

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

MOHAMED SALEH ABD AL KHUJA

UNIVERSITI UTARA MALAYSIA

2008

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

A thesis submitted to the College of Business in partial
fulfillment of requirements for the degree Master of Science
(Management)
Universiti Utara Malaysia

BY

MOHAMED SALEH ABD AL KHUJA

UNIVERSITI UTARA MALAYSIA
2008

PERMISSION TO USE

In presenting this thesis in partial fulfillment of the requirements for a post graduate degree of Master of Science (Management) from Universiti Utara Malaysia, I agree that the University's library may it freely available for inspection. I further agree that permission for copying this thesis in any manner, in a whole or in part, for scholarly purpose may be granted by my supervisor or in their absence, by the Dean of the College of Business. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Requests for permission to copy or to make other use of materials in this thesis, in whole or in part shall be addressed to:

Dean (Research and Post-Graduate)
College of Business
Universiti Utara Malaysia
06010 Sintok
Kedah Darul Aman

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.

ACKNOWLEDGEMENT

A study like this one can be done only with the support of many individuals. Was made possible by financial support from my family. Identify my parents and brothers Iam heavily indebted to my supervisor Ms.ABDUL MANAF BOHARI for helping me in organizing and writing this project. Thanks also go to all my friends from LIBYA or MALAYSIA for their comments and assistance during the preparation of this study.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Statement problem	2
1.3 Research Questions	3
1.4 Objectives of the Study	3
1.5 Significance of the Study	4
1.5 Outline of the Thesis	6
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Conceptual model	8
2.3 Internet	9
2.4 The phenomenon of disintermediation	11
2.5 Independence of airlines	13
2.6 The rise of the consumer	16
2.7 The impact of commission cuts.	
2.8 E-Commerce and the tourism sector	20
2.9 The internet and trends in the global travel market	22
2.10 Conclusion	25

CHAPTER THREE: METHODOLOGY	27
3.1 Introduction	27
3.2 Research approach	28
3.3 Research strategy	28
3.4 Data collection	29
3.5 Sample selection	30
3.6 Data analysis	30
CHAPTER FOUR: PRESENTATION OF RESULTS AND ANALYSIS OF DATA	31
4.1 Introduction	31
4.2 Background of respondents	31
4.3 Respondents	31
4.4 Conclusion	37
CHAPTER FIVE: CONCLUSION AND RECOMMENDATION	39
5.1 Introduction	39
5.2 Recommendations	40
5.3 Conclusions	41
BIBLIOGRAPHY	
APPENDIX A: QUESTIONNAIRE	
APPENDIX B: INTERVIEW SCHEDULE	

LIST OF FIGURES

Figure 1	Impact of airline commission cuts	19
-----------------	-----------------------------------	----

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

The contents of
the thesis is for
internal user
only

BIBLIOGRAPHY

Alder J. Lafleur R., Falcone M. (2000): 'Internet Research' <http://www.bearsterns.com>

Atkinson, R. D. (2001a) Middlemen Fight Consumer choice. *Consumers Research Magazine*, 84(4), 10.

Atkinson, R. D. (20001b). *The Revenge Of The Disintermediated: How The Middleman Is Fighting E-Commerce And Hurting Consumers*. Washington, D.C. Progressive Policy Institute,Retrieved September 1,2008 from <http://www.pponline.org>

Alamdari, F(2002). Regional Development In Airlines And Travel Agents Relationship . *Journal of Air Transport Management*, 8, 339-348.

Alford, P (2000). E-Business Models In The Travel Industry. *Travel And Tourism Analyst*, 3, 67-86

Amadeus (2006), Amadeus Delivers Next Generation Travel Agency Technology. Amadeus Business Release, 1 March. Retrieved September,2008, From www.amadeus.com/amadeus/x12379.html

Amadeus Service Fees and Commission Cuts: Opportunities and Best Practices for Travel Agencies, June 2007. Retrieved September 2, 2008 from www.amadeus.com.travelagencies/documents/travelagencies/white/20PaperforWebuse.pdf.

