E-Traveling via Information Technology: An Inspection of Possible Trends

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ABSTRACT. The travel industry has begun to leverage the Internet by mirroring the electronic ticketing systems used by the airlines enabling hotels and tourism institutions in general to develop IT systems similar to American Airlines' Sabre system. These systems initially allowed travel agents to search for flights electronically. Now the customer is empowered to follow the lines of disintermediation and bypass the travel agent entirely. Thus, the travel industry is in a similar phase that manufacturing companies are dealing with, namely more transparent supply chains and flatter organizational structures—a common theme found in conducting e-commerce. Several models are suggested from industry to leverage connections that sell directly to the customer or buy directly from the manufacturer, although they all present potential risks, especially since this direct contact and transparency makes additional customer-partner contact easier and more likely to occur outside the direct control of the companies involved. The most compelling example of this situation is in the travel industry. In essence, the hospitality industries in general (hotels, airlines, car rental companies, and other travel services) are providing information and reservation systems directly to end consumers, entirely bypassing the traditional intermediary of travel agencies. [Article copies available for a fee from The Haworth Document Delivery Serv-
INTRODUCTION TO THE DRAMATIC SHIFTS IN THE TRAVEL INDUSTRY

From Fat to Lean: Uncertainty Rears Its Ugly Head

Leveraging the Internet for strategic advantage allows industries in general to develop strategies for mass customization through reach and richness options. These options include the development of stronger business relationships, a greater degree of supply chain and distribution channel coordination, enhanced communication with various channels (such as VARS—value added resellers), and value-added customer service. However, before implementing this new technology as part of corporate strategy, management must address it within the strategic scope of the organization. The travel industry as a whole has been in a constant state of change from the mid-nineties through 2002. This flux has been accelerated due to the recent tragedy associated with September 11, 2001, economic disruption, and the ever-increasing influence of the Internet. The events of September 11 affected the entire global economy, hitting the airlines exceptionally hard. After this tragedy, coupled with uncertainty and impending economic rescission, flight reservations dropped considerably and increased security measures at airports raised operation costs. The economic downturn that followed reduced profits for businesses in all facets of the travel industry. Even before this tragic event, the emergence of the Internet made its way into the travel industry and changed the way the traditional travel business was run. For example, TravelWeb and other hotel-booking engines for which this site is the house brand, now do 80% of online hotel bookings (Piturro, 1999).

E-commerce makes for interesting and strange bedfellows. In 1988, John Biggs, a senior vice president at Hyatt, looked at the electronic ticketing systems used by the airlines and realized that hotels needed
something similar to American Airlines’ Sabre system, which allowed travel agents to search for flights electronically. (p. 47)

Through the birth of the Internet, airlines were able to post their schedules and rates, allowing customers to book flights online. Hotels and rental car companies soon followed when they realized that the Internet could be a way to increase market share. For example, when Hyatt in 1992 hired John Davis III to serve as CEO of the newly created Pegasus Systems Inc., his mission was to find a method for individual travelers to make hotel reservations on their own via the Internet. The result of the travel industry’s efforts was TravelWeb, the Internet booking engine and one of the three main divisions of Pegasus. THISCO and Hotel Clearing Corp. round out the lineup of the online distribution company for the travel industry. Prior to Davis, the travel industry used fairly complex codes to make travel reservations and track customers and bookings. Davis eventually convinced THISCO members to revamp their databases from complex codes designed for travel agents to fairly simple terms that would be accessible to individual travelers. As a result, individuals can now leverage the Internet as a distributed medium so that consumers can compare different airlines, hotel chains, car rental companies, and entire vacation packages side by side for price, quality, and convenience. Gone are the days of sitting in front of travel agents’ desks with books and catalogs. Thus, never again do customers have to bear the discounting haggling process and hear the words: “Let me see how much I can take off of this rate for you.” Now, in the comfort of a customer’s home or office, they can research, plan and book any trip or vacation with a few keystrokes and mouse clicks. In many cases, there are no (visible) convenience charges or booking fees. E-commerce has put consumers in the driver’s seat and given them a one-way ticket to savings through the leveraging of information.

