

**A Study of the Zero Commission Model of Travel Agency of
China**

by

Huang Hailiang

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Abstract

The zero commission model is now the most frequent topic mentioned by the Chinese tourism industry as the root cause of many problems in the travel agency industry. The reasons for the existence of zero commissions are complex. This paper gives a brief introduction of the history of the zero commission model in China, and analyzes reasons such as the shopping culture of Chinese tourists, the fierce competition of travel agencies, the problematic tour guide management system and local protection. By analyzing the problems caused by the zero commission model common to the China travel agencies industry, this paper suggests it as a problematic cause generated by the market power. Recommendations and suggestions also provided in this paper for the travel agency industry and government to deal with the zero commission model.

Key words: the zero commission model; shareholders; motivation; problems.

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The zero commission model problem exists in China for many years. It is still a problem cannot be solved. The key reason is that the identity of zero commission model is not clear and agreed by government, business and individual. Through this paper, I want to present the details of operation of the zero commission model, so as to help readers better understand the existing reason of the zero commission model and the reason why it is so difficult for China tourism industry to solve.

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1. Introduction

Since early 1980s, the tourism industry of China has developed very fast. In 2011 China had more than 22784 travel agencies, many *hotels, more than 2.641 billion domestic tourists and 135 million inbound tourists, and 70.25 million outbound tourists. The approved destination status introduced by Chinese government in 1997 to regulate outbound travel in the packaged travel market, has granted to more than 140 countries by the year 2011. Together with the development, problems were unavoidable. According to the statistics of China National Tourism Administration Complaint Center, among all the tourism related complaints, the number of complaints about the service of travel agencies is the biggest. This paper focuses on the zero commission model problem of travel agency which the Chinese Tourism Authority defined as the root cause of many quality problems such as bad service, too many hopping arrangements, and uninformed changes of itinerary.

Most Travel agencies in China are small in scale, weak in strength. The behaviors of travel agencies in China are somehow not in a sustainable way but with much controversy. The most critical issue is the operation model of zero-commission implemented by travel agencies. In the past decades, there were a lot of conflicts between travel agencies and tourists derived from the zero-commission model. Stakeholders, including tourists, travel agencies, tour guides, souvenir shops, entertainment providers and so on, all complained about it and thought they suffered a lot. The curious thing was that none of them could make any change. The tourism authority of China have noticed the zero-commission model since 1990's, and defined it as a problem influencing the normal development of travel agencies. During the past decades, the tour authority of China made a lot of policies and implemented a lot of crack down actions aiming to solve this problem, but ended with no effect.

The zero commission model is a term rich with meaning. Although many definitions have been proposed over the past decade, one of the most widely used was applied by China National Tourism Administration (CNTA). CNTA defined the zero commission model as "the operation of travel agency under a price lower than travel agency's cost". The common operation is that organizing travel agency uses low price to attract tourists, sometimes the price can only afford the plane tickets, and then send tourists to destination, paying a little or to the extreme paying nothing to the receiving travel agency. In order to shift financial risk, the receiving travel agency requires the tour guide to pay a sum of money as a condition of providing job. The receiving travel agency also collaborates with some souvenir shops and entertainment suppliers: the travel agency brings tourists to the later and the later will give the travel agency a kickback, thus travel agency could recover the costs of accommodation and other receiving fees, and make a profit.

China's travel agency industry aware much of the zero-commission model and its consequences as well as China tour authority. But how to deal with it has not been figure out. The authority took actions to crack down the zero-commission model in the past years and this turned out to be in vain. And some of travel agencies supported the actions of authority, some didn't. Experts are still in confusion on the influence of the model. This paper will analyze the zero-commission model and the consequences, and discuss whether it was a problem or just a normal behavior of travel agencies under the power of market which there is no need for government to interfere. Also this paper would provide some recommendations on dealing with the zero-commission model of China's travel agency industry.

Three objectives will be approached in this paper: 1) to give a gross understanding of the zero-commission model by analyzing the relationships of the stakeholders and motivations in their decision making; 2) to find out why zero commission model was regarded as problem in China and whether it is or not considered so now; 3) to give recommendations on solutions to the zero-commission model problems in China..

2. Literature Review

2.1 The Development of China's Travel Agency Industry

From the founding of The People's Republic of China in 1949 to late 1970s, China tourism industry could not be called an industry. There were only two tour agencies, namely China Travel Service and China International Travel Service. The two tour agencies were run by government and responsible for the receiving arrangement of official foreign guests. The workers of travel agencies are public servants just like people work in government. The work emphasis of travel agencies was not on making profits from business but on establishing a good image of the country. There was no competition between the two travel agencies. The two travel agencies did not have domestic and outbound tour business because at that period people in China have no financial ability and time to support their travel. Only inbound tourism existed and in the form of official visit. Thus the two travel agencies had no marketing strategy and the managers and workers had no need to worry about their income, because they were paid by government with no regard of their behaviors on business. The attitude of government to tourism was that of no advertisement, no promotion and no prohibition.

The real tourism industry of China started in the beginning of 1980's. With the implementation of the open up policy, foreigners and people from Hong Kong, Macau and Taiwan began to visit China no matter for business or leisure purpose. Tourists at early 1980's in China mainly were sightseeing tourists. They needed transportation, accommodation, tour guides, and infrastructure and so on. The two travel agencies had their best time at the beginning of the development of modern tourism of China. No competition, high price and infinite demands from tourists. At that period, working in tourism industry was an enviable job. No matter working in hotels or as a tour guide, people of tourism industry had a high social status. Seeing the profits, a lot of travel agencies were founded. Those travel agencies also were parts of government, the only difference was that some of them belonged to the central government and some belong to local government. As China was closed to international tourists for many years, the tourist number increased very fast even though international tourists were not satisfied with the basic accommodation and terrible infrastructure. In order to meet the needs of international tourists, the Chinese government made a lot investment on accommodations and infrastructures. The construction still continues nowadays. People who work in tourism industry usually were well educated and highly respected as those people were doing foreign affair business and their income were comparatively high. People were proud to be a tour guide or worker in hotel.

From 1980 to 1997, the number of international tourists visiting China continually increased, though in the beginning of 1990s there was a slight decrease. The number of travel agencies increased very fast and the ownership had some changes.

Ownership of travel agencies was not only belonged to government but also to some individuals and enterprises. Because of the difference of investors, travel agencies were of different sizes. Travel agencies such as China Youth Travel service invested by centre government, has a size no matter on the number of workers or branches could compare with that of the origin two, the China travel service and China International Travel Service, and had their business all over the whole country. Travel agencies which invested by local government or individuals has a smaller size and can only run their business locally. Competition began to appear. As the international tour destination mainly were Beijing, Shanghai, Xi'an, and Guanzhou, travel agencies did not have much difference to offer compare with products of other travel agencies. Thus brand name and price were two main means of competition.

During the above period, China's tourism infrastructure and tourism attractions had made a large progress. The demand of international tourists and the supply of tourism industry of China were coincidentally reach equilibrium. However, the Asian financial crisis in 1997 led to a huge decline of international tourists to China, because Asia countries were the main international tourist resources of China. The tourism industry was heavily impacted and influenced.

In order to make China's economy survive in the crisis, China government changed its economic strategy from export of commodities to domestic consumption. People were encouraged to spend their money in domestic market. China's tourism industry also adopted this strategy transformation. Domestic tourism then started to develop. Before 1999, tourism was a word rarely mentioned in people's daily life. The first golden week which was the first week of October of 1999, including the National day, pushed the domestic tourism to the peek. The economic power of domestic tourism was suddenly found by all the relative business units. Hotels were full of residents. Tourist attractions were over crowded by tourists. Travel agencies didn't have enough tour guides and the transportation nearly broke down by far exceed tourists. The domestic tourism developed very fast with the encouragement of government. According to the statistics of China National Tourism Administration, the number of domestic tourists reached 2.6 billion in 2011.

Together with the increase of domestic tourists, the number of travel agencies also increased very fast. By the end of 2010, the number of China travel agencies was 22784, which represented a year-on-year growth of 5.24%. The direct employment of travel agencies of China in 2010 was 227262, which represented a year-on-year decrease of 18.67%. Competitions between travel agencies become more and more fierce. Means of competitions in the past decades changed a lot, but price competition of tour products just like that of other commodities proofed be the most effective way. It was just a market behavior of enterprises in the very beginning, but after a lot complaints from tourists and quality problems resulted by price competition, government interfered and defined the zero commission model as one of the root problems of the tourism industry.

