

Adaptive Use of ICT in Response to Disintermediation

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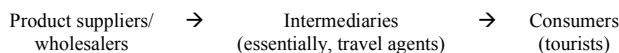
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INTRODUCTION: EVOLUTION OF THE WebMAIL SYSTEM

Traditionally, the Australian travel agency sector has operated as the premium intermediary in a relatively simple distribution chain that can be depicted as follows:



In such a system, it is estimated that travel agents have traditionally handled over 85% of consumer transactions (Wilde & Rosen, 2000). The advance of online technologies and ICT-based distribution systems has changed the dominant role of travel agents in the distribution and supply of travel products. This has impacted on their relevance, returns, and individual financial viability.

There is a vast amount of literature on new forms of product distribution made possible by developments in ICT. This literature has raised many issues (see, for example, Clemons & Hann, 1999; Klein, 2002; Anckar, 2003), but our comments are restricted to the concept of disintermediation and, in particular, to its application to the travel agency sector in the tourism industry (Anckar & Walden, 2002; Buhalis & Licata, 2002).

The key literature on disintermediation has been summarised by Anckar (2003) as follows: the threatened intermediaries (or disintermediation) hypothesis essentially describes the reduction or elimination of the role of the middleman in transactions between the producer and the customer, as in the new electronic marketplace, where consumers interact directly with producers. With the resulting bypass of intermediaries, which adds significant costs to the value chain, there could be shifts in power from one channel layer to another. Due to the presumed suitability of the tourist product for e-commerce and the fact that the travel distribution chain traditionally has been heavily dependent on middlemen, the travel industry has been hypothesized to be among

the first sectors to experience disintermediation on a large scale as a result of ICT developments.

While there is voluminous theoretical literature, the empirical evidence of disintermediation in the international tourism industry is still patchy (Alamdari, 2002; Klein, 2002). In the United States, for example, while online transactions have grown dramatically, the overall industry impact in terms of market share has been significantly less than predicted—the evidence certainly does not support “travel agents are extinct” predictions (St. Clair, 2000). In Asia, a region with rapidly growing air travel, over 80% of all ticket sales are still made through travel agents (Alamdari, 2002). One can speculate that the drivers for disintermediation have not been as strong as expected, or that travel agents have been successful in their adaptive response, or as one writer (Klein, 2002) observed, “...the incumbents tend to fight back and leverage their financial power, their brands, established relationships, and click and mortar strategies” (p. 227). Consumer reluctance to use new technologies used for product distribution may also be a factor (Anckar & Walden, 2000; Alamdari, 2002), although more recent evidence indicates that substantial “conversion” might be underway (Anckar, 2003; Buhalis & Licata, 2002; Mowat, 2003).

We have noted that although travel agents still appear to have a substantial role in the industry, forces at work (including ICT impacts, e-ticketing, changes to commission arrangements, consolidation in the industry, etc.) have been working toward a significant diminution of that role. In this context, it is not important as to whether the debate is on disintermediation, reintermediation, or cybermediation, the impact on travel agents is generally negative. It is difficult to promote a scenario in which travel agents will become *more* important (Vasudavan & Standing, 2000; Klein, 2002).

This article discusses the development and implementation of the WebMAIL initiative as a response to the disintermediation of travel agents in Australia.

BACKGROUND

The Australian Federation of Travel Agents (AFTA) is the main industry body representing Australian travel agents. Its WebMAIL initiative is an Internet-based, business-to-business (B2B) system for the distribution and management of sales-related information covering “regular” travel and offerings products as well as “special” options. It is the only multisupplier, consolidated, product promotion database of its type in the country. WebMAIL provides suppliers with an Internet-based communication link to the Australian travel agency sector. It presents AFTA members with opportunities to embrace new technologies and to counter the threat of disintermediation. AFTA hopes that WebMAIL will reinforce the position of travel agencies in the distribution channels.