THE TRAVEL INDUSTRY:
AN INDUSTRY IN TRANSITION

Customer Empowerment Has Its Price and Tradeoffs

Before the Internet, whether a customer chose to use the local mom-and-pop travel agency or a national travel agent, the general process was relatively the same, as illustrated in Figure 1. Travel plans were booked through an agent who was linked electronically to one of
the four Global Distribution Systems [GDS] (Amadeus, Galileo, Sabre or Worldspan)—Caggregate systems that housed nearly all pertinent travel information. The fees that end users were assessed through this process covered the agent’s services as well as standard transaction fees for using the GDS system. Travelers relied heavily on the expertise and guidance that field agents offered. In most cases, the agent remained the point of contact throughout the duration of the trip in case any problems were encountered. Since much business was through word-of-mouth reputation, there must be well-established trust relationships for this system to properly work and remain profitable.

However, as the availability of Internet access increased, the online population (those consumers who had computers, accessed the Internet, and felt comfortable with the levels of security and privacy issues associated with e-commerce) multiplied exponentially. Traditional travel consumers were becoming more empowered, as evidence by their ability to use IT resources for communicating for both business and pleasure via email, researching products and services, and making purchases online. The more information and services that became available online, the more people became interested in surfing the Net. As Table 1 illustrates, this online population is expected to increase 44% from 2000 to 2004.

Additionally, accessibility to the Internet gives direct suppliers and online brokers a unique strategic twist to the reach and richness that travel agents in brick and mortar locations cannot offer. Not only does the Internet serve as a portal for sales, but it is also serves as a source of mass advertising at relatively low cost. Although considered to be more broad-based and less intimate than personal sales, near constant use of pop-up and banner ads promoting a company, service or product has a psychological effect in getting the consumer’s attention (or annoy them
to the point where they investigate the website and/or product/service based on simple curiosity). In fact, since the birth of Internet advertising banners and pop-ups that now require additional fees to filter PC users frequently must take the additional effort to have these advertising media removed. Even if companies do not generate immediate sales from online advertising, which is typically, the result, name and brand recognition will be established. Unfortunately, the fact remains that travel industry companies cannot be all things to all people, so regardless of the chosen method, typically, communication cannot be both rich and broad simultaneously (Evans and Wurster, 1997). In addition, new technologies are changing the competition and the media which all competitors in the field must acknowledge. As the population of online consumers increases, there is every indication that sales via online transactions will also increase, perhaps not at the same rate. According to eMarketer, an Internet research firm, as of February 2001, online travel generated more revenue than any other online sector, including the runner-up computer hardware and software sector (Goldsborough, 2001). Table 2 illustrates online sales figures for 2000.

**Leveling the Playing Field in a Virtual Selling Economy**

The interaction of the Internet’s connectivity and online travel has permanently changed the way the travel and tourism industry think about customer interaction (“Customer-centric systems . . .” 2002). The emergence of the Internet into the lives of consumers puts information and buying power at their fingertips. Consumers can research, compare, and purchase products over the Internet. For some retail industries, the Internet serves as another important method of obtaining customers by

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**TABLE 1.** The momentum created by this exposition of the online population is expected to increase well into 2004.

<table>
<thead>
<tr>
<th>WORLDWIDE INTERNET POPULATION 2000:</th>
<th>WORLDWIDE INTERNET POPULATION PROJECTION FOR 2004:</th>
</tr>
</thead>
<tbody>
<tr>
<td>533 Million</td>
<td>945 Million</td>
</tr>
<tr>
<td>NATION</td>
<td>POPULATION</td>
</tr>
<tr>
<td>United States</td>
<td>278.0 Million</td>
</tr>
</tbody>
</table>

Note: Adapted from information associated with the *Computer Industry Almanac*, National Telecommunications and Information Administration (2003).
expanding the reach of those companies to current and potential customers. This corporate reach by the travel industry as a whole, and significantly amplified by the Internet, introduces a number of possibilities. In a virtual selling economy, ideally sales are derived from the interaction of consumer, intermediary, and supplier in a virtual IT-based transactional environment. As noted by Griffith and Palmer (1999), this virtual selling space offers the potential of interconnecting all parties to the transaction process. Therefore, this new environment allows for the full dispersion of information across parties, allowing for more effective production and inventory scheduling. Figure 2 illustrates some of the major and significant combinations of travel planning processes that the Internet makes possible by leveraging the following assumptions:

1. Consumers can book travel directly through supplier websites;
2. Third party brokers’ websites give consumers the ability to compare various facets of the travel industry (airlines, hotel chains, rental car companies) side by side for price, quality and convenience, and purchase online; and
3. Travel agencies who embraced the Internet and the brokers using it can offer more competitive packages, as well as customized services.

