



ictures: Tesco plc, Sainsbury's, Morrisons; www.picturescolourlibrary.com

A bag of spuds a

Andrew Don looks at how the supermarket giants are testing the water before diving headlong into the travel market

IT was only a matter of time before the major supermarket chains looked to the online travel sector as a way of maximising the potential of their vast databases of customers that shop via the Internet, market research company Euromonitor International noted earlier this year.

Just as with unfamiliar products such as home and car insurance and financial services, the web is a great place to test-drive white-labelled goods with loyal customers. But grocery retailers are increasingly looking at travel as a new revenue stream – whether it is online, off the shelves or via in-store concessions and implants.

Euromonitor, which has been researching markets for 30 years, says the move mirrors what has already taken place in consumer goods retailing, where cost-efficient firms such as Tesco and Asda have won large shares by offering good value to the public on a consistent basis.

“This is why large travel agencies should be afraid – very afraid,” a researcher wrote in a report. The future in travel retailing could be sun, sea sand...and supermarkets.

“The margin structure doesn’t allow them to use partners long term”

The supermarket chains are keeping their cards close to their chests, reluctant to disclose the financial arrangements they have with joint venture partners in alliances that lower the risk for them.

This is all-important because their brands are trusted and caution is needed to avoid damaging that trust when it comes to markets in which they have little, or no, experience.

It is about offering the consumer added value. As Andrew Brem, trading director of Asda, said: “Our aim is to give customers the best possible service. If we grow to become market leader [in travel], that is a nice side effect, but not our overall goal.”

Tesco also said it was not about market share. “It is about new services that complement what we already do.”

That is not to say they will not eventually achieve significant share, but sector leaders have a history of painstakingly researching and testing before committing themselves headlong into new ventures.

The one deterrent for supermarkets is travel’s notoriously low margins. But Ilkeston Co-op chief executive Tony Teatum’s observation that “they are better off selling socks” will not wash with the giants.

And Mike Greenacre, chief operating officer of Co-operative Travel Trading Group and group general manager for travel at United Co-op, said it was a business that provided good cash flow which could be enhanced when combined with currency exchange.

The huge footfall supermar-

kets enjoy is highly attractive to high-street travel agents, a point First Choice Retail managing director Cheryl Powell emphasised. She said its new in-store “pod” launched in August with Sainsbury’s and Asda, was a good economic model.

First Choice rents the space but does not have the huge costs of a high-street shop. “With the pod, if it doesn’t work in the supermarket we can take it out and put it somewhere else. We can afford to do a lot less volume to make it work.”

THE STORY SO FAR

Morrisons: Nine Co-op travel agency branches; three Harvey World Travel agencies; one Going Places.

Tesco: Tescotravelstore.com in a deal with Lastminute.com and 12 Co-op travel outlets.

Asda: has 36 First Choice concessions and “pods” and Asda-travel.co.uk deal with Wefly.co.uk; one Co-op travel agency.

Sainsbury’s: two Travel Centres operated by First Choice, eight Going Places concessions, 22 Thomas Cooks, two Co-op travel stores.

Co-op: more than 600 high street travel agent members of Co-operative Travel Trading Group, six websites, 52 CTTG-member travel agents within supermarkets.

...nd a trip to Paris

Managing director of Verdict Research Richard Hyman believes supermarkets could do well in travel, with their brand strength reassuring clients.

Making money is not what it is about in the short term for the grocery giants, he said. "The name of the game is learning. Once they've learnt they can decide to pull the plug [with joint venture partners] or go it alone. The margin structure does not allow for them to use partners long term but it does make sense short term.

However, Simon Robinson, director of retail sales at Thomas Cook, which has 22 implants in Sainsbury's, said: "The way in which the implant stores were managed and operated gives Sainsbury's little opportunity for insight into the business."

And Dr Jonathan Reynolds, director of the Oxford Institute of Retail Management and a fellow in retail marketing at Templeton College, Oxford University, said: "The supermarkets are sacrificing a bit of margin for lower risk. But if it is successful there is nothing to stop them doing it in-house."

ABTA admits the possibility of supermarkets rolling out their own-branded travel shops is likely – and would succeed

if existing agency staff could be persuaded to jump ship from multiples and independents and provide the expertise needed.

However, suggestions that grocery retailers could point customers to computer terminals to book their own flights and accommodation may prove flawed, said a spokeswoman. "People might buy mobile phones and insurance but as for the holiday, we'll have to see if it would take off."

"People buy a weekend to Istanbul like they do vegetables"

Association of Independent Tour Operators chairman Derek Moore doubted supermarkets would go into the specialist area in which its members operated because it was not a volume market. But booking a hotel and a couple of weeks on the beach as opposed to a complex trip requiring detailed agent knowledge was "logical".

"People buy a weekend to Istanbul like they do vegetables," he said.

Robinson said high-street locations attracted a wide

range of customers, but supermarket implants often provided a new audience.

Many supermarket shoppers work full time and would not usually consult an agent during the day, but would be happy to pop in and discuss holiday options before or after their food shopping, he said.

However, he added that supermarkets would struggle to compete on price – their traditional weapon – when it came to holidays, since margins are already tiny. "And the additional competition for business would cause other companies to offer added value to retain customers," Robinson said.

Powell said First Choice was in talks with other retailers that had high footfall. Although its trial pods within Sainsbury's did not carry the First Choice branding she said: "I'm happy to trade under anyone's brand if they feel from their customer point of view their customers will be more loyal to their brand rather than ours. At the end of the day we are there to sell holidays."

She said all the research the company had done showed its customers wanted choice and to be able to book where it was most convenient. "If we can be there at one of those points it

has got to benefit our business," she added.

Meanwhile, Tesco has built loyalty to its travel products – white-labelled by Lastminute.com – by offering its customer Clubcard points for every £1 spent.

It's an arrangement that works a treat for online retailer Lastminute.com. Trade director Vic Darvey said: "Tesco provides us with quite a significant amount of traffic through the Tesco travel channel and it works both ways.

"We provide the customers with exclusive discounts and allow them to earn Clubcard points. To go in-store would be a natural progression. We need to work with Tesco to see how we can work with that effectively. We don't want to go out with an offer that can be easily replicated anywhere else."

But looking forward Darvey believes it will be Wal-Mart owned Asda that will be the big mover in this market within the next six months. He said: "With the right partners it can make a significant dent in the marketplace."

What do you think?

Do you fear the supermarkets? E-mail travel.weekly@rbi.co.uk