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# A Preliminary Study of Internet Based Ticketing System Impacts on Selected Travel Agencies in Malaysia

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### Abstract

The impact of the Internet based ticketing systems has made information easily accessible to consumers and has therefore established a direct link between consumers and suppliers. This study focuses on the impact of the Internet based ticketing systems on the travel agency in Langkawi, Malaysia. The major method was included in-depth interviews with travel agents to explore and refine the major issues that faced by the industry. Interviews with consumers were also carried out to ascertain the role of travel agents in the Internet based ticketing systems. The major finding shows that disintermediation is particularly pronounced in the relationship between airlines and travel agents. Therefore, the main pressure factors on the travel agency market in Malaysia since the emergence of the Internet are identified as airline commission cuts, suppliers selling directly to consumers and the rise of online consumers who seek self-service travel arrangements. In conclusion, travel agents perceives ICT as a strategic tool and are oriented towards consumers appears to have a business edge.

## Introduction

Internet sophistications is a revolutionary development for worldwide travel business in general, but particularly so to it's one of the greatest retail success stories to date, the travel based industry, as mentioned Alder, *et al.* (2000); Alford (2000); Alamdari (2002); Amadeus (2006) and Brunger (2006). Recently, increasing numbers of travelers use the Internet for travel planning (Travel Industry Association of America, 2005), while Forrester Research (2006) estimates current online travel spending at $73 billion, which represents 35% of total online spending. With regard to facts above, authors Watson et al.*,* Berthon, Pitt and Zinkhan (1999) and Lewis et al. (2002) noted that 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 travellers. 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.

Traditionally retail travel agencies have acted as intermediaries between airline companies and wholesale travel companies and the consumer. In fact, Compete, Inc. (2006) found that nearly 50% of travel purchasers visited a message board, forum, or online community for their online travel purchasing and one in three of these buyers said that consumer reviews helped with their purchase decision. Importantly, almost half of those whose purchasing decision was influenced by consumer reviews said that consumers' opinions actually caused them to change their mind about what they purchased. Moreover, among those buyers, 25% said they also posted a review on a consumer review site after making their purchase. Clearly, online

consumer-generated information is taking on an important role in online travelers' decision making. Besides that, a studies of Vasudavan (1999) and Vasudavan and Craig (1999) mentioned 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.

The impact of Information Communication Technology (ICT) and the Internet in particular, is a dominant issue in the tourism industry today. The growing accessibility of travel and tourism-related information on the Internet is leading to a restructuring of traditional distribution channels as in Buhalis (1998); Buhalis (2000a); Buhalis (2000b); Buhalis (2003); and Buhalis (2004). From a study of Gretzel, Yoo and Puryfoy (2007) found that almost all respondents of 1480 respondents use the Internet as an information source for planning pleasure trips and a majority (82.5%) uses it every time they plan a pleasure trip. Their most frequent travel planning-related online activities are: looking at other consumers' comments/materials (90%), printing out maps/directions (82.7%), reading travel-related blogs (64.2%), requesting printed materials/brochures (59.9%), and printing out coupons (40.7%). Arguably, Bloch and Seger (1996) coined that the most important change brought about by the Internet is "disintermediation", whereby principles such as airlines, hotels and rental car chains bypass intermediaries and sell directly to consumers. Travel agents (TAs) have long been identified as being vulnerable to the growth of the Internet as a tool for e-business and information dissemination.

The Malaysia tourism market is certainly not immune to these changes. The disappearance of some carriers from the Malaysia market, commission cuts, the growth of Internet use and evolving consumer demand and expectations are fundamentally altering the ways in which Malaysia TAs conduct the business. The impact of these changes is not difficult to identify. Accordingly, over the past few years the number of TAs has declined. To minimize the risk of disintermediation and improve business performance, travel agencies need to reposition their operations and to review their core strategies as mention in Poon (1993), O'Brien (2002); and Cheyne, Downes and Legg (2006). While many agencies have their own online sites, several commentators argue that the real keys to survival lie in the added value travel agencies can provide their customers (Brewton & Witham 1998).

