ELECTRONIC TRAVEL DISTRIBUTION AND ITS IMPACT ON THE TRAVEL AGENCY SECTOR

by

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ABSRACT

This project is aimed on examining the impact of electronic travel distribution on the travel agency sector, therefore the retailing side of the distribution. Electronic travel distribution through the Internet and interactive television is growing fast having a great impact on the size of sales taking place by travel agents. Traditionally the UK tourism industry has been very developed, especially the travel distribution system. The travellers or anyone who is connected to the Internet or is able to use interactive television can implement electronic commerce at home booking flights, accommodation and car rental on-line and this is the actual electronic distribution. The consumers are the most crucial part of the distribution. They decide whether they are going to use the electronic travel distribution. The business traveller receives those developments largely, according to the statistics. However, a vast majority of leisure traveller still chooses to book through an agent.

Future predictions show that electronic distribution is going to replace travel agents to a great extend. In order to investigate the development of this new distribution system and its influences in the UK tourism industry, primary research has been conducted, in addition to the secondary research. The primary research included investigation of the travel agency environment and the influence of new channels of distribution selling direct through ten questionnaires that were distributed to high street travel agencies. Although travel agents do not perceive Internet and interactive television as a major thereat, they are prepared to adopt electronic commerce in the sector.

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CHAPTER 1: INTRODUCTION

1.1 The Subject

This project is aimed at the threat of direct sales through electronic commerce, affecting the sector of travel agencies. Before the electronic revolution, which we are now living in, the only fear of the travel agencies was the direct sales of the suppliers. This project is aimed at the impact of the changing technology on the distribution channels that reflects on the travel agencies market. Despite the fact that the subject can be analysed on a universal base, a specific holidays sales industry was essential in order to present the subject and do the research. The travel industry that has been chosen is the UK.

Travel product sales have grown for many years now and are expected to grow more in the future, due to the technological advances that make its distribution easier and faster. Another main channel apart from the travel agents, are the tour operators, although travel agents transact approximately 34.4% of all UK expenditure, compared to 31.8% through the tour operators. (Key Note, 2002)

Key Note estimates that expenditure through travel agents and tour operators is equivalent to around the third of the value of international and domestic travel by UK residents and organisations. UK residents were encouraged in 2001 to travel overseas rather than take domestic holidays, although this still had an affect on the travel agencies, because the future travellers were using the growing number of services offered by low cost carriers and also taking advantage of the opportunities to organize independent holidays through the Internet.

Table 1.1: The UK Travel and Tourism Industry

Tourism revenues by UK Residents by Sector by Value (£m) , 1997- 2002

	1997	1998	1999	2000	2001
Travel Agents					
Outbound tourism	13,774	15,467	17,203	18,816	17,855
Domestic Tourism	1,131	1,087	1,190	1,493	1,540
Total travel agents	14,905	16,554	18,393	20,309	19,395
Tour Operators					
Outbound tourism	13,190	14,622	16,056	17,221	16,645
Domestic tourism	1,055	982	1,041	1,161	1,253
Total tour operators	14,245	15,604	17,097	18,3821	17,898

Source: Key Note 2002

However, the travel agencies connecting the principles, which are the suppliers, with the future travellers, still mainly distribute the tourism and travel products. They exist to provide services to the customers who still need to arrange a travel program, whether it is for holiday or business.

1.2 Aims and Objectives

The aim of this project is to assess the potential impacts of electronic channels of distribution on the traditional delivery of travel products and to determine if these impacts will pose a serious threat to the future role of the travel agencies.

The main objectives of this project are the following:

- Review the different types of travel product distribution
- Present new technologies and compare between travel agents as part of the distribution chain and electronic commerce as a new distribution channel
- Examine the influences of direct sales by electronic commerce on the travel agencies
- Present customers booking performance due to new technologies
- Predict the role of the travel agent in the future towards new channels of distribution.

1.3 The Importance of Travel Product Distribution

The purpose of distribution is to establish a link between the supply and demand of the tourism organisation and the traveller. The distribution system is different than in other industries. There is no physical distribution because the items sold are intangible. While the functions and problems of transportation and warehousing are eliminated, different types of challenges are present in tourism distribution (Mill & Morrison, 1998).

Tourism services are perishable. All the services must be sold each and everyday otherwise they are lost. Travel trade intermediaries are numerous and have a strong influence on customers' buying decision. The "packaging" of travel services and products exists to provide the customer with a more satisfying travel experience. Retail travel agents book airline seats, hotel rooms, sightseeing excursions, rental cars, cruises and provide packaged vacations in the form of foreign independent tours. The tourism distribution system is unique because it includes all these intermediaries, where each performs specialised roles. In addition, this system makes booking easier for the visitor, informing him of all the necessary and relevant information.

Technological advances are likely to have an increasing impact on tourism distribution, as they have had in the recent past. The electronic distribution of travel services is now a major factor in most developed countries. Travel agents fear the advances in electronic distribution and communication systems might cause consumers to bypass them altogether. They are afraid that eventually suppliers and wholesalers will be able to transmit their messages directly to consumers who will be able to make travel choices, book tours and pay for travel from their own homes or offices.

1.4 Methodology & Structure

The methodology will include both secondary and primary research. The secondary research will include books, journals, web pages, articles, statistical publications and other similar sources. In addition, the primary research will be conducted through questionnaires that will be distributed to certain high street travel agencies.

The aim of the introductory chapter is to give the reader the aspect of the subject, which will be examined. The next chapter, which is the literature review, investigates the tourism industry and its players including extended information about the travel agent. The different distribution channels are also included, and the impact of the travel product. The customers will then be mentioned, as they are the receivers of the distribution process.

Chapter 3 will constitute the part explaining the impact of technological advances, selling direct and their impact on travel agents, as well as the customers changing buying performance using the electronic methods of booking.

In chapter 4 the reader will be able to get an insight on the research methodology framework. The data collection methods that will be used will be presented.

Chapter 5 will include the analysis of the primary research conducted and its use to describe the current business environment of the travel agent, influenced by the electronic commerce sales.

Finally, chapter 6 includes the final thought about the future of the travel agent and its role within the industry.

CHAPTER 2: LITERATURE REVIEW

2.1 Distribution in the Tourism Industry

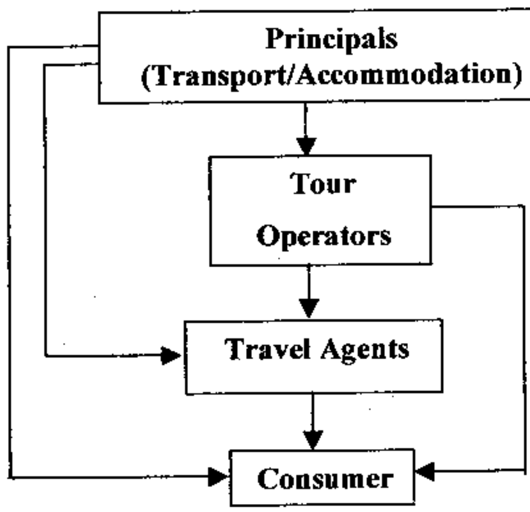
Leiper defines the tourism industry as one that "consists of all those forms, organisations and facilities which are intended to serve the specific needs and wants of tourists". (Cooper, 1999). In addition, the travel and tourism industry includes a large network of commercial and non-commercial organisations that are linked together in order to provide services for the needs of future travellers. There are several businesses and organisations concerned with travel and tourism that can be classified in the following way:

- ***Passenger transport***: The means of transport that are used by tourists to reach their destination.
- ***Accommodation and catering***: The provision of facilities for tourists to eat and stay during the trip.
- ***Recreation and Amenity***: The provision for tourist activity and enjoyment.
- ***Tour Operation and Travel Agency***: Organisations that are concerned with package holidays and sale of inclusive tours or their separate elements to the tourists
- ***Tourism Administration***: Agencies that are responsible for tourism promotion, marketing and development.

Besides the major sources of direct provision there are also support services that supply both tourists and the tourist industry, such as foreign exchange, travel insurance, facilities for the tourists and market research consultancy.

The following figure shows that there are a variety of channels that the products pass through on their way to their customer. Amongst these channels, there are the direct ones, where producers sell their products directly to the consumer. The other means of distribution are indirect, and those include the intermediaries such as a purchase of a plain or a train ticket through a travel agency or a tour operator.

Figure 2.1: Distribution Channels



Source: Holloway,2002 (p:77)

The structure of the travel and tourism industry serves the needs of different tourist groups or markets: domestic tourists, overseas tourists, and incoming tourists. Tour operators and travel agents sell inclusive tours mainly to the residents travelling abroad, as it as seen to give better value for money, because of the strength of the pound compared to the other currencies. There are also a wider variety of exotic locations, offering good weather, sandy beaches and all at reasonable prices. Nevertheless, domestic packages are quite popular also and are booked over small holiday breaks.

2.2 The Players

A reference to each type of organisation (principles, tour operators, travel agents) that serves the customer is appropriate at this point. Principals are the organisations that provide the basic travel product such as transport, accommodation and other amenities, and are also treated as 'principals' to the tour operators and the travel agents. Travel and tourism principals can distribute their products in a number of ways: by direct sale, indirect sale through the agent, or sale to the tour operators for inclusion as part of a package.

Tour operators can be seen as retailers, because they sell individual units to individual members of the public, either directly or through the travel agent, but only when the consumer chooses to buy. If the tour operator decides to sell through a travel agent though, the operator pays commission to the agent and builds this extra cost into the selling price. (Renshaw, 1997). Several tour operators have expanded their operations both up and down the chain of the distribution. This is called vertical integration and an example is the tour operator 'Thomson Holidays', who has bought the airline Britannia and the major travel agency chain Lunn Poly.

Tour operators put together the travel package by contracting with those supplying the services or by using their own transport and accommodation. Some only sell foreign package holidays direct to the customer. However, most of the travel packages are sold through the travel agents, who do not purchase them from the tour operator. The agent is remunerated by a commission on the price of the holiday as shown in the brochures, which are the usual means by which tour operators inform the customer of the holiday details that they offer.

Travel agents are known as the other retailers in the market since they constitute the link between the providers of travel services and the future travellers. Travel services are regarded as holidays, which are taken outside or inside the UK and contain at least the main transport element, which is in the majority of cases, air transport, although it can be train, coach or ferry, and not necessarily the accommodation element. Besides the sale of foreign package holidays, the business of travel agents may include a number of other services such as the sale of travel insurance, concert tickets, other events etc.

There are numerous economic, demographic, social and political factors that affect the demand for holidays, and therefore sales through travel agents. In current terms, indexed growth in spending on holidays exceeded the growth between the years 1996 and 2000. The serious disruption of domestic tourism by the foot-and-mouth phenomenon and the event of September 11 had an important impact on holiday plans and there was an estimated 1.7% decline in spending on holidays in 2001 (Mintel, Travel Agents 2002). Demand for travel generally was already expected to fall before these events, as companies tightened their budgets and consumers wanted to secure their jobs before committing to a holiday purchase.

Although there was a slight decline in the number of retail travel agencies operated by the major travel agents, Key Note estimates that the percentage of the transactions accounted for by the four leading travel agents remained more or less the same.