The zero-commission model of China travel agencies was first implemented in the inbound market. Among the three markets, inbound market, outbound market and domestic market, the inbound market was the first one fully developed in China. From 1980's to the end of 1990's, inbound market was the emphasis of China tourism Authority. One reason was that China need to earn foreign exchanges to resource its economic development. Tourism was regarded to have characteristics such as low pollution, low investment and high revenue of foreign exchange, not to mention the stimulus function to relevant businesses. The investment of government and infrastructure construction at this period were mainly for satisfying foreign tourists. And tour guides usually graduated from college with the ability of fluent communication with foreign tourists. In fact, tourists visited China at that time mainly of rich. They could afford high price of accommodation. Those tourists were well educated and had a preference to buy souvenirs such as antiques and jewelry which have high additional value and consequently of high price. High price means high profit. A lot of souvenir shops and entertainment sites were thus build along the main tourism routes to convenient tourists. Chasing for more profit mentality made the competition between those shops became fierce. And the fierce competition stimulated the owner of shop to give a part of its interests as kickback to tour guides, for tour guides were the decision making person when tourists wanted to buy some souvenirs. The natural consequence of a more and more fierce competition was that shops had to promote the kickback to tour guides, which means higher percentage of interest. Sometimes, tour guides could get more money than the interest left to shops.

Tour guiding became a profession of high income. Soon travel agencies found that tour guides earned more by bringing tourists to do shopping and buy entertainment items, compared with their salary. In some extreme cases, the kickback was even higher than the profit the travel agency made. Out of Nature, people who worked in office in travel agencies want to share the benefit of tour guides. On one hand, travel agencies cut off tour guides' salary and required tour guides to submit a sum of money in the name of head capital when they assigned a tour group to tour guide. On the other hand, travel agencies made contracts with souvenir shops and entertainment suppliers and some other tourist-special money spending places, to get commission just like tour guides do. With the above extra revenue beside the usual profit origin from the price of tour products, travel agencies realized that they had an ability to lower their price and thus could better compete with their counterparts. One travel agency started this, others followed (Jia. 2006).

In normal terms, the prices of tour products were composed with costs and profits. The price competition make the inbound tour price quickly decreased to the level of cost. That means travel agencies have no profit from their price. But with the money came from shops as kickback of tourists' shopping, travel agencies still could have some profit. The extreme case was that travel agencies used the future kickback as a certain income to support their continuing decrease of their price. The price paid by tourists could not cover the cost of travel agencies. Travel agencies regarded the

extreme low price as a kind of gamble, in the hope of that the kickback from shops could cover their costs and made some profit. As tour price should compose of the cost of travel agencies and a commission to travel agencies for their work and service. So, the above decrease of price with no commission and the profit depend on kickbacks was called zero-commission model.

The zero-commission model was implemented quickly in domestic market and outbound market. With the experience in inbound tour market, travel agencies of China automatically adopted the zero-commission model in domestic and outbound markets. But there are some slight different consequences came up. As the souvenir innovation in domestic market including HongKong and Macau, not well inspired, and the development of Transportation and Logistics provided the convenience of shopping all kinds of good from all over the world in one place, especially cities like Beijing, Shanghai and Guangzhou. As a consequence, tourists did not have much willing to do shopping when they travel domestically and to HongKong and Macau. This lowered the revenue of travel agency and tour guide. As travel agencies lowered their price to the level of zero-commission and tour guide paid a sum of money before he/she met the tour group, the recovery of money and their income mostly depend on the tourists' spending on shopping and entertainment items. The conflicts between tourists and travel agencies and tour guides grew as a result. To the extreme, tour guides sometimes forced tourists do shopping and buy entertainment items in order to get kickback. This turned out to be the reason for so many complaints of tourists to tour authority every year.

2.2 The Mechanism of Zero Commission Model of Travel Agencies of China

The Zero Commission Model refers to a series of business behaviors of organizing travel agencies and receiving travel agencies, in which the organizing travel agency uses a low price to attract tourists, sometimes including only the plane tickets, and then sent tourists to a destination, paying a little or nothing to the receiving travel agency. In order to shift financial risk, the receiving travel agency requires the tour guide to pay a sum of money as a condition of providing a job. The receiving travel agency also collaborates with some souvenir shops and entertainment suppliers: the travel agency brings tourists to the latter and the latter will give the travel agency a kickback, thus the receiving travel agency can recover the costs of accommodation and other receiving service, and make a profit. Thus the zero commission model cannot be implemented only by the travel agency itself. Tour guides, bus drivers, hotels, scenic spots, souvenir shops and some other related units, all these are involved in the zero commission model. To better understand the operation of the zero commission model, the 7 rings of zero commission which connect all the stakeholders should be analyzed (Ma et al.,2011)

The 1stRing: The stakeholders are tourists and organizing travel agencies. Because of

the intangibility of tour products, tourists usually can't get information on the quality of tour products before they finish their tours and come back home. And because the tour product's quality mainly depends on the personal service of tour guide, sometimes for different tourists, the same product may result in both satisfaction and dissatisfaction for the different preferences and backgrounds of tourists. Under this uncertainty, tourists have difficulty on judging the tour products' quality, so for most tourists, they always choose tour products of the lowest price, unless loyalty has been established to a specific travel agency. Travel agencies obviously noticed the price preference of tourists and started to use price promotion to attract tourists. The result of price promotion and using it as the one and only means of competition, is that the price maybe reduced to the level equal to the cost of tour products. That means organizing travel agencies get no profit after paying directly to the tourism suppliers such as transportation from tourists' living place to destination and the visa fee, and paying the receiving travel agencies for the receiving arrangement. In some extreme cases, travel agencies provide tour products at a price even lower than the total cost, which should be enough to pay suppliers by both organizing and receiving travel agencies. The motivation is to compete with other travel agencies and attract more tourists. The fierce competition between travel agencies and the low price preference of tourists are the main reasons to support this approach.

2nd Ring: The stakeholders are organizing travel agencies and receiving travel agencies. In a common model, organizing travel agencies organize tourists and send them to destinations. Receiving travel agencies arrange hotels and restaurants, and dispatch tour guides, providing a sightseeing tour and so on. To organizing travel agencies, receiving travel agencies are service providers. They receive a service fee from organizing travel agencies and pay for the tour suppliers. But in the zero commission model, as organizing travel agencies do not include this sum of money in the price to tourists, organizing travel agencies only pay part of it or even pay nothing as commission fee to the receiving travel agencies. Because the competition in the destination area is also fierce, receiving travel agencies have no choice but accept the condition that organizing travel agencies pay less or pay nothing. In some cases, organizing travel agencies require the receiving travel agencies to pay a sum of money back instead of paying the receiving travel agencies. Again, the fierce competition in destinations and the holding rights of tour group sources are the main reasons that this approach is supported.

3rd Ring: The stakeholders are receiving travel agencies and tour guides. When receiving travel agencies accept the offer provided by organizing travel agencies that they provide service to the tour group and not receive enough payment, shifting economic risk and finding ways to make up the loss of payment become the priority to receiving travel agencies instead of service quality. The first idea is to copy the method of organizing travel agencies that requires tour guides pay the receiving travel agencies a sum of money as a condition of getting the job as tour guide to tour groups. As there are more than 700,000 tour guides in China and most of them have no formal

labor contract relationship with travel agencies, competition is as fierce as that of travel agencies. Tour guides have no power to bargain with travel agencies. So they usually accept the deals offered by receiving travel agencies. The priority of shifting the financial risk of receiving travel agencies and the fierce competition between tour guides support this approach.

4th Ring: The stakeholders are receiving travel agencies, souvenir shops and entertainment suppliers. The sum of money paid by tour guides is obviously not enough to recover the cost of receiving travel agencies on accommodation and attractions. Then receiving travel agencies make a deal with souvenir shops and entertainment suppliers that the receiving travel agencies bring tourists to the latter, and the latter should give receiving travel agencies a kickback depend on the consumption of tourists. Considering the powerful shopping ability of Chinese tourists especially in outbound tour, and the profits produced, souvenir shops and entertainment suppliers settle the deal with receiving travel agencies. The need to recover cost and the great profit produced through tourists' shopping support this approach.

