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## The Future Role of the Travel E-mediary

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### 1. Introduction

In the last decade, IT and communication technologies have deeply affected the way tourism and travel products are distributed. Throughout the 1980s and the first part of the 1990s, the travel distribution role was performed by traditional travel agents and was supported by Computer Reservation Systems (CRSs), Global Distribution Systems (GDSs) or tour operators' Videotext systems (Leisure Travel Networks). These **traditional electronic intermediaries** (or 'e-mediaries'), particularly GDSs, progressively consolidated their position (Kärcher, 1996; Archdale, 1996). This was due to their predominance as the largest existing repositories of travel stock information, with backing from the travel suppliers that had created and funded them. During the last five years however, this situation has been slowly changing. The advent of the Internet as a universal and interactive means of communication, and a parallel change in consumer behaviour and attitude, have shifted the traditional way tourism and travel products are distributed. Increasingly consumer can access online information on-line and therefore can bypass e-mediaries. The increasingly widespread use of the Internet as a means to deliver up-to-date content created the conditions for the emergence of new e-mediaries. These include suppliers selling direct on the Internet (particularly airlines), and web-based travel agents (e.g. Lastminute.com), allowing consumers direct access to their inventory systems and secure on-line booking facilities. Most of these emerging e-mediaries are new entrants. However, some of the major operators in this field are owned or powered by existing non-travel organisations, (e.g. Microsoft Expedia). The major GDSs have also gradually entered this market [e.g. Travelocity (owned

by Sabre) and TRIP.com (owned by Galileo)] although they are less proactive than newer players (O'Connor, 1999; Buhalis, 1998,2000; Richer & O'Neill-Dunne, 1999).

The recent commercial introduction of advanced communication technologies, such as Interactive Digital TV and the emerging mCommerce through the proliferation of mobile communication devices, and their implications for increased on-line access, has intensified competition in the travel products distribution arena, benefiting business and leisure end-users. As a result, traditional e-mediaries must rethink the way they conduct business, in order to benefit from the opportunities offered by on-line distribution channels while remaining competitive, in a market that is increasingly oriented towards direct marketing and cost/commission-cutting. This exploratory research aims to identify the opinions of industry experts on the future of both new and traditional e-mediaries, and the evolution of their business models as a result of the development of new information technologies.

## **2. Methodology**

Secondary research was used to identify critical areas deserving further investigation. In terms of primary research, both qualitative and quantitative research methods were used. A quantitative survey with a small but meaningful sample allowed to quantify, relate and justify opinions and attitudes of a greater number of people. Qualitative interviews with a subset of respondents helped to obtain more in-depth information and clarify points of debate. The survey was conducted using two primary research tools: a questionnaire and an interview structure. The questionnaire contained 14 questions and respondents were asked to indicate the level of agreement to particular statements. Quota and judgmental sampling was used to obtain a pool of possible expert respondents. The questionnaire was e-mailed twice over the period of one month to a total of 62 experts and a total of 30 questionnaires were completed (response rate 49%). Qualitative research constituted by a set of follow-up interviews with industry experts, through which more in-depth opinions and comments on the subject were obtained. Qualitative research was required in order to support and appreciate quantitative findings. A standardised, open-ended approach to questioning was used. Certain areas were explored in greater depth, through probing questions not originally included in the interview schedule. The interviewees' answers were not influenced by the interviewer's comments. 20 people were contacted for telephone interviews of which 10 people were interviewed. This sample contained a well-proportioned cross-section of business types: systems suppliers (3), online travel agents (2), a product supplier, a consultancy and GDSs/Leisure Travel Networks (3).

### 3. Issues of competitiveness in the electronic distribution market

#### 3.1 Strategic Distribution Decisions

As illustrated in Table 1 the first four variables “use of new distribution channels”; “launch of new value-added services and features” both on-line and for all distribution channels; and “the intensification of marketing” were seen by most respondents as important and thus critical for enhancing the competitiveness of travel organisations. However, the “cutting prices” variable showed an interesting divergence according to business type: the majority of on-line travel agencies saw cutting prices as “important” whilst others felt that it was neutral or “unimportant”. This illustrates that on-line agencies perceive cheaper prices as one of the main benefits for consumers and thus use price to increase their competitiveness. Interestingly, GDSs respondents were either neutral or disagreed with this assertion. This may be because GDSs are not concerned with prices available to the end-consumer, but how to distribute suppliers’ products to intermediaries. Respondents from consultancy firms were also neutral to this assertion as they were interested on the profitability rather than the market share.

