Relevance of travel agencies in the digital age

Prof Mari Jansen van Rensburg
Graduate School of Business Leadership,
University of South Africa,
PO Box 392, Unisa 0003, South Africa
jvrenm@unisa.ac.za

Abstract

In the digital age travellers have more choices and are better informed. This conceptual paper considers the evolution of business models in the travel industry and evaluates the value propositions offered by traditional retail travel agencies. Conclusions suggest that services provided by travel agents are still relevant and valuable. It was also found that the digital age offers various opportunities to agencies to harness the benefits of information communication technologies. However, awareness of its functionality and resources is required to utilize this platform to achieve economies of scale and rationalise costs. Value propositions, offered by travel agencies, also need to be altered to meet the changing customers’ buying habits of tourism products. It is recommended that ICT and the Internet should become part of an integrated, customer centric marketing plan which includes online and traditional marketing tools. Travel agencies also need to engage in clear customer segmentation based on established customer needs. Despite the many technological advances, many travellers still find the idea of traveling daunting and the Internet to be intimidating and are willing to pay a premium for human interaction.

Keywords:
Travel agencies, disintermediation, value propositions, social media, marketing strategies

INTRODUCTION

Due to the rapid development of information technology, methods of doing business in the tourism industry have changed dramatically. The Internet and social media technologies have become entrenched in this industry and proved itself to be a perfect tool serving clients. Not only does it serve as a channel for travellers to search for information but it also allows the visualization of travel products and services through video clips and graphical images (Tsang, Lai & Law, 2010).

Today travellers have more choices and are better informed. They have easy access to vast amounts of data and information, and customer power has increased as comparison shopping has been made easier. The extent to which the technology evolution changed travel habits was recently highlighted in a study commissioned by Google, where Ipsos Media CT (Ipsos MediaCT/Google, 2013) was tasked to conduct an attitude and usage survey on travel habits. The total sample size of this study was 5000 respondents (3500 leisure and 1500 business travellers) residing in America. Inclusion criteria for respondents required that they had to go online at least once per month, and have travelled at least once for personal reasons (or a minimum of three times for business) within the past six months. Findings from the survey propose that travellers across segments seek value and frequently engage in comparison shopping. Most travellers consider the web to be important for travel research and planning. In fact, data revealed that 68% of leisure travellers begin researching online before they decide where or how to travel. Findings from this survey furthermore suggest that a typical travel shopper will visit 22 websites in multiple shopping sessions before booking a trip. These users share their experiences with their networks as 70% of travellers update their Facebook page while on vacation. Travellers also engage other social media,
i.e. Pinterest and Instagram to share experiences. Business travellers prioritize price, convenience and prior experience. Among online sources, travellers mostly rely on brand sites and search engines for information.

These developments require travel agencies to re-evaluate the value propositions they present to clients. As the focus of this article is on traditional retail agencies and leisure travellers, the purpose of this conceptual paper is to consider the relevance of travel agencies in the digital age. The article aims to answer the questions:

1. Can travel agents justify the expense of their professional services given the electronic solutions available to contemporary travellers?
2. How should agencies embrace the social media and other digital platforms in their marketing strategies?

In the sections to follow, value propositions offered by traditional travel agencies will be reviewed as well as the evolution of business models and practices in this industry. This discussion is followed by an overview of consumer behaviour by travellers in the digital age. The article is concluded by recommendations on how retail travel agencies could embrace technological advancements to stay relevant.

VALUE PROPOSITIONS OFFERED BY TRAVEL AGENCIES

The essence of any business model is in defining the manner by which an organisation delivers value to customers, entices customers to pay for value, and converts those payments to profit (Teece, 2010:172). Traditionally, travel agencies delivered value by means of their ability to connect supply and demand in the tourism industry (Fuentes, 2011). Value was thus created by the ability of a travel agency to facilitate the sale and delivery of tourism services from suppliers to consumers (Buhalis & Laws, 2001). However, the myriad of travel tools available online now allow travellers direct access to travel products and suppliers, deeming the role of travel agencies as middleman, seemingly redundant. Yet, despite headlines about the demise of the travel agents, traditional format retail agencies are still prospering (Olmsted, 2012; Weaver & Lawton, 2008).