Table 2.1: UK Travel Agents

Branch offices of Major UK Travel Agents, 1997 & 1999-2001				
	1997	**1999**	**2000**	**2001**
Travel Agents				
Lunn Poly	793	800	788	785
Going Places	720	758	789	705
AT Mays	410	-	-	-
Thomas Cook Ltd	386	773	709	692
First Choice Holidays Plc	-	318	361	336
Total Travel Agents	2,309	2,649	2,647	2,518
Other ABTA travel agents	4,633	4,403	4,439	4,502
Total	6,942	7,052	7,086	7,020

Source: Key Note, 2002

2.2.1 Regulation in Retail Travel Trade

The travel agency is regulated in order to provide financial security to both consumers and suppliers, and the legal requirements are largely responsible for dictating the shape of the retail industry. However the influence of ABTA (The association of British Travel Agencies) is not as strong nowadays due to the fact that travel agents are not obliged to be its members.

ABTA's total membership for 2000 was 2.652 including 852 members who were tour operators. The changes in the sector can be seen clearly from the decline in the number of travel agencies, which reached 41% between 1999 and 2001. ABTA reported in march 2002 that a third of travel agents had suffered a fall in the previous year, although such figures are of little concern, and that only 5% of its members are to fail in the current financial year.

ABTA is still the largest association representing the travel trade and it provides financial protection and repatriation guarantee for those travelling with its members. It is also an important judge in handling complaints deriving from the customers that choose to travel with ABTA licensed travel agents and tour operators.

Table 2.2: ABTA Members

ABTA- Registered Travel Agents and Branch Offices, Year July-November 1997-2001					
	1997	**1998**	**1999**	**2000**	**2001**
Travel agent members	2,012	1,962	1,898	1,836	1,870
Travel agent branch offices	6,839	6,942	7,052	7,086	7,020
Total	**8,851**	**8,904**	**8,950**	**8,922**	**8,990**

Source: Travel agents & overseas tour operators IN Key Note, 2002.

There are various other associations representing the travel agency sector. The National Association of Independent Travel Agents (NAITA) is one that gives the opportunity to its members to deal with a wider range of tour operators and airlines. The Alliance of Retail Travel Agents Consortia (ARTAC) has achieved steady growth in membership over the past years. The Global Travel Group (TGP), the Guild of Business Travel Agents (GBTA), the Multiple Travel Agents Association, the Direct Marketing Travel Group are smaller associations also dealing with travel agents interests.

2.3 The Tourism Product

The tourism industry includes the range of businesses and organisations involved in delivering the tourism product. The tourism product constitutes of a psychological as well as a physical experience and as defined by Holloway (2002) it is "quite complex since it can comprise a place (the holiday destination), a service (a tour operator's package, incorporating the temporary use of an airline seat, hotel rooms and sometimes other facilities) and, on occasion certain tangible products such as free flight bags, or a complimentary bottle of duty free spirits to encourage booking".

A travel or tourism business must also decide its products width and depth. A large mass-market operator has to make a number of critical marketing decisions. Package holidays appeal to different market segments and satisfy different needs. Although a product's lifecycle cannot be forecast, all products exhibit characteristic life cycles. A tourism destination that initially attracted small number of visitors can gradually become more popular.

As this occurs, there will be a parallel larger concentration by other carriers and tour operators, as a result of which sales will increase rapidly, which may require a change in the size of accommodations and other facilities and services. Eventually the destination may decline to a point where tourism is no longer significant. In some cases, this pattern of growth-maturity-decline may be quite rapid, while in others, the product can sell at saturation level for a very long period.

In the wholesales procedure, one of the most important elements is the distribution. Companies have as their prime purpose, to sell their products and for that, different channels of distribution occur. This includes a selection of travel trade intermediaries (travel agents and tour operators), as well as the fast growing electronic version of the distribution.

2.4. Distribution Channels

A distribution channel is any organised and serviced system, created or utilised to provide convenient points of sale and/or access to consumers, away from the location of production and consumption.
(Middleton, 1994)

Distribution in travel is how information about a product is sent to the agent or the consumer, and due to the intangibility of the travel product, information assumes a vital role. New companies to the travel and tourism business must determine their strategy for distribution, and at the same time the existing companies must re-evaluate it from time to time. There are three key factors that a principal must bear in mind:

- ***Cost***: Companies that sell their products through intermediaries have an advantage, because the distribution costs arise only when a sale is made. The critical factor in reducing the price is reducing the cost.

- ***Control***: Great consideration must be taken to the degree of control when planning the distribution system. When there is use of many intermediaries it is difficult to control them, unless a principal owns its own retail shops. Most of the times, companies in the tourism industry have massive capital investment, but very little control over its sale. For this reason, organisations and companies, for example an airline, may decide to have their own retail sales shop, even if that means higher distribution costs.
- ***Level of service***: when a company owns its own distributive outlets, it becomes easier to organise its level of service and marketing activities. Product knowledge among retail agents is a controversial issue among principals. When a company can convince the agents that their staff have first-hand knowledge of the contents of what they are selling, automatically it increases the level of reliability, therefore concluding into a confident co-operation.

A principal that can be an airline, a cruise company or a hotel can choose to either deal direct with the consumer or through intermediaries. The term 'intermediaries' is used to describe any dealer who acts as a link in the chain of distribution, between the company and its customers. Most of the companies choose to deal through one or more intermediaries rather than setting up their own network of retail shops or sell direct in any other way. By selling in this way companies buy the use of a distributive network.

Figure 2.2: Distribution channels in travel and tourism marketing

Principal	→	Customer (on producer's premises). Typical of attractions, cafes, museums, guest houses, taxis)	Principal acts as retailer at own location.
Principal	→	Customer (at home). Typical of direct response marketing as practised by hotels, tour operators.	Principal acts as retailer via reservation system.
Principal	→	Owned retail outlets, multiple units Customer (on producers premises) Typical of car rental companies, railways, airlines, and hotels with multiple units acting as referral system	Principal owns and operates the distribution system
Principal	→	Independent retail outlets Customer (on retailers premises) Typical of many tour operators, holiday centres, airlines, hotels	Principal pays commission to retailers
Principal	→	Independent retail agents Customer(on retailers premises) Typical of resort hotels, some camping and caravan sites, charter airlines, cottages)	Principal negotiates bulk sale or allocation of production to another principal

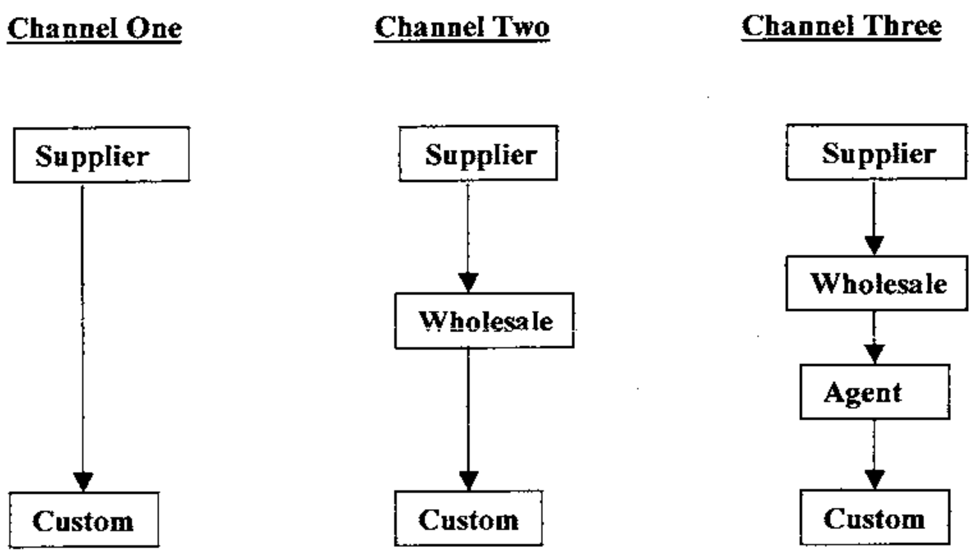
Source: Middleton, 2001, adapted from Kotler, 1984. (page 296)

In travel and tourism, the principal is any producer or operator who has products to sell. Travel agents, as the retailers, are together with the suppliers part of the chain of the distribution, which is used to get the product to the consumer. Principals can choose to either sell through the travel agent or can sell direct to the consumer.

2.5. Different Forms of Distribution

There are different characteristics of each type of distribution. The following figure shows the different channel types of distribution of the travel product in the tourism industry.

Figure 2.3: Distribution channel types



Source: Renshaw, 1997.

In chapter one of this project, direct selling was mentioned, which is presented in the diagram as a distribution channel. In the case of direct selling through electronic commerce, the first channel type of distribution is followed. This particular channel does not include the travel agent who is the intermediary between the supplier and the customer as shown in the third channel type. The project as a whole is based on the difference of the two channel types and the comparison between these two.

2.6 The Customer

For both supplier and travel agent, thorough understanding of consumer behaviour is necessary for successful business practice. Consumers live in a changing environment that affects their buying habits and the process they use in buying. They also have to make choices, such as which product to buy and where to make the booking. These choices are affected by social, economic, political and motivation factors. (Renshaw, 1997). So, while the term 'consumer' seems to indicate a single concept of demand, there is a whole diversity of consumer behaviour with decisions being made for a number of reasons.

Based on Mintel's consumer research (Leisure Intelligence, 2002), five types of consumers have been identified based on their attitudes towards the Internet and travel.

- ***Online browsers*** (8, 7%): These are the consumers that only browse through the websites, collecting information but not necessarily consuming, mainly because they are afraid if buying online.
- ***Web-wise***: (13, 3%): This category deals mostly with the Internet, organizing and making travel arrangements and finds the information provided through the web sites useful and straightforward.
- ***Personal service seekers*** (28, 4%): This group of consumers used the retail side of distribution, meaning travel agencies or tour operators, to make their travel arrangements.
- ***Unopinionated*** (39, 7%): Their view is either completely indifferent or have no opinion concerning the travel industry and the Internet.

- ***Anti-Internet*** (9, 9%): These consumers will not search for information through the Internet, to book their holiday or any other arrangement, and they will not purchase online.

From other reports, it is shown that travel agents come out well in terms of their perceived convenience and reliability, with 38% of consumers seeing travel agents as the secure booking option, and 27% considering them more convenient. Meanwhile, the proportion happy to shop for holidays online has risen 3%, indicating some degree of substitution of electronic booking for other channels.

For most customers, the aspect of personal service is an issue in the buying process. The travel agency has its most potent weapon to fight off competition from direct channels. Cost is not a major issue for the majority of consumers, conflicting with some of the marketing priorities that have been adopted by some agents. This factor is against direct suppliers, especially in the selling of inclusive tours, as their existence stands on the offering of a cheaper deal than the one that is available by the travel agent.

CHAPTER 3: ELECTRONIC TRAVEL DISTRIBUTION

3.1 Technological Development is changing the Distribution System

As the consumers' technological expertise increases, every sector of the travel industry is testing new methods of distribution, which for the most part, are Internet based. Lines of communication within the travel industry are also being renewed. The computerised networks and electronic distribution systems, which were originally starting to develop in the 1970s, have today caused dramatic changes within the tourism industry. Travel agents are constantly being offered newer and more sophisticated systems. CRSs (central reservation systems) which are companies developed by international airlines to provide global networks for the sale of air travel and leisure related products, have been working for years to secure the distribution networks provided by the travel agents.

Such technological changes have been generally restricted to communications between suppliers and agents. Today, the major threat is seen in the use of technology by an increasingly sophisticated leisure and business traveller turning to home-buying and self-ticketing machines.