Differentiation between on-line travel businesses was examined. On-line travel e-mediaries find difficult to differentiate themselves, in an increasingly overcrowded market with a high potential but few truly original ideas. Most interviewees agreed that it is critical for e-mediaries to identify and target specific market niches.

**Table 1 – Distribution Decisions for the competitiveness of travel companies**

	1 Very unimportant	2 Unimportant	3 Neutral	4 Important	5 Very important	No reply	# of valid replies	Mean	Standard Deviation
Using new distribution channels			3 10%	8 26.6%	18 60%	1 3.3%	29	4.52	0.68
Launching new value-added services and features on-line		2 6.6%	3 10%	9 30%	15 50%	1 3.3%	29	4.28	0.91
Launching new value-added services and features (all channels)	1 3.3%	3 10%	4 13.3%	13 43.3%	5 16.6%	4 13.3%	26	3.69	1.03
Intensify marketing		4 13.3%	8 26.6%	10 33.3%	6 20%	2 6.6%	28	3.64	0.97
Cutting Prices	3 10%	6 20%	12 40%	7 23.3%	1 3.3%	1 3.3%	29	2.90	0.99
Changing corporate image	3 10%	10 33.3%	7 23.3%	5 16.6%	1 3.3%	4 13.3%	26	2.65	1.04

Due to the nature of the profile of Internet travel buyers, targeting business users may be a sensible choice; however, with a growing home user market,

the leisure market also offers interesting opportunities. Choosing the right product by striking alliances with suppliers and negotiating preferential rates is also paramount as, once a niche has been identified and targeted, offering an appropriate product or package, at a price the user may find acceptable will make the company in question stand out from the competition. Offering the right product to the right customer alone is not, however, enough to differentiate an on-line travel company. Effective product information delivery also determines the ability to capture the attention of potential customers. Adding value through the provision of detailed information from a number of sources, including the e-mediator's own reviews and comments, can help a user to learn more about the product, as well as stimulate return visits.

Another aspect of competitiveness in the on-line travel market, especially for the new e-mediaries, is the increasingly common practice for high street travel agents to complement their high street presence with virtual premises. In these, customers can browse through their products and special offers, and effectuate bookings. Interviewees believed that this practice can enhance the competitiveness of traditional intermediaries. Using this strategy, it is possible for traditional travel agencies to penetrate several market segments and support their presence across as many distribution channels as possible, as well as demonstrate that they are keeping up with new technologies and alternative ways of delivering their products to customers. However, this 'clicks and mortar' strategy can only succeed if a synergy is achieved among the functions offered by both physical and virtual outlets. Although difficult to achieve, as it requires a large investment in equipment and customer support staff training, this synergy would enable the customer to move from one purchasing mode to another (e.g. confirming an on-line booking through a high street shop), thus ensuring that his/her experience is completely seamless.

### **3.2 Differentiation in the On-line Travel Market**

The survey revealed that online travel businesses that wish to differentiate themselves from competitors with similar business propositions should principally be able to identify and target specific market niches. They should not adopt a generic approach, as this may bring the risk of being bundled together with other similar e-mediaries with an equally nondescript marketing strategy. Due to the nature of the profile of Internet travel buyers, targeting business users may be a sensible choice; however, with a growing home user market, the leisure market also offers interesting opportunities. Choosing the right product by striking alliances with suppliers and negotiating preferential rates is also paramount as, once a niche has been identified and targeted, offering an appropriate product or package, at a price the user may find

acceptable will make the company in question stand out from the competition.

Offering the right product to the right customer alone is not, however, enough to differentiate an on-line travel company from other similar companies. Effective product information delivery also determines the ability to capture the attention of potential customers. Due to the intangibility of the travel product on offer, the provision of detailed information from a number of sources, including the e-mediator's own reviews and comments, can help a user to learn more about the product, as well as stimulate return visits. This information, as well as all the booking processes related to product purchase, need to be delivered as reliably as possible. 'Dead ends', error messages and inaccuracies can easily cause the user to form a bad opinion of the travel seller.

On-line e-mediaries can also differentiate themselves by selling their products in different ways. Some successful examples of this are auctions ([www.qxl.com](http://www.qxl.com)) or other sites specialising in bringing together consumers and suppliers in a 'name your price' system ([www.priceline.com](http://www.priceline.com)). These novelty methods of selling travel attract the imagination of the customer and transform the commodity purchasing process into an entertaining and sometimes exciting activity.

### **3.3 The 'Clicks and mortar' Strategy**

Another important aspect of competitiveness in the on-line travel market, especially for the new e-mediaries, is the increasingly common practice for high street travel agents to complement their high street presence with virtual premises. In these, customers can browse through their products and special offers, and effectuate bookings. This approach was universally considered positive by interviewees. Using this strategy, it is possible for traditional travel agents to penetrate several market segments and support their presence across as many distribution channels as possible, as well as demonstrate that they are keeping up with new technologies and alternative ways of delivering their products to customers.