5th Ring: The stakeholders are tour guides, souvenir shops and entertainment suppliers. As mentioned above, tour guides pay a sum of money to receiving travel agencies in order to get the job, and are not paid for their working by the receiving travel agencies. In order to make money, tour guides make a deal with souvenir shops and entertainment suppliers just like receiving travel agencies that in one hand they persuade tourists to do shopping and buy entertainment items. On the other hand, souvenir shops and entertainment suppliers are responsible to make a sale and give tour guide a kickback according to tourists' consumption. The competition among souvenir shops and entertainment suppliers, and tour guides' eager to making money are the main reason to support this approach.

6th Ring: The stakeholders are tourists and tour guides. While tour guides provide service to tourists, what is deeply in tour guides' heart is how to persuade tourists to do shopping and buy entertainment items, and how much money he or she can get from shops and entertainment suppliers. But tourists do not come out from their home and pay for shopping and entertainments, their main purposes are leisure and sightseeing. So tour guides have to find good reasons to lead tour group to shops and entertainment places. Sometimes, tour guide will cheat or threaten tourists to shop and buy entertainment items when the tourists are not willing to follow the order of tour guides. Often, tour guides are successful in persuading tourists. The lack of information and the strange situation of tourists are the main disadvantages used by tour guides and the main reason to support this approach.

7th Ring: The stakeholders are tourists and souvenir shops and entertainment suppliers. Before tourists arrive at souvenir shops and entertainment places, they do not make a decision to spend money, or make a decision to do window shopping, especially when

tourists aware some information about the zero commission model. But the aims of souvenir shops and entertainment suppliers are making sales and earning money from tourists so as to pay the receiving travel agencies and tour guides. The result usually is that tourists come out of shops and entertainment places with their money spent. Why? The reason is tourists seldom can resist the persuasion from a professional sale person. The strange situation of tourists and the professionals from souvenir shops and entertainment suppliers are the main reason supporting this approach.

2.3 Motivations and conditions supporting the zero commission model

2.2.1 Price oriented consuming habit of Chinese tourists. Yi and Yang argued that Chinese have a kind of tradition of low price preference (Yi&Liang, 2011). People look for the lowest price of the goods they want at the very beginning instead of thinking about the quality. Chinese already get used to bargain for a lower price. The result of this low price preference is that the low price products in China are having a better marketing condition compared with those of high price, though some of the high price products actually of a better quality. Noticing the low price preference of people, travel agencies thus use low price strategy in order to have more tourism products sold. While with the price competition among travel agencies becoming more and more fierce, the price becomes lower and lower. Consequently travel agencies get less and less profit. In order to recover the lost profit, travel agencies started to look for profit generate point. Then kickback from souvenir shops and entertainment providers becomes a safe draw for travel agencies. By getting kickback generated by tourists shopping, travel agencies have the ability to continue their price competition. As long as the kickback can recover the lost profit, travel agencies can continue lower their price to attract more tourists. And more tourists means more consuming and more kickback and lower price of tour products. The situation deteriorated. Nowadays the price of some kind of zero commission model tour products lowered to the point that it only includes the fees which the organizing travel agencies have to pay directly such as the transportation fee to the destination and visa fee in the case of outbound tourism, and the profit organizing travel agencies require. Under this price, the receiving travel agencies and related service providers get no commission fee from organizing travel agencies (Jia, 2006).

2.2.2 Family shopping culture. In Asian countries, family always been taken as the priority of one's life. It is a culture to bring gifts when a person travel back to home from outside the living area, such as going back to hometown from working places or study places. Here is the case of tourism. Even though there is a Chinese saying that there is no matter with the value of a gift, the reality is that Chinese people prefer to choose valuable stuff as gift to show how much they care with each other. And for history reason, in China people don't have family policy to control the size of family before 1980, big families including a lot of relatives are very normal. With the development of economy, Chinese people have more and more chance to leave their

home or country for tourism activities. Under the family shopping culture, Chinese tourists do a lot of shopping while they traveling for their family members and relatives or close friends. Thus Chinese tourists are noticed that they spend a lot of money on shopping. According to the statistics of the tourism authority of USA, in 2011, Chinese tourists spent 5.74 billion US dollars, an increase of 15% compared with that of 2010. The consuming per capital of Chinese tourists is the largest, reach to 5271 US dollar per person which surpassed Japan, Britain and Germany. The shopping ability of Chinese tourists is the insurance of the implementation of zero commission model. No matter how low the price is, as long as tourists spend money in destination, organizing travel agencies, receiving travel agencies and tour guide and other related service providers can recover their costs and make profit by getting kickback from souvenir shops. The huge amount of money Chinese tourists spending on shopping are the survive line and basic element for the existence of the zero commission model. With the confidence that tourists have the ability to consume and can recover the lost profit which originally come from normal price of tour products, travel agencies adopt the zero commission model and tour guide dare to accept the offer of no salary and paying capital fee.

2.2.3 Homogenous information of destinations obtained by travel agencies. In the old days, China's travel agencies are divided into 3 kinds, namely domestic travel agency, inbound travel agencies and outbound travel agencies. The 3 kinds of travel agencies are quite different for the business authorized by the National Tourism Administration. Domestic travel agencies could only do the domestic tourism business, the inbound travel agencies could do domestic and inbound tourism business, and the outbound travel agencies could do all kinds of tourism business. The reason to divide travel agencies and authorize them with different business is that travel agencies in China were different on the ability to get information of international destinations and to operate and cooperate with their foreign counterparts. But with the develop of education of foreign language and the use of internet, travel agencies are quite equal on searching for information and cooperate with destination travel agencies. Thus in 2009, China National Tourism Administration redivided the types of travel agencies into common travel agency and outbound travel agencies. It is believed that the end of typing travel agencies will be no type. Travel agencies now already have the ability to do all kinds of tourism business, as all the information people can equally obtain from internet. The equality of information result the homogenous of information. Tourists cannot easily tell the difference from the handouts of travel agencies. The price of tourism products become the only and easiest way to tell the difference of tour products for tourists (Jia. YQ, 2006).

2.2.4 Seller's market. The regulation and rules of China tourism industry forbid foreign travel agencies to solicit tourists directly in China. They have to cooperate with outbound travel agencies of China. Outbound travel agencies as the organizing travel agencies to solicit tourists and travel agencies in destination to do the receiving job. In the case of domestic tourism, tourists usually prefer to contract with a local

travel agency than to sign contract with the receiving travel agencies in destination. Thus no matter in outbound tourism or domestic tourism, Organizing travel agencies have the resource of tourists and consequently have more powerful say over receiving travel agencies' price. On the other hand, the competition among receiving travel agencies force them to lower down price to satisfy the organizing travel agencies (Zhang et al., 2009).

2.2.5 The tour guide management system. In China, the Number of tour guide reached 700,000 in 2010. There are two kinds of tour guide management systems. One is the travel agency management system. A tour guide has to sign a labor contract with a specific travel agency and thus become a member of this travel agency. Tour guides under this system have salary and social insurance, but they can only work for the contract travel agency. Another is the tour guide management company system. Tour guides pay a sum of money to the tour guide management company and declare under the management of the company. Then the tour guide can be a free labor. They can work for any travel agency. The problem of the tour guide management company system is that tour guides don't have a fixed monthly salary and social insurance. Their income depends on how many tour groups he served. Tour guide under the first system usually are of some non-English language, such as French language tour guide, Japanese language tour guide. For domestic tour guide, tour guide are not professional. They are usually a clerk of office. When there is a need of domestic tour guide, clerks of travel agencies then go outside office and work as tour guides. The reason for the above mentioned fact is that travel agencies are afraid of lacking of special language tour guide during the peak time of tour season. And travel agencies don't want to employ a common language tour guide which they can easily obtain from tour guide market, thus can save the salary. So most of the 700,000 tour guides cannot get a permanent job in travel agencies and thus tend to the management company system, having no salary and social insurance, every penny depends on their service times of tour groups.

When the competition between travel agencies became fierce, the zero commission model was adopted. Travel agencies thus cannot make enough profit to pay tour guide. Consequently travel agencies won't pay tour guide for their service and in the extreme case, travel agencies require tour guides feedback in the term of capital fee (Yi&Liang, 2011) . Naturally service providers will not provide service unless they are paid. But as tour guides are not member staffs of travel agencies, they don't have a stable income. Because most of tour guides are free labor, they have to compete with each other to get a service opportunity in travel agencies. So facing the shift of financial risk from travel agencies, tour guides have to accept the offer of travel agencies to earn their income from tourists' shopping (Zhang et al., 2009).It is natural for tour guide that getting kickback from souvenir shops becomes the priority instead of providing good service. In order to get kickback, how to persuade tourists to do shopping is the main thinking of tour guides. When tourists do not cooperate with tour guides' leading to souvenir shops, conflicts come up between tour guide and tourists.