In just a few years since the first introduction to the Internet was made, giving access to travellers to various web sites from their own PC's, the speed of development has been remarkable. 'The information intensity of travel and tourism is a key driving force in the rapid diffusion of technology. No player in the tourism industry will be untouched by information technology.' (Poon, 1993)

In today's computer age, it is almost impossible to imagine the existence of manual reservation systems. The most important developments of the past years are mentioned, which actually influence today's travel and tourism industry.

- ***Databases:*** The collection and analysis of facts that flow through the distribution channels in order to provide information for the strategic and operational decisions of large organisations
- ***The Internet*** : An online marketplace with detailed information, which is updated every few seconds
- ***Mobile telephones***: can also be used for email, travel reservations and other bookings, apart from its main purposes.
- ***Call centres***: they are part of the modern distribution systems, and are linked with web sites, providing customers with information and also making reservations.
- ***Interactive television***: the teletext information provided on the televisions gives access to the consumers to a number of interactive options, concerning their travel arrangements.

The Internet is the most important and new method of booking in the UK. Suppliers and intermediaries have designed their own websites, either just by having an informative role or by selling direct through the Internet. The whole distribution system has been transformed after the introduction of electronic commerce. Home buying will possibly have an impact on the typical distribution channel that includes the travel agent. The role of travel agents is changing according to predictions deriving from the sector.

3.2 CRS and the Future of Travel Distribution

The Computer Reservation Systems were first introduced by international airlines in order to control their reservations. They can store current information about all available service providers and have the necessary infrastructure to transfer such data. Holloway (2001, p.78) describes the CRS as the "technology which controls an airline's seat inventory for sales and operational purposes, and also provides access to the reservation facilities of other travel suppliers such as hotels and car rental companies".

CRSs have experienced several stages of growth. Each change coincided with a basic shift in the economic relationship of the travel distribution chain (Cooper et al, 1998). CRSs have been continuing since 1965, when they were first introduced, to increase their role in travel distribution. The use of computers is the most efficient way the vast amount of rapidly changing information could be made available to travel agents and the travelling public. "The CRS has no geographical boundaries; it is truly global;" (Inkpen, 1998). Travel agents use the information provided by CRSs to advise customer about the entire spectrum of travel options: air, hotel, car rental, etc. besides making reservations, these systems provide other essential services, for example the printing of tickets, vouchers or boarding passes.

Most travel agencies operate a selection of reservation systems, either using videotext networks and / or GDS. The Global Distribution System is actually a reservation system whose purpose is to not only making airline bookings but supports other related travel products. Since the advent of GDSs, airlines have established a presence on the Internet and are using that as an important distribution channel especially to consumers (Pender, 2001, p: 187). However, CRSs expend considerable efforts to convert agents from other systems and ensure them that their subscribers remain with their own systems.

The travel agencies domination of the distribution system resulted from airline deregulation. The complexity of route systems and fares increased forcing most travellers to use travel agencies to obtain adequate information on airline services. While it is the clients that provide travel agents with a mean of survival, it is the airlines that pay the travel agents in commissions and other incentives. Large travel agencies are forming cross-border and regional alliances to service an increasingly demanding and sophisticated consumer.

Travellers are highly influenced by the travel agency. Agencies can determine and influence the decisions on airline or accommodation selections as well as on other sectors. CRSs are but only a tool for swaying agent decisions, as many travel providers are not available within the major CRSs.

Travel agencies use multiple data services to service clients. Today, airlines are making fares and products especially available through different channels. Once a travel agency is attached to a single CRS, it is tied into receiving information from that single source, therefore not being able to provide the best possible service to its client.

Many suppliers are now establishing their own websites individually or in some cases in concert with their rivals. A number of these have linked to create a web to sell their joint flights or other services direct to their public. If these web sites can gain a significant share of the published fares market, they will threaten to undermine sales through agent and GDSs. (Holloway, 2001, p: 285)

3.3 The Internet

The 1990s is considered the decade of the Internet, and today it is easy to bring the world of travel right into the homes of travellers with a simple click of the mouse button. The World Wide Web operates as a global marketplace, with detailed information on prices and availability, allows exchange transaction and bookings and most important is that it is updated every few seconds, accessible to the general public 24 hours a day, 365 days a year.

The travel business was one of the first to embrace online technology. Whilst many sites sell flights, hotel accommodation and car hire, the sophistication and capabilities of the sites are often not as advanced as those in other business areas. (Pender, 2001, p: 80). Until today, the majority of travel booked online has been airline tickets, but at the same time an increase is occurring in sales of package holidays and car hire via the Internet.

In 1994, airline tickets were 75% of agents' revenue, while today they are only 30%. The airlines have driven a lot of agents out of business. However, the cruise and tour industries depend almost entirely on the travel agency distribution system to sell the services. ASTA (American Society of Travel Agents), points out "there is no effective passenger record management system that equals those of GDSs, and Internet bookings do not count towards GDS segment booking thresholds, thereby punishing an agency for every online booking".(TTG, Ian Taylor, 'US agents testify in airline row', 24 June 2002, Ian Taylor, p:14).

So, travel agents rank high on the list of endangered species. Like many intermediaries, they are particularly vulnerable because of the direct link between supplier and customer that the Internet can provide. Travel agencies are forced to redefine their strategies, products and processes, also due to the pressure of increasing customer demands, such as flexibility, convenience and service in combination with market competition. Holidays are the highest-value piece of discretionary spending made by most consumers. "by providing access to a high level of detail, allowing comparison of products and facilitating browsing at the consumer's own pace and at convenient times, the Internet again holds an advantage over travel agent or call centre selling" (Mintel, 2002).

The Internet provides cost effective distribution for a range of products which do not justify the initial investment or the cost of selling through the GDS. Agents increasingly use the Internet to research standard displays across multiple suppliers, to the leisure agents who cannot justify a dedicated GDS connection. All major GDS companies view the Internet as providing a focus for advances in travel technology. Competition is based on the fight to become the booking engine behind the Internet companies, which will have increased exposure through interactive television. Buhalis (1998) describes "the Internet as also providing unique opportunities for multimedia presentations, transforming uninspiring text-based screens of GDSs into interactive electronic brochures".

The **European Travel Monitor** confirms the sale of exponential growth in travel being booked on the Internet. It estimated that more than 5 million bookings were made by European travellers via the net in 1999, equivalent to only 2% of the total market volume that year but an incredible 300% higher than in 1998. (Travel industry monitor, April 2000, page 22). Even those who browse but do not book travel on the Internet are in average higher spenders than those who do not use the net at all. The ETM confidentially predicts that continued exponential growth in Internet travel bookings will continue in the next few years and anticipates a rise from 5.5 million in 1999 to 21 million by 2003.

Internet is identified today as a clear beneficial distribution platform for principals, because it enables them to identify and target customers more accurately and effectively. At the same time they reduce their distribution costs, because they can afford to pay less commission to intermediaries, whilst consumers do the manual work of data entry, instead of the employees of a company.

3.4 Internet's Impact

The introduction of the Internet has created a debate on the future of travel agencies, as intermediary functions between key suppliers and travellers may be eliminated through digital networks via the World Wide Web. At the start of the new century their influences within the overall distribution pattern is declining rather than gaining in importance and are forced to evaluate their current distribution costs and future options.

During the past few years there has been a rapid emergence of Virtual Travel Agencies, which are Internet based and utilise the CRSs used by travel consultants. These agencies offer the same flight information, published and promoted airfares, hotel accommodation and car rentals. Examples of VTAs are Microsoft Expedia Travel and Travelocity. "This development has potential to have great impact on travel distribution. These Internet companies do not necessarily bear any relationship to the traditional high street agencies, although there are some established travel companies which recognise this new threat, and have made moves to confront this" (Pender, Travel and Trade and Transport, 2002, page 70). These online travel agencies are also involved with other emerging methods of technology, such as interactive television, which brings a conclusion that many of these new companies will have no background in the tourism industry. Appendix 6 shows the top travel web sites and their share in the relative market.

Table 3.1: Top 10 UK travel websites by unique visitors

Rank	June 2001	Unique visitors(000)
1	lastminute.com	681
2	easyJet.com	423
3	thomascook.com	422
4	Britishairways.com	325
5	thetrainline.com	308
6	Railtrack.co.uk	264
7	Ryanair.com	257
8	ebookers.com	254
9	Go-fly.com	190
10	Expedia.co.uk	187

Source: Mintel, Leisure intelligence, march 2001)

Corporate travel agencies are aggressively embracing web technology and services to deliver lower airfares and reduce costs. "Carlson Wagonlit, one of the largest business travel agencies, began in January 2003 testing software that will let agents locate and book airfares, got their global clients through a single web interface".(Interweek, Ted Kemp, 'Corporate travel agencies embrace net', Jan 7 2002, p:10, No 890). So, although until now, travel agencies would traditionally have searched for information through CRSs, with the introduction of new software it is easy to combine fare data supplied directly by airlines and consolidators such as OneTravel.com with data from GDSs. Examples of this software are Sidestep and Worldtrável, that offer websites where customers can access travel information and book fares via browsers or web-enabled handheld devices. "Worldtravel said it can save clients up to 50 per cent of their total expenses by arranging travel online because the Internet lets fewer sales agents manage the same number of bookings". (Lodging Hospitality, Anonymous, 'Online bookings down from 2001', July 15 2002, p: 54, No 58).

GRS network is the first to market a business-to-business Internet distribution network that links a wide area of travel services and merchandise into one delivery channel for the global travel industry. The GRS network is an alternative to CRS, empowering a competitive cost-efficient means of serving the needs of their business and leisure clients. **(www.grsnetwork.com).** This way, travel agencies can compete more effectively than before by providing expanded services to the customer without having to leave the web site and being able to construct the most complicated and detailed holiday program.

The impact of the Internet on the travel consultants is also a very serious issue, because the success of a retail agency is often attributed to the role of its travel consultants. The travel agencies depend on the experienced staff, because they are the company's representatives. The change of technology has brought the need for the consultants to alter the functions they perform in the distribution and the way they sell the travel products. "New technology enables its agents to provide clients with rapid comparisons between Internet fares and those available through global computer reservations systems. The former are sometimes cheaper, but companies are concerned that staff may waste time searching for them. Another worry is that too many employees booking web deals independently could undermine firm's ability to negotiate discounts with airlines based on high levels of business". (Financial Times, Bray Roger, 'More bookings made on the web', May 7 2002, p: 7).

3.5 Interactive Television

"Television plays a big part in our lives. In the UK although it was not an interactive process in 2000, Teletext information on traditional televisions screens was estimated to have captured over 10% of inclusive tour sales" (Middleton, 2001, Marketing). This means that a large number of future travellers are already familiar with the use of television for travel and tourism. Teletext has become a popular consumer method of researching package holiday options. Viewers access teletext, and then use a number shown on the teletext screen, which gives them the possibility to make bookings using their credit card details.

It has also become a significant channel for the retailing of holidays over recent years although the technology's lack of interactivity means that bookings are usually made by telephone and those relying on television itself for holiday information are a small minority, but is likely to grow as more digital channels appear.

The number of households subscribing to digital TV services will also show the extent to which shopping for holidays via interactive television will take place. According to Mintel (2002) the rate of conversion from the teletext channel remains higher than that for the Internet, with 5% of the respondents of a survey, having phoned to book a holiday seen on teletext, but only 2% phoning to book from a website.