The services provided by travel agents are still relevant and valuable. Value is created as a result of personalised service, agents’ expertise (experience, knowledge and skills), established connections, access to deals and benefits not available to the public, as well as their ability to negotiate better prices. Additionally, agencies are able to provide a safety net during trips which is not available should travellers do their own bookings. Top agents may furthermore be in the position to acquire perks on travellers’ behalf, such as upgraded hotel amenities and rooms, hard to get restaurant reservations, specialised tour guides, and access to otherwise exclusive events and destinations (Olmsted, 2012; Kracht & Wang, 2010; Weaver & Lawton, 2008). Olmsted (2012) further suggests that although not everyone taking a trip needs a travel agent, the benefits they offer increase as the travel package becomes more luxurious, expensive and specialised. Good travel agents should be in a position to customise the travel experience to suit the needs of each individual client recommending experiences for expressed needs. They also need to follow marketing principles and apply clear differentiation to meet the needs of selected target markets (Harris & Duckworth, 2005).

EVOLUTION OF BUSINESS MODELS

Digital technology is not new to the travel industry. Indeed since the 1960s, travel agencies used the Global Distribution Systems (GDS), such as Sabre (founded 1960), Amadeus (founded 1987), Galileo (founded 1988), Abacas (founded 1988) and Worldspan founded 1993), to give them access to real-time reservation and booking information (Kracht & Wang,
2010). In this era, hotels, airlines and other suppliers of hospitality products became increasingly dependent on travel agencies and paid them transaction fees on each reservation (Thakran & Verma, 2013). In this arrangement, suppliers of travel products considered travel agencies as key accounts and focused their resources to build strong relationships with them.

Growth of the worldwide web in the 1990s however changed the distribution game (Wang & Qualls, 2007). Before 1993, the traditional tourism distribution system consisted of consumers (buyers of travel related services), traditional retail travel agents, traditional corporate travel agents, traditional tour operators, GDS’s, incoming travel agents (intermediaries between operators and suppliers), destination marketing organizations (DMO’s), and suppliers (Kracht & Wang, 2010). In this distribution channel, retail travel agencies served exclusively as intermediaries and advisors. Since travel and tourism is a fragmented, information-oriented industry, it is highly receptive to the benefits of the Internet (Luisam, Joaquín, Enrique & Anna, 2010). Industry players realized that the Internet had the potential to serve as a new communication and distribution channel serving travellers and suppliers of travel services and products. Indeed, this channel enabled tourism businesses to improve their competitiveness and performance (Law, Leung, & Wong, 2004). As a result, the advent of the Internet required travel agencies to make considerable adaptations to remain solvent and relevant (Laverty, 2014).

As a consequence of online travel developments, suppliers became more independent and gradually decreased their dependence on, and commission payable to, travel agencies. At the same time, travellers gained confidence to buy more directly from suppliers, bypassing travel agencies. The ‘elimination of the middleman by using the Internet in the travel-agent-destination/supplier network’ in the travel industry created various questions and predictions about the future of traditional travel agencies (Law et al., 2004:101). At the time, a disintermediation process which created the conditions for a reconfiguration of the tourism distribution value chain was observed. Travel and hospitality suppliers, for example, started investing in brand websites and booking engines to offer cost effective tools for direct marketing to travellers (Thakran & Verma, 2013; Chakravarthi & Gopal, 2012; Kracht & Wang, 2010). Brand websites erased the differences in the geographical reach between suppliers and clients, enabled suppliers to provide product information, visual images (photos and video clips) and allowed for the processing of direct reservations in real-time (Tsang et al., 2010).

