

A PRELIMINARY STUDY OF INTERNET  
IMPACT ON ONLINE BASED TICKETING  
SYSTEM : A CASE OF SELECTED TRAVEL  
AGENCIES IN KEDAH AND PERLIS

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BY

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## **ABSTRACT**

The impact of the internet is a significant issue in today's travel industry. The development of the internet has made information easily accessible to consumers and has therefore established a direct link between consumers and suppliers. Consequently, traditional travel distribution channels such as travel agencies are considered to be particularly vulnerable. A major feature of the change brought by the advent of the internet is "disintermediation", in which the internet has demonstrated the potential to replace travel Agencies' core competencies. This study focuses on the impact of the internet on the travel agency sector and specifically in Malaysia. The research included in-depth interviews with travel agents and industry specialists to refine the main issues. Interviews with consumers were also carried out to ascertain the role of TAs in the internet age. The study shows that disintermediation is particularly pronounced in the relationship between airlines and travel agents. The main pressure factors on the travel agency market in Malaysia since the emergence of the internet are identified as (1) airline commission cuts (2) suppliers selling directly to consumers and (3) the rise of internet consumers who seek self-service travel arrangements. The study reveals several distinct modes in travel agencies' perceptions of their business environment and their survival strategies. The reality of "reintermediation" is a reality for some Malaysian TAs. TAs that perceive ICT as a strategic tool and are oriented towards consumers appear to have a business edge.

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## **LIST OF ABBREVIATIONS**

ATMs	Automated Teller Machines
CRS	Computerized Reservation Systems
GCTs	Global Corporate Travelers
GDS	Global Distribution Systems
ICT	Information Communication Technology
IT	Information Technology
OTAs	Online Travel Agencies
TA	Travel Agency/ Agent
TAs	Travel Agencies
TOs	Tour Operators
TOVS	Tour Operators Videotext Systems
US	United States

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

Internet distribution is a revolutionary development for international business in general, but particularly so to its one of the greatest retail success stories to date, the travel industry. By 2007, PhoCus Wright estimates that 38% of all leisure airline tickets will be purchased through the internet, up from 25% in 2004 and 0% in 1997. It is already a 52 billion dollar industry. The growth rate has been very steep. Prior to 1998 and the arrival of the internet as a viable, growing distribution channel for the travel industry, nearly all airline tickets were purchased either directly from the airline in question or at an authorized travel agency. Traditionally retail travel agencies have acted as intermediaries between airline companies and wholesale travel companies and the consumer. According to Vasudavan (1999) the internet provides a whole new set of challenges and opportunities for this business sector. The major threats stems from airlines and wholesale travel companies offering their products and services directly to the consumer/customer without the assistance of travel agencies. The advent of online reservation has changed the balance of power between traditional travel agencies/agents and the airlines. It has also introduced a new type of company: the online travel agent, who is often tightly connected to the major Global Distribution System (GDS) companies.

It is clear from the foregoing that the advent of the internet has led to a growing role for electronic commerce in the world economy. As noted by Lewis et al (1998), travel agents play three key roles. First, they act as information brokers, passing information between buyers and suppliers of travel products. Second, they process transactions by printing tickets or forwarding money. Third, they act as advisors to travelers. Information technology has profoundly affected the first two and forced travel agents to focus on the third, advisory role. Within the travel agent industry, the traditional centralized market structure is currently under attack from many providers in the market place who are trying to access their customers directly. The biggest change is that the customer can now interface directly with the information about the travel options. As such the travel industry is currently undergoing a major transition due to a shift in distribution channels

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