



BACHELOR THESIS

Spring 2013

Business Administration

Marketing Strategies

The situation and development suggestions for small and medium-sized travel agencies in China's Hainan province

Authors

**Qi Yue
Han Tianlai
Luo Yipeng**

Scientific Supervisor

Christer Nilsson

Language Supervisor

Carin Hjalmarsson

Examiner

Christer Nilsson

Executive summary

<p>This paper research to help SME travel agencies to make a ticket pricing strategy and choose the reasonable age group for publicity. The SME travel agencies are difficult to develop because of the big size travel agencies in Hainan.</p>	<p>Subject matter</p>
<p>Methods of analysis include the data collected through questionnaire, the research how to choose a reasonable age group to advertise and the research how to make a ticket pricing strategy. This thesis use SWOT to analyze strength, weakness, opportunity and threat of SME travel agencies. The price elasticity of demand theory is used to analyze the ticket price.</p>	<p>Method of analysis</p>
<p>The report finds solutions to the factors that affect the sustainable development of SME travel agencies.</p>	<p>Conclusion</p>
<p>There are connections between frequency of travel and traveler's ages. There are connections between the select ticket price and different cities.</p>	<p>Findings</p>
<p>Recommendations discussed include</p> <ul style="list-style-type: none"> • According to the ages of tourist implement different price strategy. • Choose young and middle age group of people to advertise. • Develop new products for family tourism 	<p>Recommendations</p>
<p>This report also has some limitations of the report. The data collected from the area has area limitations. In our research of the ticket price only people from four different cities in China were interviewed.</p>	<p>Limitations of the report</p>

Abstract

Purpose/aim: This paper research to help SME travel agencies make ticket pricing strategy and choose the reasonable age group for publicity.

Design/methodology/approach: This thesis will use SWOT to analyze the strength, weakness, opportunity and threat of Hainan's SME travel agencies, and also the marketing theory and human resource management. Through discussion and research we will analyze the connection between the influencing factors for travel agencies. The data has been collected through questionnaires. The analysis includes a description of the samples and statistical tests in form of regressions.

Findings: The analysis showed that there is a connection between the frequency of travel and the age of the travelers. There are also connections between the select ticket price and different cities. It is important for SME travel agencies make a ticket price strategy.

Originality/value: According to this thesis, it is obvious that SME travel agencies have more problems with travelers and an unreasonable strategy in Hainan. Based on these findings we would argue that small and medium sized travel agencies should choose a group consisting of young and middle aged adults when they advertise, decide their ticket pricing strategy and when they develop new tourism products. This study has a value when it comes to analyzing the situation and develop suggestions for SME travel agencies in Hainan.

Keywords: Marketing strategy, Market expansion strategy, Tourism, Travel agency, Development present situation analysis.

Acknowledgement

First, to our tutor Christer Nilsson for guiding us in the intense world of dissertation writing and giving us many suggestions during our writing. Second, to Carin Hjalmarsson, helping us to check our spells and grammar and improving our writing skills. To Pierre Carbonnier, who was teaching us knowledge about Statistics so that we can use the statistical method and make a chi-square analysis to solve the problems in the dissertation. To Wangjian that helped us to translate the Swedish to us so that we can understand our teacher. To Chenxiyu that helped us when we didn't understand how to write the thesis, we always discussed with him.

To all the teachers who taught and helped us during three years study in Kristianstad University. We also want to thank friends for encouraged and helped us.

Thanks a lot!

Table of Content

Ch.01	Introduction.....	07
1.1	Problem.....	07
1.2	Purpose.....	08
1.3	Structure of the thesis.....	08
Ch.02	Background/History.....	09
2.1	Synopsis of Hainan tourism market.....	09
2.2	Synopses of SME travel agencies in Hainan.....	09
Ch.03	Problem part.....	10
3.1	Problem description.....	10
3.2	Method.....	11
3.3	Research questions.....	12
3.4	Hypothesis.....	12
Ch.04	Theory.....	14
4.1	Elasticity of demand.....	14
4.2	Tourism products ownership are non-excludable	16
4.3	Price elasticity of demand application in travel agencies.....	16
Ch.05	Empirics.....	19
5.1	Chi-square test for table 5.1.....	19
5.2	Chi-square test for table 5.2.....	22
Ch.06	Analysis.....	24
6.1	Result of hypothesis 1.....	24
6.2	Result of hypothesis 2.....	24
Ch.07	Synthesis and Discussion.....	25
7.1	Choice of group of people and promotion object.....	25
7.2	Change of the ticket price.....	25
7.3	SWOT analysis.....	26
7.4	New products from SME travel agencies.....	28
Ch.08	Conclusion.....	29
8.1	Summary.....	29
8.2	Validity	30
8.3	Reliability.....	30
8.4	Future research.....	30
	References.....	31
	Appendix.....	32

List of Tables

Table 5.1	The people travel by different frequency of their travel in different ages.	20
Table 5.2	The people choose by different price of tickets in different cities.	22
Table 7.3	SWOT for Hainan SME travel agencies.	26

List of Figures

Figure 4.1.1	Elastic	15
Figure 4.1.2	Unit elasticity	15
Figure 4.1.3	Inelastic	16

Ch. 01 Introduction

This chapter will introduce the current situation and basic structure of this dissertation

Hainan is China's second largest Island in the south of China. Zhang and Morrison (2007) explain that Hainan is the smallest land area in China, and the largest ocean province. People are optimistic about the prospect of tourism industry in Hainan.

