

# **E-Tourism: The Global Online Travel and Reintermediation Strategy for Travel Business**

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**Abstract.** The impact of e-tourism on the traditional intermediary process of travel agencies has been challenged. Travel businesses are seeking for most effective strategies for reintermediation to restructure the business. Hence, the objective of this study was to analyze the potential impact of e-tourism and reintermediation strategies on travel agency operations. The mixed, quantitative and qualitative method was employed in this study using a structured questionnaire and personal interviews for data collection. 136 usable responses were taken for the analysis and it was found that out of five variables, the co-exist with technology, personal interaction and high-quality services were rated as key strategic areas of reintermediation. It was recommended the travel agencies to employ the latest technology in serving the clients and also enhance online presence, developing a mobile phone application (Mobile App) that can provide information, assistance, online reservation and enhance personal interaction with the clients and display a higher level of service standard over the online booking.

**Keywords:** e-tourism, travel agency operations, reintermediation strategy, tourism

## **1 Introduction**

Technology driven change is revolutionizing every industry. Change driven by technology revolutionizes all industries. New technological pressures coupled with increased customer requirements and hyper competitiveness require that companies redefine their strategies, products and processes. The business offers new products and new channels in reaching clients in order to achieve more sales and to be competitive. With the development of electronic business (e-business), created an impact on every industry and the travel industry was one of the initial industries that experienced the changes due to the e-business practices. Electronic medium created a platform where the buyers and sellers could interact and communicate via the Internet, which was rich with information and was accessible to anyone at any given time from anywhere in the world. This development in the new technologies created an impact on the tourism sector, specifically the travel industry where the service quality and information available at the time of purchase played a major role in the customers' decision making related to the purchase of the travel-related service. It has been argued that the direct access available via the Internet will reduce the need of travel agencies and will eventually make the consumers directly book their holiday packages or business tours, which will result in disintermediation for the traditional travel agencies.

The impact of e-tourism on the traditional intermediary process of travel agencies has been challenged by e-tourism activities. It is agreed that intermediation maintained by the traditional travel agencies is gradually decreasing and the disintermediation in the travel

agency business has grown continuously altering the structure of travel distribution channels. In the present context, it is repeatedly discussed and suggested that travel agencies ought to develop new strategies in order to overcome this situation and to survive in the travel business. The basic question is what strategy can be employed for reintermediation of travel agencies and how to retain the client base. Therefore, the objective of this study was to analyse the potential impact of e-tourism and reintermediation strategies on travel agency operations.

## 2 Literature Review

### 2.1 E-business and E-tourism

E-business in its initial form of commercial transactions occurred in the late 1970s, later e-commerce became online buying and selling, and electronic business. E-business involved spanning the entire value chain of the business processes, electronic purchasing, supply chain management, electronic order processing, assisting business partners and customer service functions. E-business software solutions allow the integration of intra and inter-firm business processes.

E-tourism is a way to establish business relationships using the Internet to offer tourism-related products: flights, hotel reservations, car rental, etc. As defined by Buhalis et al. [2] “E-tourism reflects the digitalization of all processes and value chains in the tourism, travel, hospitality and catering industries. At the tactical level, it includes e-Commerce and applies ITs for maximizing the efficiency and effectiveness of the tourism organization”. Therefore e-tourism could be identified as a process that helps the traveler in organizing a holiday or any other form of travel using the Internet.

As described by Lang [3], the growing e-commerce segment in tourism, the e-Tourism, has been identified as the primary approach of establishing commercial or business relationships mainly on sales, via the Internet for promoting travel & tourism related services and products such as air tickets, hotel accommodation reservation, vehicle rental etc. Considering the e-commerce application, these services can be categorized under the (B2C) Business-to-Customer since the end user’s presence is visible in the other end of the transaction. E-commerce is playing a major role in the e-tourism business process.

**Table 1.** Overview of global online travel market

Items	%
Percent of bookings are made online	65
Percent of all travel reservations made on the Internet	57
Percent of booking holiday via the Internet	80
Travellers research travel on their smartphone	70
Browse the hotels’ website for more information	52
Hotel and accommodation searches	31
Holiday research online	90
Market growth on average every year since 2014	10
Market growth by 2020	57

Source: TBS [4]

Over the past decade, due to technological advances, the online travel industry has undergone several changes. The global online travel market is expected to grow from USD 570.25 billion in 2017 to USD 1,134.55 billion by 2023, at a compound annual growth rate (CAGR) of 13.16% during the forecast period [4]. The following table explains the global online travel growth.

According to a recent statistic, the number of travel bookings made on the Internet each year, 148.3 million. 700 million people will be booking their hotel rooms online by 2023. 33% of customers claim that they have used a virtual travel assistant to help arrange and schedule their next trip. Online travel agencies offering customers 'a one stop shop' are expected to own 41% of the online digital travel market by 2020. 23% of leisure travellers are positive that they would find the same flight or hotel information on mobile compared to desktop[4].