As illustrated in Figure 2, there are at least three possibilities that are offered to consumers in providing a choice when making travel arrangements, as demonstrated in the basic model (Figure 2). In general, consumers need to promote in the decision-making process a variety of factors, which especially include purchasing decisions that vary depending on the product and its offerings. For example, a consumer may be more likely to purchase a roundtrip airline ticket using an online bro-

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TABLE 2. Online travel and non-travel business sales for 2000 (adapted from Goldsborough, 2001).

<table>
<thead>
<tr>
<th>ONLINE TRAVEL &amp; E-COMMERCE SALES 2000 (MILLION OF U.S. DOLLARS)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Travel</td>
<td>$7,755</td>
<td>$7,585</td>
<td>$7,565</td>
<td>$10,804</td>
<td>$33,709</td>
</tr>
<tr>
<td>Travel</td>
<td>$3,727</td>
<td>$4,892</td>
<td>$5,735</td>
<td>$5,003</td>
<td>$19,357</td>
</tr>
<tr>
<td>Total</td>
<td>$11,482</td>
<td>$12,477</td>
<td>$13,300</td>
<td>$15,807</td>
<td>$53,066</td>
</tr>
</tbody>
</table>
ker, such as Expedia.com, than he/she would be expected to purchase a two-week Alaskan cruise. Likewise, that same consumer may be willing to use an online broker for a two-week Alaskan cruise, but only after a comfort level or trust relationship has been built with that service provider. The comfort level of a consumer may be based on the dollar amount of the transaction, satisfaction level of previous purchases, or the rules and restrictions or lack of complexity associated with the purchase. Since individual customers are different in their profiles of buying behavior, as well as are their purchasing criteria, processes must be put into place to provide a managerial control over the degree of customization offered to customers.

In a research effort by Hansen, Nohria, and Tierney (1999), some of the customization dangers were discussed that may occur as firms leveraging e-commerce shift from natural resources to intellectual assets and as executives try to examine and capture, in an automated fashion, the knowledge within their organization to better serve their customers. Therefore, “Since knowledge management as a conscious practice is so
young, executives have lacked successful models that they could use as guides” (p. 106). Hansen, Nohria, and Tierney have found that at least two very different knowledge management strategies exists; namely codification strategy (knowledge is codified and stored in databases) and personalized strategy (knowledge is closely tied to the person who developed it and is shared mainly through direct person-to-person contacts). Of course, a company’s choice of strategy is dependent “on the way the company serves its clients, the economics of its business, and the people it hires” (p. 107).

The codification strategy allows many people to search and retrieve codified knowledge without having to directly contact the individual who originally developed it, which is especially true for automatic identification and data capture/collection-related systems. Codification strategies allow for achieving economies of scale in knowledge and growing the business. The strategy of personalized knowledge, on-the-other-hand, focuses on dialogue between individuals and brings to bear the positive outcomes of personal communication. Much of this knowledge cannot be codified and such information and knowledge from brainstorming sessions and conversation can collectively arrive at deeper insights of problems that need to be solved. This situation certainly exists as e-commerce firms gather huge amounts of data of customer’s information searches on the Web and actual online purchases. However, to make personalized strategies work, firms must heavily invest in building networks of people and intensively use available information technologies. Creating directories of experts and using “consulting directors” within the firm to assist project teams can promote this process within an e-commerce business transaction.