1.1 Problem

In this dissertation we will argue that SME travel agencies will reform to be successful. Hainan tourism market it is highly competitive, and for small and medium-sized travel agencies is hard to compete with big-sized travel agencies. Travel agencies have to face the problem in the increasingly intense competition in the Hainan tourism market. Nakamura and Goto (2006) explained that the profits of travel agencies can help to give service to the tourists. Lin (2009) said that this point determines that the travel agencies must think about the feelings of the tourists in terms of price. According to Hirosaki (2009) some SME travel agencies the publicity has been a failure, because they don't have focus on the age group of tourists. SME travel agencies should think about the connection between the age of tourists and frequency of travel. This paper attempts to find out the reasonable age group of tourists to advertise.

In this study, we will research two parts; the first is the ticket price strategy and the second is the publicity problem. We start from the ticket price, including the price and demand, and these both factors mainly influence SME travel agencies strategy. According to our survey and the chi-square test we have found a reasonable age group of tourists. These factors are mainly influence them how to advertise.

1.2 Purpose

This thesis attempts through small and medium-sized enterprise travel agencies to research the ticket pricing strategy and find out the reasonable age group of tourists to advertise.

The paper makes two contributions:

1. This paper helps travel agencies to choose the reasonable age group for publicity.
2. This paper helps travel agencies to make the ticket pricing strategy.

1.3 Structure of the thesis

The rest of the paper is structured as follows:

Chapter 1 – Introduction

This chapter will introduce the current situation and basic structure of this dissertation.

Chapter 2 – Background

This will introduce the background of the study.

Chapter 3 – Problem part

This chapter will mainly present the problem description, the method, the research question and the hypothesis of the dissertation.

Chapter 4 – Theory

This chapter will use the elasticity of demand theory to analyze the price of the ticket, and the factors that influence the tourists.

Chapter 5 – Empirics

This chapter contains the principal thinking figure, and statistics that will be used in this thesis.

Chapter 6 – Analysis

This chapter is the scientific analysis of the topic.

Chapter 7 – Discussion

Based on the results we would argue that the hypothesis and use of SWOT will be necessary to find out solutions.

Chapter 8 – Conclusion

This chapter is a summary chapter for all thesis.

Ch. 02 Background/History

This chapter will introduce the background of the study.

This chapter will introduce the synopses of Hainan tourism market and of the SME travel agencies in Hainan. It analyzes the developed situation of travel industry in Hainan and face the problem of SME travel agencies in Hainan.

2.1 Synopsis of Hainan tourism market

Hainan tourism enterprises are smaller scale and have a weak economic foundation. Many travel agencies have heavy debts, a lack of liquidity, a weak market competition ability and poor ability to resist risks. Nowadays Hainan has many problems. These problems are mainly reflected in the low quality of employees, lax management, and poor quality of service. Frosch, K. (2011) said that many guides have appeared in large numbers in Hainan. Hainan tourism market is confused, which also makes small and medium-enterprise travel agencies having a vicious competition.

2.2 Synopsis of SME travel agencies in Hainan

Small and medium-enterprise travel agencies only focus on the day-to-day management of the business, and there is lack of knowledge about the marketing strategy and future development plans. Because of the small-scale enterprises and other reasons, and in order to develop of the competitive tourism market in Hainan, the enterprises will change the original development goals. In this thesis, it is obvious that SME travel agencies have many problems and an unreasonable strategy in Hainan, so this article will help SME travel agencies increase their competition in Hainan.

Ch. 03 Problem Part

This chapter will mainly present the problem description, the method, the research question and the hypothesis of the dissertation.

This chapter will analyze two problems, the first one is if the age of tourists is related to the frequency of travel, another one is if there will be any connect in people choose between the select ticket's price in different cities. We will introduce the data collected and the analysis of all this information, and then come up with the hypothesis.

3.1 Problem description

The first problem is if the age of tourists is related to the frequency of travel, because it's important for the travel agencies to get a profit. Young men have a lot of energy and are inquisitive. Young men will play an important role in the future tourism. On the other hand, according to the survey, the old men prefer to stay at home instead of traveling in China. Hirosaki (2009) suggests that to stay at home may play an important role in the maintenance of health for elderly people. The old European men have better bodies than old men in China, because they have different habits in their life.

Another problem is that the small and medium-sized enterprise travel agencies have to face the price challenge in the Hainan tourism market. DiSalvod and Bruckman (2011) said that the travel agencies always choose an unreasonable age of tourists when they make the ticket price strategy. This phenomenon leads to a reduction of the profits of travel agencies and quality of service, because different travel agencies have different ticket price. In the Hainan province's tourism industries the prices are confusing. On the other hand, China has a large distance between rich and poor, so different cities have different income levels in China. This thesis will use a theoretical analysis for this phenomenon.