In addition to the growing power of the multiples, the travel agents are also facing a big threat from the direct sales by tour operators, because big tour operators have been selling for some years now via teletext, directly to customers, and are looking to supplement their work by introducing the newer electronic channel, which is the digital television. The introduction of digital television is set to revolutionize the broadcast industry and some have predicted the convergence of the television set with the computer. With the promise of interactivity, and hundreds more channels, digital television is becoming an important new distribution channel.

Thomas Cook, which is one of the leading travel agencies in the UK, created a travel channel on interactive digital TV. It was launched in December 2001, and is called Thomas Cook TV, it is the first high street retailer-owned holiday shopping channel, which went live on Sky Digital. However, the customers still have to phone to book. The channel which is still facing some technical difficulties is aimed at driving increased sales through Thomas Cook shops, call centres and website.(Mintel, 2002).

Mytravel, which is another big travel agency in the UK, is making efforts to increase sales, after its poor results in the first part of the year. Besides the agents own website, which has been showing excellent results over the past few months, the company is looking to set up a digital TV channel, which will be engineered by the website. (TTG, Lucy Huxley, 27 May 2002, p: 4)

Worldspan travel applications, one of the major global distribution systems, allows cable and satellite providers the ability to offer subscribers a comprehensive set of travel services via interactive television, including researching and booking flights, hotel, rental cars, tours, vacation packages and cruises. Worldspan has partnered with agency and customer to bring a broad array of content to the interactive television market.(www.worldspan.com) 2001 Worldspan].

Interactive digital television has been seen as a channel that increases the customers' interaction. Together with the Internet it is believed that they are going to be the platforms for the future global travel distribution. However, digital television presents as many challenges as benefits. Promoting travel products via the Internet is relatively cheaper than through the digital television. The rapid change in technology that is occurring today indicates that in a short time, the cost will drop and therefore will definitely play a major role.

3.6 E-tourism

Electronic commerce can be defined as buying and selling of information, products and services via computer networks with 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, and are obviously the most used today.

Businesses are increasingly using the web and email to reach new customers, and consumers are using it more to source information and make purchases. Travel and tourism is one of the largest product categories sold electronically. The world tourism organisation describes e-business for tourism destinations and businesses, "as being about the use of Internet-based systems to link tourism product providers with customers and linking the tourism providers with their own suppliers. This embraces electronic marketing communications, e-commerce (online sales) and online purchasing of supplies". (E-business for Tourism, 2001, WTO, www.wto.com). The above term is directed to e-tourism, which in actual fact refers to e-business in the field of travel and tourism.

The Internet is satisfying the increasing demand for instant information, instant bookings and payment facilities. Better informed, and with greater expectations than before, today's tourist researches provisions and prices, then evaluates books and pays online. The major uses online appear to be e-mail and shopping, and are being used as the number one source of information. It was estimated by ONS (Office for National Statistics, www.statistics.gov.uk), that among 56% of UK adults who had accessed the Internet, 74% had used it to find out information about goods or services and 42% had used it to buy or order tickets, goods and services. The most popular purchases online were travel and accommodation as shown in the following table.

Table 3.2 Most popular online purchases

Most popular online purchases, Internet users in the UK	
Flights, and holidays accommodation	28%
Books or magazines	27%
Music or CD's	25%
Tickets for events	21%

Source: ONS IN Insights (2002)

Worldspan's approach to travel technology embraces a wide range of electronic commerce concepts, technologies and business processes. This gives the company a clear lead in the industry and is known as the preferred technology provider and partner covering a wide range of customers and applications. Its technologies, which are based on sustainable and result-driven processes, are able today, to offer web-based products and services, as well as fare-search engines, self-booking tools, booking engines and other fulfilment services.

Apart from the above major CRS, many leading travel agencies are also making efforts to become part of the new computer-based world. Lunn Poly is the major travel agent owned by the leading tour operator, Thomson. During 2000, Lunn Poly developed a web-based search and bookings system to co-ordinate bookings across its shops and call centre, as part of a 100£ million investment in e-commerce. The project is led by e-commerce integration specialists and will finally enable holidaymakers to use a number of channels to complete a booking and then enabling them to enter their credit card details or to contact the call centre to make the reservation.(Mintel, Travel Agents, 2002).

Mytravel, which was the highest-spending travel agency in 2001 also launched its new website, mytravel.com in late 2001 with a 100£ investment in e-commerce over three years. The company's goal is to make the definitive global travel e-commerce solution. The site also offers electronic brochures, virtual tours, destination and airport guides as well as foreign exchange.

E-ticketing or electronic tickets originated in the USA and its usage offers advantages to the airlines such as savings in ticket distributions cost, and billing processes, as for the consumers apart from the convenience, it offers flexibility, time saving and faster check-in. Travel agents are only one of the distribution channels that can offer this advantage, as e-tickets are also accessible through telephone, Internet and airline counters. "E-ticketing is part of e-commerce, and the idea is to remove all the paperwork. Users get an e-mail confirmation of the booking and then simply turn up at the check-in with their credit card". (Sunday Times, J Hodson, 'A week on the web' 11 June 2000, p: 64).

The Internet and e-commerce offers many businesses the opportunity to achieve higher sales at a lower cost per unit sold. This of course can occur after the investment of large sums in order to direct promotions and upgrading of computer technologies. A major marketing battle for market share among the leading search engines has appeared, and as even more principals will begin to engage more directly in e-commerce and fight for channel share, there will be a clearing where only the stronger companies will manage to survive.

However, e-commerce still remains for many consumers a mystery, causing hesitation as to whether they should proceed on planning and booking their holiday on the net. The more of an "e-culture" there is in a selected national or regional market, the more benefits and revenues the e-travel business is likely to generate from supporting new platforms. Although the "search and compare" capability of the Internet can now match tour operator and tour agent prices, at least for last minute deals, it cannot provide the advance booking offers and security of provision that most customers still need and can receive from high street travel agencies. This, in return means that many travel agencies are likely to put more of their own last minute offers on their web sites, in order to use for their own sales promotion purposes.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The term methodology has been defined by Jankowitcz, as the 'systematic and orderly approach taken towards the collection and analysis of data, so the information can be obtained from those data' (p: 209). In order to examine the travel distribution in the tourism industry and the role of the travel agent in the distribution process, both qualitative and quantitative primary researches have been conducted. The methodology used will be presented, before proceeding to the following chapters, which is the outcome of the data collected and the conclusion from both the qualitative and quantitative research.

The literature review, which was Chapter 2 covered the issues of the travel product distribution through the travel agent and the following Chapter 3, went into more depth, presenting the electronic travel distribution. This qualitative research enabled the author to gain valuable background knowledge, in order to be able to organise the methods that would be needed to continue the research. The primary research therefore was conducted in the industry and constituted from questionnaires and an interview. The interview with a manager has been achieved in order to understand consumer behaviour. The contact with travel agencies was easy to achieve, but the possibility to receive answers from managers through the questionnaires was not possible at most of the travel agencies. However, the outcome was satisfactory.

4.2 Choice of the Organizations Contacted

Initially the aim of the research methodology was to contact the most critical travel agencies in the area and arrange interviews with the branch managers, so as to have a personal view of the business environment of a travel agency, and have clear answers to general questions about the development of the travel agency sector. This of course, would occur considering the author had an opinion about the impact of the technological improvements on the retailing sector and the affect of direct selling on it, which was successfully gained during the secondary research and the outcome of both the literature review and the chapter after that.

In order to receive an overall picture of the general view of the travel agents in the area, the author visited the major company's branches collecting addresses and deciding on the most important companies that should be approached. The author himself did the distribution of the questionnaires, by leaving one at each of the selected agencies and returning to receive them after the required time, which was needed to complete them. The accompanying letter and the questionnaire are shown in appendices 2 and 3.

Among the teething problems faced, were the lack of information about the subject in general and the incapability of contacting the actual managers due to their lack of free time. For this reason, travel consultants, who have excellent experience in the sector, considering the fact that they are in constant contact with travellers during the execution of their work and have a valuable opinion of their behaviour and able to answer the questions confidently, completed the majority of the questionnaires.

Specific information, to base the examination of the subject were available, however not to a large extent, for instance journals were decided to be used in order to make additional comments and support the data received. The journals that were mostly used were Travel Trade Gazette for the UK and Ireland. Mintel reports were also very helpful on collecting data about the leading multiple travel agents in the UK as well as Key Note reports.

The travel agencies that were contacted and were willing to receive the questionnaire were Thomas Cook, Lunn Polly, Trail Finders, Flight Centre, Going Places, Anglo Scottish American Travel and Travel Choice, as well as the independent travel agencies Kenneth Maclead Travel and Caledonian Travel. American Express and Travel Care refused to answer any questions or accept a telephone interview. All the branches are situated in the centre of Glasgow and their full addresses are shown in appendix 1.

4.3 Questionnaire Design

The main method used for the research was the questionnaire. A questionnaire is a formulated written set of questions to which respondents record their answers, usually within rather close alternatives. The one designed for this project and can be found in appendix x was kept as short as possible so as to avoid the respondents loss of interest.

The majority of the questions were closed response offering the respondents the choice of yes/no answers. When response alternatives are given, it allows the respondents the opportunity to answer questions quickly and more reliably. They are also advantageous as they can be easily coded and allows the researcher to interpret the meaning of the answers with relevant ease (Fowler, 1993). However, some open response questions were included, to allow some freedom in their decisions, but as it was proven later, the majority of these questions, were left unanswered as they are more time-consuming and thought-provoking.

The questionnaire was split into three sections. Section A consisted of the respondent's details, providing a contact name, and their position in the company as well as the company's address. The rest of the questions in this section were presented in a closed form and were used in order to understand the type of agency they were, by giving information on their customer's age and the type of holidays they mostly deal with.

The questions in Section B were based on the technological changes and the direct sales. Most of the questions were closed therefore giving the respondent straightforward options when answering. They referred to current technologies within the agency and the affect of the direct sales that they have had to face.

Section C consisted of both open and closed questions and was concerned with the future of the company, by allowing the respondent to explain if they planned to implement new forms of technology, in order to survive in the world of direct sales. They were also questioned about their opinion on today's travellers and if they feel that they are better informed and more likely to use electronic travel distributions therefore bypassing the travel agency.

Finally, space was provided for the respondent to add any further comments they may have had regarding the research.

CHAPTER 5: DATA FINDINGS

5.1 Introduction

This chapter is aimed at the analysis of the data collection from the primary research. Therefore, it is the outcome of the answers from the questionnaires, which were given to certain travel agencies in Glasgow and were answered mostly by senior travel consultants. The aim of the questionnaire study was to obtain information from staff from the selected travel agencies regarding their perceptions of new technologies, and more specifically, how they perceive the technological changes and the future role of the sales of travel products through electronic travel distribution.

5.2 The Business Environment of the Travel Agencies

As shown from the following figure, travel agencies are mostly working with the sale of package holidays, taking up to 47% of the complete companies' sales. The sales of flights follow consuming 35% of the whole, and lastly accommodation at 17%.

