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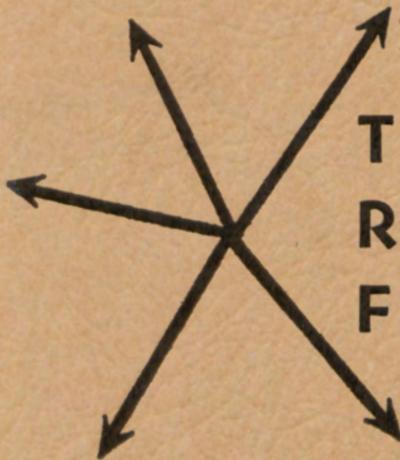
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PROCEEDINGS —

Twenty-third Annual Meeting

Volume XXIII • Number 1

1982



TRANSPORTATION RESEARCH FORUM

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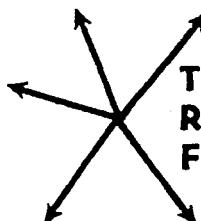
Theme:

“Developing Concinnity in Transportation”

October 28-30, 1982
Fairmont Hotel
New Orleans, LA

Volume XXIII • Number 1

1982



TRANSPORTATION RESEARCH FORUM

The Motor Coach Industry and Tourism: State-of-the-Art and Future Research Opportunities

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INTRODUCTION

TOURISM HAS, in recent years, assumed a new importance to providers of transportation, hotel and accessory services. Firms and government tourism agencies have rapidly recognized the need for a coordinated marketing approach to develop and service these developing markets. Transportation, hotel, accessory service, and government agencies have realized that the recognition, acceptance, and exploitation of their fundamental interdependence in these markets will result in higher profitability and greater economic benefits for all participants.

The first component of the industry to utilize a coordinated approach in tourism markets was the airline industry. Its strategies included the development of joint promotional programs with hotel firms which featured appeals to the vacation and recreational traveler. In recent years, two other components of the passenger transportation industry—AMTRAK and the motor coach industry—have pursued similar promotional strategies.

The motor coach industry, a significant potential tourism provider, has awakened from a long production-oriented preoccupation with regular-route transportation services. This new awareness has resulted from the motor coach industry's stagnant growth in traditional markets, the relatively high profit margins of tourism-oriented markets, the greater flexibility of motor coach activities, and the distinctive competencies that characterize motor coach operations including fuel and cost efficiencies.

At present, there is little research describing the nature and function of the relationship between the motor coach industry and tourism. As a consequence, there are substantial oppor-

tunities for academic researchers and practitioners to utilize their research skills in understanding this relationship and in helping the management of motor coach companies to increase their penetration of tourism markets.

The purpose of this paper is to explore the reasons for the involvement of the motor coach industry in tourism, the current knowledge of motor coach tourism markets, innovative marketing programs of carriers and lastly, future research needs from a marketing perspective.

THE MOTOR COACH INDUSTRY'S STRATEGIC RELATIONSHIP TO THE TOURISM INDUSTRY

The tourism industry is heavily dependent on tourist mobility. Approximately 40% of the tourism industry's revenues are derived from transportation services.¹ The industry is vulnerable to disruptions in fuel supplies and to escalation in fuel costs, as demonstrated during the 1973-74 OPEC oil embargo and the 1979 fuel shortage.

The energy problem created an increasingly significant role for the motorcoach industry in tourism-related activities from two perspectives. First, the motor coach industry with its large regular-route system, constituted, during the fuel crises, the only alternative to the private automobile as a means of travel to many tour destinations. For example, regular-route common carriers served about 14,000 communities in 1980.² The huge route network provided by the motor coach industry encouraged the public to utilize its services during 1973-74 and 1979, when ridership increased dramatically.