3.2 Method

Collecting information

In the first step of the preliminary research, some information was from secondary data (available from books, articles, reports, and investigations) about Hainan's small and medium sized travel agencies relations to the problem. The problem is SME travel agencies' sustainable development strategy in Hainan. We made a researchable question and used two hypotheses to research the problem. The second step according to the research literature can help us realize about research area and related content information. Read literature help us find answer to who research question.

Sampling

In the third step the personal interview by using a questionnaire was characterized as the most appropriate method of contact. It is used with low cost and easy to perform. The study's empirical object is Hainan SME travel agencies and data was collected by using a questionnaire. Further to, we made a draft of the questionnaire that was distributed to some of the tourists in order to specify blanks, omissions and questions, and to find out which questions should be improved. The final form of the questionnaire includes 10 questions and volunteers in Beijing, Shanghai, Guizhou , and Xian aged between 10 to 59 were asked to complete a questionnaire Finally we used 1 month to collect 357 copies of the questionnaire and check this information for statistics.

Analysis of the data information

Data from the questionnaire survey was analyzed by operating an excel program. We used statistical knowledge to do statistical test and used the significance level 5 % to calculate the sampling distribution, and to prove if the hypothesis is accepted or rejected. From this we get the result.

3.3 Research Questions

First Question:

Will there be any differences between the frequency of travel and traveler's ages?

Second Question:

Will there be any differences in people choose between the select ticket's price in different cities?

3.4 Hypothesis

There is a relationship between ages of tourists and frequency of travel.

This thesis is about the age of tourist is related to travel times, so it's important to profit of travel agency. Young men have a lot of energy and are inquisitive. They will be an important part of the tourism. On the other hand, according to the survey, the old men prefer to stay at home instead of traveling in China. In general, invention seems to be a young man's game but Frosch, K. (2011) found that people in the age between 30 and 50 are very inventive; this age group has the passion and the sprit of exploration. It clearly shows that the mid-age people may become an important part of tourism. It is hypothesized that:

H₀: There will be no differences between the frequency of travel
and the traveler's ages.

H₁: There will be differences.

There is a relationship between the select ticket price and different cities

Nowadays many well-known tourist places improve the price in the Hainan tourist market. According to this phenomenon, many travel agencies have already improved the price and changed the strategy. Nakamura and Goto (2006) have a clear idea about this phenomenon. Hainan province is the most competitive market in China, So the prices fluctuate mostly among the travel agencies in Hainan. Lin, H (2009) thinks the

changed ticket price will influence the tourists. The number of tourists will change a lot. The elasticity can explain this phenomenon. Travel agencies should understand different travel agencies have different price elasticity, every price of elasticity demand has different characteristics, it relate to satisfaction of tourism market. The travel agencies only master the characteristics of price elasticity of demand of each type of the market, to develop appropriate marketing strategies. An increase of the travel agencies competitiveness thus will maximize he travel agencies profit. This thesis will research the relationship between the demand of tourists and the profit of the travel agencies and it is hypothesized that:

H₀: There will be no differences the people choose the ticket's price in different cites.

H₁: There will be differences.

Ch. 04 Theory

This chapter will use the elasticity of demand theory to analyze the ticket price, and factors of the influencing factors for tourists.

This chapter will introduce the definition for price elasticity of demand and use the price elasticity of demand to analyze the ticket price. Then we will through the theory analyze the applications for SME travel agencies.

4.1 Price elasticity of demand

Definition: Price elasticity of demand is a measure used in economics to show the responsiveness, or elasticity, of the quantity demanded of a good or service to a change in its price. More precisely, it gives the percentage change in quantity demanded in response to a one percent change in price (holding constant all the other determinants of demand, such as income). It is a measure of responsiveness of the quantity of a good or service demanded to changes in its price.

History: Together with the concept of an economic "elasticity" coefficient, Alfred Marshall is credited with defining PED ("elasticity of demand") in his book *Principles of Economics*, published in 1890. He described it thus: "And we may say generally:—the elasticity (or responsiveness) of demand in a market is great or small according as the number demanded increases much or little for a given fall in price, and diminishes much or little for a given rise in price".

Application:

$$E_d = -\frac{\Delta Q/Q}{\Delta P/P} = -\frac{\Delta Q}{\Delta P} \cdot \frac{P}{Q}$$

E_d is the price elasticity of demand coefficient. Q is a quantity demand. ΔQ is a variable quantity of quantity demand. P is price. ΔP is the variable quantity of price.

1) If $E > 1$ then Demand is Price Elastic (Demand is sensitive to price changes)

Relatively elastic when the percentage change in quantity demanded is *greater than* the percentage change in price. For example, in Figure 4.1.1 the price of point A is 3, quantity demand is 20. The price of point B is 2, quantity demand is 50.

