HRM advice & NetMBA.com 2008 online)

Finally, to analyse competitors' future target and strategy, it is easier to look on what are the upcoming new technologies and new product or services in competitor's product line is going to add. In addition with that, a company itself should be stable with enough funds and financial stability, necessary resources so that they can compete with competitor's market strategy. (HRM advice & NetMBA.com 2008 online)

## 2.5 SWOT analysis

SWOT analysis is a kind of analysis that can be done at a certain point of time. It examines the company's current level of strengths, weaknesses, opportunities and threats. More specifically, to get an understanding of a company's internal operation, strengths and weaknesses are the tools to judge and to have the information of companies' external knowledge of opportunities and threats are the means of judgment. See Figure 4 for more specific description of SWOT analysis of a company. (HRM advice & NetMBA.com 2008 online)

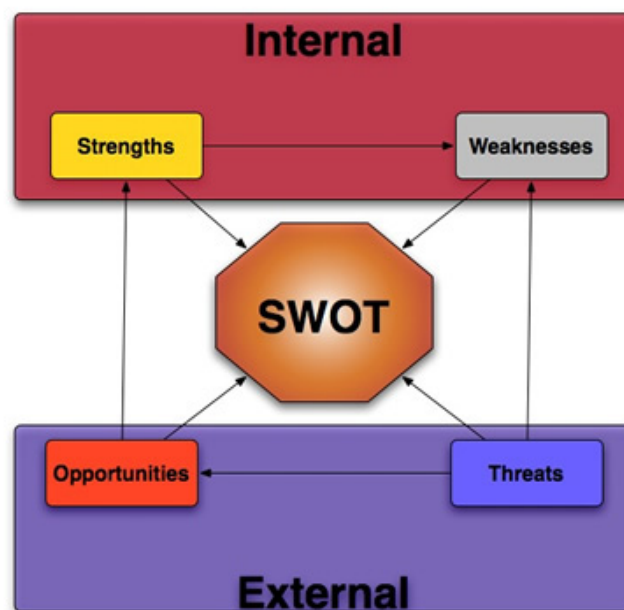


Figure 4 *SWOT analysis (HRM advice, 2008 online)*

Strengths and weaknesses show a company's financial stability, brand image, employee perception on a company's growth, market share, operational efficiency, resource management and so on. This analysis finds out how strongly a company can respond to their competitors' strategy and how long they can survive with that. (HRM advice & NetMBA.com 2008 online)

On the other way, knowing about external operations, analyzing opportunities and threats allow a company to draw a picture of future growth and threats. Opportunities and threat analysis includes competitors' status analysis, market trends, supplier, envi-

ronmental reaction, political stability, new technologies, partners etc. (HRM advice & NetMBA.com 2008 online)

## 2 RESEARCH METHOD AND PROCESS

### 3.1 Choice of methodology

This work is based on qualitative study. Data collections for the literature part were carried out through the internship period from several sources. The empirical part of the study has managed during the work placement and after the placement being employee in the same company.

According to the research plan, MT was selected as a case company due to the scope of its business development. The objective of this research was extremely important for the case company in order to compete in the market and to maintain a sustainable growth. The theoretical part of this research gave a clear understanding of the objectives and the empirical component compares and tests the existing theoretical model of the topic. Perhaps, this case study gives an outstanding of gaining knowledge of travel agency business and ways to faster growth.

The necessity of giving deep concentration through the research process was understandable. Because of the nature of the topic, it is a qualitative method in order to analyse the data. In order to understand the company's present situation properly, it was tried to find out questions such as the present condition of travel agency business, MT's situation in the existing market, competitor's analysis, product development and future scope of growth. Therefore below, there is a SWOT analysis of MT on the above mentioned points.

According to Uwe (2006, 215-217, 32-43), there are three different types of qualitative approaches that are logically being considered as the ways of qualitative research. Number one is from traditions of symbolic interactions and phenomenology; the second one is ethnomethodology and constructionist based on human daily routines and in the making social reality; and the third one is structuralize or psychoanalytic positions assume unconscious psychological structures and mechanisms. In my research, it has described the part of phenomenology of philosophical movements. The phenomenology actually put conditions on the topic or subjects that have been studied out in

the research, such as judgements, perceptions and emotions. So, here the view point of a subject gives the conditions of the subject or topic. These procedures also analyse data that comes from semi-structured or narrative interviews, and procedures of coding and content analysis.

The final overview of the analysis will help MT to launch new product(s) to the market and better possibilities of future growth. The Figure 5 described the problem and process of the research.