## **2.2 Co-exist with Technology (CT)**

Travel agents have an increasing need for cyberspace business and can not continue to ignore internet-based travel businesses. Viljeon et al. [5] suggest a reintermediation strategy for travel agents that enables them to bring additional value to customers through new types of ICT-enabled travel advisory services that incorporate the advantages of interactive digital technology and Internet channels. This approach has the advantage of direct customer interaction in a travel agency setting. Travel agencies may retain clients if they adopt a marketing management information system designed to manage, analyze and track their customers. The social media interactions will help travel agencies to identify travel dreams of travelers and the most important areas to be focused on when developing travel packages.

## **2.3 Product Knowledge (PK)**

With specific reference to the travel agency industry, various scholars believe that if travel agents have a better understanding of what travelers expect from them, they will then be able to fight threats from online travel providers [6]. Viljoen et al. [5] indicated that 98 percent of respondents regard travel knowledge and experience as the most important attributes a travel agent should possess. In addition to this, other authors reveal that solving problems is one of the most important expectations that travelers have on their travel agents; therefore, the product knowledge plays a key role in that aspect as well.

## **2.4 Personal Interaction (PI)**

Many travel agents automate their activities on the internet, which can lead to loss of the human element between customer and agent and customers have revealed that booking with a traditional travel agent provides that personal touch which cannot be obtained online [7]. Other studies too support this opinion and state that the human element or personal interaction is the primary competitive advantage that traditional retail travel agencies possess over online booking sites. Hence, personal face-to-face contact with travel agents is required to do this and through this interaction, a much richer level of interaction is achieved.

## **2.5 High Quality Service (HQS)**

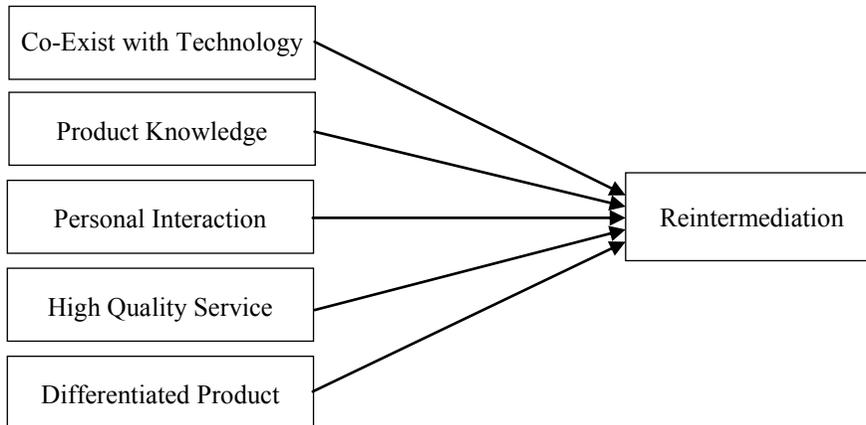
Enhancing service quality minimizes any negative impact, which will help the travel agency to retain the client base. It has been noted in recent research that customers notice the distinct lack of service provided by online travel intermediaries. Therefore, training the travel agency employees on customer service will offer a distinct opportunity for traditional travel agencies to stand out in the industry by offering high-quality service to its clients which will help the travel agency in retaining the travel clients.

## **2.6 Differentiated Product (DP)**

A business can also differentiate itself through the channel they use, the people they employ or the image they proffer. When differentiating according to product or services, aspects such as features, performance, style or design need to be taken into consideration. Differentiation has been identified by a key strategy for travel agents to practice and develop their business processes in order to retain or regain their value in the travel distribution process [5]. Hence, travel agencies should invest in technology and create differentiated products by using technology because the consumers are no longer interested in standard travel packages; they want their holidays customized to meet their needs and offer value-added packages that are not available to purchase or book via online travel intermediaries.

## **2.7 Reintermediation (R)**

Travel agents to build long term customer loyalty and commitment through specific relationship marketing activities thus the search for a direct relationship between the suggested factors to reintermediation and, more importantly, the relationship between reintermediation and customer retention. Customer retention can be defined as “the number of customers doing business with a firm at the end of the financial year, expressed as a percentage of those who were active customers at the beginning of the year” [5]. Customer retention has been identified as a key factor that makes a business profitable. It has been reported that a five percent increase in customer retention can increase profits by up to 75 percent [8]. These authors advocate that businesses focus on customer value and customers' retention so that traditional travel agencies increase or improve their overall profitability and value compared to other. Therefore, this will result in travel agencies being able to retain their clients at the end and reintermediate them in the travel businesses. The following figure shows the reintermediation framework adapted from Viljoen et al. [5].



**Fig. 1.** Reintermediation model framework

### 3 Research Methodology

The purpose of this research is to investigate the potential impact of e-tourism and reintermediation strategies on travel agency operations. This study was employed a mixed method of both quantitative and qualitative. A structured questionnaire survey and personal interviews were held in collecting data. The questionnaire was pilot tested prior to the survey. Convenient sampling technique was used in selecting respondents from the travel agents. Questionnaire was administrated via email and follow-ups were performed over the telephone. 136 usable questionnaires were taken to the analysis.

The hypotheses were developed around the model of the study described by Viljoen et al. [5]. The following hypotheses were developed based on the reintermediation framework to investigate the associations between the factors.