In some extreme case, tour guide curse tourists or even force tourists to do shopping. Thus a lot of tourists' complaints about the service of tour guides. But tour guides do not have much choice under the current management system and working environment. (Liu, 2011)

2.2.6 The local protection and tolerant to souvenir shops and entertainment suppliers which are part of the zero-commission model. The tourism authority system has 4 levels in China, the national level, provincial level, city level and county level. Each level of tourism authority belongs to corresponding government. When there is a problem, the local tourism authority is responsible to deal with it under the instruction of above level tourism authority. The zero commission model is defined by China National Tourism Administration as a problem and it really causes a lot complaints from tourists. Local tourism authorities are responsible to supervise the market and make investigation and punish travel agencies who behave against regulation. But the reality is that local tourism authorities often try to protect the local travel agencies and fuzzy the investigation. The reason of the local tourism authority's irresponsibility contributes to the social relationship net. Officials of tourism authority and government and managers of travel agencies depend on each other. Corruption is a normal issue between officials and managers. Officials get benefits from managers and managers get policy support and protection from officials. Compared with the difficulty of dealing with travel agency, that of souvenir shops and entertainment providers is much more difficult. Souvenir shops and entertainment providers usually are of large investment. They employed a lot of labors in the local area and paid huge tax to the local government. Thus the protection of souvenir shops and entertainment providers is come from local government. The local government and tourism authority do understand the zero commission model tour damage the interests of tourists. But with regard of the increase of tourists, more money will spend on the local economy and push the development of local area. Tax, employment and economic development are much more important for local government than the interests of outside tourists. Thus even though local governments and tourism authorities are well aware of the behaviors of souvenir shops and entertainment suppliers that they sell low quality goods on a high price which damage the benefit of tourists, it is very difficult for them to make the decision of punishing those zero commission model relevant.

2.2.7 China's tourism complaint-dealing system. China's tourism complaint dealing system was a horizontal one. When the national level authority receives a complaint letter from tourist, they just transfer it to the provincial level authority, and the provincial authority transfer the letter again to the city level or county level. According to the management rules, the county level tourism authority is the one to deal with complaints. But most of the county level tourism authorities don't have enough manpower and because of some corruption and local protection, the tourists' complaints are not well treated. When there is no pressure come from tourism authority, travel agencies often don't care about the complaints of tourists. Tourists

don't have enough experience and energy to deal with travel agencies when they suffered with the zero commission model tour products. And this encourages travel agencies to adopt the zero commission model to attract more tourists and make more profit.

3 Methodology

The study of zero commission in China is not a new research topic. A lot of research methods have been considered. Case study is an easy way to give direct image of what zero commission models. By analyzing the components of a specific zero commission tour package products, people can understand the difference of zero commission model tour compare from the normal tours. Statistics analyzes no matter on the news related to zero commission model or some significant elements are rational and acceptable despite the data collection is difficult and impossible to cover all the circumstances. Interview with stakeholders is an efficient way to understand the related people's motivations and behaviors. Questionnaire to tourists also is a direct information collect means to help analyze the behavior of tourists and to get the information of what unsatisfied tourists in terms of zero commission model. This thesis did some interviews with relative stakeholders and scholars so as to better describe the zero commission model. Case study also conducted here in order to show detail operation of travel agencies under the zero commission model. Policy review is a important means to understand the attitude of government. The information of complaints of tourists have been collected through the file analyses of the Complaint Center of China National Tourism Administration.

3.1 Interviews with scholars and experts to understand different views to the zero commission model.

First, interviews with experts who are specialized on the operations of travel agency and especially on the zero-commission model will be conducted. Professors of colleges and universities will be priorities. Interviews with scholars could have a better understanding of the development of travel agencies of China. And theoretical ideas of the reason and solution to zero-commission model will be obtained.

3.2 Interviews with travel agency managers to understand the situation and mechanism of zero commission model.

Several interviews will be carried out with managers of travel agencies. Those people are supposed having implemented the zero-commission mode and experienced the difficulty brought by the model. They could explain in what condition and why they implemented the zero-commission model and also they could provide the detail operation of the model.

3.3 Review of the policies to the “problem” of China so as to have a better understanding of the attitude of China’s tourism authority

Interviews with tour authorities of tour destinations, national tourism administration of China will be conducted. In the past decades, the authorities of China had done a lot to solve the zero-commission model problem. Some were effective, some were in vain. People who work for tour authorities could know the solving history of the problem and explain why China tourism industry still in no hope of solving the problem after so many years of corrective action.

3.4 Cooperation with the Complaint Center of China National Tourism Administration.

China National Tourism Administration had established the Complaint Center since the very beginning of the development of tourism industry in the early 1980s. The Complaint Center is responsible to accept tourists’ complaints and make investigation and negotiate with travel agencies. There are four levels of Complaint Dealing Center, national level, provincial level, city level and county level. The cooperation with the national level of Complaint Center can provide information of the reason why tourists complain about the zero commission model, and thus could help to understand why it is defined as problem in China.

3.5 Case study

This paper uses a typical zero commission model tour product as an example to explain the components of zero commission model. The tour product is a 6-day tour from Beijing to Yunnan province south part of China, an important and hot tourism destination. Different tourists have different feelings about this tour product after they finished their trip back to Beijing. Some tourists complained about the accommodation and too much shopping arrangement. Some tourists expressed that they were satisfied with the service of tour guide, and had a very good tour experience in Yunnan province. People argued that as long as there were some tourists’ satisfactory, the zero commission model should not be a problem. This paper analyzed the case, explain the detail operations of travel agencies and tour guides. By this case study, readers would understand that what is the difference of satisfactory and dissatisfactory, and what is the truth of the zero commission model tour.

4. Results and Discussion

4.1 The case study: a zero commission model tour to Yunnan Province.

The tour product is a 6-day tour from Beijing to Kunming. The price is 2350 RMB. The contract contents and itinerary are as follows:

Days	Destination	Introduction
1	Beijing-Kunming. FlightHU7165.	Free time.You can visit the tea house to drink tea or visit the square of the city. Please arrange meals by yourself.
2	Kunming-Dali-Lijiang. Visit Dinosaur park and Lijiang city.	There are 5hours bus travel from Kunming to Dali, and 3.5 hours bus travel from Dali to Lijiang.
3	Yulong Mount, The show of snow mountains, Visit the primitive village of Naxi.	Yulong Mount is the holy mountain of Yunnan people. The show of Snow Mountains is a live action show of Yunnan minority. The ticket is 190RMB and as a gift from travel agencies free for tourists. Please arrange dinner by yourself.
4	Lijiang-Dali-Cuxiong. Visit the Triple Towers of Dali, The Garden of Zhang.	Long distance bus tour. The Triple Towers of Dali are the symbols of Bai minority. The Garden of Zhang has a history of hundreds of year and you can enjoy the special tea of Zhang family.
5	Cuxiong- Kunming. Visit the Stone Forest, Jade museum, Minority village, Colorful Yunnan Mall, Tea ceremony.	The Stone Forest is the first group of World Geopark. Jade museum provide you with the Jade culture of Yunnan. Colorful Yunnan Mall is the only shopping mall set up by the Yunnan province Government. You can get all kind of souvenir there.
6	Flower market and see off. Flight HU7112. Kunming-Beijing.	The largest flower market in China.

4.1.1 Comments from tourists about the tour product are of two kinds. The satisfied tourists express that the tour guide provided good service, and the scenic spots are very beautiful. The dissatisfied tourists' comments mainly focused on too much shopping, bad accommodation, bad temper tour guide and driver, long distance travelling and short stay in scenic spots.

4.1.2 The real costs of travel agencies. The round air ticket from Beijing to Kunming of HU is about 2100RMB at least. The fee for 5 nights in hotel is about 500RMB for one person. The average cost for one meal per person is about 15RMB. Thus the cost for meals per person is about 105 RMB for 7 meals. The tickets' price for the show of Snow Mountains, the triple towers, the garden of Zhang and the dinosaur park is 510 RMB. Supposing travel agencies could get 50% discount for those tickets. The cost is 255 RMB for one tourist. And the tickets' fee for Naxi village and the Stone Forest is not clear. Let's assume it is about 50 RMB. So we can have a basic cost of travel agencies by accumulating the above cost. That is $2100+500+105+255+50=3010$ RMB. This cost is the cash paid by travel agencies for one tourist in this tour product, not including the cost of tour guide and driver and office expenses. And the cost and the price of this tour products means that before tourists arrive at Yunnan Province, travel agencies has already lost 660RMB per tourist.