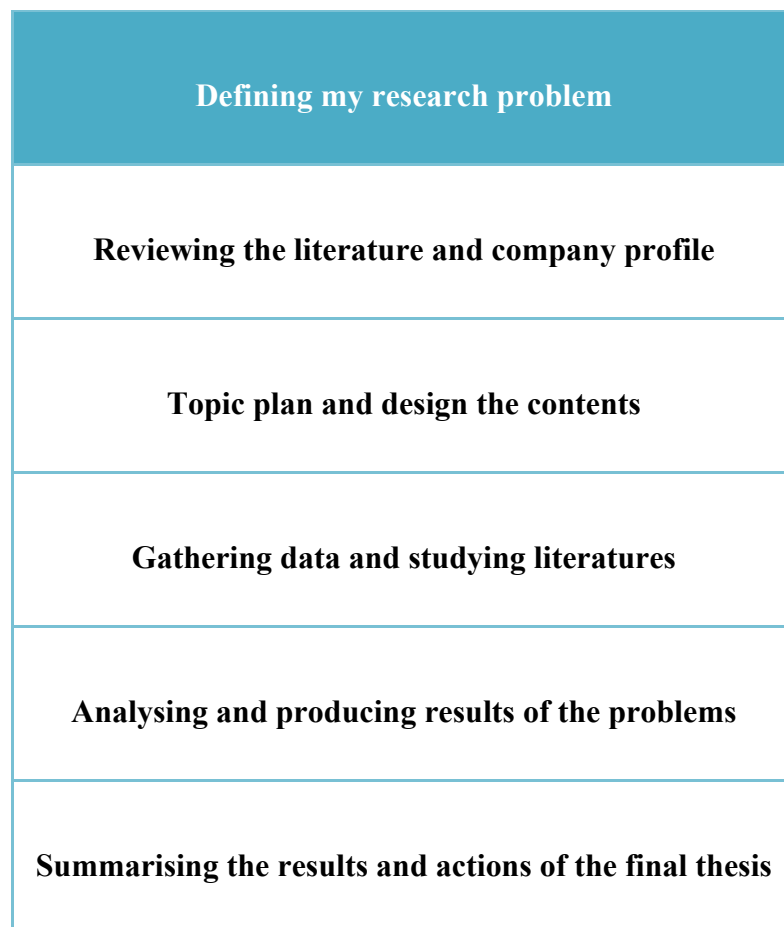


Figure 5 *the research process for MT*

It shows that the process starts with an overview of subject related literature and the industry profile. Then it designs the whole process of work in contents from where it has basically started the work with literatures and analysis. The outcome of the analysis is summarised in the final result and produced as a final work.

## 3.2 Data collection

### 3.2.1 Secondary sources

The secondary sources of data were collected through different channels, such as from reading journals, articles, company brochures, different publications and also from a daylong workshop in Istanbul. Moreover, the concepts of product development process and strategy have been gathered from different books and articles.

As a BBA student, at the very beginning it was challenging for at least to find out proper travel agency related literatures for the research topic. Later, with a concentration on the topic related articles in the university online library provides most valuable source of data's. These sources included articles and journals. The existing company related data has been taken from the company webpage, from the colleagues and from the company's brochure.

### 3.2.2 The Empirical study

The core part of the research work has come from this part. Several discussions with the company's MD and colleagues provide the guidelines of travel agency business. Moreover, visiting different events and talking with different people during the whole internship period and afterwards working with the same company have broadened the knowledge about travel industry. Jankowicz (1995) has quoted that, during the project work a researcher will conduct several informal meetings with people from different perspectives. Some of those meetings may involve conversation with valuable source of ideas and information or sources of information that can provide a researcher an outstanding shape or perceptions of the subject. So far, several discussions with MT's MD and colleagues who are professionals in the field of travel industry for last 6 and 3 years respectively provides company's view of future vision and strategy. The discussion with Murad A. (2009) about the problems that the company is facing at present, why they are becoming the sufferer of financial crisis etc was notable for the final analysis. Later there was an incentive discussion with the marketing director of MT Abrar E. (2009) on what they think about their competitors, what are the areas where they can improve themselves, what resources they have to cope up with the current

situation and to find out something better. Meanwhile collecting their valuable suggestions and perceptions in a written form was useful and later analyse those in the research.

During a company trip in Istanbul, for a day long workshop with different travel professionals of Finland and travel operators in Turkey, to know better about travel industry and making a package trip to destinations like in Turkey provides an hands on experiences. It has given a clear understanding of choosing destinations and according to that looking for the questions why customer will like to go there. Later, concentration come on the existing hotels and flights provider and the process then goes to the final product. This kind of understandings and the possibility of future businesses have given more benefits to find out the result of the research topic.

Direct observation was another part of the empirical study. Yin (1994), has mentioned that, observational evidence is often effective to produce additional information about the research topic being studied. Since the research problem has the possibility to compete with existing market competitors. In the beginning, concentration was to know and learn how MT and its competitors are operating their business and what are the opportunities and weakness. Observation is continued till the end of the research and it was proved that this quality of habits showed the ways of sorting out problems and opportunities. Therefore, it was easy to cope up with the changing circumstance and taking necessary steps to finalize the research result.

Participant observation was a more commonly used form of observation in the research. It has provided the idea of customers' need and the lacking of the company. The study also showed the flexibility of choosing the possible developments that is required for the case company. Moreover, the freedoms of different ideas and perception have provided the zest of the research outcome. (Uwe 2006, 215-217)

The most common and suitable strategy for data analysis is to follow the theoretical propositions that led to the case study. This method of approaching would have given the plan and in addition would have prioritised the relevant strategy. Answering how and why related questions in theoretical part give a guideline of the planned actions. (Fan 2007, 32-38)



The core plan for this research is to summarize a product development strategy for MT and to suggest a new product plan. In order to achieve this goal, both theoretical and empirical findings are compared to each other. The best way of defining this strategy is to gather information in theoretical part and from that produce an action plan.

### 3.2.3 Validity of the study

According to Mason's (1996, 147), 'you should be asking yourself, how well matched is the logic of the method to the kinds of research questions you are asking and the kind of social explanation you are intending to develop.'

The research approach was conducted with the core supervision of the company's Managing Director and travel professionals. All the necessary information and ideas mentioned here are supervised through different steps and are made according to the real benefit for the company and for real business possibilities. The research purpose was to gain the reliability of MT, when MT has presented the newly made product idea in the "Helsinki Travel Fair 2010" and it got a huge response from our product partners and customers.