The motor coach industry also has distinct advantages in a high-cost energy environment. Motor coach operations, utilizing 46% of capacity, averaged 112 passenger miles per gallon last year, while AMTRAK averaged 19.5 and the airlines 11.5 passenger miles per gallon of fuel.³ This efficiency differential was even more clearly demonstrated by motor coach charter and special trip operations which averaged 208 passenger miles per gallon of fuel.⁴ In essence, the present differential in efficiency and

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hence, cost, is likely to widen as fuel prices increase, especially in tourism-oriented operations.

Another reason for the motor coach industry's strong interest in the tourism market is the *de facto* change in the business mix of Class I Motor Coach Carriers. In 1969, the charter and special trip segment comprised only 9.3% of Class I revenues. By 1980, charter and special trip segment revenues had increased to \$204 million, or approximately 14.6% of total revenues.⁵ This segment was even more impressive when viewed from the perspective of non-Class I carriers. For example, charters and special trips accounted for 63.5% of revenues in 1980.⁶ The contribution of tours and special segments is growing rapidly among Class I motor coach carriers and is a major source of revenues among smaller carriers.

A final indication of the new and growing relationship between the motor coach and the various components of the tourism industry is the activity of the American Bus Association and related organizations. In 1978, 35 travel industry companies held membership in the American Bus Association. Three hundred new members of travel industry companies were added in 1980, and overall travel tourism membership now stands at 1,300.⁷

The American Bus Association also recognized the growing importance of tourism with the initiation of "The American Bus Marketplace." This event, which is held once a year, is designed to create new business relationships between representatives of the motor coach industry and leading travel and tourism organizations in the United States and Canada. The goal of the "Marketplace" is to expand intercity bus charter and tour business.⁸

However, the expansion of the motor coach industry is not limited to the activities of the American Bus Association. The National Tour Brokers Association (NTBA) has also played a leading role in the development of charters and special trips. NTBA is an association that represents the middleman who sells or arranges for interstate pleasure tours and motorcoach tours for compensation. Such brokers are licensed by the Interstate Commerce Commission.⁹

NTBA sponsors an annual convention which features a market place for supplies and tour brokers. However, other NTBA activities may prove of even more importance. The organization recently retained J. Greg Smith Associates to create and implement a national consumer motorcoach awareness campaign. The purpose of the \$200,000 campaign is to develop new markets through increas-

ing awareness of the energy efficiency of a group vacation by motorcoach and the pleasure, convenience and economy of motor coach touring.

MARKET ANALYSIS

Traditionally, the regular route markets for the motor coach industry have been composed of the lower economic classes, the elderly and the non-auto population. However, the patronage for tour and charter services is somewhat different. In addition, it requires a different segmentation for marketing purposes.

For example, the NTBA, after careful analysis, considers the following market segments to be the most profitable:

- (1) Local, national and foreign groups.
- (2) Budget-minded tourists such as the young single person or, on the other hand, larger sized families unable to afford air fare for the entire family while finding it impossible to squeeze into a compact sized car.
- (3) Empty nest couples over 45 years of age.
- (4) Working couples looking for a pre-arranged, relaxed vacation.¹⁰

In addition, there is another market segment that overlaps the above segments: the intermodal market.

While it may prove helpful to cite statistics regarding these proposed market segments, such data is generally unavailable from public sources. However, it is possible to cite some major developments within the intermodal and/or foreign market segments.

The motor coach penetration into the intermodal tourism market is a relatively new phenomenon. The most heavily publicized example occurred in July 1981, when Trailways initiated a program with Delta Airlines which provided for \$10 per day Trailways interconnections for Delta passengers flying to 35 locations in the South. Delta passengers received unlimited travel on Trailways to thousands of cities it served in the area. The market appeal of the program is basically the leisure traveler who wants to reach destinations that are inaccessible by plane at a relatively inexpensive price.¹¹

Trailways has declined to comment on the actual results because of reporting system difficulties, but has extended the program to December 31 instead of the original termination date of October 13.