So $(3 \times 20 = 60) < (2 \times 50 = 100)$, when the price is fell, the total revenue rises, and vice versa. (So that $E > 1$)

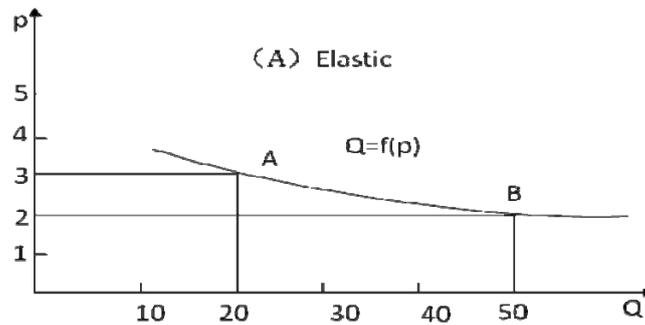


Figure 4.1.1 Elastic

Youth tourism market. Middle-aged people and young students are sensitive to price for travel. The SME travel agencies should make a low price strategy, and implement board and simple lodging.

2) If $E = 1$ then Demand is Unit Elastic

Unit elastic, unit elasticity, unitary elasticity, or unitarily elastic demand when the percentage change in quantity demanded is *equal to* the percentage change in price. For example, in figure 4.1.2, the price of point A is 3, quantity demand is 20. The price of point B is 2, quantity demand is 30. So $(3 \times 20 = 60) = (2 \times 30 = 60)$ a change in price will not affect total revenue. (So that $E = 1$)

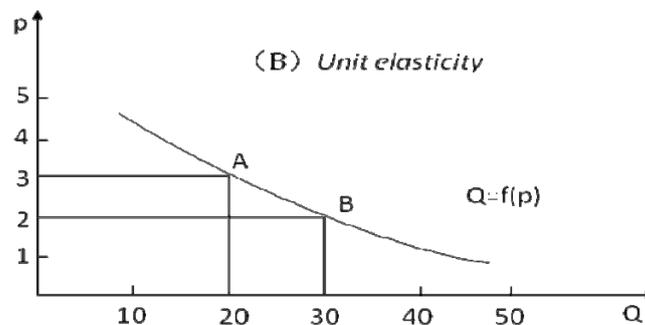


Figure 4.1.2 Unit elasticity

3) If $E < 1$ then Demand is Price Inelastic (Demand is not sensitive to price changes)
Relatively inelastic when the percentage change in quantity demanded is *less than* the percentage change in price. For example, in figure 4.1.3, the price of point A is 3, quantity demand is 20. The price of point B is 2, quantity demand is 25.
 So $(3 \times 20 = 60) > (2 \times 25 = 50)$ when the price is fell, the total revenue falls, and vice versa. (So that $E < 1$)

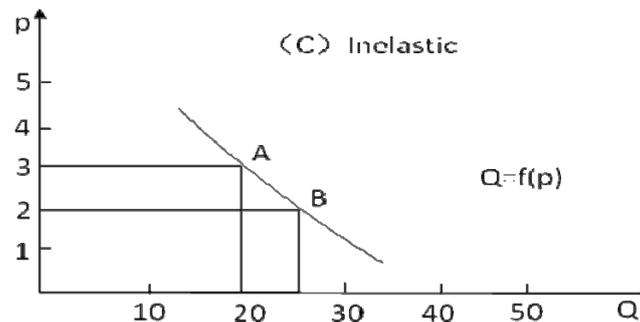


Figure 4.1.3 Inelastic

Older people is not sensitive to the travel costs. So travel agencies should set a high price.

4.2 Tourism products ownership is non-excludable, travel agencies need to research price elasticity of demand.

Tourism products are public good. In economics, a public good is a good that is both non-excludable and non-rivalrous in that individuals cannot be effectively excluded from use and where use by one individual does not reduce availability to others. The tourism products have no patent protection. Some travel agencies spend much time to develop of tourism products for the market, and when it is successful, other travel agents can also run this route. "Free-rider" behavior benefits the other travel agencies unconditionally, and this phenomenon has led to the tourism products lack of differentiation, all the will be same.

4.3 Price elasticity of demand application in travel agencies

If people want to enjoy the service of tourism products, they should pay money to the travel agencies. The price of the products influences the travel agencies benefits and competitiveness. This article use different tourist age and price elasticity of demand to make a strategy. The market is divided into three parts include the tourism market for elderly people, youth tourism market and the tourism market for children. This thesis will make a strategy according to the price elasticity of demand.

(1) Older people tourism market. It is called "white-hair tourism", These people always prefer stay at home and have more free time, more savings and incomes. So this group is not sensitive to the travel costs, so $E < 1$, Travel agencies should set a high price, and at the same time, the SME travel agencies need to arrange enough accompanying officials and health care personnel, to make the elderly people have a good travel safety guaranteed. They can for example use luxury sleeper instead of hard sleeper and make travel shorter.

(2) Youth tourism market. Middle-aged people and young students are a big part of the market, because the young people are vigorous, energetic, and they like adventure, so at present the market become an important development field for the travel agencies. Because of the money for the young students travel costs are mainly coming from the parents, so they are sensitive to price for travel, so $E > 1$. The SME travel agencies should make a low price strategy, and implement board and simple lodging. Like the "backpack travel" way.