4.1.3 The cost of tour guide and driver. The average day salary in Kunming city is about 100 RMB. Travel agencies pay no salary to tour guide for their 6 days' working. So for tour guide, they lost directly 600 RMB salary. And because most tour guides cannot work for 30 days a month. At least 1000 RMB tour guide have to make from the 6days tour so as to reach the average income of Kunming city. Compared with the cost of tour guides, drivers cost much more. Travel agencies also paid no commission to drivers for their service. Beside the average 1000 RMB salary, driver has to pay for the tour bus and oil and some other spending related to the tour bus. The price for renting a 22 seat bus travel to Dali is about 2000 RMB. Thus we could have the cost of tour guide and driver. For tour guide, the cost is 1000RMB. For driver, the cost is $1000\text{RMB} + 2000\text{RMB} * 4\text{days} = 9000\text{RMB}$. (The first day and last day will not charge much as there is not much transportation, from hotel to airport.)

4.1.4 The demand of travel agencies and tour guides and drivers to recover their cost is extremely strong. The number of tourists in a tour group in China is about 20. The cost contributed to each tourists thus become $3010\text{RMB} + (1000\text{RMB} + 9000\text{RMB})/20\text{person} = 3510\text{RMB}/\text{person}$. That means travel agencies and tour guides have to make $3510\text{RMB} - 2350\text{RMB} = 1160\text{RMB}$ from each tourists, thus could keep a balance. Chasing for high profit is natural for all business, so 1160RMB is the minimum travel agencies and tour guides have to recover from each tourist, the more the better.

4.1.5 Money making points. It is seems that the contract and itinerary gave all the information in detail and announce that there will be no shopping arrangement in the tour. But the contract also explained that the Colorful Yunnan Mall, the Garden of Zhang and the flower market has its own shopping area, and thus these three places are not counted as shopping arrangements. In fact, shopping is the main means for tour guide and travel agencies to recover their cost. There are 7 shopping arrangements in this 6days tour product. The first one is the primitive village of Naxi.

By introduce the culture of Naxi, tourists will be persuaded to buy some unique Naxi handicrafts. The second shopping place is the Garden of Zhang. There tourists will experience the special tea ceremony of Zhang family, consequently the special tea of Zhang is the best and unique souvenir for tourists to bring back home as presents to relatives. The third shopping place is the Jade museum in the 5th day. Tourists will be given a lesson on how important for a person to wear Jade, and how to distinguish good quality and bad quality of Jade. And the fact that Yunnan province indeed famous for its Jade culture makes tourists buy Jade. The fourth shopping arrangement is that of minority village in 5th day tour. Special minority souvenirs are show to tourists for their purchase. The fifth shopping place is the Colorful Yunnan Mall, silver ware is the main product for tourists. The sixth shopping place is the tea ceremony which persuades tourists to buy the most famous Yunnan tea. The seventh shopping place is the flower market. All those shopping places have sigh contract with travel agencies and have agreement with tour guides and drivers.

4.1.6 The pressure on tour guide. In order to recover the cost on reception of the tour group, tour guide have to make sure that the total amount money tourists spend on shopping should be more than $(1160\text{RMB}/30\%) \times 20\text{person} = 77000\text{RMB}$. Here we assume the average kickback is 30% of the spending of tourists. If the tour group spent less than that, tour guide and driver suffered a financial lost. So it is very easy for scholars to understand the anger of tour guides and drivers. But tourists fly to Yunnan province is to have fun and relax. Shopping is not their main purpose. Tourists cannot accept the 7 times of shopping arrangement within 6 days tour. Conflicts often happen between tour guides and drivers. As the first line work with tourists, tour guide face a great pressure. In 2007, a tour guide from Jilin province led a tour group travel to Yunnan Lijiang. After the conflicts on shopping with local tour guide, the tour guides went creasy and rushed to a crowded shopping street in Lijiang, injured 20 people with a knife. The case showed that tour guides now working in a very terrible situation. They have to give good service to tourists and also they have to make tourists do shopping so as to survive. The reputation of tour guide in China is very bad. Many tourists from the beginning of their tour treat tour guide as enemy. When people mentioned about tour guide, they always connected with cheater and liar.

4.2 Problems of the Operation of the Zero Commission Model

4.2.1 Fraud at the beginning of contract. Many tourists complained that travel agencies change standard of accommodation and itinerary. So they turn to the tourism authority for help. But when tourists and travel agencies sit together with the effort of tourism authority, to discuss about the complaint and negotiate for solve, the tourists then found out that all the changes had been hint in the contrast they settle with travel agencies. The reason for tourists have no aware of fraud is that travel agencies use fuzzy words to describe the itinerary and conceal the real intent in the contract. One

typical way is to illuminate the souvenir shops as a tourist attraction. Take the Jade shops for example. In the contract, travel agency could put the statement like “visit the Jade culture museum to experience the local Jade culture and learn how to distinguish the fake Jade from real and good quality Jade” to arrange a Jade shopping in the itinerary. Tourists even though don’t have the idea of visit a Jade museum originally, but when it becomes a tourist attraction in the itinerary and don’t have to pay extra for it, tourists always accept. After visited the Jade museum and persuaded by the professional sales bought some luxury Jade as souvenir, tourists complain about the arrangement of shopping and regret bought something which they have no plan to purchase. The standards of accommodation are some other way to let the travel agencies to have the right to make change. We could easily find descriptions of standard of accommodation in the tour contract fuzzy enough to fool tourist, such as “the relevant 5star hotel”, “standard room”, “8 people 10 dishes”, “luxury bus”. Those descriptions just give a very fuzzy image of the standard. Tourists then found out that relevant 5star hotel was not a 5 star hotel and sometimes was a hotel without stars; the standard room was a room with only beds; the 10 dishes promised in contract were all vegetables or of very low price and low value; the luxury bus was a bus only have air conditioner.

The above issues keep happening since the start of modern tourism industry of China, and reach the peak at the beginning of 21th Century. The National Tourism Administration received a lot of complains from tourists and local tourism authorities as well. Standard of domestic tour contract and standard of outbound tour contract were studied and promoted to all over the country. A series of advertise of adopting the standard contracts were arranged in multiple media. But as the standard was a suggestion not a must, travel agencies were not willing to adopt for the reason that the standard contract was too specific leaves no flexibility to travel agencies. And because of the advertisement of promotion of the standard contracts was not in the main and popular media, tourists don’t know exactly the feature of it and under the explanation of travel agencies, they usually will accept the modified contract provided by the travel agencies. The modified contract was contract originally copy the content of the standard but with some technique modification which benefit the travel agencies, and leaves enough space for travel agencies to place their treaty.

4.2.2 Force shopping. Force shopping is one of complaints relevant to the zero commission model. It is not the one with largest number, but the one with the worst consequence and influence. In 2010, a video was widely broadcast in many television station that showed a HongKong tour guide shouting at a group of tourists for their unwilling to do shopping, and threatening tourists to do not do shopping with difficulty on accommodation. After the broadcast of the video, the tour guide apologized to HongKong citizens and people of mainland China with the company of the boss of travel agency. People criticized the low moral quality of the tour guide, and protested the tour of HongKong. The same year 2010, a former national table tennis player of mainland China visited HongKong and because of being unwilling to

shop the old man quarreled with tour guide and died in the shopping center from the consequent heart attack. The death of tourist caused a wide boycott of mainland people to tours of HongKong. The Government of HongKong had to come out and apologize to people of mainland China and negotiate with the central government on how to change the situation of tour to HongKong. A new regulation of tour shopping of HongKong was passed by the Government of HongKong (Yi&Liang, 2011) .