Rail-bus combinations have also started to appear. Last summer Trail-

ways signed an agreement with AMTRAK to honor tickets issued by either firm. Rail-bus combination tickets are commonly available at AMTRAK, Greyhound and Trailways ticket offices.¹³

Greyhound has successfully developed several intermodal efforts with water (cruise) and air companies. Arrangements between Greyhound and several cruise line companies facilitate individual pick-up and delivery from oceanside. Other arrangements promote group charters to and from home to the pier.¹⁴

The Agreement with American Airlines is primarily designed to tap foreign tourists visiting the United States. Greyhound inaugurated this program in April 1981. The 30-day pass entitled the purchaser to unlimited travel on Greyhound and two one-way trips on American Airlines for \$550. Greyhound feels that this program may merely tap the tip of the iceberg of the 11 million foreign visitors who journeyed to the United States during 1980.¹⁵

As a last point, AMTRAK offers many interconnecting services with motor coach operators. Many of these interconnecting services are characterized by through ticketing.¹⁶

FUTURE RESEARCH NEEDS

Tourism as we all know is predicted by Herman Kahn to be the world's largest industry by the year 2000. In several states, tourism already ranks as the second and third largest industries. Yet, as we can see, knowledge of the nature and extent of participation by the motor coach industry and brokers is extremely limited. Such information is, of course, the basis for a planned participation in such growth by both the industry and individual competitors.

The basis for initial research of the motor coach industry's opportunities in tourism requires a careful understanding of present industry involvement from a macro-perspective. It also involves a thorough knowledge of how the four "P's" of marketing, i.e., product, price, promotion and distribution channels, are utilized by both the industry and individual firms to penetrate tourism markets.

An initial research need is the creation of a central source of knowledge regarding the motor coach industry's involvement in tourism. For example, there are presently no bibliographies which list studies of a public or proprietary nature which have been conducted in this area. The recently created sub-committee on tourism and travel of the Transportation Research Board's Intercity Bus Committee is cur-

rently taking some initial steps in addressing this issue.

Another immediate research need is a comprehensive evaluation of the nature of the charter and special trip segment of Class I, II, III motor coach carriers, as well as intra-state carriers. This seems particularly important in the case of Class II and Class III interstate carriers whose primary source of revenue is charter and special trips. At the present time, there is little knowledge regarding the dominant carriers in the charter and special trip market in each of these classifications. While this data is readily available at the Interstate Commerce Commission in the case of interstate carriers, researchers have failed to undertake an analysis of this issue.

The American Bus Association initiated a preliminary survey of such segments in 1980. A more detailed survey is currently underway. However, the American Bus Association's efforts are succeeding in providing only the first perspectives on the tourism-related activities of the Intercity Bus Industry. Unfortunately, knowledge of intra-state carriers' activities in these segments has generally assumed a low priority in state departments of transportation and in tourist offices.

There is also little comprehensive knowledge regarding the activities of tour brokers. The National Tour Brokers Association has not developed a detailed profile of their membership. It seems obvious that a detailed study of the organization's membership with specific regard to revenues, profitability, market strategies and organizational structure would fill a critical gap in our knowledge of how tour brokers interact with the motor coach industry and hence, tourism markets.

From a marketing perspective, product analysis could also prove useful in understanding the relationship between the motor coach industry and tourism markets. For example, what features, qualities, images and styles are perceived in the tour packages offered by various motor coach firms? What features prompt the public to purchase a motor coach tour? While it seems obvious that these variables differ among the various firms, we have little knowledge regarding how the public assesses these variables in evaluating the offerings of each firm.

While the majority of motor coach tour operators concentrate on three to six day trips, little data is available to assess the viability of even shorter packages or packages of much longer duration, i.e., two weeks. In addition, the industry has only a superficial knowledge of what segments of the mar-

ket are attracted to various types of durations.

Other areas of product analysis requiring attention include the identification of the most attractive destinations for each market segment and the special services that are required to accommodate these segments at particular destinations.