However, the 'clicks and mortar' strategy can only succeed in the long term if a synergy is achieved among the functions offered by both physical and virtual outlets. Although difficult to achieve, requiring a large investment in equipment and customer support staff training, this synergy would enable the customer to move from one purchasing mode to another (e.g. confirming an on-line booking through a high street shop), thus ensuring that his/her experience is completely seamless.

### 3.4 Customer Base Acquisition and Penetration

**Table 2 – Acquiring and Retaining Customer Base**

	1 – Strongly disagree	2 – Disagree	3 - Neither Agree nor Disagree	4 – Agree	5 – Strongly agree	No reply	# of valid replies	Mean	Standard Deviation
Offer personalisation of on-line services		2 6.6%	1 3.3%	10 33.3%	17 56.6%		30	4.40	0.840635
Develop niche products			10 33.3%	9 30%	11 36.6%		30	4.03	0.835996
Introduce loyalty scheme	1 3.3%	3 10%	9 30%	8 26.6%	9 30%		30	3.70	1.1
Increase marketing spend with existing customers		3 3.3%	15 50%	8 26.6%	3 10%	1 3.3%	29	3.38	0.805746
Diversify product range		6 20%	14 46.6%	8 26.6%	2 6.6%		30	3.20	0.832666

Table 8 shows that customisation was deemed as one of the key elements that will determine customer loyalty in the e-commerce environment. Ideally, on-line customisation should, to an extent, replace human interaction - the key to the success of offline travel agents – by giving users the possibility to manipulate options and express their preferences to ensure they have easier and faster access to the information they require each time they log on. The cross-tabulation results revealed that, predictably, all the on-line travel agents expressed positive feedback for the customisation of on-line services option. Customisation is offered by most on-line travel agent sites, it is easily performed (through allowing users to register and using cookies to recognise them on each of their visits) and offers many benefits, such as the ability to have a better knowledge of the preferences and travelling habits of customers and target offers and products more effectively. If successful in this, on-line agents will have a greater chance of return custom from satisfied users.

The second most popular option was the development of niche products. Offering products targeted at a specific segment of the market allows an on-line travel company to differentiate itself from its competitors, as well as developing a strong customer base that will increasingly trust more, and come back to, the brand as it offers products and services not many other competitors can match. This option was supported by all responding GDSs. This result is rather unusual, as GDSs themselves do not specialise in niche markets; however, such a move may not be unlikely in the future, as GDSs

try to cut a bigger portion of their markets for themselves by offering a wider range of products.

Conversely, the introduction of loyalty schemes and the diversification of product range were not considered as key. The introduction of a loyalty scheme, although a good option for transportation companies (most positive answers for this option came from this category) wanting to lure away customers from their competition, may not work as effectively for on-line operators due to the costs involved, and the difficulty of having to negotiate further discounts with product suppliers. In the case of airlines, for instance, such negotiation does not occur as the discounted product, such as a flight, is supplied directly by the airline. Diversification of products can be seen as the opposite of offering niche products; while offering a wide, differentiated product range can attract more than one market segment, concentrating on a niche market (e.g. business, skiing, sun, sea & sand etc.) may ensure greater return custom, as well as allowing for a more targeted marketing strategy.

Interviews revealed further details on customer base building and retaining strategies. Interviewees universally agreed that customer loyalty will prove to be even more of an issue with the advent of on-line travel distribution., as it is now easier for consumers to shop around for the best deal on-line; this has obvious repercussions on consumer loyalty to a certain brand. This problem is exacerbated by the lack of direct contact between buyer and seller; hence, ensuring that customer needs are fulfilled with professional customer service will prove a successful strategy to increase customer loyalty. Furthermore, 3 out of 10 interviewees believed that loyalty 'must be earned as a functioning of marketing outlet' (Eastman, pers. comm., 03/03/00); in other words, increasing marketing spend would enhance brand awareness and therefore produce customer loyalty.

Queried on what would constitute a successful customer strategy for travel e-mediaries., 5 out of 10 interviewees agreed that, in order to acquire new customers, brands need to understand the changes in users' needs and preferences, and reflect this understanding in the way they present their products. The key to attracting customers is to offer the right product, to the right consumer, on the right distribution channel, adopting the most appropriate image that would appeal to a certain market segment. However, 6 out of 10 interviewees deemed that achieving the somewhat harder task of retaining customer base, as seen above in the case of loyalty, means establishing a relationship that goes beyond simply selling a product. Among the considerations that were made were: adding individuality to the process, through the supply of quality information and the delivery of a faultless service throughout the transaction, time and time again.