(3) Children tourism market. This is for children. Because the children don't have an income, and they don't realize the travel costs. The price elasticity of demand is depending on their parent's income level. At present, in one child families, most parents pay for the child travel cost is didn't care. The price elasticity of demand is elastic and travel agencies should be aimed at the children's travel market to provide informative entertainment products.

In a word, travel agencies should grasp the different markets consumer groups' price

elasticity of demand characteristics and satisfaction of the tourism market, thus to make profits in the rise and fall of the price. The travel agencies only master the characteristics of price elasticity of demand of each type of the market, to develop appropriate marketing strategies. An increase of the travel agencies competitiveness will maximize the profit of the travel agencies.

Ch. 05 Empirics

This chapter contains the principal thinking figure, and statistics that be used in this thesis.

In this chapter, we will make two tables and use Chi-square test to analyze these data.

This chapter will introduce tables and figures containing the results from the questionnaire. We will use a statistical method to get data to research our problem.

Then we will get the result to choose the correct hypothesis.

The table 5.1 shows the people traveling by different frequency of their travel in different ages. This table will help SME travel agencies to choose the reasonable age group for publicity. Finding the reasonable age group to advertise can increase the efficiency of the SME travel agencies.

The table 5.2 shows the people choosing by different price of tickets in different cities.

This table will help SME travel agencies to make a ticket pricing strategy.

The data of tables is according to our questionnaires, this part is important in the research of our hypothesis and to get a conclusion.

5.1 Chi-square test for table 5.1

Table 5.1: In this major project we will research the people traveling by different frequency of travel in different ages. The total usage rate gave 150.

We use frequent, occasionally and never to categorize the usage rate and make a table.

We have collected information about travelers' age and frequency of travel per year.

The age is divided into 5 different age groups and the frequency of travel is divided into 4 different groups.

Table 5.1: The people travel by different frequency of their travel in different ages.

People ages	Travel times per year					Total
	1	2	3	4		
10-19 years old	15 (<i>10.4</i>)	10 (<i>9.8</i>)	3 (<i>7</i>)	2 (<i>2.8</i>)	30	
20-29 years old	10 (<i>10.4</i>)	13 (<i>9.8</i>)	11 (<i>7</i>)	3 (<i>2.8</i>)	30	
30-39years old	4 (<i>10.4</i>)	11 (<i>9.8</i>)	12 (<i>7</i>)	3 (<i>2.8</i>)	30	
40-49years old	3 (<i>10.4</i>)	13 (<i>9.8</i>)	4 (<i>7</i>)	3 (<i>2.8</i>)	30	
50-59years old	20 (<i>10.4</i>)	2 (<i>9.8</i>)	5 (<i>7</i>)	3 (<i>2.8</i>)	30	
Total	52	49	35	14	150	

i. Null Hypothesis:

H₀: There will be no differences between frequency of travel
and traveler's ages.

H₁: There will be differences.

ii. Statistical test: Since the groups in the study are independent and the number more than two, a statistical test for independent group is appropriate.

Since the data are in discrete categories, the chi-square test is appropriate.

iii. Significance level: 5% and N=150.

iv. Sampling distribution: Under the null hypothesis, χ^2 as computed from Eq. Table 5.1 is distributed approximately as χ^2 with $df=(r-1)(k-1)$. When H_0 is true, the probability associated with the occurrence of values as large as or larger than an observed χ^2 is table in Appendix Table C. (Agregsti, & finlay, 2009)

v. Rejection region: The region of rejection consists of all values of χ^2 which are big that probability associated with their occurrence when H_0 is true is large than or equal to $\alpha = 0.05$.

vi. Decision: Table 5.1 summarizes differences between frequency of travel and traveler's ages. Table 5.1 also shows in italics the number of differences between frequency of travel and traveler's

ages might be expected when H_0 is true the expected number of frequency of travel were really no differences in traveler's ages. For example whereas 12 of the people that are between 30-39 years old, when H_0 is true we would expect $(35*30)/150=7$ people 3 times travel per year and whereas 13 of 40-49 years old. If H_0 were true, we would expect $(49*30)/150=9.8$ people 2 times travel per year. The size of χ^2 reflects the magnitude of the discrepancy between the observed and the expected values in the each of the cells. We may compute χ^2 for the values in Table 5.1 by the application of Eq.

$$\begin{aligned} \chi^2 &= \sum_{i=1}^r \sum_{j=1}^k \frac{n_{ij}^2}{E_{ij}} - N \\ &= 2.035 + 0.004 + 2.286 + 0.229 + 0.015 + 1.045 + 2.286 + 0.014 \\ &\quad + 3.938 + 0.147 + 3.571 + 0.014 + 5.265 + 1.045 \\ &\quad + 1.286 + 0.014 + 8.862 + 6.208 + 0.571 + 0.014 \\ &= 38.849 \end{aligned}$$

We observe that for the data in Table 5.1, $\chi^2=38.849$ with

$$Df = (r - 1)(k - 1) = 12$$

Reference to Appendix Table c reveals that such a value of χ^2 is significant beyond the 0.05 level. (the critical value for $\alpha=0.05$ and $df=12$ is 21.03). Therefore, our decision is to reject H_0 . We conclude that the usage rate of there will be differences between frequency of travel and traveler's ages.