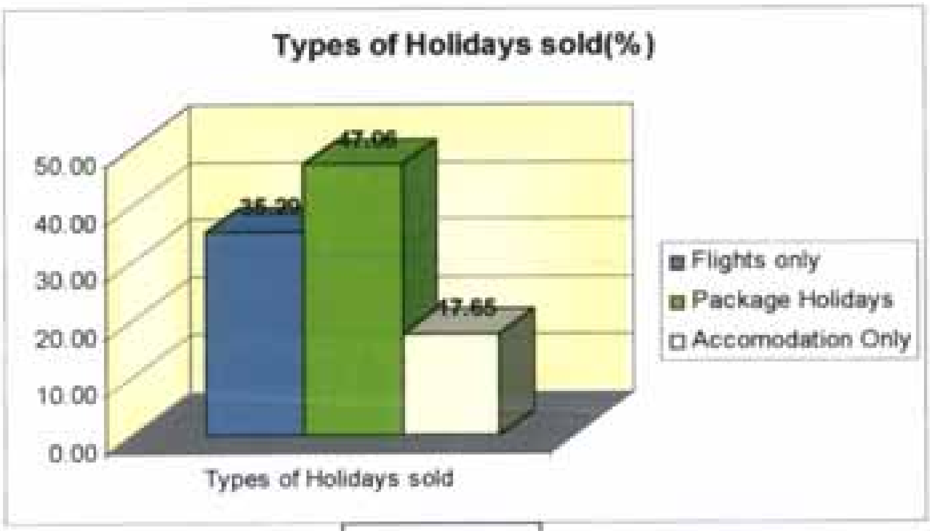


Figure 5.1

The one independent travel agency, that was contacted, Kenneth Maclead, stated that they also plan specific tailor-made holidays, according to specific needs and requirements of travellers.

After flights, hotels are the most likely travel products to be purchased online, and they are being increasingly distributed through the more general web sites. This works anti-clockwise for the travel agents, because the fact that package holidays often do not appeal to the Internet purchaser because they are more complicated and not directly comparable with the each other, gives the opportunity to the travel agents to work more with this type of holiday. On the other hand the convenience of booking flights and accommodation online is slowly leaving the travel agencies out of the game.

Figure 5.2 shows the basic customers of the travel agencies, with the leading group of sales coming from families at 23% and the groups making the least bookings, being

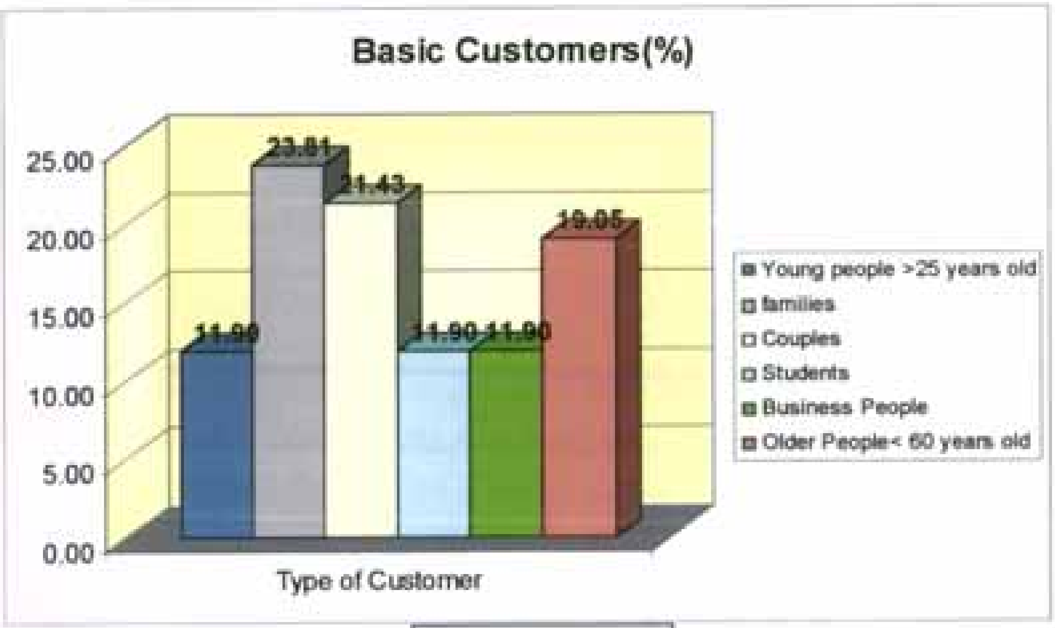


Figure 5.2

the students and business people, both taking up only 12% of all the customer target.

This has occurred because the people that belong to these groups, students and business people are more aware of the new technological improvements and are using other means of planning their student or business trips. They are also most likely to have access to the Internet, as well as the fact that business travellers tend to be more financially comfortable. "Business traveller is becoming very important; it has been predicted that due to the new technological improvements the business traveller will become more difficult to be targeted by the travel agent. UK business travellers took more than 22 million trips in 1997, an increase of 50 per cent compares to 1993". (TTG, Alison Drummond, 'The Internet will be a powerful tool in reaching the business traveller of the future', No 2375, 9 August 1999, p: 13).

In addition to this, families and older people are more likely to visit the travel agencies and gain the personal service they offer. Today's older consumers have been attacked with technological changes later in their lives, and so they have been unable to keep up with them, whereas in the future as young technologically proficient consumers will age, they are unlikely to face the same problems.

Other trends affecting the retailing sector can be considered as the following:

- The changing customer demands (different lifestyles, for instance the look for specialised trips such as adventure or entertainment)
- The increased expectations (more convenience and value, getting used to the customisation of offerings). (Porter, 1998).

5.3 Marketing Travel Products

Traditional methods continue to dominate the marketing of travel products. Figure 3 shows that the majority of the advertisement is still being done through brochures, which is 45%, only 5% use TV or radio, 35%, answered that they advertise online and a 15% have started advertising their products on digital TV. Most of the travel agencies use more than one type of advertising, also adding other methods to the ones that were in the questionnaire, which were mainly newspapers and mail shots, whereas some said that word of mouth increased their sales by far.

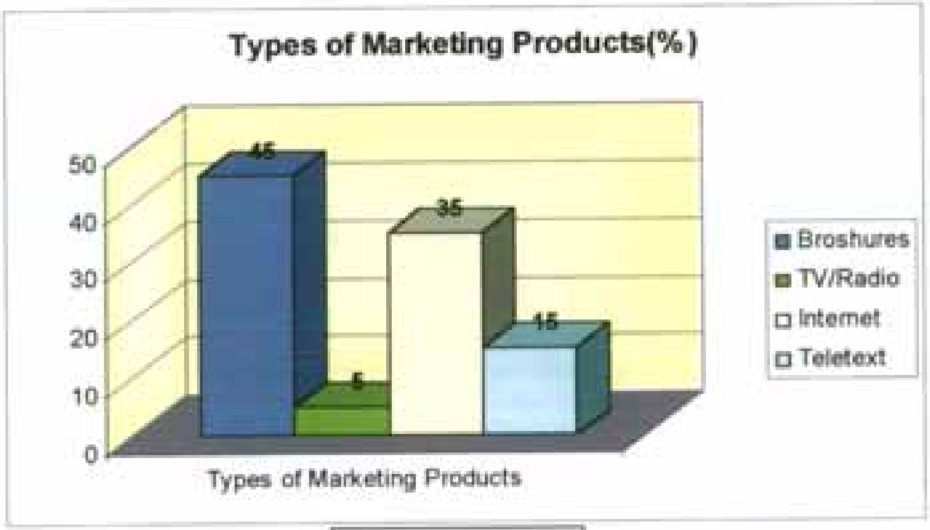


Figure 5.3

Therefore, the design, distribution and large volume of printed items have been and remain a major distinguishing feature of travel marketing. It is clear that many travel agencies have not engaged significantly in direct marketing yet, and they have important marketing reasons for focusing their efforts and taking up most of the time on the design, production and distribution of printed materials.

However, other researches have shown that the shift to electronic provision has been rapid at the turn of the century. Web-sites and e-brochures that became available at the end of 1990s are more flexible and user-friendly than print. (Middleton, 2001, page 272). 'If a tour agent prints ten brochures, only one will generate a sale and of that brochure 98% is wasted… interactive digital TV will destroy brochure by 2010. (TTG, Report of proceedings of an Institute of an Institute Of Travel and Tourism Conference at Las Vegas, June 2000).

5.4. Use of on-line Technologies

5.4.1. Types of CRS Used

It was considered by the author that a question as simple as whether the companies used a computer reservation system would not be necessary, and as proven later, all 10 contacted companies have installed a CRS and all have created a website, except from the one independent travel agency. The following figure 5.4 shows the percentages of the specific systems used, where it was shown that Amadeus was not

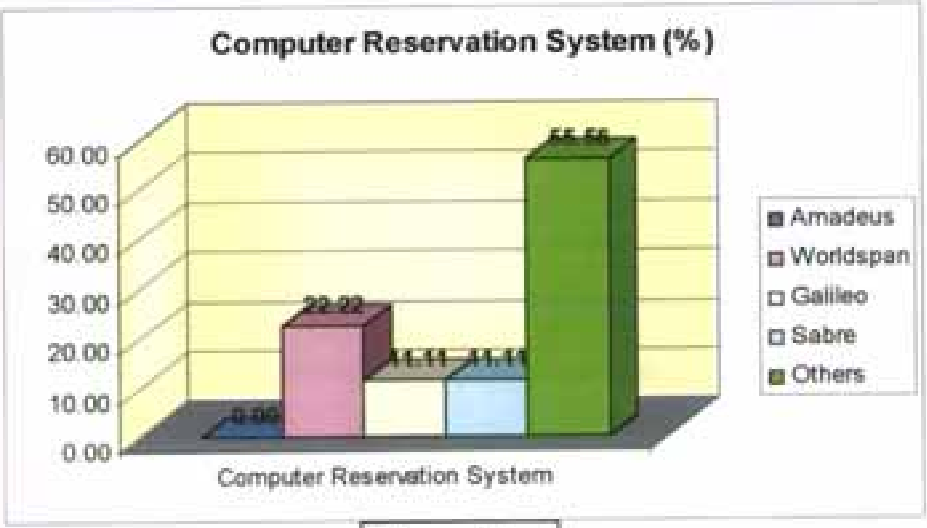


Figure 5.4

used by any of the contacted travel agencies; Worldspan has been adopted by 2; whereas most companies are using other ones; so included in the other category is: 'Rio' used by Thomas Cook, 'In House' by Caledonian Travel, 'Jetlinie 2' by Lunn Poly, 'Viewdata' by Going Places and 'Travelcat' by Travel Choice.

Following the success of the Internet, major CRSs recognised that their added value would come from the information they offer, rather than the technology they can implement worldwide. Therefore major changes occurred in the world of global distribution systems, which is why most travel agents adopted a computer reservation system that would suit their needs in a more specific way. So the major CRSs are facing major problems, as they will have to become better at integrating all the travel information currently available.