## 4 Effectiveness of Electronic Distribution Channels

### 4.1 Internet Distribution

Not surprisingly the Internet was identified as a clear beneficial distribution channel (Table 3). Most respondents felt that the Internet gives access to a great number of people, as well as offering the opportunity to develop closer relationships with customers, while at the same time minimising costs through the use of commercial technology and reducing overhead costs. The globalisation of the selling process of the travel product achieved positive ratings especially by respondents from Tour Operators and leisure travel networks. This may be explained by the increasing need for travel product suppliers to mass-customise their products, transcending geographical borders in order to penetrate foreign markets and thus embrace a much wider consumer pool. 'Use of multimedia', failed to achieve a unanimous result. This range of differing opinions can be explained by the current bandwidth restrictions, which do not allow the potential for multimedia content diffusion to be fully realised. However, a great potential exists for the utilisation of multimedia to convey graphic information about products. Therefore, while in theory such an idea is valid, it might not be as easy to implement until new communication technologies, such as Asymmetric Digital Subscriber Line (ADSL) allowing the transmission of digital information at high bandwidths on existing phone lines become standard for most Internet users.

**Table 3 Advantages of Internet distribution for travel companies**

	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree	No reply	# of valid replies	Mean	Standard Deviation
Greater flexibility and convenience		1 3.3%	7 23.3%	7 23.3%	15 50%		30	4.20	0.91
Increased penetration and reach of customer base		1 3.3%	5 16.6%	13 43.3%	11 36.6%		30	4.13	0.81
Lower distribution costs		3 10%	4 13.3%	13 43.3%	10 33.3%		30	4.00	0.93
Increased customer interaction		2 6.6%	7 23.3%	14 46.6%	7 23.3%		30	3.87	0.85
Easier to Identify and Target Customer Base		2 6.6%	9 30%	11 36.6%	8 26.6%		30	3.83	0.90
Globalisation of product		2 6.6%	12 40%	7 23.3%	9 30%		30	3.77	0.96
Use of Multimedia	1 3.3%	6 20%	9 30%	4 13.3%	9 30%	1 3.3%	29	3.48	1.22

As for the disadvantages of Internet distribution, most respondents disagreed with most of the options provided (Table 4). The greatest number of positive



answers were for 'Lack of face-to-face up-sell/cross-sell opportunities' and 'Lack of human contact during the interaction'. Since on-line users do not have physical contacts with the actual seller, it is more difficult for the seller to instigate further sales, or lead the customer to the purchase more expensive or additional products. While the updating and maintenance of databases would, in the past, be a task of considerable difficulty, requiring the deployment of great technologic and financial resources, the results of the questionnaire suggest that this situation has changed. More advanced and reliable technologies and database packages reduce the need for human operator intervention and allow greater precision in the quality of the data. This has been achieved through the automation of product information updating processes and the use of 'intelligent' web forms, where user-entered data can automatically be inserted in databases.

**Table 4 – Disadvantages of Internet distribution for travel companies**

	1 Strongly disagree	2 Disa- Gree	3 Neutra l	4 Agree	5 Strongl y agree	# of valid replies	Mea n	Standard Deviation
Lack of human contact during the transaction	2 6.6%	8 26.6%	8 26.6%	10 33.3%	2 6.6%	30	3.07	1.06
Lack of face-to-face up-sell/cross-sell opportunities	7 23.3%	3 10%	8 26.6%	10 33.3%	2 6.6%	30	2.90	1.27
Volatile customer base	7 23.3%	10 33.3%	5 16.6%	6 20%	2 6.6%	30	2.53	1.23
Security issues	6 20%	10 33.3%	10 33.3%	4 13.3%		30	2.40	0.95
Danger of standard rather than tailor-made products	9 30%	7 23.3%	8 26.6%	5 16.6%	1 3.3%	30	2.40	1.17
Alienation of potential customers	4 13.3%	16 53.3%	10 33.3%			30	2.20	0.65
Difficult to market effectively	14 46.6%	6 20%	9 30%	1 3.3%		30	1.90	0.94
Difficulty of keeping records up-to-date	13 43.3%	9 30%	7 23.3%	1 3.3%		30	1.87	0.88