For the part of product development, it was concentrated on the quick responses of company's MD and employees and have sharpened ideas from their opinions and tried to justify also with the customer responses.

### 3.2.4 Reliability of the study

Reliability judges the accuracy of the research methods and techniques. Therefore, the data that have gathered from different sources are based on the necessity of the product ideas. The theoretical part presented here is purely based on different articles, books and reliable web sources. In the empirical part, the given information is totally based on the proposed product development and new product ideas. Therefore, it has taken information specified with sources from the product partner's web pages.

It was difficult to analyse the competitors strategy when analysing the reliability of the competitor's strategy. On the competitors' web site and in other articles there was

mainly general information and current events and discussion. But the main idea of the competitors' strategy has been gathered from discussions and perceptions.

Moreover, the hands on knowledge of making a package trip came from the workshop that had been in Istanbul on 19<sup>th</sup> November 2009. It was a three day (18.11.09-20.11.09) trip along with 15 other travel professionals from different parts and companies in Finland. The trip has been financed by the Turkish-European Tourism Council in association with the Turkish Ministry of Culture and Tourism and Turkish Airlines. In the workshop we had the opportunity to meet with world renowned hotel chain operators and travel agents from all over Turkish touristic destinations. We had individual meetings with each of them and we discussed about the future possibilities of doing business in co-operation with both parties. We had to explain our own company's activities and they had explained what they have and in combination with the both sides how we can bring business for each other. It was a truly effective discussion of both parties and the discussion lasted quite long when we realized we had possibilities.

The feedback of the trip to the MD and the discussions about the potential of future business with the Turkish counterparts provides MT, future thoughts of new business. Combining the knowledge of the workshop and package idea to Vietnam the research has started to work faster than before. So, whenever data were gathered containing the research problem it found all the reliable information from the sources used to do this research. The research approach has a target and the tools are well established in each field. From that point of view, also the research is purely reliable and effective for the case company.

## 4 PRODUCT DEVELOPMENT PLAN FOR CASE COMPANY

### 4.1 Introduction of Moon Travel

Moon travel is an IATA accredited travel agency situated in the heart of Helsinki. It started its business in June 2004. Since its operation has begun, it has achieved lots of customers as well as good reputation. The biggest achievement of Moon Travel (MT) is that it has received the award of best seller in Finland on behalf of Turkish Airline twice.

It has sales of around 1.25 million Euros dated on 04.12.2009 and last year beginning from January to December it had sales of around 1.423 million Euros. The most profitable year was in 2006 when its operation began and the sales volume amounted to approximately more than 1.56 million Euros. In comparison last year and this year the whole sales of MT decreased about .173 million Euros dated 04.12.2009. See appendix 1 for a detail of monthly sales of MT. (Moon Travel 2009)

Selling airline tickets on behalf of different air companies is the main product of MT's business. In addition with air tickets MT also sells hotel accommodations to their customers. And both take place with individual customer requirement(s). For example, some customers want to travel within their home country or some travel from abroad for business related tasks. In the first case customers only buy air tickets while business customers additionally ask if we can provide them hotel too. So, each service comes with different bills and is comparatively expensive from a package trip. MT on that sense is a travel agency who only sells air tickets and hotels with a marginal profit. These services do not mean package trip.

Therefore again the aim of the research come with sorting out different possibilities to develop MT product by offering package tours and making a customer oriented trip were always in the research objective. The package will include air tickets, hotels, guides and so on.

## 4.2 Executive summary

The mission of MT is to increase their profit margin from current levels by escalating sales volume. To fulfil this target MT needs to concentrate on developing their current product and to add new products in their product line. This product development plan will help MT to become profitable and competitive in their market and will drive their sales growth.

As part of developing existing products it was concentrated on different steps of the business scope. With two segmentations of business possibility it was easier to find out the importance of tasks. The first segmentation is 'active and effective development' and the next one is 'gradual development'.

As the part of 'active and effective development', it was decided to include those developments of a product that can be achieved with company's present resources. Activities such as instant advertisement, website advertisement, notifying offers to the customers, providing value for money and optimum customer services are on this list.

In the 'gradual development' part, there is the business expansion plan towards offering a package trip to the travel loving customers. After analysing the travel agency business and current market growth towards the tourism sector, MT travel needs to concentrate on travel packages as part of their new product development. Primarily it was challenging to choose a profitable destination and sort out the profit from that. But after a challenging start with the destination to Vietnam, MT now concentrates deeply on this market for their future package trip.

Moon travel sells only airline tickets and hotels in different destinations. They have professional travel agents, who provide the availability of seats to the customers. Their prices are provided from different airlines and then come with an agency commission. From this current business, profit is stable with limited earning capabilities. From that sense adding this package trip will definitely drive their sales growth. This will be made with a collaboration of Buffalo tour, Vietnam Airline and Moon Travel.

### 4.3 Product development strategy

Here the part of balanced scorecard will give the answer of how the approach towards the research goal should be attained. In the proposed idea of overall product plan it seems that there are some segments which need time to develop and there are something else to do that can be done in a short time period and it will also respond rather soon. So, this idea ends up by segmenting the proposed product development plan into two categories.

- active and effective development
- gradual development

#### 4.3.1 Active and effective development

To get the full benefit of MT's website it is necessary to update their site more. It was suggested to them to add an option on their website with present offers and these offers would have a time limit. So that it would be easier for customers to look on a website and prepare their travel plan. Additionally, they can reserve also online and can confirm their journey too.