At about the same time that suppliers started disintermediating travel agents, another layer of intermediation was introduced. Web technologies enabled internet users to automate searches through search engines which were first to index the entire content of web pages, instead of just titles and Uniform Resource Locators (URL’s) (i.e. web page addresses), which led to the intermediating role and search services of Google in 1998. “By facilitating the inception of this category of intermediaries, web technology set in motion a structural change that has shifted power to a new centre: the search engines” (Kracht & Wang, 2010:741). Online re-intermediation created further opportunities to establish portals providing consumers with web access to central reservation systems of hotels, airlines, car rental and other travel related product and services suppliers (Thakran & Verma, 2013; Kracht & Wang, 2010; Álvarez, Martín & Casielles, 2007). Realising the opportunities associated with re-intermediation, online travel agents (OTAs) joined the fray in 1995. The first online agent was Internet Travel Network (ITN) and this pioneer was soon joined by many other OTAs (Kracht & Wang, 2010:741). Examples best known today are Travelocity and Orbitz. OTAs allow consumers to check availability of accommodation; do price comparisons
and provide the benefit to pay for services using available payment modes (Chakravarthi & Global, 2012). OTAs are important because they provide one-stop convenience and empower the customer to find the best value for travel needs (Woo & Hae, 2004).

Technology became even more sophisticated and allowed various innovative online business formats facilitating a multitude of other channel configurations (Buhalis & O’Connor, 2005). Web technology, i.e. demand collection system, enabled Priceline.com, for example, to collect demand from consumers and communicate it to suppliers (Kracht & Wang, 2010). Another example was OTAs that specialised in last minute reservations with the purpose of selling airline seats and hotel rooms that were otherwise likely to go unsold (Buhalis & Licata, 2002). In 2000, an additional layer of intermediation arrived in the form of a new category of cybermediaries. Cybermediaries offer ‘meta-search engines,’ which allow users to search the online travel agency sites, as well as supplier sites. Examples of cybermediaries include Kayak.com, Bring Travel, Dohop, FareCompare, Mobissimo, Momondo and Skyscanner.

Essentially, it can be argued that the arrival of the web brought technical capabilities that fostered the introduction of more and more layers of intermediation. Today, consumers are faced with a multitude of choices which complicate the buying decision process (Kracht & Wang, 2010). Hence, the latest digital advancements introduced the so-called customer engagement technology (CET), which includes a wide variety of applications (social-, location-, and mobile-based applications) to simplify tourism related processes (Thakram & Verna, 2013). These web-based platforms created podiums to share ‘word-of-mouth’ in real-time allowing travellers to record and share their tourism experiences (Ipsos MediaCT/Google, 2013). Travel agencies thus need to acknowledge that social media technologies changed the locus of control in creation processes of online tourism content. Whereas content published on Web 1.0 was mainly controlled by tourism service providers Web 2.0 is more inclusive. At present, content is to a large extent the expression of interaction and participation of end users (Shih, 2009). Therefore, suppliers need to be present on these social channels and maintain a strong online reputation. Such a reputation is created by actively responding to the online reviews and keeping customers engaged by posting new and relevant content on these social sites (Thakram & Verna, 2013). In this era consumers collaborate and share information with each other not only through travel community platforms but they also use social media tools such as Flickr, blog entries, tweets posted on Twitter, and Facebook updates to communicate to their own social networks. Research also found that social networks can be very influential when it comes to purchase decisions. It is therefore important to consider travellers use of social media and how they interact with the various platforms at the different stages of the travel cycle (eMarketer, 2013).

As society became networked, networks became ubiquitous through the use of mobile telephones. Indeed, rapid uptake of mobile telephones created new opportunities for travel industry players (Dickinson, Ghali, Cherrett, Speed, Davies & Norgate, 2014). According to the latest eMarketer report, “Worldwide Mobile Phone Users: H1 2014 Forecast and Comparative Estimates” it was forecasted that 4.55 billion people worldwide would use a mobile phone in 2014. Mobile phone penetration is forecasted to grow from 61.1% to 69.4% between 2013 and 2017. The global smartphone audience
surpassed the 1 billion mark in 2012 and it was forecasted to grow to 1.75 billion in 2014. The report further indicates that mobile phone users are rapidly switching to smartphones as devices become more affordable and 3G and 4G networks advance. Findings furthermore specify that more than 2.23 billion people worldwide, or 48.9% of mobile phone users, go online via mobile at least monthly (eMarketing, 2014). “The smartphone’s ubiquitous capability to link people to remote information repositories, exchanging location-based data and social information has rapidly made it a powerful tool for tourists. Smartphones are, therefore, an inevitable partner for tourism, and the tourism context has become a fertile ground for mobile computing” (Dickinson et al., 2014:85). Given the growth of the number of tablet and mobile phone (eMarketing, 2014; Ipsos MediaCT/Google, 2013) hospitality suppliers thus need to consider investing in a mobile and tablet websites as well as the technology offered by these devices (Thakram & Verna, 2013). As can be expected, was it not only the business models of tourism service providers that evolved and changed but so too the behaviour and expectations of travellers.