Although there has been much speculation in terms of the impact of the Internet and the threat of disintermediation, there has been little work carried out on strategies that Travel Agencies have adopted to counter the threat of the Internet. This paper will examine the the Internet based ticketing systems on Malaysian Travel Agencies, specifically in Kedah and Perlis of Malaysia. The study will seek to analyse the functionality on the relevancy of traditional TA and the various strategies they have adopted to survive in the Internet age. All TA whether traditional or online face a serious threat from the ways in which new technologies enable companies to establish a presence quickly and a relatively low cost. Coupled with increasing concentration of ownership in the air travel industry, smaller TA faces a very serious threat from the economies of scale provided by web-enabled competition.

**Problem Statements**
The travelling industry has experienced considerable change because of technological advances surrounding the industry. One of the most powerful change agents has been the Internet, which is widely used in the sale and distribution of airline tickets. The impact of digital revolution on the tourism sector was first felt by the traditional distribution channel. The possibility of direct contact between suppliers and customers, sometimes mediated by new information brokers, generated some panic in the travel sector and endangered a substantial part of their revenues coming from intermediation activities (air tickets and hotel reservations). The ongoing vertical concentration process in the sector relieved pressure on the retailing networks owned by big

tour operators but left independent agencies exposed.

Several researchers have noted the rise of the Internet has been accompanied by a decline in the role of travelling agencies in the travel industry. Previous studies have suggested causal categories – for example, reduced search costs, mistrust, more effective buying strategies- but have not studied the coping strategies that have been devised by traditional travel agencies. The purpose of this study is to examine the mechanisms by which the Internet based ticketing systems has caused diminished the role of travelling agencies by focusing on how the customer uses the Internet differently than he did when he engaged traditional alternatives and how the customer has understood that change in process.

The growth of the Internet has coincided or correlated with macro changes in airline fare structure as demonstrated by some study. A study by Lane (2003) coined that did the Internet "cause" the changes in fare structure and level? Is there significant statistical correlation between Internet usage and business reduction for travelling agencies? Numerous other studies have concluded that the Internet marketplace is associated with lower prices. Lane speculated that these fare reductions and structural changes may have been caused by "greater transparency" and "more competition" and asserted that they may reflect "carriers" increased efforts to alight their fares more closely with passengers" willingness to pay for air travel.

Research into the travel agency sector by academics has largely focused on the need for travel agencies to adopt strategies that will enable them to compete in an ever changing technological environment. These have been studied in Canada as in Bedard (2000); Australia (Bedard 2000), the Unites States of America (Lewis, Semeijn, & Talalayevsky 2002) and Europe (Van der Pijl 2000). In Malaysia, there has been little academic research focusing on the Internet based ticketing systems impact on travel agencies sector. It is not clear whether the trends and issues as portrayed in the international literature are totally relevant to the Malaysian context.

The investigation of the Malaysian Travel Agency sector and the related impact associated with the Internet based ticketing systems are the main focus of this study.

The research questions that have arisen of the study are:
1.  Are Travel Agencies still relevant or they have become redundant?
2.  Do customers trust websites more than Travel Agencies?
3.  Do they miss aspects of the Travel Agency experience?
4.  Does the Internet travel buying experience seem less or more confusing?
5.  How have customers changed their approach to the airline ticket purchase process as a result of the Internet?

**Objective of the Study**
The objectives are:

1.  To examine the impact of the Internet based ticketing systems on the operations of travel agencies particularly in Malaysia.
2.  To identify the coping strategies that has been adopted by travel agencies in order to survive in the Internet age.
3.  To investigate the interaction between the rises of the Internet based ticketing systems and the contemporaneous changes in travel agencies' revenue.

**Research Methodology**

The study will be qualitative, based on a series of interviews with a sample of travelling agents and Internet using customers. The customers will be asked to describe their experience. By apply Grounded theory methodology, the investigator will then describe the interviews using the literature as a theory base, and then try to understand if the casual categories in the literature are sufficient to explain the change.

In this study an exploratory approach is used to conduct research. Exploratory studies are discovering investigations that are suitable when researchers seek new insights to problems and want to assess phenomenon in a new light. Furthermore, exploratory studies tend to start with a wide research area and narrow down as the research develops (Saunders, Lewis &

Tornhill 2000). In addition, exploratory studies are done to better comprehend the nature of the problem since very few studies might have been conducted regarding the phenomena needed to be understood. Thus, exploratory studies are important for obtaining a good grasp of the phenomena of interest and for advancing knowledge through good theory building (Sekaran 2006).