5.2 Chi-square test for table 5.2

Table 5.2: In this major project we will research the people choosing by different price of the tickets in different cities. The total usage rate gave 160.

We use frequent occasionally and never to categorize the usage rate and make a table. We have collected information about the ticket price and number of travel in different places. The price of ticket is divided into 4 different price levels and the number of tourists is divided into 4 different cities.

Table 5.2: The people choose different price of tickets in different cities.

	Travel times per year					
		Beijing	Shanghai	Xian	Guizhou	total
Travel cost	1000-1499 RMB	5 (10.75)	3 (8.25)	15 (9.75)	17 (11.25)	40
	1500-1999 RMB	7 (10.75)	5 (8.25)	12 (9.75)	16 (11.25)	40
	2000-2499 RMB	14 (10.75)	12 (8.25)	8 (9.75)	6 (11.25)	40
	2500-2999RMB	17 (10.75)	13 (8.25)	4 (9.75)	6 (11.25)	40
	total	43	33	39	45	160

i. Null Hypothesis:

H₀: There will be no differences in people choose the ticket's Price in different cities.

H₁: There will be differences.

ii. Statistical test: Since the groups in the study are independent and the number more than two, a statistical test for r independent group is appropriate. Since the data are in discrete categories, the chi-square test is appropriate.

iii. Significance level: 5% and N=160.

iv. Sampling distribution: Under the null hypothesis, χ^2 as computed from Eq. Table 5.2 is distributed approximately as χ^2 with df = (r-1)(k-1). When H₀ is true, the probability associated with the occurrence of values as large as or larger than an observed χ^2 is

table in Appendix Table C. (Agresti, & Finlay, 2009)

v. Rejection region: The region of rejection consists of all values of

χ^2 which are big that probability associated with their occurrence

When H_0 is true large than or equal to $\alpha = 0.05$.

vi. Decision: Table 5.2 summarizes the people choosing by different

price of tickets in different cities. Table 5.2 also shows in italics the

people choosing by different price of tickets in different cities

might be expected. When H_0 is true, the expected number of tourist

were really no differences in price of ticket. For example where as

5 of people have salary be 1000-1499 RMB, when H_0 is true we

would expect $(43*40) / 160=10.75$ people number of tourists at

Beijing and whereas 7 of 1500-1999 RMB. The size of χ^2 reflects

the magnitude of the discrepancy between the observed and the

expected values in each of the cells. We may compute χ^2 for the

values in Table 5.3 by the application of Eq.

$$\begin{aligned} \chi^2 &= \sum_{i=1}^r \sum_{j=1}^k \frac{n_{ij}^2}{E_{ij}} - N \\ &= 3.076 + 1.308 + 0.983 + 3.634 + 3.341 + 1.280 + 1.705 + 2.735 \\ &\quad + 2.827 + 0.519 + 0.314 + 3.391 + 2.939 + 2.006 + 2.45 + 2.45 \\ &= 34.958 \end{aligned}$$

We observe that for the data in Table 5.2, $\chi^2=34.958$ with

$$Df = (r - 1)(k - 1) = 9$$

Reference to Appendix Table C reveals that such a value of χ^2 is

significant beyond the 0.05 level. (The critical value for $\alpha=0.05$

and $df=9$ is 27.88). Therefore, our decision is to reject H_0 . We

conclude that the people choosing by different price of tickets in

different cities.

Ch. 06 Analysis

This chapter is the scientific analysis of the topic.

This chapter will analyze the hypothesis and the analysis for tables. It's related to the problem and the hypothesis, this is helpful for SME travel agencies in Hainan. This chapter will find out the better developed suggestions for SME travel agencies.

6.1 Result of hypothesis 1

Hypothesis 1 is related to table 5.1 and it has researched the relationship between the frequency of travel and travelers' ages. This thesis has collected information and data about travelers' age and the frequency of travel per year. The age is divided into 5 different age groups and the frequency of travel is divided into 4 different groups.

According to table 5.1, the young men and mid-aged men travel more frequently every year. Most of the tourists travel only 1-2 times per year.

6.2 Result of hypothesis 2

Hypothesis 2 is related to table 5.2 and it has researched the people choose the price of ticket in different cities. Table 5.2 also shows in italics the number of differences between number of tourists and the price of a ticket that might be regularly. The price of the tickets is divided into 4 different income levels and the numbers of tourists are divided into 4 different cities of China. According to table 5.2, when price is increase that tourist of Beijing and Shanghai has more tourists join the travel. When price is decrease that tourist of Xian and Guizhou has more tourists that join the travel. Thus, the price of ticket is related to the economic level of cities. China has a gap between rich and poor in different cities. Beijing and Shanghai have a high economic level. The SME travel agencies should have a comprehensive strategy aim for different groups of tourists and make a ticket price strategy.

Ch. 07 Synthesis and Discussion

Based on the results this thesis would argue the hypothesis and use SWOT to find out solutions.