5.4.2 Use of the Internet

The following figure shows that 90% of the travel agencies that were contacted have Internet access, and have additionally created their own websites. It was also found

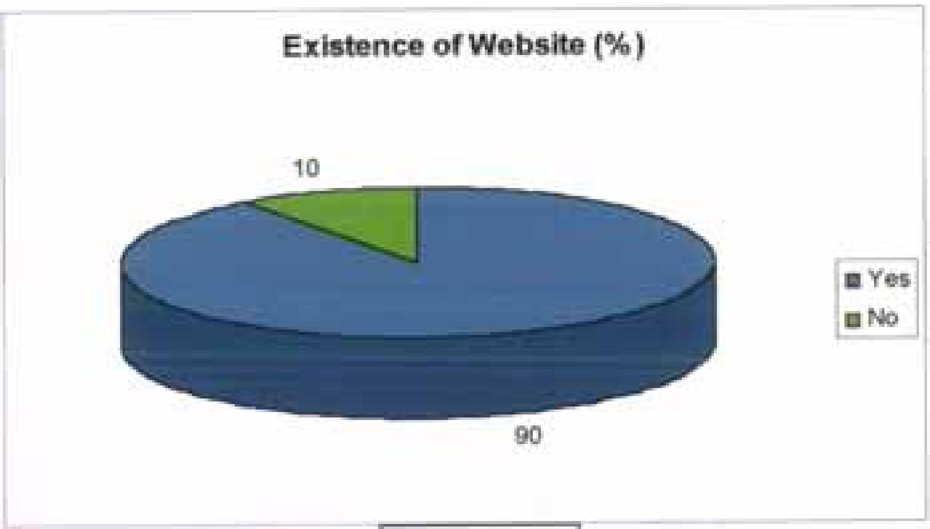


Figure 5.5

that agents linked to the Internet had e-mail facilities, which although was initially used for communication purposes among staff and other agency outlets, is now also seen in another aspect. Email usage today increases the company's production and efficiency and availability alongside the offerings on the website.

The answers that were received from the Question 2a in Section B, where it was asked to state the offerings of the agencies website were the following: 'ability to view itinerary, immediate access to products in brochures, and can buy insurance', 'information on holidays', 'booking facilities, car hire, attraction tickets, flights, accommodation', 'information on destinations, hotels, etc.', 'late deal packages holidays and flights', 'all products offered in store'. As a result of these answers, it is seen that most travel agencies allow their customers to get a first hand view and have a first hand contact with the products offered, but their main purpose is to attract the travellers to their stores and not actually sell these products online.

Evidence provided in the secondary research shows the presence of on-line travel agencies, which have been developed to distribute travel products electronically. These work by taking commissions on anything booked and they compete strongly on the price, because they can afford to undercut the traditional agent's commission. This is the main difference between on-line and high street travel agencies. It has also been mentioned that some major travel agencies have created their on-line travel services such as thomascook.com by Thomas Cook. Ms Katie Tracey who works at the branch in Huddersfield stated, that 'people book with thomascook.com because it is cheaper and then come in and shout at us with any problems because it is the same name. Many customers take brochures and then book direct, which is very frustrating. (TTG, Linda Fox and Louise Prior, 'Direct–sell is a worry" – trainees', No 2534, 10 October 2002, p: 9).

It is possible to segment the holiday market into two categories. The companies that existed before the Internet's major growth and which mainly distributed offline, and those who were introduced to us as a result of the Internet revolution. These last ones, although they can only provide services online, can at the same time be advertised offline.

The following table shows four categories of brands that are either information-led or product-focused on the Internet. Some examples are also given. Each of the following sites generates revenues from different sources.

Table 5.1: Segmentation of Internet travel market

Segmentation of the Internet travel market, with selected examples, 2002

	Dot com	**Offline brand**
Information – led	**Information-led dot.coms**	**Trusted information sources**
	Cheapflights.com	Timeout.com
	Worldtravelguide.net	Visitbritain.com
Product – focused	**Online travel agents**	**Major travel bands**
	lastminute.com	Britishairways.com
	Expedia.co.uk	easyJet.com
	Thomascook.com	Go-fly.com
	Opodo.com	Thomascook.com

Source : Mintel

Major travel brands receive their income from sales of their product through their websites. Trusted information-sources provide travel information, they existed before the internet and their revenues came also from offline income such as advertising or commissions. The pure online information-led dot.coms exists only online, which is at the same time the only difference with the previous category and their income is focused on advertising click-throughs.

5.5 Technological Developments

Figure 5.5 shows the opinion of the respondents concerning the impact of the technological developments on the travel agency sector. 60% believed that the process of selling travel products will be affected by these changes, and only 40% answered the opposite. The main technological changes that have affected the travel agents industry were stated as follows: 'the rapid and sizeable growth of internet usage', 'internet-low cost airlines, telesales-less face to face contact', 'independent travel-customers no longer require a package holiday, but require something flexible'. Positive opinions to those developments included: 'it has given travel a new avenue to explore', 'better prices for customers', 'public awareness', 'an intrepid market-share in the longer term cover over-head costs'. Two travel agents also stated some negative opinions. John Milley from Trailfinders mentioned that 'there will be less personal touch' and Lunn Poly stated 'we have lost customers due to low cost airlines and cheap website deals found on the Internet. Leanne McGregor from Flight Centre also added that 'it is starting to create problems with the bookings'.

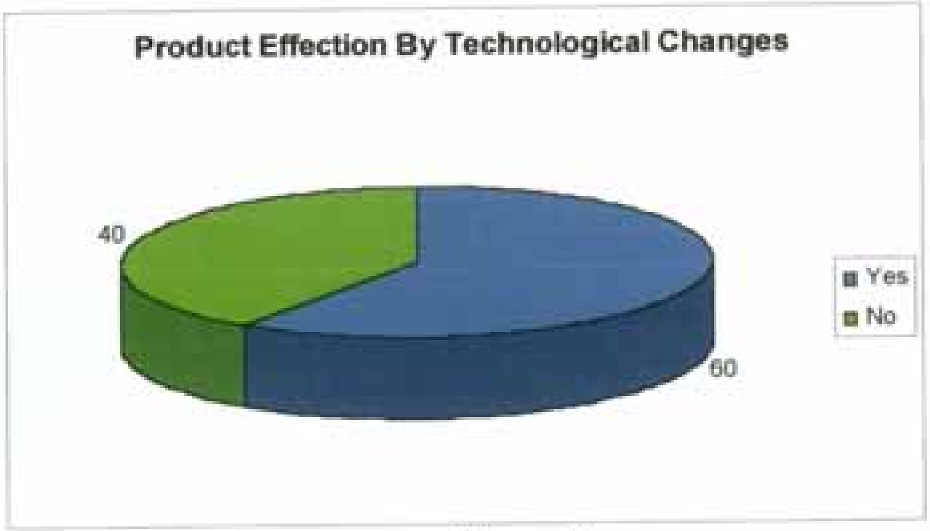


Figure 5.6

These opinions suggest that the respondents are aware of the potential opportunities offered by the Internet and other developments but are not all fully prepared to embrace them.

In Question 5 of Section C, certain developments were given in order for the respondents to state their opinion whether they thought they were going to prove to be an opportunity or a threat to the role of the travel agent. The results of the answers are shown in Figure 5.6. The majority of the answers were that these developments are going to be opportunities to the role of the travel agent. One respondent added that 'our company must maintain excellent services after sales to avoid the problems that occur by booking on-line'. As a further threat 'teletext discounting' was also mentioned.

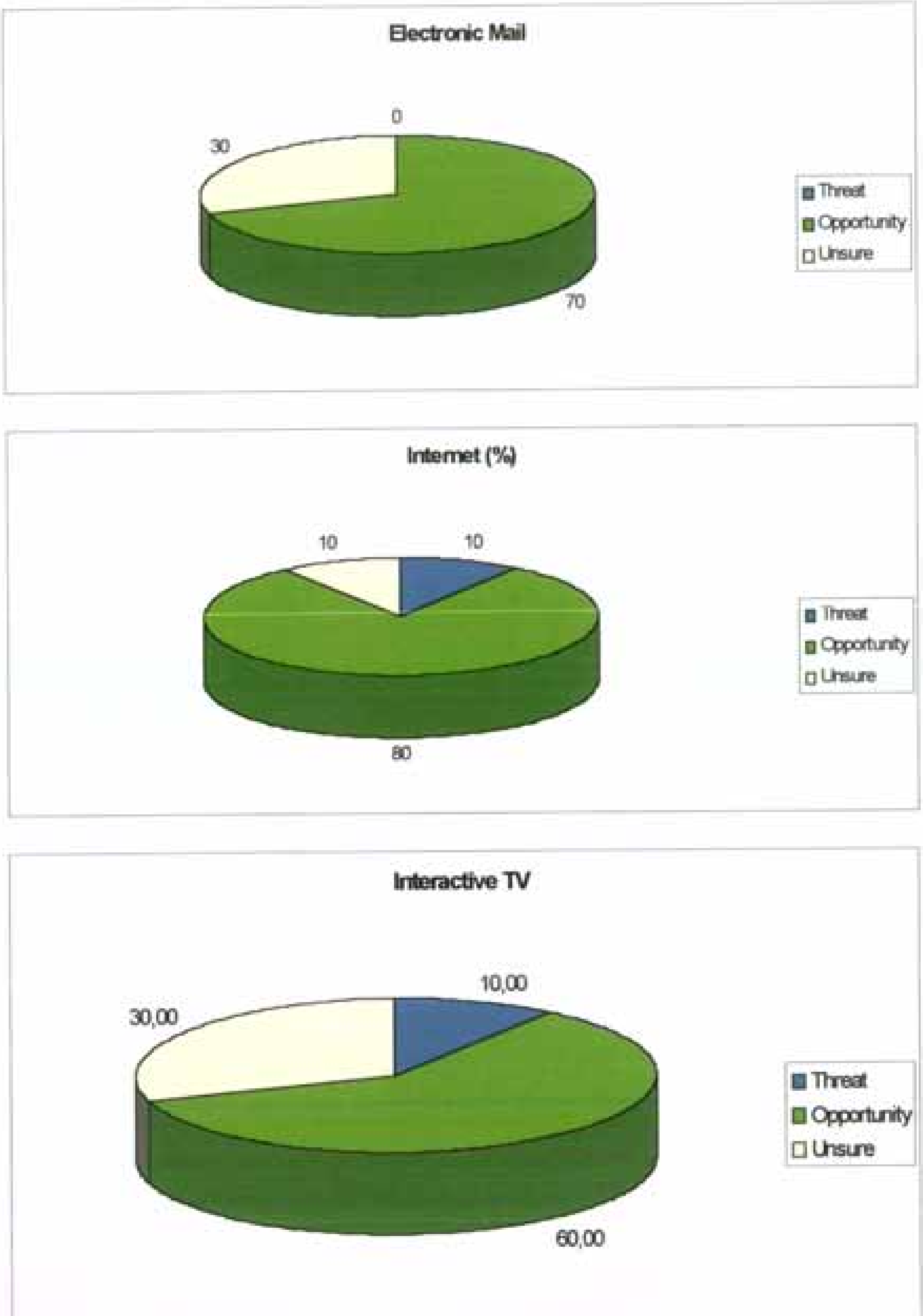

Electronic Mail
0
30
70
Threat
Opportunity
Unsure
Internet (%)
10
10
80
Threat
Opportunity
Unsure
Interactive TV
10,00
30,00
60,00
Threat
Opportunity
Unsure

Figure 5.7

Some other strengths, opportunities and threats of the sector as well as the ones that will keep them going are given next:

Strengths:

- Growth in international travel demand
- Increase in multi-holiday taking during the year
- Increasing industrial concentration providing improvement in product quality and economies of marketing and distribution.
- Decrease of real cost of international travel
- Improvements in the industrial stability of accommodation and transport providers.
- Growth in international trading activity and freedom of movement.

The opportunities of the sector are considered by the travel agents as followed:

- Travel agents use of technology to disseminate offers and bookings to the home through teletext and cable television.
- The service offered
- The increased coverage of travel and overseas destinations by mass media.

Lunn Poly, the leading multiple retailer in the UK at the moment, considers its knowledgeable and well trained staff as its stronger asset, as they are on hand to answer questions and offer advice to customers, reassuring them, and ensuring that the right holiday for them is booked.