#### 4.2 Interactive Digital TV Distribution (IDTV)

Interactive Digital TV will revolutionise the travel distribution channel, as it will enable easier access and will increase the number of users dramatically. Most respondents agreed that IDTV is a 'Wide reaching, populist channel', requiring only a TV set, which most households already possess, and a set-top box, which in most cases can be obtained free with the subscription to a digital broadcaster's services (Table 5). Thus it is accessible to a greater portion of the population than the Internet and allows a greater penetration to the home market. Respondents also agreed that IDTV may inspire greater confidence to the on-line-buyer, as transactions could be perceived to be safer than they would be on the Internet. However, several respondents disagreed with the concept of IDTV as a channel that increases customer interaction. Despite the greater possibility for multimedia presentations, IDTV

was seen as a “lean backwards”-type media, where customers can sit back and watch what happens on the screen and, to an extent, control it, but not necessarily interact and customise in the same way they would on the Internet. IDTV benefits from several factors: richer communication medium; more relaxed atmosphere than using the Internet; interactive and allows video on demand, with full motion pictures and sound; content to the family/group rather than simply the individual, and is therefore more targeted to the home than the business market; it does not need to be switched-on through a procedure; easy to use; and a commodity.

**Table 5 Advantages of IDTV as a distribution channel**

	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree	# of valid replies	Mean	Standard Deviation
Wide-reaching, populist channel	1 3.3%	2 6.6%	8 26.6%	8 26.6%	11 36.6%	30	3.87	1.09
Greater consumer trust compared to Internet	1 3.3%	6 20%	9 30%	10 33.3%	4 13.3%	30	3.33	1.04
Greater flexibility in multimedia presentations	2 6.6%	7 23.3%	7 23.3%	8 26.6%	6 20%	30	3.30	1.22
Increased customer interaction	1 3.3%	11 36.6%	11 36.6%	5 16.6%	2 6.6%	30	2.87	0.96

The disadvantages of IDTV are shown in Table 6. More than half of respondents agreed that it is still developing technologically and, as such, it may not yet be fully functional and ready to be used in the home market on a large scale. Hence IDTV usage is currently limited and can reach only a limited customer base. However, the IDTV customer base will expand rapidly in the future. Its technology will become more advanced, incorporating an increasing number of e-commerce features that will render it superior to the Internet in terms of product information provision and ease of purchase.

**Table 6 Disadvantages of IDTV as a distribution channel**

	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree	No reply	# of valid replies	Mean	Standard Deviation
Technology still being developed	1 3.3%	1 3.3%	8 26.6%	11 36.6%	7 23.3%	2 6.6%	28	3.79	0.98
Higher cost to participate	1 3.3%	3 10%	8 26.6%	10 33.3%	6 20%	2 6.6%	28	3.61	1.05
Currently small customer base compared to internet	1 3.3%	4 13.3%	7 23.3%	9 30%	7 23.3%	2 6.6%	28	3.61	1.11
Less opportunity for customer interaction	4 13.3%	8 26.6%	8 26.6%	7 23.3%	1 3.3%	2 6.6%	28	2.75	1.09
Potentially too much choice	3 10%	9 30%	10 33.3%	5 16.6%	1 3.3%	2 6.6%	28	2.71	0.99
Security issues	6 20%	12 40%	9 30%	1 3.3%		2 6.6%	28	2.18	0.80

A significant number of respondents (mainly tour operators and high street travel agents) agreed that high cost will prove to be a barrier for companies wishing to participate in IDTV marketing and distribution ventures. High entry cost barriers may favour exclusively larger brands, while posing a serious obstacle to smaller companies, especially those operating exclusively on-line. However, with a likely crossover between the Internet and IDTV, this situation may change. Security does not seem to be a major concern. The majority of respondents replied negatively to the 'Security issues' options, confirming the hypothesis that the technology utilised for IDTV transactions will be more advanced than the one used on the Internet, and therefore less likely to become compromised by criminal activity.

#### **4.3 Convergence between the Internet and IDTV**

Respondents agreed that rather than debating the role of the Internet vs. the one of IDTV, these channels should be considered enablers for global distribution. They will eventually aim at different markets and will run in parallel in the future. Interestingly, 90% of the interviewees supported the concept of convergence between the two technologies, enabling cross-promotion and cross-navigation, thus producing a seamless experience for the user. This convergence is going to take place gradually, and will be further enabled by the realisation of interconnectivity between Internet, IDTV and mobile devices. All electronic distribution channels will be, ultimately, running on enhanced and complementary Internet technologies.