This chapter will introduce choice of group of people as travel and promotion object of ticket price, change the price of ticket, SWOT analysis for SME travel agencies and new products for travel agencies. This is a comprehensive analysis for SME travel agencies in this thesis.

7.1 Choice of group of people and promotion object

According to the analysis, travel agencies should strengthen publicity to attract a young group of people; the young group of people has characters that are strong curious and like new things. SME travel agencies should come up with new travel plans and new travel projects in Hainan. For example, travel agencies have service for travels without a guide and can suggestion young men go to art garden of Hainan.

7.2 Change of the ticket price

According to theory and application, this thesis uses price elasticity of demand to make a strategy. About the old age group: these people always prefer to stay at home and have more free time, more savings and income of the elderly, so this part of the group is not sensitive to the travel costs, and the travel agencies should set a high price. About the youth tourism market: young people are vigorous, energetic, and they like adventure. The young students' travel costs mainly come from their parents, so they are sensitive to price for travel, and the travel agencies should make a low price strategy. About the children tourism market: in one child families, most parents do not care about the expenses for the child's travel. Travel agencies should be aimed at children travel market to provide informative entertainment products.

7.3 SWOT analysis

Hainan is the Chinese largest special economic zone in the cities, but due to the late development and the weak foundation, Hainan's economic and social development level is relatively low. Therefore, this thesis will have a comprehensive SWOT to analyze the tourist market in Hainan, to accelerate the development of tourism services and improve the competitiveness of small and medium sized travel agencies in Hainan.

Strengths	Weaknesses
Strengthening publicity	Management level is lower
Preferential policies	Quality of staff is lower level
Fast economic development	Tourism market management chaos
Opportunities	Threats
More and more tourists come to Hainan	Big size of travel agencies
People change the way of travel	Decrease of bargaining ability

Table 7.3 SWOT for Hainan SME travel agencies.

Strengths: At present, the tourism development is the economic development of the pillar industries of Hainan, Hainan eases the employment pressure and increase the government revenue by tourism, so the government has industry preferential policies for Hainan. In recent years, Hainan has strengthened the publicity of the natural environment and attracted a large number of Chinese tourists. Hainan is known as the Oriental Hawaii. Moreover, with the rapid development of the Chinese economy, the Chinese people's purchasing power has significantly strengthened; it is advantageous for developing tourism in Hainan.

Weaknesses: The SME travel agencies of Hainan are lower level and they focus only on the aspects of daily business management but do not pay attention to the business philosophy of development. According to the statistics of the Chinese Tourism Bureau, the complaints of Hainan tourism market are 50% of the travel agencies of the total complaints. These complaints are mainly concentrated in the service level standards reduction or shopping disputes and tour guides countless duties. These phenomena are normal in the Hainan tourism market. Hainan tourism market is highly competitive and most small and medium-sized travel agencies can through a very low price attract customers and reduce costs to serve customers.

Opportunities: Nowadays, the government of Hainan province is strengthening the tourism promotion which attracts more and more people to come to Hainan. Therefore, SME travel agencies should develop more tourism marketing strategy to attract these tourists to travel. For example, many tourists change the way of travel, so SME travel agencies can provide special service of travel. The SME travel agencies only need to make reservation for hotels and draw up a plan for the path of travel; they don't need a tour guide.

Threats: Many big size travel agencies have strong competition in the Hainan tourist market. These are large threats to SME travel agencies. Nowadays, it is very convenient to get information from the internet, so tourists have more choices between travel agencies and suitable path of travel, therefore the travel agencies have decreased their ability.

Strategy: According to SWOT analysis, this thesis gives suggestions about how the SME travel agencies can strengthen the cooperation, because every SME travel agency has their own characteristic. They should strengthen communication and cooperation; and it will enable them to improve their competitiveness, so they can compete with big size travel agencies. On the other hand, the SME travel agencies

should train staff and improve management. The quality of staff is important, or travel agencies can invite excellent managers to improve the enterprise level.

7.4 New products from SME travel agencies

Nowadays the traditional way of travel has already changed, so the SME travel agencies should have new products for tourists. For example, SME travel agencies can make a special path for young people, that don't have a tour guide; they only have to order hotel and ticket for them, because they don't like constraint or travel agencies focus on family travel. If parents come to travel with children, the SME travel agencies will have favorable prices.

Ch. 08 Conclusion

This is the chapter which gives a summary of this dissertation and presents the conclusion of the whole study.

In the introduction section, we described that there are two problems of SME travel agencies. First is that the price of tickets is not reasonable, and second is that the publicity has low efficiency. In chapter two, this paper introduced the synopsis of Hainan tourism market and the synopses of SME travel agencies in Hainan. In the problem chapter, according to the introductory section, we mainly presented the problem description, the problem, the method, the research question and the hypothesis. We used the price elasticity of demand theory to research the ticket price strategy in the theory chapter. In order to solve these research problems, we made two tables and used the Chi-Square test to analyze two hypotheses; the first one is if there will be any differences between the frequency of travel and travelers' ages? The second one is if there will be any difference in people chooses the ticket's price in different cities.