Essentially, a company’s knowledge management strategy should be reflected in its sustainable competitive strategy. Creating value for customers, turning superior profits, and managing people should be the hallmarks of this competitive strategy using the company’s knowledge management as a base. In the companies studied by Hansen, Nohria, and Tierney (1999), all of them had chosen a distinct knowledge management that best matches their organization and culture, employee know-how, which are all examples of the strategic assets in the Resource-Based View (RBV) of the firm’s approach (Michalisin, Smith and Kline, 1997, 2002; Smith and Rupp, 2002a, 2002b). The basic patterns were that assemble-to-order product or service strategy emphasized codification and reuse of knowledge. Those companies that offered highly customized services or product innovation strategies invested mainly in person-to-person knowledge sharing. Safeguards should be in place to use these systems properly so that customers that
were paying for highly customized services get the services they need so they would not become dissatisfied.

In addition, companies that straddle both strategies may “find themselves with an unwieldy mix of people” (Hansen, Nohria, and Tierney, 1999, p. 113). Therefore, competitive strategy must drive the knowledge management strategy within e-commerce firms. “Managers sometimes try to turn inherently tacit knowledge into explicit knowledge” (p. 115). This situation can lead into many serious problems. Managers must make the explicit connection between their company’s competitive strategies and how they use knowledge to support it. It is important that knowledge management strategies, especially in manufacturing enterprises, are not isolated from the firm, or they risk losing its benefits, “which are the highest when it is coordinated with HR, IT, and competitive strategy” (p. 116). Again, this coordination is requiring leadership, not just managerial abilities. Table 3 illustrates a number of important interrelationships among certain customer traits to different travel-purchasing decisions.

The Impact of Direct Suppliers

As a consequence of the competitive nature of the competitive marketplace, many e-tailers (online retailers) offer special accommodations

TABLE 3. An inspection of potential e-travel consumer traits over the full range of travel offerings.

<table>
<thead>
<tr>
<th>CONSUMER TRAITS</th>
<th>DIRECT SUPPLIERS (ONLINE)</th>
<th>ONLINE BROKERS</th>
<th>TRADITIONAL TRAVEL AGENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Computer with Internet</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comfortable with Online Transactions</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Customized Packages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desire for a Personal Relationship</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Fast Booking</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>No Access to Computer with Internet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Comfortable with Online Transactions</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Price Conscious</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willing to Pay Booking Fees</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
or reduced prices to consumers who make purchases online. This practice is fairly common within the travel and tourism industries, as competition has intensified in recent years for the limited but lucrative entertainment needs of the general and business traveler. Airlines and hotels, specifically, usually offer discounted rates for booking online. In line with the competitive spirit associated within the travel industry, suppliers will occasionally send registered users special discounts via email to increase traffic and usage of their websites. For brand-loyal consumers who participate in a carrier’s frequent-flier, or preferred status programs, booking with the supplier directly online can sometimes result in additional rewards, such as bonus frequent-flier miles, or discounted tickets. Also, the airlines have the ability to honor requests for upgrades more directly than brokers or travel agents traditionally are able to respond to.

Ultimately, suppliers are reaping the benefits of selling direct to consumers from their website, as it is a cost-efficient sale. There is no need to pay for advertising for the website, and e-tickets are usually issued allowing airlines to capitalize on the rock bottom distribution costs they can achieve when selling on their own websites (Croft, 2001). E-tickets are booked online, and customers print out the itinerary (at no cost to the airline for the paper or ink to do so), and use it to check in at the airport.

**ONLINE BROKERS**

An important development in the establishment of online brokers in the travel industry is the occurrence of Infomediaries. Infomediaries are online travel sites that collect data from various travel suppliers and presents customers with the results side by side for comparison of price, quality and convenience. As of September 2002, the three main players are Expedia.com, Orbitz.com, and Travelocity.com (“Company capsules: Expedia, Inc.” 2002; “Company capsules: Orbitz. Inc.” 2002; “Company capsules: Travelocity.com Inc.” 2002). Accessing these sites provide consumers essentially the identical information that is available to travel agents. Economically speaking, these search engines create a situation of perfect information. Ideally, perfect information removes all doubt and uncertainty from a decision and empowers decision-makers confidence that they have selected the most cost effective course of action. Consumers who tend to take an economic approach to their purchases want to use their buying power to their competitive advantage. These consumers will put forth the extra effort (for example,
searching online for the least expensive flight) in the hopes of saving money. Regardless of the state of the economy, no one wants to pay more than they have to in order to get from Point A to Point B in a reasonably safe and comfortable manner. Although low cost may not be the main driver (perhaps operational core strategies of differentiation and response may be equally important), consumers generally prefer to be in control of the transaction and will exercise this control by regulating the amount they spend on travel arrangements. A recent Forrester Research effort involving a survey of 100,000 households in the U.S. and Canada (“Electronic commerce and tourism . . .,” 2002) indicated that the travel and tourism industry is definitely migrating toward the IT superhighways. Figure 3 illustrates the breakdown of online travel booked in January-February 2000.