Moreover, this is a kind of advertising tool too. In addition, as MT has a strong hotel partner, the opportunity of using MT's this existing resource will benefit them more. This plan can be placed with air tickets plus the hotel price. The itinerary for both air and hotel can be available in the website.

Sometimes there will be some instant offers which will be effective if they can put those also on company's website and this way it will raise the traffic on MT's webpage, and also increase reservations.

#### 4.3.2 Gradual development

There's a very common understanding of the travel agency business that they rarely need any investments. In my product strategy I am going to describe the possible mar-

ket and market demand to Finnish and foreign travellers. Here my strategy will be purely based on Vietnam as a holiday destination and delivering a profitable product strategy and plan. In addition with that MT will work as the middle man of this business. Below in Figure 6 it showed the position of MT in this partnership business contract.



Figure 6 *Product partners*

In appendix 2 it has attached a copy of the proposed advertisement that includes the most attractive destinations in Vietnam including Saigon, Nha Trang, Hoi An, Hue, China Beach and Da Nang. MT have visited these places and have an extraordinary image of those attractive places. MT's target is to represent these destinations with a variety of cultural and life habits to their customer.

Along with these attractive destinations it was planned to offer some well designed hotels and resorts that offer nature based health care services such as spa and fitness training. Pilgrimage village is one of the examples of a diversified 5 star hotel that offers you the touch of nature in your mind and promises to serve delicious foods and a peaceful stay.

Vietnam air has already provided MT the pricing of air fare of different seasons (see appendix 2). In addition with that the hotel providers has different pricing according to customer choice and demand. Finally, when MT get the final product that is the combination of both parties' price and service.

#### 4.4 Description of the proposed new product idea

The new product idea is a week long holiday trip to different destinations inside Vietnam. The product has been made by partnering with Buffalo tour Vietnam, Vietnam airline and Moon Travel. MT will arrange the trip according to the customer's choice and demand. Price will be based on that and will be varied according to the customers' demand(s). A trip price will include a return air ticket, hotel(s), food and airport pickup. Tourist will then be transferred to buffalo tour operators in Vietnam with a Vietnam airline flight. See appendixes 2.

According to this business idea Moon Travel has already made a contract with buffalo tour for trip guiding inside Vietnam. They will co-operate the whole process with us and will handle each customer individually. At Present both parties are negotiating to keep a minimum commission from each individual customer.

Moreover, Vietnam airline is already MT's partner airline. They have provided them a fixed rate of the air price and this price varies according to availability and season. However, in the low season the air ticket to Ho Chi Minh or Hanoi will cost about 790 Euros.

After deducting the air ticket and hotel price, it was noticed that there is a 10 percent profit on each customer.

##### 4.4.1 Vietnam as a holiday destination

Asia has a dramatic coastline, colourful weather, enriched history, diversified taste of life all of which entices customers. The world is in Vietnam, the latest dragon of Asian tourism. Vietnam is a nation who has had war after war and survived colonialism and communism and is now getting up to speed with business and the capitalist world. (Lonelyplanet 2009 online)

Hanoi is Vietnam's captivating capital. One can rise early to watch the city exercise by Hoan Kiem Lake, and then you can pay your respects in person to Uncle Ho at the Ho Chi Minh Mausoleum (a truly surreal experience). See if you can locate 'pickled

fish street' in the Old Quarter (it's somewhere near 'Wooden Bowls street'), and cool off with a draught beer at 'Bia hoi junction' (a truly rewarding experience). (Lonelyplanet 2009 online)

Hoi An is a tailor made city with colorful traditional dresses. With an estimated 300 to 500 tailors working in this beautiful city. The color of those tailors and eye catching unique designs may weight up tourists baggage much more then they think. (Lonelyplanet 2009 online)

Eventually one will be enticed out of the city by the stunning offerings of the country's Northern provinces. Nothing can compare with the beauty of Halong Bay and its 2000 limestone karsts, nor the experience of trekking around mountainous Spa. Vietnam has it all. Go expecting the unexpected, be ready for an adventure as much as a holiday, and Vietnam will deliver. (Lonelyplanet 2009 online)

#### 4.4.2 Product partner

In order to produce an attractive and profitable product MT needed to choose a strong and experienced product partner. From that perspective MT choose Vietnam airline and Buffalo tour to be MT's partner in the new product. To offer an effective value on what customers buy, both product partners were co-operative with MT along with the whole planning process. On behalf of Vietnam airline and Buffalo tour MT's professionals have been in a trip to visit the destinations in Vietnam. They offered them the most attractive destinations that can deliver a value to the travel loving customer. As MT is a service seller they have to offer the value of the money. Moreover, competitive prices from MT's partner and services have made the new product plan more effective than MT's competitors. Amadeus is one of MT's core partners which provides MT with the cheapest available seats and a competitive price included with taxes and everything. As MT prices are final price from their system they do not need to give any additional taxes or service charges. In addition with a tour package, cheap airline tickets also boost MT's profit margin.

Below I will have a description of MT's product partners and each of them gives MT a stable and suitable price for their customers.