Bellman, S., Lohse, G, Johnson Ethics, 2004, "Designing Market places of the Artificial. Our Approaches to Understanding Consumer Behaviour in Electronic Environments" Working Paper, June 21, 2004.

Bedard, F (2000) *Tomorrow's Travel Agency: A Survey Of Adaptation And Positioning Strategies To New Technologies In Services* In D.R. Ferenmaier, S. Klein & D. Buhalis (Eds), *Information And Communication Technologies In Tourism 2000. Proceedings Of The International Conference In Barcelona, Spain, 2000* (Pp 336-342). Vienna, Austria: Springer – Vaeerlag.

Brunger. (2006) “The impact of the internet on airline pricing”
<http://weatherhead.case.edu/edm/archive/field/concept/Brunger%20%20concept%20paper%202006.pdf>

Bryjolfsson E, Smith M, 2000 “Frictionless Commerce? A Comparison of Internet and Conventional Retailers” *Management Science*, Vol 146, No 4, pp 563-585.

Beeton, S (2005). The Case Study In Tourism Research: A Multi-Method Case Study Approach. In B. W. Ritchie (Ed), *Tourism Research Methods: Integrating Theory With Practice* (Pp37-48). Oxford University Press.

Brewton, C& Withiam G. (1998). United States Tourism Policy: Alive But Not Well. *Cornel Hotel & Restaurant Administration Quarterly*, 39(1), 50-60.

Buhalis D. (1998): ‘Strategic Use Of Information Technologies In The Tourism Industry’, *Tourism Management*, Vol 19, No. 5, P 409-421

Buhalis, D (2000a) Conference Report: Distribution Channels In The Changing Travel Industry. The Dorchester, London 9-10 December 1998. *International Journal of Tourism Research*, 2(2), 137-139

Buhalis, D (2000b), Tourism And Information Technologies: Past, Present And Future *Tourism Recreation Research*, 25 (1), 41-48.

Buhalis D (2003) Etourism: *Information Technology For Strategic Tourism Management*. Harlow, England: Pearson Education

Buhalis D. (2004) E-Airlines: Strategic And Tactical Use Of ICTs In The Airline Industry. *Information Management*, 41, 805-825.

Bloch M. And Seger A (1996): The Impact Of Electronic Commerce On The Travel Industry, Retrieved August 30, 2008 from <http://www.haas.berkeley.edu>

Chen S. 2002 "Differential Pricing on the Web. The Case of Online Air Travel Market". Business Economics and Public Policy, Kelly School of Business, Indiana U, November.

Cheyne, J. Downes M & Legg, S. (2006) Travel Agent Vs Internet: What Influences Travel Customer Choices? *Journal Of Vacation Marketing*, 12 (1), 41-57.

Clarkson, D (2006a) American Airlines' Round One.....Ding Ding Ding. Jupiter Research Analysis Weblogs, July 17, 2006. Retrieved 7/09/2006, From <http://www.weblogs.jupiterresearch.com/analysis/clarkson/archives/2006/07/american-airlin.html>

Clemons E, Hann I, Hitt L, 1999. "The Nature of Competition in Electronic Markets: An Empirical Investigation of Online Travel Agent Offerings" *Working Paper*, Department of Operations and Information Management, The Warton School.

Clemons E, Hann I, Hitt L, 2002. "Price Dispersion and Differentiation in Online Travel: An Empirical Investigation". *Management Science*, Vol 48, pp 534-549.

Conolly D. J., Olsen M. D. (2001): An Environmental Assessment Of How Technology Is Reshaping The Hospitality Industry. *Tourism And Hospitality Research*; Vol 3, No 1, P 73-93.

Creswell W. J. (1994): *Research Design Qualitative And Quantitative Approaches*, Sage Publications Inc.

Doolin B, Burgess L & Cooper J (2002): Evaluating The Use Of The Web For Tourism Marketing: A Case Study From New Zealand, *Tourism Management*, Vol 23, No 5, P557-561

Economist. (2002, June) Fit For DIY? Travel Agents. *The Economist*, 363 (8275) P63.