In chapter six, this paper analyzes two Chi-Square tests and gets the findings and in chapter seven, this thesis discusses two problems and analyzes SWOT to give Hainan SME travel agencies more suggestions.

8.1 Summary

At present, tourism development is the economic development of the pillar industries of Hainan. The SME travel agencies play an important role in the modern tourism industry. SME travel agencies face a bottleneck in the process of development. In this world of intense market competition, small and medium-sized travel agencies must foster strengths and circumvent weaknesses, in-depth understanding of enterprise itself it exist the advantages and disadvantages.

From the business management to the product innovation and personnel training those are the three factors that can enhance their own competitive abilities. On the other

hand, the SME travel agencies need to choose a group of people and promotion object to advertise, and make the ticket price strategy, the enterprise need to break through bottleneck and achieve its development. If small and medium sized travel agencies want to survive in Hainan, they must find the way that fits them. If the SME travel agencies can develop and grow, it will become the firm rock in the midstream in the Hainan tourism market and will to be successful.

8.2 Validity

This paragraph will describe the validity of this thesis. This thesis collects data by questionnaires from Chinese society. We asked some friends in from four Chinese cities and they let people fill in our questionnaire in the street. The data is based on the real situation of Chinese society. This can keep the science and validity.

8.3 Reliability

This paragraph will describe the reliability of this thesis. The data collected used stratified sampling method in order to decrease the margin of error. The solution of the thesis can be used in real life. We believe this thesis can help SME travel agencies to make a correct strategy.

8.4 Future research

We will focus on the research to achieve maximum profit for the ticket price in the future. When this thesis help SME travel agencies to make the ticket price strategy and choose the reasonable age group for publicity, the maximum profit will be the most important idea in the future for SME travel agencies. It can achieve a sustainable development for SME travel agencies in Hainan.

REFERENCES

- Alan Agresti and Barbara Finlay (2009), statistical method for the social sciences, Fourth edition. Person international edition. America.
- Bremner, H. (2013), Tourism development in the Hot Lakes District, *International Journal of Contemporary Hospitality Management*, Vol. 25, No.2, pp. 282-298.
- Bruckman, A. & DiSalvo, B. (2011), education from interests to Values, *Communications of the ACM CACM Homepage archive*, Vol. 54, Issue .8, pp. 27-29.
- Dolnicar, S and Laesser, C (2007), Travel Agency Marketing Strategy: Insights from Switzerland, *Journal of Travel Research*, Vol 46, No. 2, pp.133-146.
- Goto, Y & Nakamura, Y. (2006), Relation between travel and self-rated health, *Annals of General Psychiatry*, Vol .17, Issue. 20, pp.79-85.
- Heckman, J. (2008), Role of Income and Family Influence , *New York Academy of Sciences. on Child Outcomes*, available at: <http://onlinelibrary.wiley.com.ezproxy.bibl.hkr.se/doi/10.1196/annals.1425.031/pdf>. Access on: 2013/04/08
- Hirosaki, (2009), community-dwelling elderly Japanese people with hobbies are healthier than those lacking hobbies ,*letters to the editor*, Vol. 57, No. 6. pp.132-137.
- Frosch,K. (2011) Workforce Age and Innovation, *a Literature Survey*, *International Journal of Management Reviews*, Vol. 13, 414–430
- Law, R & Cheung, C (2004), The relevance of profiling travel activities for improving destination marketing strategies, *International Journal of Contemporary Hospitality Management*, Vol. 16, No. 6, pp. 355-362.
- Lin, H. (2009), research about Hainan development of travel. (translated as :论海南旅游发展) available at: <http://wenku.baidu.com/view/5a4a4361f5335a8102d22069.html>
Access on: 2013/04/03
- Marmot, M. (2002). The Influence of Income on Health: Views of An Epidemiologist At the Intersection of Health, *Health Care and Policy*, Vol .31, Issue. 46, pp. 223-229.
- McCluskey, A. & Thurtel, A (2010), A study investigating the travel habits and preferences of older Australian adults with a falls risk, *Australasian Journal on Ageing*, Vol 30, Issue. 4, pp. 123- 132
- Zhang, H, Q. and Morrison, A (2007). How can the small to medium sized travel agents stay competitive in China's travel service sector?, *China's travel service sector*, Vol,19. No.4, pp 275-285.

Appendix

Questionnaire

(Chooses the right answer and check with an X)

1. Sex

male	female

2. Age

10-19	20-29	30-39	40-49	50-59

3. Family status

single	married

4. Level of education

Junior High school	High school	College	University	Post graduate studies

5. Income per month

3000-4999 RMB	5000-7999 RMB	8000-10999 RMB	11000-14000 RMB

6. Travel times/year

1	2	3	4

7. Do you like to travel?

like	dislike

8. Have you ever been to Hainan?

Yes	No

9. would you like to go to Hainan?

Yes	No

10. If you go to Hainan for a 4 day trip. Which price do you think is reasonable?

1000-1499	1500-1999	2000-2499	2500-2999

Thank you for your participation!