Within the Online Broker category, industry giants Expedia.com, Orbitz.com, and Travelocity.com may all be experiencing significant sales, but Expedia.com is the only one of the three to turn a profit in 2001. Figure 4 illustrates the 2001 sales and net income for Expedia.com, Orbitz.com, and Travelocity.com.

Of these companies, Orbitz is the only one directly owned by the major airline carriers (American, Continental, Delta, Northwest and United), a fact which the government views as a potential cartel (Mann, 2000). Even as of early 2003, this question remains an issue despite the recent bankruptcy pro-

tection coverage and airline union concessions in the popular media. Orbitz claimed its mission and business strategy is to provide absolutely unbiased information to consumers and that by having five competing airlines as investors helps to ensure this competitive pricing and service process (Mann, 2002). Only time and the legal mechanisms in place will provide a verdict that the both government and tourism officials agree upon. Regardless of the size of the company or the number of investors involved, online brokers have evolved to face a hard reality in the tourism industry—“that if you are not online, you are not on sale” (Mullaney, 2002, p. 64).

**Competition and Traditional Travel Agents**

One of the quickest ways for a company to go out of business is for it to lose sight of its competition and its customer base. Travel agents cannot afford to sit and wait to determine how online tourism is going to affect the industry, as they know it, and their own business infrastructures. Since most of the major airlines have already eliminated commissions on airline tickets, travel agents will have to offer value-added services, such as specialized vacation packages and personalized service, in order to justify added fees (Maselli, 2002). New economics of information can quickly and drastically change the rules of competition, allowing

new players to render traditional sources of competitive advantage obsolete (Evans and Wurster, 1997). Although many of the smaller, privately owned travel agencies have already gone out of business or have been bought out by larger agencies, those remaining still must successfully compete with online brokers and direct suppliers of travel services and products. Businesses and consumers alike are price sensitive and will utilize the method that saves the most money while satisfying their travel needs through the value-added process. Travel agencies must provide significant customer satisfaction through out its entire value chain in order to remain competitive.

With a variety of resources at their fingertips, empowered consumers are likely try different variations and combinations of booking travel values before determining which one is best for them. Although most academic and practitioner research studies indicate that consumer online purchases are increasing, there is a significant percentage of the population that prefers to shop in brick and mortar locations, and will continue to use a traditional travel agent. The model as demonstrated in Figure 5 illustrates the process that the online purchaser can use to book travel. By using the connective power of the Internet, consumers can book directly through suppliers, or search and compare fares through online brokers.

The Internet and its affect on the development of the online travel have permanently changed the way the travel and tourism industry thinks about customer-interaction (“Customer-centric systems . . .,” 2002). The manifestation of websites that provide consumers the ability to plan and purchase travel arrangements basically at cost drastically

FIGURE 5. Modeling the travel industry without traditional travel agents.
impacts the travel industry as a whole. Since consumers are becoming more computer savvy and the idea of making travel arrangements without being accessed the traditional agency convenience or booking fees gives consumers the concept of a value-added “deal.” In addition, using the Internet both before and after their purchase, consumers can research their destinations, plan and book activities, obtain maps, addresses, and telephone numbers that can be useful throughout their trip. However, regardless of the amount of information and control consumers are given over their travel plans, there is always going to be a portion of the population that will still rely on travel agents. Regardless of the expanding power of the Internet, many people refer to deal with people, not computer screens. Whether they are booking an expensive cruise, an international vacation, or a complex business trip, some people will not want to rely on their own judgment, or may not trust online transactions. Building trust relationships with customers is as important to e-commerce based businesses as with more traditional brick and mortar firms.