The threats that affect the sector and every travel agent separately are given:

- Many scheduled airlines reduce travel agent commission

- The increase in value-added tax on accommodation
- Commission by airlines of travel agents
- Home shopping is increasing the level of direct sales

Figure 5.7

Figure 5.7 shows exactly what the respondents answered when they were asked which of the choices given (tour operators, Teletext, Internet, airlines) were believed to be making the highest direct sales. Trainee travel agents regard direct sales channels as a major threat to the future of the industry, and regard teletext, Internet and TV travel channels as a constant headache. Ian Whitmarsh from the Thomas Cook branch in Holborn said 'people see holidays on the television and then come into the shop and it is not as cheap'. (TTG, Linda Fox and Louise Prior, 'Direct–sell is a worry" – trainees', No 2534, 10 October 2002, p: 9).

5.6 Today's Traveller

The two following figures highlights that 90% of the respondents believe that, travellers on the whole are more sophisticated, better informed and require service on their own terms. Figure 5.9 identifies that that 60% believe that consumers will increasingly utilise electronic channels to book travel products and consequently relinquish their need to use the travel agent as their information provider.

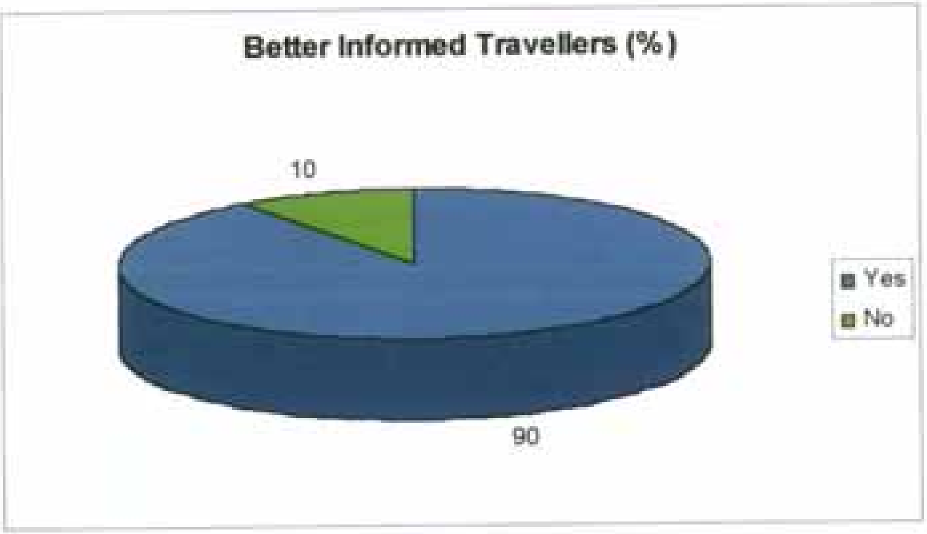


Figure 5.9

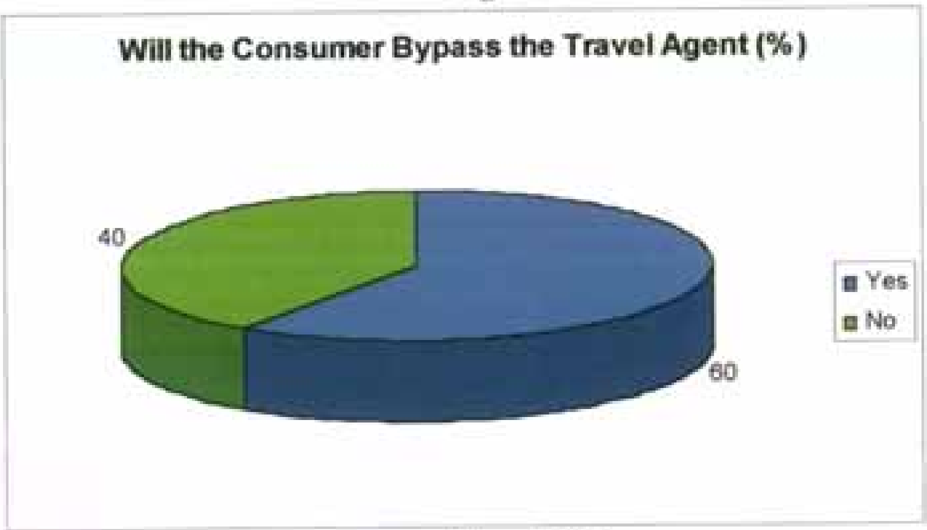


Figure 5.10

Another survey found in Mintel's report shows the percentage of adults that book travel products via the Internet, and it covers the age groups over 15. The survey was done during 2001.

Table 5.2: Demographic profile of adults booking direct in the last twelve months, December 2001

Base: 2,187 adults Age(15+)	Any travel %	Flights %	Other transport %	Accomodation %	Other services %
All	16	10	8	7	7
Men	20	12	10	9	9
Women	13	8	5	6	4
15-19	17	11	9	3	4
20-24	20	15	10	8	6
25-34	24	14	11	12	12
35-44	20	10	9	8	8
45-54	18	11	8	11	7
55-64	14	10	5	5	6
65+	3	2	1	1	1
London	24	17	12	11	8
South	26	19	12	9	8
Anglia/Midlands	15	8	8	8	6
South West/ Wales	12	6	8	6	6
Yorkshire/North East	10	3	3	5	5
North West	11	6	4	3	7
Scotland	16	12	5	5	7

Source: Mintel, 2002

Direct comparison of prices, quality and service received from an independent organisation at the moment of decision-making can significantly affect the way buyers behave. This is because customers can have all the information they need and the cost is very low. When customers possess a large amount of comparative information, suppliers are forced to make a greater effort. In general, the suppliers power decreases, obliging them to lower prices and improve quality and service. It is also possible to differentiate the online travel market between those that see the Internet as an information source to allow easy comparisons, before actually booking their holiday through a more traditional channel, and those who are willing to do the whole booking online. Appendix 5 shows the findings of a survey.

In the case that customers have to deal with more than one supplier, they will only make the effort to look for a new supplier when the level of satisfaction drops. This kind of information-based system would make it easier for new suppliers to enter the market. Since the distribution channels are equal, a supplier with attractive prices and good services could enter the market very quickly. It is essential to control how the information is distributed. It is important to give as much information as possible to customers.

5.7 Electronic Commerce as the New Distribution Channel

Considering the new information and communication technologies, which support electronic commerce and their use that have a major impact on the travel industry in general, and the means of distribution more specifically, a new framework describing the business value of electronic commerce for the industry is introduced. The business value derives from:

- Improving existing processes within the travel agents distribution: improving product promotion through mass-customisation and one to one marketing, offering new sales channels for existing products, reducing the costs of some processes, improving customer service through automated service and finally improving the brand image, by offering electronic access to customers.

- Transforming the way the travel agents deal with customers by accumulating knowledge on their detailed preferences and buying habits, targeting them with specific offers, and generally dealing with them on a personalised one to one way. Lunn Poly's marketing director Peter Povey has warned travel companies to keep the customer at the forefront of any decisions about using new distribution technology (TTG, Lucy Harding, 'Technological revolution to threaten states of multiples', 26 April 2001, p.4).
- Redefining the products, processes and business models used today, influencing technology to change the way products are conceived marketed, delivered and supported. The biggest challenge facing agents today is finding good quality staff, according to US travel industry expert Bruce Tepper (TTG, Samantha Mayling, "Challenge is to hold on to good staff", 28 June 2001, p: 28).

The following Figure 5.10 shows that most travel agencies plan to implement new forms of technology in order to face the threat of their role being replaced by other electronic forms of distribution.

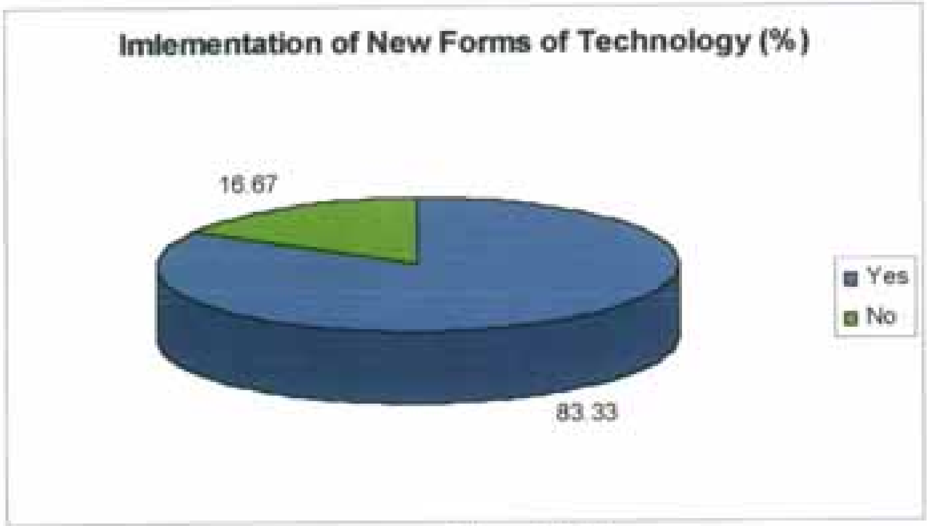


Figure 5.10

From secondary research it is shown that travel agents play multiple roles: information brokers to pass information from product suppliers to the customers, transaction processors to print ticket or forward foreign exchange and advisors to provide value information to the customers, assisting them in their choice of specific products and destinations.

The first two roles will increasingly be replaced by technology; therefore agencies will have to focus on the third role. Considering the independent travel agencies, they will have to redesign internal business processes to get the full benefits from the new technologies. Electronic commerce can be used to increase convenience in buying travel, reduce transaction costs and improve the service delivered to individual users. Corporations are increasingly being targeted directly by product suppliers and possibly, this is needed to be managed. Small travel agents have to face major threats due to the growth of electronic commerce.

Travel agents servicing leisure travellers should have a different approach to those servicing other groups. Technology is perceived of having a role to play in enhancing the shopping experience. Today, going to a travel agency to purchase a holiday package is frequently not a very pleasant experience due to long waiting times; shuffling through paper catalogues and waiting for phone calls to suppliers are not attractive. Technology could eliminate those shortcomings, through kiosks, supporting multimedia clips, databases of relevant travel, visa and destination information that are procedures known as product promotion and new product capabilities.

5.8 Conclusion

Despite the threat of the Internet and other direct sale channels, there will always be room for the traditional agent. However, they will have to adapt to the changing market and use technology to their advantage if they want to keep their customers. Travel agents seem to be aware of the potential opportunities and threats posed by forms of electronic distribution, as well as the fact that the customers are more aware of other easier and cheaper means of holiday booking. The electronic revolution will switch the power to the consumer and the service provider. Agencies will alter to consultants from ticketing services. The transition is not proving to be easy. The majority of travel agents are familiar with computerised reservation systems, but not necessarily with PC technology, which is what is driving the new marketplace for travel products and services. Those agents who are computer literate are quickly carving out a niche for themselves as expert counsellors who can provide a personalised service, helping consumers to wade through the maze of travel sites.

In the meantime, travel agents are seeking other sources of revenue and coming to terms with the fast moving changes that are having a major impact on their industry. The Internet is proving a useful selling tool. However, as many agents are discovering, marketing on the web, is not easy.