**Research strategy**
In general, there are a number of approaches for a researcher to conduct social science research, namely experiments, surveys, archival analysis, history and case studies (Yin, 1994). Each of these has different advantages and disadvantages, depending on different conditions. These conditions are which type of research questions are stated, whether or not the researcher has control over behavioural events and if the research focuses on contemporary events or historical phenomena. In addition, Yin (1994) states that a case study approach is best used as a method for gathering data when a "how" or "why" question is being asked about a contemporary set of events over which the researcher has little if any control. Yin continues that a case study approach helps investigators to refine their data collection plans with respect to both the contents of the data and the procedures to be followed in collecting data.

**Data collection**
After having determined the most suitable research strategy, it is necessary to decide on how the empirical data will be collected (Yin, 1994). According to Sekaran (2006), there are two kinds of data namely, secondary and primary data. Secondary data is data that already has been gathered by other researchers with different purposes in mind while primary data is data that a person gathers on his/her own with a specific purpose in mind. With regard to Sekaran (2006) and Yin (1994) describes that six sources of evidence can be the focus of data collection for case studies: documentation; archival records; interviews; direct observations; participant-observation and physical artefacts.

**Sample selection**
When the appropriate sources of evidence have been determined, it is essential to find relevant and manageable samples to collect the data from. Due to the limited timeframe, this study is limited to Malaysian travellers (consumers) and travel agencies in Kedah and Perlis. The respondents were randomly selected to participate in this survey.

**Data analysis**
According to Sekaran (2006) and Yin (1994) data analysis involves examining categorizing, tabulating or otherwise recombining data. According to Miles and Huberman (1994) there are two forms of analysis available, namely within-case analysis and cross-case analysis. Within-case analysis refers to comparing the collected data against the theory used, while cross-case analysis compares data from different cases with each other. The purpose is to organize data so that final conclusions can be drawn and verified. Data display is to display reduced data enabling easy deduction. In conclusion drawing and verification, the researcher decides the meaning of occurrences, noting regularities, patterns, explanations, possible configurations, casual flows and propositions.

**Results**

**Demographic background**
A survey was conducted to better understand the complexity of the travel agency sector. A total of 100 questionnaires were distributed to prospective respondents in the state of Perlis and Kedah. Experience in the travel agency businesses among respondents varied from 2 years to more than 7 years. The most frequent response (75 %) was from travel agents who have been in the business for more than 4 years. Respondents were asked to rate the status/ performance of their business on a 5 point scale.

**Findings**
The majority of respondents (80%) indicated that commission cuts by airlines had a considerable impact on their businesses. Consumers buying on the Internet and suppliers selling directly to consumers were also considered major impacts on TA businesses. This has led to disintermediation or bypassing of traditional travel agents by carriers. This strategy has two aspects driving traffic to each

carrier's website and the establishment of an online agency. The airlines argue that web fares are lower because they avoid the cost of booking fees and commissions. The airlines want to attract consumers to their online ticketing system and do not want the consumer to use intermediaries that would give objective advice about airline choices. The decline in travel agents did not have an adverse impact on consumers because the Internet gives them more access to travel information than they ever had before.

The survey also identified competition as an important pressure factor. The following were identified as principal competitors, includes suppliers selling directly to customers which 88% respondents has agreed, other travel agencies (89%), and Internet based system (97%).

The emergence of the Internet has also had a major impact on travel agents, as customers make their travel purchases online. Research indicates that two-thirds of all respondents have access to the Internet, 66% use it to get travel information and 38% actually buy or make a reservation for travel. The e-commerce revolution has dramatically improved the access of every consumer to air travel information. Consumers now have more options than just calling an individual airline reservation system or using a travel agent in order to obtain airline tickets. This is similar to Beeton (2005); Chen (2002); Clemons, Hann and Hitt (2002); and Doolin, Burgess and Cooper (2002) that summarized the reduction of commissions paid by airlines and the competition provided by the Internet has generated a challenging and certain environment for travel agencies.