### **5 The Future of Electronic Distribution Channels**

#### **5.1 Distribution Channels in a 5-Years' Span**

The respondents identified three definite winners for the five-year span: the Internet, IDTV and portable communication devices (Table 7). This success is determined by the consumers' need to obtain more information, in more detail, in a more independent manner, matching their increased knowledgeability and sophistication. In view of these trends, it is evident that the commercial introduction of the Internet has started a process of change in the travel product buying habits of both leisure and business users. The Internet has, indeed, allowed more people to access high quality information quickly and with minimum inconvenience, as well as giving the possibility of purchasing travel products on-line just as easily. It is important to mention that, besides on-line travel agents, the Internet allows GDSs, holding the most detailed travel stock databases available, to move closer to end users, either by working under their own name (e.g. Galileo), or by powering (and in some cases owning) on-line travel agents (e.g. Sabre/Travelocity and Worldspan/Expedia). This trend towards the use of Internet travel booking resources is therefore likely to continue, if with a business bias in terms of customer type. Analogously to the Internet with the business travel market,

the introduction of IDTV is likely to have a strong impact on the home/leisure market, with an increasing quantity of on-request information, and booking possibility, available at the touch of a remote control button. The trend towards the use of mobile communication devices is mostly determined by the commodification of mobile phones in the past few years, coupled with an increasing need to be able to obtain information while 'on the move'. The scheduled introduction of advanced WAP technology will enable consumers to access enhanced information, such as customised travel schedules and booking facilities through their mobile phones on a 'needs must' basis.

**Table 7 – The most prominent distribution channels in 5 years**

	1 - Strongly disagree	2 – Disagre e	3 – Neither Agree nor Disagre e	4 – Agree	5 – Strongly agree	No repl y	# of valid replies	Mean	Standar d Deviation
Internet			1 3.3%	7 23.3%	22 73.3%		30	4.70	0.53
Interactive TV		2 6.6%	7 23.3%	7 23.3%	14 46.6%		30	4.10	0.98
Mobile Phones/ Portable communicatio n devices		3 10%	4 13.3%	12 40%	11 36.6%		30	4.03	0.95
Conventional telephone	1 3.3%	1 3.3%	8 26.6%	10 33.3%	9 30%	1 3.3%	29	3.86	1.01
GDS		3 10%	11 36.6%	8 26.6%	6 20%	2 6.6%	28	3.61	0.94
High street shops	1 3.3%	4 13.3%	11 36.6%	8 26.6%	5 16.6%	1 3.3%	29	3.41	1.03
Self service kiosk	1 3.3%	10 33.3%	6 20%	9 30%	2 6.6%	2 6.6%	28	3.04	1.05
Viewdata	9 30%	11 36.6%	3 10%	3 10%		4 13.3 %	26	2.00	0.96

The conventional telephone also obtained a high percentage of positive votes. This may seem a surprising result; however, it should not be forgotten that, despite increasing consumer confidence in on-line bookings and support mechanisms, many consumer may still feel happier to confirm their bookings or ask queries by calling a call centre and talking to an operator. In the case of the leisure market, the telephone is also an essential method to carry out bookings, as much tourism product advertising is carried out through advertisements in the press or even through cable channels such as the TV

Travel Shop channel, which require bookings to be made by telephone. A further significant percentage of respondents believe that GDSs will still play an important role in 5 years' time. This point of view can be justified in view of the fact that, although many new emerging competitors may pose a threat to the supremacy of GDSs, the latter have reacted to the former by creating alliances with on-line travel agents and offering a new range of products.

As for the distribution channels that are going to lose ground in the next five years, the results of the survey showed that respondents felt that, above all others, Viewdata is the distribution channel that might not survive. There are two reasons behind this choice: firstly, Viewdata is a tool principally used by high street travel agents and is not aimed directly at the consumer. Thus, if traditional high street travel agents are partially disintermediated, as many believe they will be, there will no longer be a profitable market for Viewdata to operate, and ultimately no conditions for it to exist. Secondly, within the high street travel agent booking system market, Viewdata is regarded as rather outdated, as its interface is not user-friendly and information needs to be entered every time a query is made. For this reason, travel agents may decide to opt for new, more customisable, Windows-based systems. These would have more functionality, and would enable access to information available to consumers through the Internet, therefore allowing the gain of competitive edge and a greater understanding of consumer needs.

## **5.2 Distribution Channels in a 15-Years' Span**

The results of this question show an interesting correlation with the 5-year prediction results. From the responses obtained (Table 8), the most evident change is in the Mobile phones/Portable communication devices field.

The overwhelming majority of respondents believed these would play an important role in tourism distribution in the next 15 years. Consumer will eventually have an even greater need to access information, and hence make bookings, from any place, individually, rather than from a static location. Another opportunity is for users to request and receive relevant travel information and holiday offers on mobile telephones, from operators that offer this service.