The WebMAIL tool is, in effect, a reintermediation of service provision. The initiative is a response by the sector’s industry representative body rather than by the individual enterprises that comprise the sector. Also, while the technology underlying WebMAIL is relatively simple, its business model is self-funding in that the suppliers (the source of disintermediation and associated threats) fund the entire system. Initial success with this business model suggests that in Australia, at least, the travel agent sector can still add sufficient value to retain a viable role in the supply chain of travel and product services.

WebMAIL FUNCTIONALITY

Prior to the development of WebMAIL, individual suppliers of travel services contacted individual travel agencies by fax or by e-mail. In recent times, most travel service suppliers have also developed Web sites. Typically, a travel supplier would send information on various offerings to the travel agents in its distribution chain. Until the advent of WebMAIL, this information was generally stored in physical personal folders or in individually designed electronic folders. Effective use of such systems is heavily dependent upon individual skill and memory and has in-built difficulties with regard to currency, uniformity, and rapid ease of access. Clearly, with the continual emergence of more efficient electronic systems becoming widely available in workplaces and home environments in Australia, there was a need for a system that would better manage the information flow and for creation of a database that not only manages filing but contains an effective search and retrieval facility.

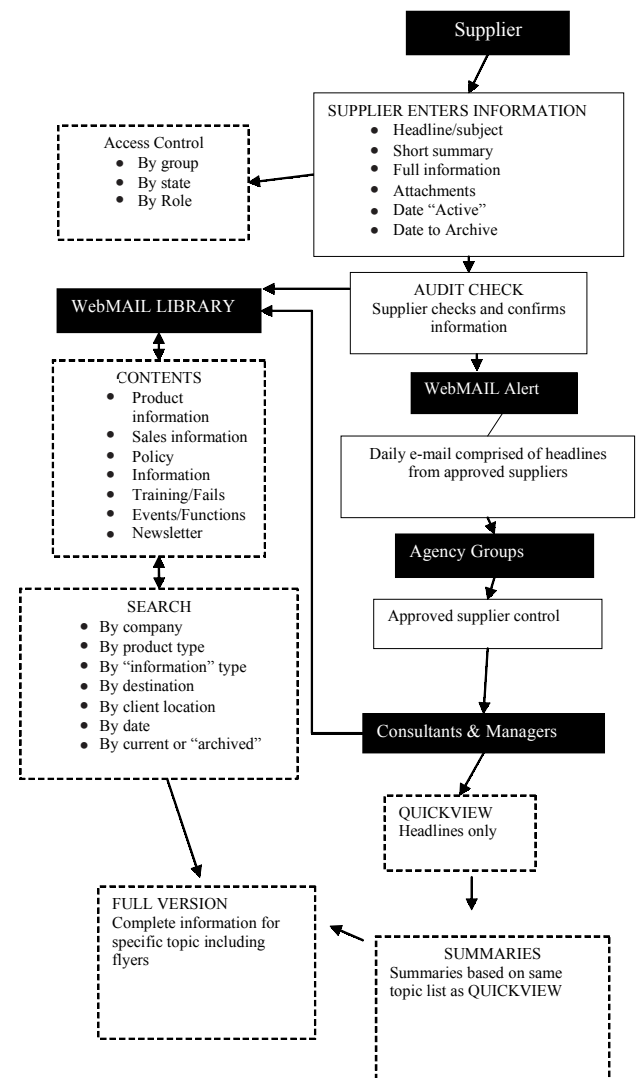
WebMAIL (Figure 1) collects and collates travel product and service offers from participating travel industry suppliers around Australia and compiles these with the individual user profile of each travel agent registered in the system. The system provides travel agents with one

e-mail per day (usually at the start of the business day). WebMAIL supports this targeted communication with an automated filing and archiving system, along with simple-to-use search and retrieval functions.

Travel product and service suppliers can load information regarding their products and marketing initiatives directly into a central, searchable database. Suppliers also control when and to whom this information will be available. They stipulate the validity period for their information, and it is automatically removed from the “current” area upon expiry date. This reduces the chances of agents offering out-of-date information.

In addition to the notification by the “daily alert,” travel agents can search for information in the WebMAIL database by supplier name, product type, information type, region, country, or date of issue. Hence, using

Figure 1. WebMAIL operations (simplified)



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