The majority of respondents (87 %) perceived customer-oriented service as an advantage. Only (23 %) respondents perceived technology as their advantage. Most respondents recognized that a broad based understanding of customer relationship is very important for their survival. A common theme was that "at the end of the day, it comes to service". Travel agents require developing niche markets thus becoming agents of the consumer.
In response to the question "What are you going to do to compete with your competitors in case

of using the Internet?" respondents identified the following coping or survival strategies are includes customer-oriented service (86%), niche marketing charging fees (81%), added value (89%), alliances/ mergers (80%), and adoption of ICT and the Internet (96%). With regard to these finding, the Internet has introduced a number of challenges for travel agencies, agents need to provide added value when servicing consumers who have access to the same information as mentioned in Parasuraman and Zinkhan (2001); Pork and Sohn (2000); Modahl (2000); Pitt, Berthon and Berthon (1999); and Walle (1996). Travel agencies often underestimate the opportunities that emerge from the Internet and thus fail to improve their communication with consumers and take advantage of synergies as mentioned in Law, Leung and Wong (2004); Max, and Song (2003); Mason and Milne (2002); Wynne, Berthon, Pitt, Ewing and Napoli (2001); and Gunther (1996). If travel agencies don't innovate they will lose significant market share.

The in-depth interviews with travel agents and consumers showed that the phenomenon of disintermediation is particularly pronounced in terms of the relationships between airlines and travel agencies. The elimination of airline commissions is a key issue. According to interviewees, as airlines have continued to reduce and then eliminate agency commissions, many agencies have been forced out of business. Those that survive are inevitably being compelled to charge higher service fees, placing travel agencies beyond the means of many customers. The need for cost cutting and early adoption of the Internet by carriers resulted in direct ticketing and consequently commission cuts for travel agency businesses. Malaysian travel agencies identified these cuts as having a profound effect on the travel agency market. In addition, some studies as examples of Conolly and Olsen(2001); Mason (2001); Lav and Leung (2002); Frew (2000); Goldsmith and Litvin (1999); and Gunther (1996) stressed that the Internet is seen by most travel agents as the main tool that has empowered principals (airlines) to market directly to consumers bypassing intermediaries. Consumers are now using the Internet to make bookings with principals and to search for information about travel products. Thus, the Internet has become a

substitute for travel agents in facilitating transactions and providing information on destinations. The traditional distribution channel was the first to feel the threat.

A small number of interviewees indicated that they used the website to contact their customers and for online selling and booking. The majority of respondents stated that they used the Internet for researching travel destinations (60%) followed by email (30%), online bookings (10%). In response to a question asking them which is the most important aspect in utilizing the Internet, (75%) of respondents identified promotion as very important. Online booking was also identified as important. Respondents were also asked to state the main reason for having a website for promotion, marketing and information purposes. Thus this study has revealed that not all Malaysian travel agencies' are using technology to maximize that competitive advantage. Most of the TAs use the Internet for researching travel destinations and for emailing. Thus the main reason for having a website to most of these travel agencies was stated to be promotion and marketing. There was no mention of specific software for managing customer relationships. This finding is similar to Morrison and King (2002); Mason (2001); Naden (2000a); Naden (2000b); O' Connor (1999); Wen (1999); and Porter (1998).

The study also revealed that the emergence of a new and more informed consumer is another factor that has impacted negatively on the travelling agency industry in Malaysia. A recurrent issue in the interviews with Travel Agents was the stiff competition in the sector, not just with other agents but with airlines and a range of other providers. There is a strong realization among travel agents that foe them to remain competitive, they must adapt their operations to better utilize any opportunities. The major risk emerging from this new context is digital exclusion. It is essential to understand that Internet adoption does not simply mean to be connected. To take full advantage of the opportunity, each tourism actor needs to integrate ICT based services into its business and environment, as mention in Wynne *et al.* (2001); Conolly and Olsen (2001) and Walle (1996).

While there was a perceived need for travel agents to keep pace with technological advances, there was a general consensus on the part of those interviewed that acquiring staff with solid training in the Internet based ticketing systems can be difficult. The finding is consistent with the conclusions of research on the Internet based ticketing systems impact on Malaysian businesses in general. There was a perception among travel agents that consumers in Perlis and Kedah were not a sophisticated as their overseas counterparts and more unwilling to trust web-based operations and transactions. However, interviewees recognized that their customers were becoming more familiar with the Internet based ticketing systems. Therefore, it was recognized that the Internet based ticketing systems had an ever-increasing role to play and should be considered an essential part of travel agencies' survival strategies, as noted in Buhalis (2004); Conolly and Olsen (2001); Alford (2000); Bedard (2000); and Buhalis (1998).