TRAVELLERS IN THE DIGITAL AGE

Customers today have completely different expectations from the customers in the GDS or the early internet era. Customers want easy access to information that is relevant to their needs. Customers are able to be much more spontaneous in their actions, and they are often occupying two different stages of the booking process at the same time. For instance, a customer may be reading reviews on TripAdvisor along with looking at a friend’s recent experience with an airline. Customers furthermore expect instant access to searching information and have little tolerance for websites that does not display the desired information within a few seconds (Thakram & Verna, 2013).

Asking 5000 travellers in which activities they engage on the web, in the past six months, it was reported that (Ipsos MediaCT/Google, 2013):

- 61% researched an upcoming trip
- 46% researched a destination, flight, hotel or vacation as a result of seeing an online ad
- 46% read reviews from other travellers
- 35% requested more information related to an upcoming trip
- 35% watched a travel video
- 31% looked at travel content or reviews by friends and family

Results published by eMarketer (2013) found that approximately 20% of leisure travellers worldwide turn to social media platforms to plan their vacations. These respondents turn to online reviews (i.e. online travel forums and Facebook) when seeking travel-planning inspirations. In late 2013, PhoCusWright commissioned an independent international study among 12,000 travellers on behalf of TripAdvisor to analyse the impact of online reviews on travellers’ trip planning. Findings from this survey indicated that over 80% of travellers read at least six to 12 reviews before choosing in which hotel to stay, and 53% indicated that they would not be willing to book a hotel that had no reviews. Over 50% checked reviews before choosing a restaurant and 44% for an attraction (Prabu, 2014).

Although customers can use web technology to comparison shop, this comes at the cost of time and effort in working through the complex structure of alternative distribution choices. The complexity of the purchasing process and the potential distancing from human interaction often leads to customers feeling frustrated or helpless. Customers also need to be mindful that meta-search engines and online travel agents might not always provide the lowest possible price as different meta-search engines might use different search algorithms. Prices may also include or exclude taxes and other hidden costs. Different online travel agents might have differing supplier
relationships resulting in different offerings. Travellers should therefore consider searching via multiple meta-search engines and online travel agents (Kracht & Wang, 2010).

CONCLUSIONS AND RECOMMENDATIONS

The digital age offers various opportunities to travel agencies to harness the benefits of information communication technologies in an affordable and simple way (Collie, 2014; Abou-Shouk, Lim & Megicks, 2013). As such, the Internet has become one of the most important platforms for travel-related service tourism professionals to provide services and communicate information to their target customers (Tsang et al., 2010). However, awareness of its functionality and resources is required to utilize this platform to achieve economies of scale and rationalise costs. Value propositions, offered by travel agencies, also need to be altered to meet the changing customers’ buying habits of tourism products (Ipsos MediaCT/Google, 2013; Álvarez et al., 2007).

During ReviewPro’s most recent webinar, Top Social Media Strategies for 2014, key industry players shared insights on social media strategies specific to the travel industry (ReviewPro, 2013). These insights should guide agencies on how to embrace the social media and other digital platforms in their marketing strategies.

Confirming the literature reviewed in this article, Managing Director of GOOGLE Travel, Rob Torres, emphasised that the “the travel path to purchase is increasingly social.” He recommended that industry players have an active social media presence, as “it allows brands to participate at moments of influence throughout the travel journey. Social media has a place whether your brand is trying to build awareness, influence consideration, drive sales or grow loyalty.” He also advocated that social media “is a tremendous outlet for brands to get real-time feedback and drive engagement at scale.” His advice to industry players is to maintain presence on relevant channels (online and traditional), to regularly share rich and relevant content, and to establish a consistent brand experience online and offline (ReviewPro, 2013).