European Travel Commission (2006), Asia Pacific. New Media Review (ETC CET) & RegionalOverview,20August,2008 Retrieved from
<http://www.etcnewmedia.com/review/default.osp?sectionID=10&countryID=34>

Fayo-Sola, E (1996). Tourism Policy: A Midsummer Nights' Dream? *Tourism Management*, 17(6), 405-412

Final Report of Working Group: Managing the Impact of Information and Communication Technologies and Electronic Services on Tourism, June 2001.
www.europa.eu/enterprise/services/tourism/doc/working_groups/finalreport_June_2001_en.pdf

French, T (1998), The Future Of Global Distribution Systems. *Travel & Tourism Analyst*, 3, 1-17

Frew, A. J. (2000) Information And Communications Technology Research In The Travel And Tourism Domain: Perspective And Direction. *Journal of Travel Research*, 39 (November), 136-145.

Gamble P., Chandler M & Stone M (2001), Customer Knowledge Management in the Travel Industry. *Journal of Vacation Marketing*, 7 (1), 83-91

Goldsmith R. E. & Litvin, S. W. (1999), Heavy Users Of Travel Agents. A Segmentation Analysis Of Vacation Travellers. *Journal of Travel Research*, 38 (2) 127-133.

Gunther, M (1996, September 9). Travel Planning In Cyberspace, *Fortune* 187-188.

Johnson E, Bellman S, Lohse G, 2003 “ Cognitive Locking and the Power Law of Practice”. *Journal of Marketing*. Vol 67, April 2003, pp 62-75.

Lane, L, 2003 “Price Discrimination in the US Domestic Airline Industry: The Effect of the Internet” *EDM Program*, Weatherhead School of Management. Case Western Reserve University.

Lav, R & Leung, K (2002). Online Airfare Reservation Services: A Study Of Asian Based And North American Based Travel Websites. Information Technology On Travel Agents. *Transportation Journal*, 37 (4), 20-25.

Lewis, Ira, Semeiju, Janjaap, Talalayovsky, Alexander. June 1998, “The Impact of IT on Travel Agents” *Transportation Journal*.

Lewis, I, Semeijn, J & Talalayevsky A., The Impact of Information Technology. *Journal of Transportation*, June 2002.

Mason, D & Milne, S (2002). *E-Commerce And Community Tourism*. In P.C. Palvia, S.C. Palvia & E.M. Roche (Eds). *Global Information Technology And Electronic Commerce: Issues For The New Millennium* (Pp 294-310). Maretta, Georgia: Ivy League Publishing.

Mason K, (2001) Marketing Low Cost Airlines To Business Travellers. *Journal of Air Transport & Management*, 7, 103 – 109

Max Buhalis D & Song H (203): ICTs And Internet Adoption In China’s Tourism Industry, *International Journal of Information Management* Vol 23, No.6, P451 – 467.

Miles And Huberman (1994): *Qualitative Data Analysis: An Expanded Sourcebook*, Sage, Cop.

Modahl M. (2000). Now or Never: *How companies must change today to win the battle for internet consumers*, New York: HarperCollins

Morrison A. J. King B.E.M. (2002) "Small Tourism Businesses And E-Commerce: Victorian Tourism Online; *Tourism And Hospitality Research*, Vol. 4, No 2, P 104-115

Murray K.B.A. (1991): 'Test Of Services Marketing Theory: Consumer Information Acquisition Activities'. *Journal Of Marketing*, Vol 55, No 1, P 10-25.

Naden, C (2000a) People drive the travel industry-not the tools. *Travel digest*, 20 (5), 11 – 12.

Naden, C (200b). Online travel no threat for agents. *Travel digest*, 20(6).

Nejline, P (2000). Singapore Airlines, E-Commerce Strategy. Singapore Jardine Flemings Research, Singapore Securities Private Limited.