The above issues concerning with forcing shopping were extreme cases. But the impact on the tourism industry of HongKong and mainland China was heavy. People were questioning about the management ability of tourism Authorities and lowered the regards with travel agencies and people who work in tourism industry. Usually tour guide will not force tourists do shopping. More prevailing means is to let the professional sales in the shop to persuade tourists shopping. Only in the situation that tour guide already paid too much to travel agencies in the name of head capital, and tourist refuse to do shopping at the very beginning, a few tour guides will hysterically adopt the extreme means of forcing tourists do shopping. In the early days, tourists suffer force shopping complain to tour authorities and with the help of tourism authority recover the lost and damage of shopping. The situation was under control in the hope of maintain the good images of tour destination, tour guide and travel agencies. But with the development of technology, tourists easily can video or camera the bad behavior of tour guides or relevant service providers. And the media become a push power of those issues. The impact of force shopping and its influence become more and more uncontrollable. According to the analysis of China National Tourism Administration Complaint center, force shopping is the most unacceptable issue among all the wrong behavior of tour guide and travel agencies.

4.2.3 Low quality of souvenir with high price. Force shopping is a bad memorable experience. Beside it, low quality of souvenir with high price is the solid proof of bad experience and is the most complained issue. At the beginning of tourism development, inbound tourists were interesting in purchasing some high value antiques and jewelry of China. With the implementation of kickback to tour guides and travel agencies, the profit of shops became less and less. Thus, some low value products and sometimes fakes were sold to tourists with the original high price and making profit. For those international tourists who travel thousands miles to visit China, they might not be able to find out the quality of their high value of souvenirs thus produce few complaints. Or for international tourists, the value of souvenirs was not important; the memory of souvenir standing for is their concern. And the high cost of complain and recovery is another reason for there was not much complains from international tourists concerning low quality of souvenirs. But for domestic tour and outbound tour, tourists can access to the travel agencies and complain for recovery. For most Chinese tourists, souvenir means low price and full of memory. High value products are still not the first choice as souvenir.

4.2.4 Unsatisfied service of travel agencies and tour guides. The tourism industry is

one part of service industry. Travel agencies don't sell anything of physical goods such as TV or soda water. Travel agencies provide Services including the destination information collection, hotel and restaurant booking, bus renting, tour guide service, and so on. The quality of travel agencies' service determines whether Tourists satisfied or not. Thus the satisfaction degree of tourists now becomes one of the most important indexes of quality of a travel agency. Recently the CNTA use the satisfaction degree to level travel agencies. Even though every travel agencies know the importance of tourists' satisfaction, under the zero commission model, travel agencies and tour guide don't have much choice to solve the financial problem which caused by the low price of tourism products. From the very beginning of planning a tour itinerary, how to make profit instead of providing high quality service and making tourists satisfied becomes the first and most important issue for travel agencies. With profit mentality, it is not strange that tourists fell unsatisfied when they follow the tour itinerary designed for the profit of travel agencies and tour guides. Most tourists expressed that there were always something unsatisfied with the service of travel agencies and tour guides.

4.2.5 The core concept of the zero commission model is cheating tourists. It is argued that the zero commission model is to divide the tour into two parts. One part is from the departure of tourists home place to the arrival of destination, the other part is from the arrival of tourists to destination and the arrival of tourists' home place. The zero commission model set the price of products to cover the cost of organizing travel agencies and let receiving travel agencies to recover their costs and profits through tourists' shopping (Luo et al., 2011). The argument said that tourists actually paid two times, the first time in the form of price of tour products to the organizing travel agencies to cover the transportation and visa fee, and the second time in the form of shopping and entertaining to the receiving travel agencies to cover the costs of their accommodation and local transportation and services such as tour guide and driver. It maybe looks fair and reasonable in the amount of money tourists spend and the revenue of related service providers. But the most important issue this argument forgets is that the initial motivation and ideas of making profit of zero commission model is totally unethical, being based on cheating the tourists.

When tourists consult with travel agencies about the zero commission tour, the staff of travel agencies will not explain why tourists don't have to pay for their accommodation in destinations and try their best to use the low price to attract tourists to purchase their product. The idea of recovering costs and making profits by seducing tourists to do shopping and buy entertainment items which of low quality and high price thus a kickback would be generated to travel agencies is deliberate cheating. The zero commission model is not built on a bilateral benefit between tourists and travel agencies. The zero commission model is built in favor of the benefit of travel agencies at the price of the interests of tourists(Ma et al.,2011).The initial cheating idea makes tourists and travel agencies become opposite parties. To some extent, cheating is not only the behavior of travel agencies, but also of tourists.

For those tourists who understand the idea of the zero commission model which contributed by media, the reason to choose the zero commission model tour products is that they want to take the advantage of low price and plan not to spend any money on their trip. Thus travel agencies and tourists in this case become the offensive and the defensive. Travel agencies and tour guides try to make tourists to do shopping and spending money, and tourists quite aware the situation and do not cooperate with tour guides in the idea that all the behavior of travel agencies and tour guides are a kind of cheating that cause the money spending. Those tourists of awareness of the zero commission model are in fact cheating on their consuming of tour products and aiming to obtain benefit in the price of the interest of travel agencies. On the travel agencies side, they want to cheat tourists and make them spend as much as possible in order to get more profit in the form of kickback. On the tourists' side, they want to enjoy their trip with a low price at the cost of service providers such as travel agencies, tour guides and drivers. Both travel agencies and tourists who aware about the zero commission model are behave unethically.

4.2.6 The key support element of the existence of the zero commission model is the information inequality between tourists and travel agencies. When people do shopping and set a deal, the hypothesis is that the price they pay is lower than the benefit they could get from the deal, or at least the former equals to the latter. This hypothesis is valid on both the consumer side and the seller side. The power of market keeps deals benefit almost equally to both sides. So, when tourists contract with travel agencies for a tour, tourists always feel satisfied with the price and products. What tourists think is that the price is low, the product should worth more than the price, and even though travel agencies may persuade their consuming in destination, they could refuse to it. The reason for tourists consuming zero commission model tour products and the cause of the above thinking is the inequality of information. Tourists have no idea that they will eventually spend more than the normal price. The price tourists paid to the organizing travel agencies and the money tourists spend on shopping, new added tour itinerary and some other kind of spending will at last surpass the normal price of tour products or cover the cost of all the service providers (Guo&Gan, 2010). Otherwise travel agencies could not survive, and tour guides would quit their job.

During the trip, travel agencies and tour guide use all kind of means to persuade tourists to spend money on shopping. Take the Japan tour for example. The price tourists paid to organizing travel agencies in China is about 2500RMB. The international transportation fee is about 2000. Under the zero commission model, the receiving travel agencies get no commission fee from the organizing travel agencies. Thus the receiving travel agencies have to pay for the tourists' accommodation and local transportation, and tour guides and drivers get no payment from the receiving travel agencies. In order to recover the costs and make profit, travel agencies and tour guides will lead tour groups to some fix shopping area and persuade tourists do

shopping. Kickback will be generated to travel agencies and tour guides when tourists consuming. Tourist have no chance to compare goods and prices with other shopping places and because of the time limitation they stay in Japan, many tourists choose to shop at the place tour guides showed them. Another money generating method is adding extra tourism attractions. The organizing travel agencies and receiving travel agencies deliberately exclude some of the most famous scenic places such as the Fuji Mount. As the most famous sightseeing place, when tourists are persuade to pay extra money to visit the Fuji Mount, most of them will accept and pay extra 3000yen to tour guide. The reason of this phenomenon is that tourists always have less information compare with travel agencies about the destination. Tourists don't aware Fuji Mount is close to Tokyo and can include in the itinerary and it is free for people to visit. The unequality of information is the key element supports zero commission model. If tourists aware that no matter how low the price of tour products is, at the end of tour, they will spend more than they purchase normal price products, there would be no tourists join in zero commission model tour.

4.2.7 The satisfaction of tourists to some zero commission model tours could not conceal the truth of cheating. Based on the case study, in which zero commission model tour can generate satisfaction of tourists, some argued that as long as tourists satisfy with their tour experience, zero commission model tour has its bright side (Luo et al., 2011). In some extent, the satisfaction of tourists indeed is the aim of tourists and service providers. But we have to analysis what is behind the satisfaction. Is it because of good service? In the case of a zero commission model tour, some tourists will satisfy with their experience, some will not. Both satisfied tourists and unsatisfied tourists do a lot of shopping and spend more than normal price of tour products with which the receiving travel agencies and tour guides can cover their costs and make profit. The only difference is the satisfied tourists meet a tour guide who can technically use persuade language and please tourists, and the unsatisfied tourist meet a tour guide who could only lead tourists to do shopping and sometimes force tourists do shopping and conflict with tourists. But no matter how tour guides persuade tourists do shopping, the truth that what tourists purchase are belong to high price and low quality, and tour guide get their kickback in the price of tourists' interests, could not be concealed. It is cheating. No matter cheat gentle or cheat rough. The satisfied tourists of zero commission model tour can only be satisfied in the case that they don't realize that the reason tour guide tell stories and treat them like god is to make their spend the money in shops which originally tourists have no plan to do. When tourists realize the whole good service and fancy stories of tour guide is all subsystem of persuading of shopping and obtain of kickback, tourists will never feel satisfaction.