#### 4.4.2.1 Vietnam air

Since the beginning of Vietnam airline in January 1956 with some domestic flights, it has grown up sharply along with world aviation industries. For the last 15 years Vietnam air has kept their national flag flyer on the world sky with a growth of 10 percent every year. (Vietnam airline 2008 online)

In 2002 they have started to build up their image with a development of their logo and colour, adding a new fleet which includes Boeing planes and so on. Currently they have services between 20 domestic destinations and 40 international destinations and including code share services. (Vietnam airline 2008 online)

In 2006, after being awarded the IATA Operational Safety Audit (IOSA) certificate, a strict safety standard set by Aviation Quality Services (AQS), Vietnam Airlines joined the International Air Transport Association (IATA) as an official member, affirming its international standard. (Vietnam airline 2008 online)

As a very young IATA member Vietnam airline is growing day after day. It is conquering Vietnam and delivering their culture to the rest of the world. With clear future growth it has signed their largest ever order of 12 Boeing B787s, 10 Airbus A350-900, 20 Airbus A321 and 5 ATR72-500 aircrafts in 2007. The airline is expected to reach 104 and 150 modern aircrafts in 2015 and 2020, respectively making solid steps in integrating into the global aviation industry as a truly regional carrier of choice, which is fully ingrained with Vietnamese traditional culture. (Vietnam airline 2008 online)

#### 4.4.2.2 Buffalo Tour

Buffalo tour was established in 1995 with a view of serving travel lover customer in and around Vietnam. Later with operations in Vietnam, Thailand, Cambodia and Laos it has grown more than expected. In a rough estimate, last year they had served around 16000 travellers with English, French, German, Spanish and Russian guides. More or less they currently have around 200 full and part-time employees. (Buffalo tour 2009 online)

There are some very good reasons why travelling with Buffalo tour is enjoyable. Below I have stated some of those reasons for travelling with them:

- 14 years of experience in Asian travel industries concentrating on Indochina.
- Well qualified western style travel professionals.
- Award winner from both national and international organizations.
- Passion to work for customer and to grow more.
- Ensuring quality of service by providing own professionals and inland vehicles.
- Offer the high quality value on what customer paid for.
- Customer oriented, motivated to serve, serious on the task provided.
- Experienced on places in Vietnam, Cambodia or Laos. Buffalo tour (2009 online

#### 4.5 Amadeus

Amadeus is now the world leading technology provider to the travel industry business. Currently they are providing flight availability, timetable, seats availability, flight status, etc. Moreover, they have over 70 000 hotel properties in different destinations. They also have a car rental facility in their system.

Since it was founded in 1987, and headquartered in Madrid Amadeus has become the biggest source for Global Distribution Systems (GDS) in booking travels, IT services and providing marketing on behalf of their system.

Also MT is using Amadeus the platform to reserve flights and hotels for their customers. They take a monthly charge for this kind of services. In Finland they have their own office in Helsinki where they provide support from their help desk to all of their travel agents. (Amadeus.net 2010 online)

#### 4.6 Price strategy

To make a standard pricing for MT, it was concentrated on competitors pricing. However, it was important to negotiate the pricing matter with the MT's Managing Director and other colleagues too. The standard pricing for an air ticket or travel package is

plus 40 percent from the total buying price including taxes. But the reality is much lower than official pricing tactics. It is recommended to use an average pricing system with MT products. Therefore, prices targeting the profit level from the total amount of buying price of a product will be highly recommended.

#### 4.6.1 Ticket pricing

MT's ticket prices come from Amadeus. Then the total price for MT comes with Amadeus price plus 40€ additional service charges. Prices for inside Europe are a little tricky for them. This is because; European tickets are rather cheaper sometime in airline WebPages. So MT cannot take higher prices for those destinations. In this case they need to add about 30€ service charges or 20€ after the Amadeus price. MT prices are at this moment competitive, if we compare this with different competitors. But for some destinations MT's prices are slightly higher than others. For example prices from internet based travel agency take rather less service charge than MT takes.

For an active and effective business strategy it was suggested to MT to add the value of these prices by offering an after sales service such as changing of the tickets with minimum service charges, revalidating trips and offering assistance.

#### 4.6.2 Pricing for a package trip

The core target is to provide a competitive price is so, that can also cover all the costs and service charges. For that reason it was asked for prices from the partners. As mentioned in appendix 3, Vietnam air prices (prices are based on availability), buffalo tour prices (including hotels and inland transport) is on average 500 Euros, that is promised to offer an all year round cost and MT service charges.

In pricing the final product it will follow a market share pricing strategy. Where it will keep the profit that can only cover the service. Later based on the demand and growth of the proposed product MT can increase prices by negotiating with their partners. However, demand always raises the price of a product. It has been estimated that at the present level of business, MT has the following costs and profit in table 5, the table is based on a monthly period in Euros:

Table 5 *MT's profit at present level*

<b>Costs</b>		<b>Sales</b>		<b>Profit</b>	
Rent	960	Tickets	220		
Amadeus	650	Commission	40		
Salary	3300				
Insurance	700				
Stationeries	150				
Others	200				
<b>Total</b>	<b>5960</b>	<b>Profit from ticketing</b>	<b>8800</b>	<b>Profit after deducting costs</b>	<b>2840,00</b>

After this analysis of adding a new product in MT's product line it has been estimated and approved by the MD of MT that in future the business can grow till that much. In table 6 it has given a prospective profit growth of MT after adding a new product in product line for a specific month in Euros:

Table 6 *Prospective sales for MT*

<b>Costs</b>		<b>Sales</b>		<b>Profit</b>	
Rent	960	Tickets	220		
Amadeus	650	Commission	40		
Salary 3300		<b>Profit</b>	<b>8800</b>		
Insurance	700		20		
Stationeries	150		100		
Others	200	<b>Profit</b>	<b>2000</b>		
<b>Total costs</b>	<b>5960,00</b>		<b>10800</b>	<b>deducting costs</b>	<b>4840,00</b>

So, the

pricing strategy seems that it will make the profit double in a specific month if it can achieve the targeted sales. The main positive feature here is that MT will have same costs and resources as they have now additionally they will need a few advertisements only. Moreover, comparing prices with the competitors seems much lower. The notable achievement is that with the same resource but adding a new product may return double from present MT profit. This pricing strategy only covers the service charges at present but in future it should have more negotiation with the partners to provide them prices with a minimum commission so MT could survive better.

