

## Chapter 5.41

# ICT and the Travel Industry: Opportunities and Challenges for New Zealand Travel Agents

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### **ABSTRACT**

This chapter focuses on the impact of the ICT on the travel industry with a focus on the New Zealand travel agent (TA) sector. We present key findings from a longitudinal study of TA businesses conducted during 2000-2004. These findings are compared and contrasted with information gathered from in-depth interviews with consumers. The study explores major pressure factors on TA businesses: direct airline-consumers sale, introduction of the Internet, and the emergence of the well-informed consumer. The research also establishes that there is great variation in the extent to which travel agents use the advantages associated with new technology

and how New Zealand travel agents perceive ICT. We argue that in such a crucial moment of disintermediation and the fight for the consumer, TA will need to implement more aggressive advertising policies with a strong emphasis on their professional advice, personal financial reliability, and time-saving attributes for clients.

### **INTRODUCTION**

The evolution and impact of information and communication technologies (ICT) is a dominant issue in the tourism business today. Tourism is an information intensive industry. There are three main waves of technological development

that have characterised ICT influence in tourism enterprises: computer reservation systems (CRS), global distribution systems (GDS), and the Internet. The Internet makes information accessible to consumers, and therefore establishes a direct link between the consumer and the supplier. As a result, the traditional travel distribution channel is changing rapidly. A major feature of this change is described as disintermediation: when the principal bypasses intermediaries such as travel agents. A lot of researchers and business experts suggest that the threat of disintermediation is imminent and that the trend is irreversible (Bloch & Segev, 1996; Harrington & Power, 2001; O'Brien, 1999; Prideaux, 2001).

Travel agents (TAs) are considered to be particularly vulnerable to disintermediation. ICT replaces the core competencies of the intermediaries which include transaction processing (ticketing and settlement) and information provision (raw product information as provided by suppliers). The disintermediation phenomenon is particularly pronounced in the relationship between airlines and travel agents. To minimize the risk of disintermediation and to improve business performance, travel agents need to reposition themselves and review their core strategies to compete efficiently in the changing business environment. It is argued that an intermediary will only survive in a distribution channel to which it adds value. The overall tendency can be described as a shift towards consumers rather than the principals. Some newly created travel agencies act purely in cyberspace while others try to act as the new intermediaries—infomediaries—aiming to help consumers to analyse and integrate information. Research into the travel agency sector by academics has focused on the need for travel agents to adopt strategies that enable them to compete in an ever-changing technological environment. There has, however, been little research outside European and North American settings.

The main objective of the chapter is to analyze the impact (challenges and opportunities) of ICT

and the Internet in particular on the New Zealand travel agent sector as an example. The specific foci of the chapter are:

- What do New Zealand travel agents (TAs) perceive to be major impacts on their businesses?
- An analysis of the disintermediation process as a result of ICT introduction and adoption using the example of travel agents relationships with airlines
- How do TAs perceive ICT?
- How does the consumer perceive the role of a travel agent in the Internet era?
- How should New Zealand travel agents reposition themselves to compete successfully?

We present the results of a five year study of the New Zealand TA market. Consecutive in-depth interviews were held with TAs from the Auckland region in 2000 and then in 2003. The main issues and problems of the modern TA business environment were identified and conceptualised. The theoretical assumptions formulated on the basis of the received data were tested in a national online survey of TA businesses in 2004. To verify the congruency of the TA and consumer perception of the TA role in the modern environment, in-depth interviews were held with consumers.

## **BACKGROUND**

Tourism is an information-intensive industry. For each traveler there are numerous messages and pieces of information to be exchanged: itineraries, schedules, payment data, destination and product details, and passenger information. Fast, efficient exchange of information between the players in the industry is essential for efficient distribution, sales and customer service (Figure 1).

This information dependence has placed the industry at the forefront of ICT adoption (Mason

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