There is also little knowledge regarding the pricing strategies of motor carriers in tour markets. For example, how important is pricing in the overall marketing mix? What strategies are utilized by market leaders, market followers and highly specialized firms?

With the government's subsidization of AMTRAK and the discount fares of a deregulated airline industry, a study of the motor coach industry's price elasticity of demand for charter and special trip services would seem of utmost importance. At what point do motor coach carriers price themselves out of the charter and special trip markets?

In addition to product and pricing strategy evaluations of the motor coach industry, the promotional activities constitute another area of the marketing mix requiring research attention. Presently, the level of promotion among motor coach operators serving all markets is higher in transit systems than in the private sector, with two notable exceptions — Greyhound and Trailways.¹⁷ What is the reason for this overall lack of promotional activity by motor coach carriers especially in the charter and special trip market? Is it the result of the high influx of "Ma and Pa" types of firms involved in the tourism sector of the industry, a failure to recognize the benefits of promotional activities, or some other variable(s)? What promotional methods are presently being utilized in the industry? What are the best methods of promoting charter and special trip segments?

The final area of the marketing mix requiring research is the distribution channel strategies associated with tourism-oriented bus products. What are the primary channels utilized by the motor coach industry to market charter and special trip services? Traditionally, operators have relied on brokers and also travel agents to market their products. Yet, certain well defined markets such as senior citizens and youth organizations may prove more susceptible to direct marketing campaigns conducted either independently or on a joint basis with channel members.

Despite our very limited knowledge of the charter and special trip markets of the motor coach industry, tourism seems to offer attractive growth opportunities for the industry. One excellent

growth opportunity is in the area of conventions and meetings. Some bus organizations have already begun to tap this market through the availability of executive-type buses for charter with the amenities of a private jet.

There are two primary reasons why conventions and meetings are potential new markets for the motor coach industry. First, recent tax law changes have made conventions and meetings outside the U.S., Canada and Mexico difficult to deduct for tax purposes.¹⁸ Second, troubled economic times are causing organizations to hold regional conventions and meetings in which short-haul transportation of a flexible nature is needed.

Another opportunity for the motor coach industry lies in the area of incentive travel. The travel incentive market surpassed the \$1 billion mark in 1980.¹⁹ Presently, the motor coach industry's participation in incentive travel is very limited, but tremendous opportunities seem apparent. In 1979, 57% of travel incentive expenditures were for foreign destinations. By 1980, the expenditures had staged a notable reversal, with 58% of all travel incentive dollars going to domestic markets.²⁰

The average expenditure among corporate respondents in a survey of travel incentive users conducted by *Incentive Marketing* magazine in 1980 was \$1,248 per recipient.²¹ This expenditure increased by only 3% in 1980 but incentive purchasers seemed to be utilizing trips of either shorter distance and/or duration. While the users recognized the advantages of travel incentives, they wished to maintain the expenditures for the transportation portion of incentive travel at a reasonable amount.

Research carried out at the New School for Social Research indicated that travel incentive expenditures for the insurance industry, the largest purchaser of travel incentives, were clustered in five or six major domestic locations and a similar small number of locations in Canada and Mexico. In addition, the research indicated that many medium and large insurance firms were receptive to supplier proposals rather than reliance on travel incentive wholesalers in formulating their incentive packages.²²

Clearly, the motor coach industry is capable of offering viable ground transportation services to travel incentive purchasers. Further research and a more active marketing orientation will facilitate motor coach entry into the incentive travel market.

In conclusion, it quickly becomes apparent that there are numerous potential research opportunities related to the motor coach industry's involvement in

tourism. This paper has presented some of the preliminary areas in which academic researchers and practitioners can make a viable contribution to the effectiveness of motor coach participation in this rapidly growing segment of the industry. However, it is obvious that further debate and clarification is required to fully define the research areas with the highest priorities. Accomplishment of this task will set the stage for a well developed body of research in this field of endeavor.

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