## 4.7 Promotional strategy

Promotions for MT should be handled with different sources of media. First and foremost is mouth to mouth advertisement. Therefore, to keep a strong communication with existing customers of MT it is important to inform them with new products and developments. However, there are a variety of ways that MT can follow to develop their promotional strategy. The quick and cheapest way of applying this strategy is to advertise on the company's own web page. Therefore, there should be a proper and customer comfortable web page. Moreover, advertising media and short length offers are also the way of effective promotion.

### 4.7.1 Advertising

Advertising is one of the ways that MT can promote their brand name to their customers. As there's nothing to advertise on behalf of the airline companies, so that to communicate with customers MT uses different advertisement policies, like giving advertisements in newspapers or magazines. This kind of media is one of the most suitable for MT's business advertisement. But this type of media has higher cost which is not affordable always to MT. Therefore, MT has their own net pages where they are providing all the updates of their everyday offers and information's. Participating in travel fairs also provides MT with enough support in advertising. As MT was in the Helsinki Travel Fair in 2010, they had a strong response from their prospective customer. In addition to that, sometimes different airlines provide some very low prices, allowing MT to use these as promotional offers at their door side stand. After all this means of advertisement, MT actually has very good mouth to mouth advertisement from its good services.

But the area that really needs to be improved is advertising along with their web page. It seems that MT still has an old version of their web page since its operation has begun. Therefore, they have less traffic on their website. It should also be suggested that MT can add short time offers from airline companies on their web page to increase traffic in their webpage. This might increase traffic on their webpage and may be an easier way to avoid high cost print media.

#### 4.7.2 Attractive offers

This kind of promotion may include a total price with hotel and air ticket. As they always searching for cheap availability and different offers. This is a good idea whenever they will get a cheaper price; just put together the whole price with a hotel and air tickets to their Webpage or in some other media to advertise. Moreover, it is easier to know the prices of 3 Months ahead as those prices are available for at least couple of day's time and hotels are also comparatively cheaper for journeys when booked a couple months in advance.

For example, prices of Turkish air to Istanbul for the summer season is 170 Euros and the hotel costs 70 Euros for 3 nights plus an MT service charge of 50 Euros for both hotel and air ticket. So the total price is 290 Euros.

#### 4.8 Place strategy

MT is situated in the heart of Helsinki. It has a good ratio of customer flow in the ir daily business. The street where MT is located has different Asian and African retail stores. Being located in this kind of vicinity it gives MT a multicultural and Finnish customer based business. In this case the location will have enough support and customer flow all year round.

#### 4.9 Competitors review

MT has two types of competitors in their business. The first is the office based travel agencies who are working in the same field as MT with a face to face service method. The Second one is net based travel agencies who are working with online reservation systems and through e-mailing, calling.

As MT has a world leading and reliable travel partner in Amadeus, it has no problem in getting the best prices from different airlines with some exception, but the competition comes when competitors make lower prices than MT from their service charges.

To avoid this kind of competition MT provides wonderful customer service and cooperation in everything they do. Hereafter sales service is more important to each customer. This way, the customer can easily contact MT and can discuss anything about their queries. After analysing customer handling strategies from different office based travel agencies, MT has a very good reputation in responding to every customer needs.

About the prices, MT's strategy is to have a minimum customer with a balanced service charge, while other competitors take lower charge with much more stress and hard work. For example, some travel agents only charge 2 Euros as their service charge which is really unacceptable after giving 20 minutes in reservation time or more.

#### 4.10 Current market trend

The market for travel agencies in Helsinki is very competitive. Moreover, the development of online selling of airline tickets and online travel agencies make the situation much more competitive. To keep up-to-date with this development MT needs to modify their web page by providing an English version of what they offer and implementing an online reservation system.

MT also concentrates on travellers who find difficulties in reserving tickets with several destinations enabling MT to attract these customers in buy their ticket form MT instead of online. Moreover, in providing a nice after sales service MT has attracted many new customers already.

Besides these online travel agency competitors, MT has three immediate competitors in its market named Myjet.fi, ebookers.fi and supersaver.fi.

In addition to this competitive environment MT is now suffering from a world financial crisis too. They have already tried to cope up with this but the situation is running against them not always very friendly. However, changes are the nature of the financial market. We hope that besides the financial crisis and environmental disasters, people will travel every now and then whenever they need to travel. To provide peo-



ple with a reasonable price and a comfortable journey should be the core concentration of MT's future business.

#### 4.11 SWOT analysis of Moon Travel

As MT needs to focus on their core business that is selling air tickets, they have the strength to provide all types of customers with a good travelling solution regardless European, Asian or African. They can provide air travel solution to all destinations where big companies are concentrating on package travel. If MT compares this strength with online travel agencies, MT is best at pricing and after sales services, where other online travel agencies can't provide those.

In comparing MT's competitors they have weaknesses in providing customers with travel support such as visa processing or cheap hotels. But a business is not specialized on everything.

