The Internet, the big opportunity for traditional travel agencies
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The Internet provides the traditional travel agencies with a great opportunity to reduce inefficiency, cut costs and place last minute offers on the market.

Halfway through 2001 Northwest and KLM eliminated the percentages given to agencies for their online sales, marking the apex of the commissions war between the airline companies. Months later, Continental took the same measure. Recently, Iberia has reached an agreement with travel agencies that, as of 2003, will reduce their commission to three percent for tickets sold through the Internet.

The airline companies argue that, via such measures, the end consumer will be the beneficiary, as a direct sale is more economical. According to various analysts, the cost of closing a deal for Southwest is around about a euro, while the cost with an agency could be between 5.4 and 10.8 euros. The travel agents protest arguing that they offer the traveller a complementary service in which they assess, guide and look for tariffs, services the airlines do not provide. Whatever, war has been declared and technology appears to be its cause. Although it is in part linked to the war for commission, the decline in mediation emphasises the alternatives for buying a product that the end user has since the appearance of the Internet.

Travellers
According to a study by PhosCusWright, 28 percent of European travellers book and buy their airline tickets directly on the web page of the airline company, while Forrester Research estimates that 42 percent of travellers from the United States turn directly to the page of the supplier (flight, hotel and car hire). Global distribution systems also put pressure on traditional travel agencies and acquire travel agencies online to retain the mediation margin, like the case of Sabre and Travelocity. Finally, there is the threat of new virtual travel agencies that have created their business from zero with the aim of taking advantage of the potential that the Internet has to carry out transactions. All these pressures, added to the undeniable fact that the Internet is here to stay, are making traditional travel agencies decide to move onto the net. Moreover, if there is a sector where the potential of the Internet can reduce information inefficiencies, reduce operational costs, improve the relationship between all the agents in the value chain and place available last minute offers in the market, that is the travel sector. The potential of the Internet for this sector, then, goes far beyond eliminating intermediaries. In fact the agent, that is able to exploit the advantages of this technology and help to improve the way in which transactions are actually carried out, will add a lot of value to the chain in this sector.
Outlook
Traditional travel agencies can get round the dark forecast that is often predicted for them if they manage to get the maximum efficiency from transactions carried out on the Internet. Naturally it is not a simple task. Traditional travel agencies have to adapt their routines, operational practices and ways of carrying out transactions to the net, thus doing away with any sluggishness that was difficult to detect beforehand. However, each attempt must go further than simply replicating the same traditional business in a different environment and try to resolve its real inefficiencies. For example, the process of looking for, booking and buying a holiday package is very complicated under the traditional model. The customer must go to a travel agency during opening hours, tell the travel agent his ideal itinerary, look at various catalogues and look for the offer that is most to his liking. When he finally decides on one, he tells the agent, who will confirm a few days later if the details of the solicited package are still available. From there the customer will have to go to the agency again to transact the final details of the trip. But if the chosen trip in the solicited conditions is not available, he will certainly have to repeat the process. The Internet can simplify the steps needed to confirm the transaction and improve on the inefficiencies of information and availability that are committed in the traditional agencies.

In short, the more traditional agencies use the Internet, the greater their added value will be and, so, the less the likelihood of their disappearance. The only problem is that all the agents in the chain are involved, and so it is essential to be innovative and work hard.

The Question

"Must all travel agencies migrate to the Internet?"

Towards segmentation of the market
Bruno Cassiman, IESE Professor
Obviously travel agencies need access to the Internet but this does not necessarily imply that they must sell through the net. A sustainable competitive advantage derives from being different, that is to say, from being in a position that is difficult to copy. There are clients that value the ability of an agent to provide personalised travel services, bringing together different products and services that suit the needs of the user. Moreover, the physical position, like in any other sales business, is still crucial for attending to certain clients. On the other hand, the activities and capacities that an organisation needs to develop to make an online travel agency work successfully are substantially different from that of their offline counterparts. More than seeing all travel agents moving to the Internet, what is predicted is a large segmentation of the market between online and offline travel agencies and their user base.

The lack of development of B2C, the big obstacle
Ignacio Hernandez-Ros, PwC Manager
For any company the defence of its commercial margin can lead it to take this type of strategic position. From this point of view, it would appear reasonable to think that the excess of supply that will eventually be produced on the net could cause a fall in prices. Even so, one can not make such a superficial analysis of the situation and one has to go
a little deeper to discover the real consequences that online presence could have for a company. Will the leap to the net cause a reduction in costs? Or an increase in the capacity of business and greater income via an economy of scale? Does it suppose a competitive advance for the company? If the answer to any of these questions is yes, it would be reasonable to reflect the savings in the price that the end user pays and at the same time obtain business growth objectives. The only piece that does not fit into this puzzle is the complicated acceptance curve of electronic commerce.