Another interesting result emerging from the survey is a marked decrease in positive answers for the Internet, which could be correlated to a slight increase in positive answers for IDTV. A crossover between the Internet and IDTV might result in greater penetration of the home market. This may justify an increase in the use of IDTV as a distribution channel for leisure users, with the Internet remaining, through the use of intranets and extranets, as an established distribution channel for business-to-business travel solutions.

**Table 8 - The most prominent distribution channels in 15 years**

	1 – Strongly disagree	2 – Disagree	3 - Neither Agree nor Disagree	4 – Agree	5 – Strongly agree	No reply	# of valid replies	Mean	Standard Deviation
Mobile Phones/ Portable communication devices				9 30%	18 60%	3 10%	27	4.67	0.47
Interactive TV		1 3.3%	2 6.6%	4 13.3%	20 66.6%	3 10%	27	4.59	0.78
Internet		1 3.3%	1 3.3%	8 26.6%	17 56.6%	3 10%	27	4.52	0.74
Self service kiosk	5 16.6%	5 16.6%	7 23.3%	7 23.3%	2 6.6%	4 13.3%	26	2.85	1.23
High street shops	2 6.6%	10 33.3%	8 26.6%	5 16.6%	1 3.3%	4 13.3%	26	2.73	0.98
Conventional telephone	5 16.6%	5 16.6%	10 33.3%	4 13.3%	2 6.6%	4 13.3%	26	2.73	1.16
GDS	2 6.6%	12 40%	5 16.6%	6 20%	1 3.3%	4 13.3%	26	2.69	1.03
Viewdata	23 76.6%	1 3.3%	1 3.3%			5 16.6%	25	1.12	0.43

GDSs as well as high street shops, Viewdata systems and the conventional telephone all recorded a higher negative response rate than in the previous question. This indicates that these more conventional forms of distribution are likely to be bypassed, or radically change their operations in order to serve a more 'wired' and sophisticated market. While GDSs are not expected to be driven out of market, their role is expected to change dramatically. GDSs may concentrate in providing the backbone for the travel distribution and power e-mediaries rather than support travel agencies.

### **6 The Changing Role of the Traditional Travel E-mediaries**

The future of traditional electronic distribution channels are influenced by the need for modernisation and the entrance of new competitors in the market (Table 9). The possibilities for traditional e-mediaries changing roles and developing new competencies were rated highest by the respondents. Many believe that GDSs, leisure travel networks and tour operators will move one step closer to the consumer, and sell directly to them. GDSs will retain their role as suppliers of booking systems to travel agents, however their core competencies may shift from this role and give equal importance to consumer

selling. Many respondents felt that traditional travel e-mediaries will start distributing more than just travel products in order to add value to their offering and provide comprehensive service.

**Table 9 Statements on the Changing Role of the Travel E-mediaries**

	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree	No reply	# of valid replies	Mean	Standard Deviation
The traditional travel e-mediaries will increasingly sell directly to the customer		2 6.6%	5 16.6%	13 43.3%	9 30%	1 3.3%	29	4.00	0.87
The traditional travel e-mediaries will start distributing more than just travel products		3 10%	10 33.3%	8 26.6%	7 6.6%	2 6.6%	28	3.68	0.97
On-line travel agents will increasingly connect directly with travel suppliers, bypassing the GDSs		1 3.3%	14 46.6%	8 26.6%	6 20%	1 3.3%	29	3.66	0.84
The GDSs will be increasingly bypassed by travel suppliers distributing directly on the Internet		6 20%	11 36.6%	9 30%	3 10%	1 3.3%	29	3.31	0.91
The Leisure Travel Networks will increasingly be bypassed by direct distribution on the Internet	1 3.3%	5 16.6%	11 36.6%	8 26.6%	4 13.3%	1 3.3%	29	3.31	1.02
The traditional travel e-mediaries will become less concerned with servicing travel agents		7 23.3%	10 33.3%	8 26.6%	4 13.3%	1 3.3%	29	3.31	0.99
The traditional travel e-mediaries will increasingly be bypassed by tour operator reservation system suppliers developing their own distribution systems	3 10%	5 16.6%	12 40%	7 23.3%	2 6.6%	1 3.3%	29	3.00	1.05

This situation may occur with the increasing need to offer 'one-stop-shops' to users, in order to maximise revenue from their customer, while at the same time maintaining an edge against Web portals such as Yahoo! and other new comers to the travel retail market, which are able to attract consumers with their ability to cross-sell travel-related products (such as travel guides, accessories etc.). Especially the GDSs, such as Sabre, that own or have

realised collaborations with on-line travel agents, may easily implement this cross-selling strategy.