MT has lots of customers who travel to Vietnam and to Southeast Asia. This can be a golden opportunity to gain a special negotiation with Vietnam airline to get the opportunity of being a single sales agent in Helsinki. Moreover, as the core idea of this thesis is to provide a package trip to Vietnam destinations, this is the time for MT to negotiate these above mentioned advantages from Vietnam Air. As MT is the most renowned travel agency in Helsinki for Asian people this is a wonderful opportunity to gain more customers in Asian destinations by providing them with extraordinary customer services.

To mention MT's threats it has to say that they are currently suffering from lack of professional staff. In addition to that, online travel agencies who are selling airline tickets will be on a big threat for office based small travel agencies.

If compare the external and internal analysis of MT's business trends and possibilities it comes with a picture like figure 7 below:

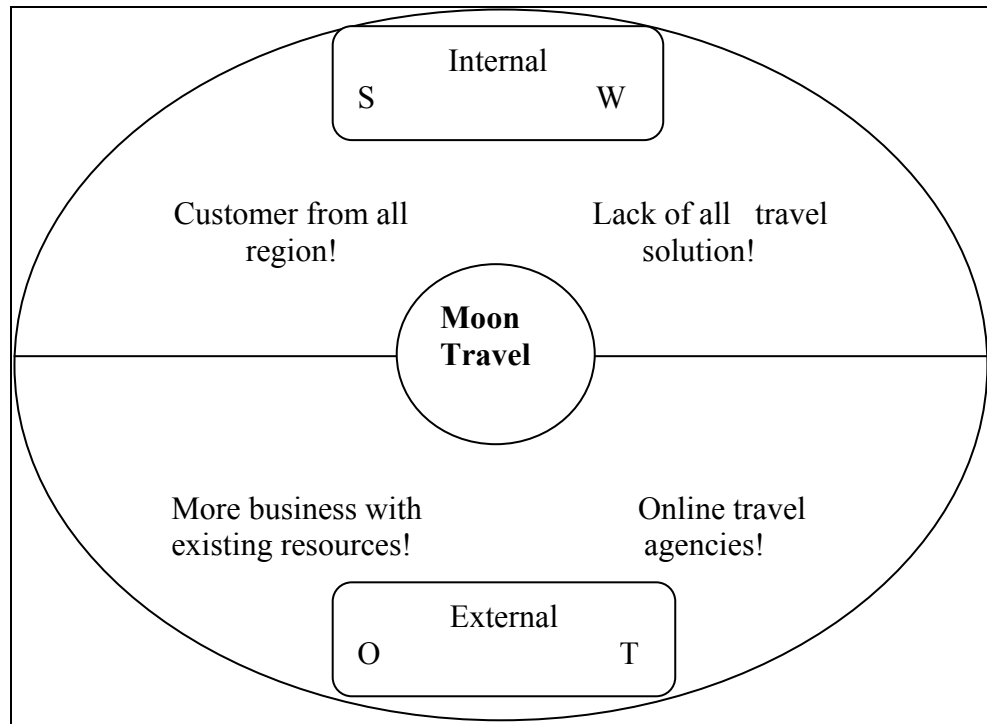


Figure 7 *SWOT analysis of MT*

However, to conclude with MT's future business policy it would be nice to mention that, this business is based on new ideas and technology. And both are coming into market every now and then. From that view of upcoming technological changes this is the time that MT needs to concentrate on the opportunities of those who are coming and those competitors who will compete with them. They have all the resources they need to expand their business; only by welcoming different opportunities they can gain more customers and profits. It is better to welcome the opportunities in their own business before it becomes a threat from other businesses.

#### 4.12 Continual growth of proposed product plan

MT has the vision to grow their business more in selling package trips to different destinations. From that vision the new product idea is to sell tour packages, which would be a wonderful start, and in future there will be more destinations. MT has their resources and experiences to perform as a winner in travel business. As soon as MT can avoid the current financial crisis, their attention will be on travel packages. Moreover, as MT's Vietnam project is in pipeline now, so its success will encourage them more in this development process.

Advertising and proper pricing could be a well advantage for MT and to gain more customers, proper advertising is only the way. Perhaps they can make a contract with an advertising agency for certain duration and by that way they may get some discounts from regular advertising.

Hiring professional staff or training present staff can be an additional benefit to sell more trips to the customer. With a proper presentation of the destination and clear contents of the whole trip, MT can increase their business image.

The Presented product strategy is not a permanent strategy. MT should modify this according to their new product demand and competitor's strategy. A good feedback from those customers who have already used MT's product should be appreciated because this can increase the product image more. In addition with that MT should handle customer's complaints with its core product partners.

Finally, to succeed in launching this new product and to keep going with that, MT should negotiate a sustainable pricing agreement with their partners as the present prices differ each month.

## 5 CONCLUSION

Travel agencies normally make profit from their service charges. It is obviously to say that to rise the profit level they must need to rise sales volume. In addition with that, an estimation of their costs and profit can also fix the target of monthly sales volume and monthly targeted commission. However, suggested product development plan is suitable only if the company apply that accordingly their needs and customer interests. This is only a suggestion to the case company of future possibilities and scopes of business.

The research is based on a travel agency where they are lacking of different possibilities with their existing resources. While doing the internship, I came to know about those possibilities and all the time I was knocking my work place supervisor to use those advantages. Later, I have found that using those ideas in the thesis will be beneficial. From that sense, this work presented the new product plan and suggested different possibilities of development work, that will fit well with the case company.

As this thesis topic is to offer the case company a strategic product development plan with a new product, in this regard it seems that the study is successful. It is also noted that with the same product attached in appendix 2, MT has participated in Helsinki Travel Fair 2010 successfully and have got huge response from their customer.