4.2.8 Advantages of the zero commission model. The zero commission model in fact reduces the revenue stream to parts of the industry, such as operators, agencies, tour guides, etc. But the zero commission model has its own positive side, it benefits at least tourists at the first beginning and the organizing travel agencies (Luo et al., 2011). The development of the tourism industry in China is fast, with an increase of

more than 10% every year. The zero commission model may have some contribution to the increase of tourists. The low price of tour products encouraged people go travelling. Even though the total cost of traveling is not lower than the rational price tour, tourists felt much easier to accept the zero commission model prices and willing to go out for traveling. Especially for those who barely get the amount of money for outside travelling. They are provided by tour operators with a low price tour product, thus a lot of people join in the tourist division. The organizing travel agencies also benefit with the zero commission model. The increase of tourists means the increase of profit and revenue. Though the price is low, and in the extreme case lower than the total cost of travel agencies, for the organizing travel agencies, they can use the money received from tourists to cover their own cost such as traffic tickets and visa fee. The organizing travel agencies can always ensure their own profit as they are the first stop of the commission and shift the financial risk to the next stop of money flow, the receiving travel agencies.

Some scholars argue that the zero commission model could help the economic development of tourism destinations at the price of interests of tourists. Tourists join in zero commission tour groups and spend maybe more than the normal price of tour products on shopping and entertainment items. But if we can analysis the money flow of tourism, we can discover that most of the money stayed in the destination area. That means the local economy was benefit with the development of tourism, even though it was a zero commission model tour. The fact of benefitting from the increase of tourists is the reason for local authorities tolerant with the zero commission model related enterprises.

The increase of employment in the destination is another contribution the zero commission model can make. The zero commission will encourage more people go out home for travelling. And those destinations with the zero commission model tour became the hot choice for most tourists. With the increase of tourists, the relative service providers increased. Local transportation, restaurant, shops, supermarkets, hotels and some other service providers have to employee more people to provide service to the increasing tourists. Employment issue is the most important concern for government. Some people argued that as long as the zero commission model can stimulate the development of tourism thus could help to increase the local employment, the zero commission model has its own good side function.

4.3 Whether the Zero Commission Model is a Problem or a Normal Response of Travel Agencies under the Power of the Market?

The zero commission model has existed in China since the end of the 1990s. It spread from inbound tourism to outbound tourism and domestic tourism. The very beginning of the zero commission model was price competition. With the development of tourism industry, more and more travel agencies established. Because of lack of new

tour product and unique product, travel agencies had no competition means except lowering their price. And the reason of Chinese tourists' preference of bargaining for lower price, travel agencies had to create the zero commission model to meet the need of customers. So to some extents, the zero commission model is a product of marketing power (Luo et al., 2011). It is the response of travel agencies to the completion and need of market. But the response to market sometimes can be problematic. Take the drug dealer as an example. There is need of drug in the market, but because of the harm of using drug, drug dealer is not a tolerant profession in most countries. The zero commission model actually is a cheat in which travel agencies and tour guides and related service providers use the lack of information of tourists to make profit at the price of the interest of tourists. The original motivation of the zero commission model is cheating. The result of zero commission is not good to all the shareholders. For tourists, they lose money and sometimes suffer dignity degradation. For travel agencies, their brand may be damaged and thus loss of market share when tourists spread news of the bad reputation of travel agencies is usual. For tour guide, the profession reputation is ruined. And for souvenir shops and local government, their images are degraded because of tourists' spread by word. But after all, tourist is the one lost most. So even though the zero commission model is a consequence of completion and shaped by the market power, it is problematic and needs to be restructured by the cooperation of all the related stakeholders.

5. Conclusions and Recommendations

The zero commission model of travel agencies not only exists in China, but also in Japan, Korea, Thailand and Taiwan. With the development of economy, more and more investment has been put into tourism industry. The competition in tourism industry thus becomes fiercer. No doubt, price competition is the most common way for people to choose. The reason for travel agencies to use price competition to fight with each other is that tour products are easily to imitate as there is no copy right to protect the innovation of tour products. All travel agencies have similar tour products. The only differences are their price and brand. But for most travel agencies brand is still not an advantage. Chinese tourists and people of East Asia which have been influenced by China's culture in the past thousands years, have the preference of low price. Because of their economic condition people regards price higher than quality. There was a strong low price demand in the market to force travel agencies to lower down their price of tour products. But low price demand has no limitation, people always want lower price. And the purpose of travel agencies is to make profit. When the low price consequently conflicts with profit, travel agencies have two choices. One is to stop the decrease of price. The other is to find a way to recover the loss of profit.

In order to attract more tourists, travel agencies have to continue their decrease of price and looking for means of profit. The shopping culture of Chinese tourists then became a source of profit. With the development of China's economy, Chinese tourists now become the most spending tourists in the world. The amount of money tourists spend on shopping is much higher than the tour products' price. Kickback became a source of profit which is much higher than that of tour products' price. As the organizing travel agencies have much say power on price than the receiving travel agencies, the financial risk shift to the receiving travel agencies. The organizing travel agencies paid little commission to the receiving travel agencies so as to ensure the profit of organizing travel agencies. The receiving travel agencies became the ones to recover cost and profit from kickback. And because of the imperfect tour guide management system and tourist complaint dealing system, travel agencies could shift the financial risk to tour guides and don't care much about the feeling of tourists (Liu, 2011).

It is real that the zero commission model is the result of market competition and the response of travel agencies to the market demand. But as the operation of the zero commission model at the first beginning is a cheat, it has become problematic and is the root cause of many problems in the tourism industry. It cannot automatically change to good side. The situation will deteriorate if government doesn't interfere. The zero commission model problem cannot be solved by enterprise themselves as they have an interest in it. The Government should take the leading role in solving the zero commission model problem.

Dealing with the zero commission model problem is not easy. The zero commission model problem cannot be solved in a short time depending on several regulations and laws of tourism authority(Jia, 2006). To solve the zero commission problem, first of all, all related shareholders should participate. Government, tourism enterprises, and tourists all should be involved in the process of solving the zero commission model problem. Government should make more strict regulation on the zero commission model problem and enhance the supervision power on the behavior of travel agencies and related service providers. Tourism enterprises should notice that the zero commission model eventually will damage the royalty of tourists to their brand. Leaders of travel agencies should regulate the behavior of tour guides, drivers, product planners and operate business under the principal of good faith. Tourists should choose tour products rationally and behavior themselves. Recommendations could be divided into three categories.

5.1 Government

5.1.1 Clear definition and regulation. There is still no clear definition of the zero commission model in China. Scholars and travel agencies and tourism authority could not agree with each other on the definition of the zero commission model. China National Tourism Administration should first of all to define the zero commission model so as to unify the thinking of people. Only with a clear identification of the zero commission model, people can make deep study and understand more of it. A clear definition could also help tourists to different normal tour products and zero commission products, and avoid to joining in the zero commission model tour. A strict regulation to regulate the behavior of travel agencies and related service providers is necessary.

The China Tourism authority modified its regulation in 2001 and 2008. Regulations on the zero commission model became more and more strict. The punishment to travel agencies who are discovered to operate under the zero commission model is fine up to 500,000 RMB. But people criticized that the register capital for a common travel agency without the outbound tourism qualification is only 200,000 RMB, so the fine of 500,000 RMB is unpractical. And because the regulations don't have a definition of zero commission model, local tourism authorities have found that it become very difficult to define the behavior of travel agencies and charge them with violation of the zero commission model. A new regulation with a clear definition of the zero commission model should be made. The regulation should specify the operational details of the zero commission model and at the same time make pointed references to punishment. Thus travel agencies could have a principal to limit their behaviors and local tourism authorities can easily supervise operations of travel agencies. The most important meaning of a new strict regulation is that people have something to follow and to afraid. There would not be any chance for travel agencies to fuzzy their behavior on the zero commission model tour. The regulation is not used

to punish any travel agencies but to arouse their awareness of the problematic zero commission model and conscientiously behave themselves.