- H<sub>1</sub>: There is a relationship between co-existence with technology (CET) and reintermediation (R).
- H<sub>2</sub>: There is a relationship between product knowledge (PK) and reintermediation (R).
- H<sub>3</sub>: There is a relationship between personal interaction (PI) and reintermediation (R).
- H<sub>4</sub>: There is a relationship between high quality service (HQS) offered and reintermediation (R).
- H<sub>5</sub>: There is a relationship between differentiated product (DP) offered and reintermediation (R).

### 4. Data Analysis and Findings

#### 4.1 Descriptive Statistics for Demographic Factors

The research focused on some demographic variables of respondents such as gender, experience, knowledge of reintermediation and education to get some insights of the respondents. Out of the 136 respondents 61% were males and 39 % females. The majority of the respondents (64%) had more than 10 years of work experience in the travel industry.

Almost 72% of respondents possessed a diploma or certificate in travel and tours. Unexpectedly, only 57% of respondents had the knowledge on reintermediation strategies. The below table indicates the frequency distribution of demographic factors of respondents.

**Table 2.** Frequency Distribution for Demographic Factors

Gender	Male	61%
	Female	39%
Experience in the travel industry	Below 10	36%
	10 and more	64%
Knowledge on reintermediation strategies	Yes	57%
	No	43%
Education on travel and tourism	Degree	18%
	Diploma	30%
	Certificate Courses	42%
	Advance Level & Other	10%

#### 4.2 Reliability Analysis (Cronbach's alpha)

Based on the below table, alpha coefficients for all dimensions except one variable were greater than 0.7. Cronbach's alpha determines the average inter-correlation between measurable items for its reliability. Therefore, less than 0.60 would be considered poor, 0.70 acceptable and above 0.80 considered good [9]. The dimensions 'co-exist with technology' and 'high quality service' counted for more than 0.80, hence, considered as good while other factors considered as acceptable. Therefore, it is possible to conclude that all the items used in the survey instrument are reliable to measure the variables.

**Table 3.** Results of the Reliability Test

Dimension	Cronbach's alpha value
Co-exist with technology (CET)	0.890
Product knowledge (PK)	0.792
Personal interaction (PI)	0.723
High quality service (HQS)	0.812
Differentiated product (DP)	0.690
Reintermediation (R)	0.746

#### 4.3 Correlations

Hypotheses have been tested to ensure that the assertion is made in the light of the data analysed. Here, the hypotheses were tested at 5% confidence level ( $\alpha = 0.05$ ). P values in Table 4. denote significance. As a rule of thumb to accept or the null hypothesis, the p values should be less than 0.05. As shown in the table, all the p values are less than 0.05. Hence, the null hypotheses are rejected and thereby, alternative hypotheses are accepted. This means that co-existence with technology has much greater influence on the reintermediation strategy of travel businesses. Similarly, product knowledge, personal interaction, high quality service and differentiated product were significantly correlated with

the reintermediation. Hence, all the hypotheses were accepted and it can be concluded that all the factors have greater influence on reintermediation strategies of travel agencies.

**Table 4.** Summary of Correlation Analysis

Hypothesis	Correlation coefficient	P-value	Decision
H <sub>1</sub> CET-R	0.758	0.000	Accepted
H <sub>2</sub> PK-R	0.718	0.000	Accepted
H <sub>3</sub> PI-R	0.617	0.000	Accepted
H <sub>4</sub> HQS-R	0.594	0.000	Accepted
H <sub>5</sub> DP-R	0.642	0.002	Accepted

#### 4.4 Model Summary

The below table illustrates the model summary of linear regression. R square of the model is 0.656. Therefore, it was concluded that 66% of the variation in reintermediation can be explained by independent variables and the model is well fitted.

**Table 4.** Model summary

R <sup>2</sup>	Adjusted R <sup>2</sup>	Standard Error of Estimation
0.656	0.621	0.424

## 5 Conclusion and Recommendation

This study examined the impact of e-tourism on travel agency operations and his study mainly considered about five variables that influenced reintermediation. It was revealed by interviews held that the degree of disintermediation has a moderate tendency towards the disintermediation experienced by travel agencies due to the presence of e-tourism. Based on the quantitative analysis, it was revealed that co-existence with technology, product knowledge, personal interaction, high quality service and differentiated product were significantly related with the reintermediation. Co-exist with technology, high quality services and personal interactions are the key reintermediation factors. Therefore, the ability of a travel agency to co-exist with modern technology and offer personalized service are reintermediation factors that influenced a travel agency's ability to reintermediate the business and these factors that can assist travel agencies in attracting customers and retaining them.

This study recommends the travel agencies to maintain reintermediation in developing business with the highest retention of customers. Travel agencies have to employ the latest technology in serving the clients and also enhance online presence, developing a mobile phone application (Mobile App) that can provide information, assistance, online reservation and enhance personal interaction with the clients and display a higher level of service standard over the online booking. Further, in-depth investigations in future research may be conducted to analyze e-tourism and restructuring of the travel agency business.

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