In the beginning of the research, it seems that the work needed to cover the travel industry part widely but later it was discovered that as the work is based on product development and it will be applied on a specific company. It is worthy to limit the research and to concentrate on the product only. Besides that, similar product related suggestions will support this company to run a balanced business and will give an updated image of the company.

The theory part properly explained about each segment of product development of a running business and in the core part where it actually provided only the ideas that will be useful for the case company.

Besides the sources used in the theoretical part there were also quite a lot different analysis of different web pages and discussions with my colleagues that were not included as a reference. In addition with the analysis of the competitors' web pages and their strategies were not mentioned.

The future of travel industry business is promising and challenging. The scope of the future study is undoubtedly must. This study was limited with a case company and its product development strategy. For future studies, it is necessary to cover the overall travel industry trends in Finland. Moreover, finding new destinations for travel loving people will be more challenging for the researcher.

In this study the theoretical and practical knowledge was applied and achieved from the experiences while studying at school and working in MT respectively. In the time of the research the sample product started to advertise, and this will be beneficial for the case company for a long time. Besides this mentioned suggestions that are already applied in different sectors of MT's business and some more will be applied after further analysis considering the importance and demand. However, that is now the task of the case company. This thesis will help me to be a professional in the travel industry. As long as I will work in MT, I have tried to summarise a product plan for this company with all my knowledge and I hope I will see the final success of my projects through the growth of MT.

Finally, the product development plan for MT is generally acceptable for any small travel agency. Obviously, the suggestions and results will need further study and care before any company implement this in real business possibility. But in regards of the research this study is done in a specific topic and topic related issues. Still there are lots of scope to develop and modify this business idea from another prospective and which requires further studies.

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## APPENDICES

## APPENDIX 1

## Yearly sales of Moon Travel

<b>Month</b>	<b>2008</b>	<b>2009</b>
January	77693,00	115745,00
February	69603,00	106175,50
March	129153,00	91004,00
April	130290,00	126854,00
May	128830,00	131339,70
June	130346,00	130157,00
July	109216,00	164656,69
August	97683,00	91819,32
September	121699,00	130882,00
October	149950,00	142964,00
November	91340,00	109338,00
December	14895,00	82840,10
<b>Total</b>	<b>1250698,00</b>	<b>1423775,31</b>

## APPENDIX 2

## Package plan for Moon Travel

**Inspiration travel to Vietnam**

Personal itinerary

Min. No of guests: 02

Trip Duration: 7 days

Puh. +358 9 7744 8811

E mail: [info@moontravel.fi](mailto:info@moontravel.fi)[www.moontravel.fi](http://www.moontravel.fi)

## SUGGESTED ITINERARY

**Day 1: Arrival Ho Chi Minh City**

Upon your arrival, our guide will meet you at the airport to hotel

**Day 2: Ho Chi Minh City free (B)**

Optional: Ho Chi Minh City – half day SIC tour. Price US\$ 35 per person.

Optional: Cu Chi tunnel – half day SIC tour. Price US\$ 40 per person.

**Day 3: Ho Chi Minh City – Flight to Phu Quoc (B)**

Flight to Phu Quoc. Upon your arrival; we accompany you to your hotel.

**Day 4: Phu Quoc free(B)**

Today is at leisure

**Day 5: Phu Quoc free(B)**

Today is at leisure

**Day 6: Phu Quoc free(B)**

Today is at leisure

**Day 7: Phu Quoc – flight to Ho Chi Minh City-Helsinki (B)**

Hot offer!

**Price 1300euro**

Including flight Hel-SGN-Hel + 3 star hotel + meals and others mentioned in the itinerary for one person.

**Price 1500euro**

Including flight Hel-SGN-Hel + 4 star hotel + meals and others mentioned in the itinerary for one person.

**Flight Itinerary from Helsinki - Ho Chi Minh – Helsinki 890€/person based on availability**

Finn air	HELSINKI	FRANKFURT
	0815	0955
Vietnam air	FRANKFURT	HO CHI MINH
	1441	0800+1
Vietnam air	HO CHI MINH	FRANKFURT
	2310	0630+1
Finn air	FRANKFURT	HELSINKI
	1045	1410

Please note that, none of the services have been booked and this proposal is subject to availability.

Prices vary based on availability, additional dates, destination or any special requirements etc. Please ask our team to provide you the best offer at the time of your expected travel date.

## APPENDIX 3

## Seasonal air fare for Vietnam travel package

Ho Chi Minh/Hanoi  
 Flight with Vietnam air  
 Low season period via Frankfurt(Germany)  
 21.8-20.10.2010  
 3-month ticket 790€  
 3-month ticket 840€  
 3-month ticket 940€  
 3-month ticket 1040€  
 6-month ticket 1140€  
 6-month ticket 1190€  
 Shoulder season period via Frankfurt  
 21.10-15.12.2010, 26.12.10 - 31.03.2010  
 3-month ticket 890€  
 3-month ticket 940€  
 3-month ticket 1110€  
 3-month ticket 1140€  
 6-month ticket 1240€  
 6-month ticket 1290€  
 High season period via Frankfurt  
 01.07-20.08.2010, 16.12-25.12.2010  
 3-month ticket 990€  
 3-month ticket 1090€  
 3-month ticket 1190€  
 6-month ticket 1290€  
 6-month ticket 1390€  
 Notice! If via Paris, plus 25 EUR  
 -----  
 Price  
 inc. taxes and s.charges  
 with return fare  
 Routing: Helsinki - Frankfurt/Paris - Hanoi  
 Hanoi - Frankfurt/Paris – Helsinki