

Chapter 1.8

Getting Customers Online: Case Luxury Ferries Inc.

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EXECUTIVE SUMMARY

This article discusses the introduction of a Web-based electronic reservation system to an established Finnish shipping company. It is based on a real-life example and original research. In the literature, we see that online reservation systems in the airline industry are well studied, but less so in the maritime industries. We describe major changes in the business environment of the company. Our case company, Luxury Ferries Inc., introduced a new electronic reservation system in August 2000. Some of the findings include: established companies have very different needs and priorities in e-commerce than start-ups. E-commerce puts companies operating in several countries and several language areas under high pressure: through Web services the customers now find it easier to compare offerings in different countries and to display opportunistic behavior.

ORGANIZATIONAL BACKGROUND

This article discusses the introduction of a Web-based electronic reservation system to an

established Finnish shipping company, called the Luxury Ferries Inc. The real company is an established company in the ferry market in the Baltic Sea. Our case company introduced a new electronic reservation system in August 2000 to the market. Since then, the big challenge has been that of getting customers to use the new Web site. All too often customers still rely on call center services or use external travel agencies, and acceptance of the electronic commerce model has been under 10% of total reservations.

The company is a representative of the group of established mortar companies seeking for Web extensions to their operations (Clarke & Flahentry, 2004). The article is based on a real life example and original research, even though the real name of the company is hidden.

The shipping business can be divided to many segments. We see four basic business lines:

1. Leisure cruising;
2. Scheduled connections for mixed traffic;
3. Time chartering for specific customers; and
4. Scheduled connections for freight, containerized, or liner shipping.

The markets for these different segments are very different. Segments 1 and 2 represent consumer business, whereas 3 and 4 contain business-to-business transactions. Luxury Ferries Inc. is active in the second business category, but has flavors of the categories 1 and 3 in its operations: Many passengers come to the ships for leisure activities, and the ships too carry a considerable amount of freight on a ro-ro basis.

This article is based on original empirical research performed with the company focusing on the introduction of the online reservation system discussed in the paper. Our case has as the research question: How should a ferry company introduce an online reservation system?

Subtopics include:

- Which activities to include, which not to include when introducing a reservation system?
- What kind of system characteristics are appreciated by the customers?
- What is the system's effect on the total business?
- What kind of supporting (marketing, etc.) activities are needed to support a new online reservation system?

The case unfolds as follows. First we have a short literature study to research on information systems, particularly reservation systems, in the tourism industry. In the following section we introduce the reader to the Baltic Sea ferry market. We then discuss the case Luxury Ferries Inc. in detail as well as the current state of the system. Finally, conclusions are drawn.

LITERATURE STUDY

As electronic commerce is a wide topic, this literature study concentrates upon two topics central to this article:

1. The tourism industry and its application of ICT and
2. Online reservation systems for private customers.

It is evident that both tourism and information and communication technologies (ICT) are major growth areas among major industries. Because of the vague area of the industries, exact growth figures are hard to extract. According to European Information Technology Observatory (EITO, 2004), the total ICT market in 2004 grew by 3% in Western Europe, by 3.7% in the USA, by 2.2% in Japan, and by 8.5% in the rest of the world. For telecommunications carrier services the figures are even higher: Western Europe, 3.8%; USA, 6.7%; Japan, 3.8%; and the rest of the world, 11%. As new technologies enter the market and old give way for them, it is clear that some top technologies, often in telecommunications, enjoy much higher growth rates. To these technologies belong the ones related to Internet and mobile communication.

Tourism is a fascinating industry and growing fast. According to the world tourism barometer international tourist arrivals reached an all-time record of 760 million in 2004 — an increase of 10% over 2003 (WTO, 2005). As an example of the growth speed, *The Economist* reports on the following growth figures in air traffic (*The Economist*, 2004):

- By 2017 the annual increase in air travel will be greater than total air travel was in 1970.
- The air traffic will triple in the next 20 years.
- International air travel is growing at a rate of 8% a year.

Few other industries grow as fast as tourism. With tourism we refer to the transfer of humans, not goods, between distant physical locations, though these two transfer objects usually are ca-

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