Steve Kaufer, TRIPADVISOR’s President and CEO suggested that more and more travelers rely upon sites like TripAdvisor for vacation planning. He recommends that industry players consider the content posted on these sites. Realtime feedback share true experiences which, in turn, can be used to manage expectations. Other platforms such as Trip Connect could also offer industry players the opportunity to advertise direct contact info and special offers with paid Business Listings and real-time rates. Traditional retail agencies need to familiarise themselves with online marketing opportunities to take advantage of the potential benefits associated with social marketing. He is of the opinion that “the buzz of our times is social marketing, which is nothing more than old style word-of-mouth marketing on steroids because guests can share as easily with a single friend as with all of their friends” (ReviewPro, 2013).

Facebook’s Lee McCabe, Global Head of Travel Strategy, emphasized that industry players need to invest in digital. He is also of the opinion that social marketing is just a marketing channel or tool and that it should thus become an integral part of a services provider’s overall media/marketing strategy. “In an era when people now spend more time online than they do watching TV, marketers’ investments and efforts should reflect this shift in consumer behaviour.” Mike de Jesus, Head of Travel for TWITTER, agreed that social media offers various opportunities to industry players. According to de Jesus opportunities range from “inspiring travellers in the consideration phase (creating emotional experiences through rich media, for example) to driving bookings from users who are ready to make a decision, and ultimately to engaging users and guests who are on-property to give them the best
experience possible.” He also emphasized the importance of mobile as a platform for communication with travellers (ReviewPro, 2013).

Key industry players seem to agree that the digital age provides more marketing channels to participants in the travel industry value chain. However, it is acknowledged that ICT and the Internet should become part of an integrated marketing plan which includes online and traditional marketing tools. In order to remain relevant, and justify the expense of their professional services traditional retail agencies thus need to recognise that travellers' buying habits changed and that the process of buying had become more social. In order to be included in the buyer's consideration set, traditional retail travel agencies need to shift resources to online and mobile marketing to amplify visibility and reach. Electronic commerce technology should be considered as an enabler to alter current marketing strategies (Tsang et al., 2010). As such it is observed that traditional retail travel agencies use the Internet to facilitate and augment traditional face-to-face interactions with clients. Examples of augmentation include 24/7 home access, instantaneous purchase confirmation and delivery and, less frequently, database marketing (Weaver, & Lawton, 2008). However, customer centricity and orientation should remain the central premise of the marketing plan. No amount of advertising or low prices can make up for service failures, such as customers being unable to complete transactions, products not being delivered on time or at all, e-mails going unanswered, and desired information being inaccessible. Travel agencies therefore need to plan customer engagement around the travel buying and consumption process i.e. dreaming (realising the desire or need to travel), planning (selecting destinations and travel options), comparing (considering alternatives), consumptions (physical travel experience) and support (interventions required during travelling).

To create the most appropriate value proposition, travel agencies need to engage in clear customer segmentation based on established customer needs within the buying and consumption process. Despite the many technological advances, many travellers still find the idea of traveling daunting and the Internet to be intimidating. Indeed, first time travellers and technologically challenged travellers are overwhelmed by plethora of information and often prefer guidance and consultation. These travellers are willing to pay a premium for human interaction.

Targeted segments should be served with relevant value propositions (Jansen van Rensburg, Venter & Strydom, 2012). Value could be derived from specialised knowledge of complex travel products; personalised service; agents' expertise; established networks resulting in better prices or exclusive bookings; and/or excellent service quality (Dolnicar & Laesser, 2007; Kracht & Wang, 2010; O'Connor & Piccoli, 2003; Olmsted, 2012; Weaver & Lawton, 2008). Differentiation should be built around appropriate value perceptions addressing the needs of target markets. Finally, marketing tactics should be integrated to utilize both online and traditional marketing tools.

To conclude, it is clear that a successful travel agent would become a manager of information. In order to remain relevant, travel agents would be required to be familiar with and utilize the latest information technology. Being cognizant of technology solutions is however not enough. The key to creating value is still found in strong interpersonal bonds with clients and value chain participants as well as quality service delivery.

REFERENCES