5.1.2 Promotion of royal and faithful operation of business. In 1978, China adopted the open up policy and focus on the economic development. The Chinese have made a great achievement on the economic development in the past 30 years. The living standard gets promoted. People become rich in China. But China still in the early stage of market-oriented economy. It is still far from mature. People chase for profit without enough conscience. All kinds of unethical means appeared in China in order to make profit. The unethical behaviors not only exist in tourism industry but all over the economic field. People are surrounded with unfaithful environment. People don't believe each other, especially when people in the role of customers. Changing the unfaithful atmosphere of business operation should be an emphasis task of the government. Government should use its broadcast system to promote a royal and faithful business operation principal. A certain strict punishment should implement when discover of cheating on business and damage of interests of customers (Guo&Gan, 2010).

5.1.3 Broadcast of the zero commission model and educate tourists. One of the reason for the existence of the zero commission model is that tourists don't understand what is zero commission model and don't consuming rationally. Government has the responsibility to broadcast the truth of the zero commission model. The cheating behind the zero commission model should be discovered through TV, newspaper, internet and other media. When tourists understand that they will eventually spend more money than they consume the normal tour products, tourists will not join in the zero commission model tour. And the broadcast of some of the operation of the zero commission model would be helpful to tourists to distinguish the zero commission model tour from normal tours.

The non-rational consuming habit of tourists has a history extending back to thousands of years in China. Price oriented consuming habit is the main reason for tourists choose the zero commission model tour. Tourists who choose the zero commission model tour aim at the low price. They don't care too much at the first beginning of the service quality of travel agencies. And to some extreme case, tourists quite clear about the bad side of the zero commission tour they choose, but with the profit at other people's expense mentality, they deliberately choose the zero commission model tour products. It is a fact of non-rational consuming. Education of tourists should be put on a very important place, for the demand of tourist is the important part of market power. A quality and price equality principle should be introduced to tourists. Education should let tourists know that travel agencies and tour guide and other service providers provide service for profit. Tourists should choose tour products with reasonable price, otherwise they will pay in the term of shopping and generate kickback for travel agencies and tour guide, and the shopping will cost more than they consume the normal price tour products.

5.1.4 Enhance the tourism quality supervision system and implementation of regulations. With the development of tourism industry, the tourism quality supervising system has been constructed in the past decade. China now has a tourism quality supervision system which contains 4 levels: national level, provincial level, city level and county level. The responsibilities of the tourism quality supervising system are dealing with tourists' complaints, supervising the behavior of tourism service providers, upholding the interests of both tourist and tourism enterprise. There are more than 5000 direct worker in the tourism quality supervising system. But the status of the tourism quality supervising system in China still is not fixed as part of government. Without the identity of government, the tourism quality supervising system cannot effectively investigate and punish travel agencies and related service providers who violate regulations. The tourism supervising system should be given a governmental identity and clear the responsibilities. The complaint dealing procedure should be regulated so as to form a standard procedure. Then the tourism quality supervising system can handle tourists' complaints more efficiently and effectively protect tourists' interests.

New way of investigation of violation of regulation of travel agencies should also be innovated. The most difficult problem in people investigating against travel agencies is that it is very hard to get the proof of violation of travel agencies, for it is impossible to arrange investigation during the movement of tour groups. And as complaints always come up after misbehavior happens, it is also very difficult for a tourism authority to get proof of violation using the prevailing methods of the tourism quality supervising system. New technology and innovative means of investigation should adopt to deal with tourists' complaints and regulate the behaviors of travel agencies.

5.1.5 Tour guide management. A new tour guide management system should be established which can solve the weak position problem of tour guide and ensure the rights of tour guide. Tour guides are amongst the first service provider to tourists. The quality of their service determines the degree of satisfactory of tourists. At the beginning of China's tourism industry, tour guide all are belong to travel agencies. They salary and social insurance are guaranteed. And because tour guides were doing business related to foreigners, their social status was high. There were no conflicts between tourists and tour guides. But with the development of a mass tourism economy, some souvenir shops and entertainment providers started to give kickbacks to tour guides.

When kickbacks become the main part of tour guides' income, travel agencies cut down tour guides' salary and at the end even pay no salary to tour guides. Tour guides have to earn their salary by themselves from tourists. Conflicts between tourists and tour guides came up. The situation became worth when the zero commission model was adopted by travel agencies. Travel agencies shift their financial risk to tour guides.

Thus all the pressure and conflicts focused on tour guides. There is no one to speak for tour guides. A tour guide union may be helpful to speak for all the tour guides. It is impossible go back to let all tour guide under management of travel agencies. The government should protect tour guides' income and build up a distribution system for tour guides and travel agencies. The prevailing income of tour guide composes tip and kickback. Both of them are criticized in China. Government should normalize the income of tour guides. Giving tip is an international customs. People should use tip to express their thanks for the good service of tour guide. Kickback also is an international customs. What the government should do is to build up a company to company kickback distribution system. Kickback paid by souvenir shops directly goes to the account of travel agencies. tour guide's income should compose of three parts, the day-payment from travel agencies for their tour guide service; the tips given by tourists for their good service; and kickback distributed with travel agencies (Liu, 2011).

5.1.6 Regulate and supervise the operation of souvenir shops and entertainment providers. The zero commission model exists depending on the kickback from souvenir shops and entertainment providers. Some people argued that maybe forbid tour groups to do shopping was a good way to end the zero commission model. It was the kickback supported the low price of organizing travel agencies, the zero commission reception of receiving travel agencies, and the no salary working of tour guide. Without kickback, the money flow won't be a circle and the zero commission model cannot survive. But souvenir shopping is a part of tourism industry. Tourists have the desire to do shopping for local specialties. The true problem of the zero commission model was that tourists got low quality souvenirs and paid high price. Thus tourists' interests were damaged. And depending on selling low quality souvenir in a high price, souvenir shops generated high profits and provided kickback to travel agencies and tour guides. So controlling the quality of souvenir and regulating the price is an effective way for government to solve the zero commission problem. As long as tourists are satisfied with their shopping and willing to do that, there will be no complaint about shopping. And if the price and quality of souvenir are under control, souvenir shops and entertainment providers cannot give enough kickback to support the zero commission model. The most important ring of money flow of the zero commission model will be broken. The rate of kickback should be written in the contract between shops and travel agencies and under the supervision of government.

5.2 Travel agency

5.2.1 Emphasis on brand building. With the development of travel agencies industry, more and more travel agencies were established. And with the continuing open-up policy, especially after China's access to the WTO, foreign travel agencies started building their branches in China. The competition between travel agencies will become fiercer. The price completion is an easy way for everybody to adopt. The zero

commission model eventually will harm the interests of tourists and damage the brand of travel agencies. And with the development of China's economy, tourists become more and more concerned about service quality. Travel agencies have to put more attention on brand building. Managers of travel agencies have to ensure all staff in travel agencies and related service providers should give good service to tourists and satisfied them without harm their interests, thus promote the loyalty of tourists to its brand. Only with a famous brand and a group of royal tourists, travel agencies of China can compete with those big foreign travel agencies which have longer history and much stronger financial power and brand power.(Campo &Yagüe, 2008)

5.2.2 Professionalize and promote unique products. The reason for travel agencies to adopt the zero commission model is that they don't have anything to distinguish themselves from each other. Price competition is the easy way to attract tourists. Travel agencies should explore their own advantage to professionalize themselves. Not every travel agency has the ability to cover the whole tourism market. For most of travel agencies, the best choice is to choose some segment market and focus on producing professionalized and unique tour products for those segment markets. Only by professionalize themselves and have unique products, travel agencies could distinguish themselves from other travel agencies and avoid price competition (Guo&Gan, 2010).

5.3 Tourists:

5.3.1 Rational Consumption. Tourists should realize that there is no free meal. Travel agencies could not provide service without charge enough money. Price and quality are usually equal is the truth of business. When the tour products have similar itinerary and conditions, the lower price one may belongs to the problematic products, tourists need to resist the attraction of low price (Yi&Liang, 2011) .

5.3.2 Enhance the rights defending ability. Tourists much make clear that the contract they sign with travel agencies contains all the necessary information. When tourists encounter force shopping or degradation of accommodation, they should know how to save proof for the future complaint (Guo&Gan, 2010).

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