CHAPTER 6: CONCLUSIONS

The new technology which was described in this project and the emerging distribution systems has had the biggest immediate advances in tourism. Up to date information is now being demanded through the website, which is even accessible by laptop computers and mobile phones. As travellers become even more sophisticated and computer literate, electronic distribution systems are becoming the most famous method of booking and reserving holidays and travel itineraries causing major structural changes within the tourism industry. Much is being said about interactive television being the future of travel distribution being the future of travel distribution, but the question here is, if the customers will stop going to the high streets agents in favour of booking direct from the comfort of an armchair.

An increasing diverse mix of distribution channels emerge as the trades seeks to harness technology to offer more cost-effective booking options. Agents must recognise that new media such as digital television and the internet offer suppliers significant cost savings compared to using third part retailers to market their services. by using the new technology they are also able to target their products closer to meet the desires of the customer segments. Destinations and transportation can be currently called up on TV screens, and the viewers are able to choose between a wide range of different attractions. Product suppliers are definitely turning into the winners of this change. However, product suppliers such as tour operators rely on travel agents to provide critical customer data.

It all comes down to the service that agent can offer by using their expertise to add value to the transaction. Until now, people have said that the expert advice and customer high street retailers provide will ensure their survival. Information on consumer buying habits and expectations are fundamental to the successful marketing of the product suppliers. An other possible barrier for interactive television and the internet could be that customers would not feel comfortable tapping their credit card details into personal computers and television. However, that is by no means certain. Agents should be preparing to contest this scenario and adopt new technologies to enhance their service and strengthen their competitive position.

It is not always easy, to keep up with the introduction of new advanced systems, because it requires a large amount of capital expenditure and expertise, which is not at all times available. So, it is up to the travel agencies to embrace the new technologies and in this way not only managing to survive in the industry, but also to gain the opportunity to turn into market leaders. This includes all the moves that travel agencies are doing, by launching their own travel web sites and TV screenings, offering high-speed interactive service in both travel information and e-commerce booking functions.

Good customer service is paramount and that does not mean looking after people when things are doing well. Different reasons and events have changed the tourism industry in the past few years, and in addition to these prices are much lower than anticipated for high season. As a result, customers are waiting for a bargain and therefore book late. The business has polarised dramatically and customers are booking household names. Consequently, all shows that in the long run web sites, direct sales and digital television are the future of the industry.

It is unlikely however that these systems will soon displace travel agents. Firstly, due to the cost of access to these systems, many will not be able to afford them. Secondly, time and quality are needed for such developments. The possibility for these systems to be dominant is still not definite until the wholesalers provide a brand image reputation of quality so that the traveller can feel secure enough to buy from

APPENDICES

Appendix 1: Addresses of the agencies contacted

Travel Choice,
102 Sauchiehall St.,
Glasgow G2 3DE.

Going Places,
254 Sauchiehall St.,
Glasgow, G2 3EQ,

Flight Centre
280 Sauchuehall St.,
Glasgow G2 3DE.

Trailfinders,
254-284 Sauchiehall St.,
G2 3 BH.

Lunn Poly,
Unit 10, 254 Sauchiehall St,.
Glasgow.

Thomas Cook,
50 Sauchiehall St.,
Glasgow.

Caledonian Travel,
107 Hope St.,
Glasgow.

Kenneth Maclead Travel,
3 Bothwell Street,
Glasgow, G2 6NL.

Anglo Scottish American Travel,
536 Sauchiehall St.,
Glasgow G2 3LX.

My Travel,
7/9 Gordon Street,
Glasgow.

Appendix 2: Covering Letter

Q/3/4,
Caledonian Court,
Dobbies Loan,
Cowcaddens, G4 0JF,
Glasgow.

Tel: 0781 7833224

29th October 2002

Dear Sir / Madame,

The attached questionnaire has been designed by Roxandra Gotsi, an exchange student at the Caledonian Glasgow University, currently doing my final project which is focused on the impact of the technological improvements on the travel agent and the influence of the Internet as a direct selling channel. This project is part of the Tourism Business course I am studying at the Technological Educational Institute of Patras, Greece.

The questionnaire will only take a few minutes to fill in and I would be grateful if you could spend some time in completing it. I will return to receive it at in suitable time.

Your help will be much appreciated and I thank you for your co-operation. Should there be any questions please do not hesitate to contact me. All the information given will remain confidential.

Yours sincerely,

Roxandra Gotsi.

Appendix 3 : Questionnaire

SECTION A: COMPANY'S – RESPONDENT'S DETAILS

Company's name: ______________________________

Company's address: ______________________________

____

Contact Name: ______________________________

Position in Company: ______________________________

1) When was the company created?

(For the following questions, please circle the appropriate answers.)
2) Who are your basic customers?

a. Young people (up to 25 years old)
b. Families
c. Couples
d. Students
e. Business people
f. Older people (over 60 years old)
g. Other(s): ______________________________

3) What kind of holidays do you mostly sell?

a. Flights only
b. Package holidays
c. Accommodation only
d. Other:

____

4) How do you currently market your products?

a. Brochures
b. Television / Radio
c. Internet
d. Teletext
e. Other: ______________________________

SECTION B : TECHNOLOGICAL CHANGES AND DIRECT SALES

1) Which Computer Reservation System does your Agency use?

a. Amadeus   b. Galileo
c. Worldspan   d. Sabre
e. Other: ______________

2) Has your agency created its own Website?

a. Yes (If yes, please answer question 2a)   b. No
b. Other: ____

2a) What does your company offer through the Website?

____

____

3) Do you believe that that the process of selling travel products has been affected by the technological changes in the industry?

a. Yes (If yes please answer 3a & 3b)   b. No

3a) Which do you believe are the main technological changes that have affected the travel agents' industry?

____

____

3b) Have these changes had a positive or a negative affect in the travel agency and if possible state a reason.

a. Positive:____

____

b. Negative:____

____

4) Who do you believe performs the highest direct sales in the industry?

a. Tour operators   b. Teletext
c. Internet   d. Airlines
e. Other: ______________

5) Do you consider direct sales as a threat to your company?

a. Yes (If yes, please specify the reasons)

____

____

b. No

SECTION C: THE FUTURE

1) What do you think the future role of the travel agent will be due to e-commerce?

a. Will be replaced by the internet
b. Will be replaced by digital television.
c. Will only play the role of an advisor.
d. Will adopt e-commerce.
e. Other:

____

2) Do you think travellers today are better informed on technological terms, as to satisfy their travel needs on their own?

a. Yes b. No

3) Do you believe that in the future the consumer will bypass the travel agent, by using electronic channels for their booking arrangements?

a. Yes b. No

4) Do you plan to implement new forms of information technology in the future?

a. Yes (If yes, please specify)

____

____

b. No

5) Do you feel that developments such as those listed below will pose to be a threat or an opportunity to the role of a travel agent? (Tick the appropriate box)

	Threat	Opportunity	Unsure
a.Electronic mail			
b.Internet			
c.Interactive television			

6) Could you please state in other threats or opportunities you believe your company faces.

____

____

7) If you have any further comments regarding the impacts of electronic travel distribution on the travel agent, please provide in the space below.

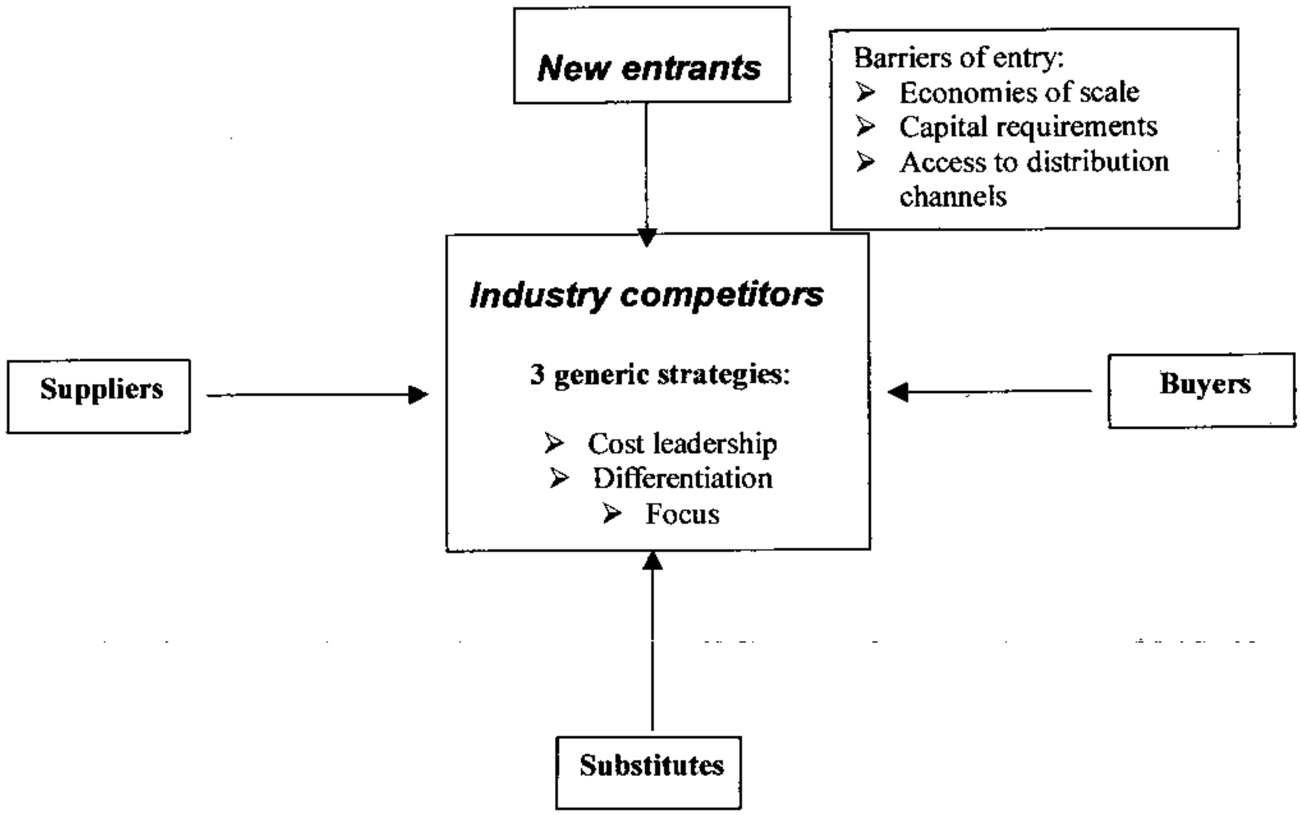
____

____

____

Thank you for your attention, and the time taken to complete the questionnaire.

Appendix 4: Effects of electronic commerce on the tourism industry, adapted from Porter, 1980.



Appendix 5: Attitudes towards using the Internet for information purpose, by demographic group. December 2001

Base: 2.187 (age 15+)	The internet is full of useful travel information	I have looked at travel sites on the internet but bought elsewhere	I have looked at travel sites on the internet but not bought any travel product online
	%	%	%
Bought travel products online in the last 12 months	22	14	6
Bough travel products online at any time	62	32	32
Not bought travel products,but have purchased online in last 12 months	37	23	15
Naver bough anything online	10	7	3
Men	24	16	6
Women	19	12	5
15-19	24	9	8
20-24	36	19	9
25-34	31	20	10
35-44	27	20	9
45-54	21	17	3
55-64	16	10	3
65+	4	3	0
London	29	18	7
South	29	18	7
Anglia/midland	18	14	5
South west/Wales	23	18	3
Yorkshire	19	14	8
North west	18	13	7
Scotland	12	5	3

Source : Mintel

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