The majority (70%) of the interviewees deemed the disintermediation of the traditional distribution channels avoidable. Instead they felt that re-intermediation is more probable as on-line travel agencies enter the market offering value-added products and customisable user features. While traditional offline agencies will progressively lose a share of their market, there will always be a need for an aggregator of holiday packages, flights and travel advice. Thus agencies will need to modernise and use on-line tools. High street agents are expected to retain a larger market share in low margin package holidays; a situation that is likely to remain unchanged until Interactive Digital TV becomes more widespread. Flight booking functions will be increasingly served by on-line agencies and airlines selling directly to consumers using their own on-line reservation systems. Partnerships between established brands and new on-line entrants would benefit both parties; providing the former with an already existing on-line infrastructure and the possibility to reach a larger portion of the market, and enhancing the latter's image and range of products. Therefore more "clicks and mortar" agency collaborations are predicted.

## **7 Summary and Conclusions : The Rise of New E-mediaries and the Future of Traditional E-mediaries**

The use of new distribution channels and the launch of value-added services and features across all distribution channels were identified as the most effective actions to enhance e-mediary competitiveness. From this, it can be extrapolated that the new entrants in the electronic distribution market (e.g. on-line travel agents and portals) enjoy a competitive advantage over traditional e-mediaries, as the provision of such features is an integral part of their strategy. More specifically, the timely delivery of relevant, content-rich information was identified in the interviews as one of the main differentiating factors in the on-line market. Traditional e-mediaries, on the contrary, do not offer added value features or content, but simply availability information and booking functionality.

The commercial introduction and subsequent potential take-off of IDTV and WAP technology may signify a further penetration of both the home and business markets. In view of a likely convergence between the Internet, IDTV and WAP networks, a further competitive advantage for new e-mediaries lies in the potential (subject to funds availability) to participate in these technologies, adopting a multi-platform approach and therefore achieving even greater market penetration.



However, the weaknesses in the current business models of new e-mediaries may hinder their competitiveness. Companies relying on IDTV and the Internet are still young and few have formed distinct branding, though this situation is changing rapidly. Their links with suppliers may therefore be volatile, especially if the companies are not able to achieve economies of scale within a short time. Moreover, although the cost of start-up for on-line businesses is low, expanding into IDTV and WAP may prove prohibitively expensive for many small companies. They therefore may be left behind, especially if they plan to cater for the leisure market, the primary market segment targeted by IDTV.

While new e-mediaries currently have a competitive edge over traditional e-mediaries, the on-line travel business is still in its infancy. As such, the new e-mediaries will go through a natural selection process, which will separate the stronger players – ones with sound business models, stability and the possibility to expand on all distribution channels and platforms available – from those that will fail. The chance of success may depend from the ability to target the most appropriate niches and to form partnerships that enhance image and increase market share.

Disintermediation poses a threat to traditional e-mediaries. It was shown that a significant cross-section of respondents believed GDSs run the risk of being bypassed by smaller inventory services, such as those utilised by web-based travel agents and suppliers. These, although more limited in terms of information, are much cheaper to run than the GDSs. Another strategic threat that GDSs and leisure travel networks may be facing is constituted by their being geographically bound to a certain country or region. With an increasing trend towards the globalisation of products, the inability to serve more than one geographic market may prove a serious risk to the existence of the traditional e-mediaries. In the case of Viewdata, respondents believed that that this old system is going to be gradually phased out in the next five years.

However, the survey results showed that respondents believed GDSs would still play an important role in the next five and ten years. GDSs will exist but they will function in a different form than today. The rapid technological developments and the emergence of the Internet demonstrate that they will need to modernise and refocus their operations if they are to survive in the future. GDSs should be regarded not as distribution channels but as enablers providing interconnectivity between suppliers and travel distributors. e-mediaries should therefore be building relationships with on-line travel agents and service the middleman. Provided that the right alliances are made, this would also minimise costs and maximise revenues through commission, due to higher volumes of on-line business. Traditional e-mediaries can also establish themselves as consumer brands in their own right or they may launch other brands to communicate directly in the marketplace. GDSs should

adopt a multi-channel distribution approach endorsing and supporting all the technologies chosen by their customers. This can be achieved by interfacing legacy systems for the front-end of Internet sites and by introducing more content rather than just providing a repository service for travel itineraries.

In the survey, two currents of thought were identified. Firstly, those who believe that GDSs are destined to give up much of their current powers and supremacy and will simply become high speed switches, or host systems on behalf of travel suppliers. Secondly, those who feel that GDSs have the potential to capture a significant share of the direct-to-customer market and establish themselves as providers of travel products with an emphasis on the business market. As a result of mergers, smaller GDSs will be consolidated, hence reducing the number of large players in the market.

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