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Survey Tips: Doing Business In China

CRM: Managing Customers
E-COMMERCE IN TRAVEL TRADE

By Vikneswaran Nair

E-commerce has brought new challenges and opportunities to the travel industry. The industry has been facing increased competition and pressure through deregulation and globalisation.

New competitors from abroad and from other industries join the travel trade today and, undoubtedly, tomorrow.

Customers are becoming even more knowledgeable and demand greater amounts of dynamic information to support their decision-making in buying travel products and services.

The travel business is one of the largest commercial sectors on the Internet.

The evolution of new information and telecommunication technologies has identified possible ways to transform the traditional operation system to a new direction.

E-commerce is putting tremendous competitive pressure on small businesses. Industries as diverse as travel agents have to react to the new competitive environment.

How they react, and how they survive, is directly affected by the structure of their industries. A few large providers dominate the travel industry.

The use of interactive communication has revolutionised every industry in general and travel in particular.

As this industry belongs to service organisations, wherein both the people and the processes are information orientated, it has been affected the most.

This industry, historically, is one of the earliest adopters of communication technology. It adopted the Computerised Reservation System (CRS) in its earliest stages.

Today most of the jobs that were previously reserved only for the intermediaries in traditional commerce (travel agents in this case) are being performed by them in e-commerce environment.

Online booking of an air seat, a hotel and arrangement of rent-a-car are everyday examples in this regard.

The paradigm shift from traditional commerce to electronic commerce has an important impact on the travel industry and hence on the functioning of a travel agency. The survival of travel trade now does not depend on business-driven strategies but on technology-driven strategies.

This can be extended by including the support for any kind of business transactions over a digital infrastructure.

The first widely available technologies supporting consumer-oriented electronic commerce are those linked to the Internet (principally the World Wide Web). These are obviously the most used today and this is likely to change in the future to include other technologies.

Today, it is not only confined to the use of the World Wide Web but interactive media including the text, sound and the video connected to an open network.

Thus, any organisation using a combination of these technologies in its business transactions can be said to be using e-commerce.

Through the early adoption of electronic commerce, organisations also learn to deal with these new technologies, the organisational transformations they imply and the new processes, which need to be introduced.

When an organisation redefines the products, processes and business models using technology to fundamentally change the ways products are conceived,
marketed, delivered and supported, it is said to have derived the business value.

TECHNOLOGY IN THE INDUSTRY

In many ways, the travel industry is the best example of an industry profoundly transformed by technology. Being one of the largest in the world means that it is a prime choice for better efficiency and increased added value.

Historically, that industry has been an early adopter of new technologies, for instance Computerised Reservation System (CRS) and the Global Distribution System (GDS).

As technology becomes more pervasive, traditional consumers begin to use tools formerly reserved for travel professionals. In the case of CRS, consumers who have access to similar systems through their home computers and open networks (primarily the Internet) can now take over some functions traditionally performed by travel agents. There is hardly any agency in the world that is not aiming for its presence.

General trends affecting the travel industry include increased competition through globalisation as new players are coming from abroad. The competition is also increasing due to changing customer demands because they have much wider choice. They expect more convenience and value and are getting used to the customisation of offerings. At the same time, customers are becoming ever more knowledgeable.

In this changing environment, if the travel industry relies on an outdated distribution network it is bound to go out of business.

In recent years, travel agencies have made use of a specialised technology infrastructure and specific knowledge to deliver information directly to their customers, through phone, fax, electronic mail and increasingly, through multimedia interactive systems. This type of change has profoundly affected the landscape of the industry.

PAST AND PRESENT FUNCTIONING OF TRAVEL AGENCY

The following figure briefly summarises the functioning of the operations department (one which actually arranges the core services of a travel agency) of a travel agency of the recent past.

In the age of e-commerce, hardly any agencies have a choice to organise on the above lines. To start with, there is no need for a tourist to necessarily go through an agent in his/her own country to get the illustrated arrangements done.

A click away is the confirmation of air seats, a room in a hotel and a-rent-a-car service. In an industry where the first two components (air ticket and accommodation) cost more than 70% of total tour costs, the intermediation can simply be eliminated.

What are the travel agents and tour operators around the world doing in the wake of this development and what is the impact of these developments?

(in next issue: The impact of e-commerce on the travel trade.)

THE OBSOLETE FUNCTIONS IN TRAVEL TRADE E-COMMERCE

- International tourist enquires and makes booking
- Foreign travel agent sends an enquiry
- Malaysian travel agent sends a quotation
- Foreign travel agent accepts the quotation and sends advance
- Malaysian travel agent makes arrangements for:
  - Ground arrangement, hotels, etc.
  - Transportation and guides
  - Special permits, accounting, etc.
- Group of tourists / tourist arrive(s):
  - Transfer to hotel
  - Sight seeing
  - Departure to next destination
- Feedback and arrival at the next destination