O'Brien, P. F (2002) *An Architecture For Ubiquitous Travel Service Delivery*. Paper Presented At The European Conference On Information Systems, Gdansk, Poland

O' Connor, P (1999), *Electronic information Distribution In Tourism And Hospitality*. Wallingford: CABI Publishing.

Parasuraman A., Zinkhan G. M (2001): Marketing To And Serving Customers Through The Internet: An Overview And Research Agenda, *Journal Of The Academy Of Marketing Science*, Vol 30, No 4 P 286 – 295.

Pitt L, Berthon P & Berthon J. P. (1999): Changing Channels: The Impact Of The Internet On Distribution Strategy, *Business Horizons*, Vol 42, P 19-28

Poon, A. (1993), Tourism, Technology and Competitive Strategies. Oxford: CAB International

Pork, C & Sohn, H.S. (2000). *Cyber Tourism Marketing, A Content Analysis Of Travel Agency Websites In Korea And Its Implication*. In B. Mckellar (Ed) Tourism A Strategic Industry In Asia And Pacific; Defining Problems And Creating Solutions. Proceedings Of The Sixth Asia Pacific Tourism Association Annual Conference (APTA 2000), June 28 – July 1 2000 Pp 34-38.

Porter M. E.(1980), *Competitive Strategy Techniques for Analyzing Industries and Competitors*. New York, The Free Press

Porter M. E. (2001): “Strategy And The Internet”. *Harvard Business Review*, Vol 79, No3, P 59-78

Porter M. (1998): *Competitive Advantages: Creating And Outstaining Performance*, New York, Simon & Schuster Inc.

Pulse Group Regional Travel Survey: *The Impact Of The Internet On Travel Habits – Synopsis Of Findings: Malaysian Market* ,Retrieved August 30 from www.pulse-group.com/pdf/pulsegroupregionaltravel%20survey.pdf

Saunders M. N. K., Lewis P And Tornhill A (2000). *Research Methods For Business Students*, England, Pearson Education Limited.

Turban E. King D, Lee J, Warkentin M, And Chung M (2002), *Electronic Commerce: A Managerial Perspective*, International Edition, New Jersey: Pearson Education Inc

Van der Pijl, G. J. (2000). *The use of Internet Sites by Smaller travel agencies in the Netherlands*, In D. R. Fesenmaier, S. Klein & D. Buhalis (Eds).

Vasudavan, T. (1999). "Intense Marketing Strategies Used by Travel Agencies in Australia" *Journal of Vacation Marketing*, Vol6, No. 1, 21-32 SAGE Publications.

Vasudavan, T, Craig, S. The Impact Of The Internet On The Role Of Travel Consultants, 1999. *Participation And Empowerment: An International Journal*. Volume 7, Issue 8 Pp 213-226.

Villa Direct (2006) *Agen DirectProgram. Villa Direct Travel Agent Information* Retrieved August 25,2008, from www.villadirect.com/agents

Walle H (1996): Tourism And The Internet : Opportunities For Direct Marketing, *Journal of Travel Research*, Vol 35, No 1, P 72-77

Watson R. T. Berthon P, Pitt L. F. And Zinkhan G. M. (1999), Electronic Commerce: The Strategic Perspective , The Dryden Press, Hinsdale, IL

Wen, W.L. (1999). The development trends of New Zealand travel agency industry and potential strategies for the management of change. *Unpublished Masters Thesis*, Massey University, Palmerston North, New Zealand

Winstead,D, Chairman, National Commission to Ensure Consumer Information and Choice in the Airline Industry. National Press Club, Washington DC. November 13, 2002 Retrieved 25 August, 2008 from
www.gov.info.library.unt.edu/ncecic/press/Winstead_Remarks_11-8.pdf

Wynne C. Berthon P, Pitt L. Ewing M And Napoli J (2001): The Impact Of The Internet On The Distribution Value Chain: The Case Of The South African Tourism Industry, *International Marketing Review*, Vol 18, No 4, P420-431.

Yin R. K. (1994): Case Study Research, Design And Methods (2nd Ed) The United States Of America, Sage Publications Inc.Retrieved August 30, 2008 www.world-tourism.org .