In response to the ever increasing threat of online services, it was noted that the only way to stay afloat was to add value in travel agencies' chain of distribution. In this regard, many travel agents pointed out traditional travel agencies had certain advantages over online services, such as greater security versus the Internet (credit card theft and accountability for the product), an ability to provide unbiased and objective travel advice and access to wholesale prices and ability to act as an information broker. These are similar to Cheyne at al. (2006); Frew (2000); Clemons *et al*. (1999) and Porter (1998).

## Discussion on Results

The main findings of the survey were as follows:

- The Internet based ticketing systems while offering the threat of direct sales was however on balance seen generally as a positive tool to help the best agency business stay ahead of the game.
- The majority of travel agents mentioned that the element of personal service that travel agencies provide is the most important attribute and positive aspect of agency service.

- Travel managers rated the need for reliable and high speed Internet connections above the need for business class service.
- Respondents felt that airlines and hotels would see the largest percentage of Internet generated revenues.

The following key issues were identified in the interviews:

- All interviewees pointed out that due to the ability of airlines and other principals to market directly to consumers, Malaysian travel agencies, like their international counterparts, are facing increasing pressure in maintaining their traditional role as intermediaries. The creation of alliances and a focus on niche markets were the main perceived strategies for survival.
- Airline policies regarding commissions were of particular concern.
- There was generally a positive attitude towards the Internet based ticketing systems use among interviewees. It appears that the Internet based ticketing systems is rarely a core strategy of travel agencies although some perceived it essential in strengthening their relationship with customers. The dynamic nature of the Internet based ticketing systems requires travel agencies to keep pace with advancements and adopt policies that add value in the distribution chain.

## Recommendations

This study found that the travel agency industry has been severely impacted by the events of the last several years. Many travel agencies have disappeared since the start of the new millennium. The substantial decline has been due to several factors. The findings of this study permit the formulation of a number theoretical assumption. The advent of the Internet has initiated a process of disintermediation whereby principals bypass the middleman. This process is pronounced in the case of airlines and travel agencies. Travel agencies' main perceptions of their survival strategy have shifted towards consumers by becoming information brokers and charging fees for travel arrangements re-intermediation). The main pressure factors on the travel agency market in Malaysia related to the impact of the Internet and can be classified as: (1) airline commission cuts (2) suppliers selling directly to consumers and (3) emergence of Internet consumers who seek self-service travel arrangements. Despite the decline in the number of travel agencies, agents still sell the majority of airlines tickets globally. New technology is gradually changing those numbers, but travel agents will continue to provide valuable service to consumers.

The results of this study have implications for TA management and marketing. TAs will need to implement more aggressive marketing policies with a strong emphasis on customer relationships, time saving attributes and intimate knowledge of destinations. TAs will also need to develop their Internet skills to compete with their customers and online competitors when searching for information and best deals. The survival of travel agents to provide an independent source of information is important to protect consumers, that the Internet does not always produce better results than traditional travel agents.

## Future Research

The investigation of the TA market in Malaysia through the survey and interviews revealed that the main factors affecting the travel agency sector was commission cuts by airlines. It should be noted that TAs had shifted from a negative phase in their relationship with airlines to constructive engagement. According to Forrester Research (2006); Lav and Leung (2002) and Wen (1999) an agent can reach to a principal's destructive acts either negatively or positively.

The travel industry is currently undergoing a major transition due to a shift in distribution channels which reflects the impact of Internet based ticketing systems. As in other industries, the emerging challenge is to use IT to explore the core competencies of the travel agent and support the ability to transform easily available data into information that provides competitive advantage by creating new knowledge. That outcome will depend on travel agencies' abilities to capture the markets' loyalty, ensure access to travel information while providing value-added services and develop winning product strategies supported by information technology as indicated in Watson *et al.* (1999); Lewis *et al.* (2002) and O'Brien (2002).

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