Strategic Implications of E-Travel

There are a number of important strategic implications to e-travel that can be derived from a study of the online developments in the travel and tourism industries. “As the Internet grows in use, the potential number of customers that can provide feedback grows as well” (Finch, 1999, p. 554). An interesting characteristic of this development in feedback loops is that there was considerable availability of feedback from both potential and existing customers. In particular, a type I message seeking evaluation often contained information about individual’s priorities. Also, gathering information about products and customers has been historically expensive, but Internet searches are essentially free. “Data reduction and analysis can be labor intensive, but could be automatic once important constructs are identified, greatly reducing the data reduction cost” (p. 554). Of course, competitors could contaminate the data and provide misinformation if a company uses the Internet extensively for quality information. Other strategic issues are also important in using technology to access information and perceptions of quality, such as data security.

Ultimately, the Internet has created fierce competition within the travel industry. New technologies, automated searches, and innovative packages have all contributed value-added changes to the way travel companies do business. In fact, these changes have lead to the redefining of the value chain through out the travel and tourism industries. An important strategic decision the players in the travel industry face is
how to benchmark their progress. Can a company look at its own improvements and gauge its progress as success? Or should it look at its positioning and benchmark that against the current position of the competition in an operational effectiveness (OE) strategy? Operational effectiveness basically refers to performing similar activities better than rivals perform them. OE includes, but is not limited to, efficiency and it refers to any number of practices that allow a company to better utilize its inputs (Porter, 1996). Offering cheaper fares to customers without sacrificing profits is an example of increasing operational effectiveness.

Constant improvement in operational effectiveness is necessary to achieve superior profitability. Few companies have competed successfully on the basis of operational effectiveness over an extended period, and staying ahead of rivals gets harder every day (Porter, 1996, 1999, 2001). It comes to a point where companies are striving for one of two things: improving in order to raise the bar, or improving in an attempt to remain competitive with those companies who are setting the standards. Without proving the value-added benefits of their services, traditional travel agents are not demonstrating OE. By meeting the prices offered by direct suppliers or online brokers, traditional travel agents are simply staying afloat. In order to really get ahead, a niche or specialty service needs to be pinpointed.

Companies that offer a unique product or service practice competitive strategy. By deliberating choosing a different set of activities to deliver a unique mix of value, companies set themselves apart from the competition (Porter, 1996, 1998). US Airways or American Airlines may be industry leaders, but Southwest Airlines and Jet Blue Air offer a unique (less expensive, more direct) product that appeals to business travelers, students, and families that simply is too costly or not profitable to copy—hence ensuring a sustainable competitive advantage. Companies who have incorporated a competitive strategy into their culture are often giving customers the choice—for example in a tradeoff analogy if you are willing to sacrifice X, Y, and Z, I can give you A, B, and C at a lower cost than anyone else. This strategy does not appeal to all audiences, but if it is meeting the needs of the audiences it does serve, than there is little need to target anyone else. Hence, bigger many not always be the best strategy, especially in the travel and tourism industries.

How a company positions itself is determined by the void the company wishes to fill for customers. Strategic positions can be based on customers’ needs, customers’ accessibility, or the variety of a company’s products or services (Porter, 1996, 1998, 1999, 2001). Position-
ing is not only about carving out a niche. A position emerging from any of these sources can be broad or narrow. Whether a company is striving to be all things to specific people or one thing to all people dictates how it perceives its position. Building such a position does require tradeoffs, as companies cannot try to meet the needs of all audiences. Creating a strategic position and tailoring a product or service to a specific market or audience is a sustainable advantage (so long as the position is successful). Attempting to change that position and gear it towards another market is likely to fail, and you risk losing the initial position. Efforts should be geared towards maintaining that position, not expanding into other positions. Tradeoffs are essential to a successful and sustainable strategy. These tradeoffs create the need for choice and purposefully limit what a company offers (Porter, 1996, 1998, 2001).

Augmenting the concept of tradeoffs in the e-travel industry is the notion of the Resource-Based View of the Firm (RBV). The RBV is a theory that suggests that firm’s resources are the main determinant of competitive advantage and firm profitability. Strategic assets are resources that are simultaneously valuable, rare, imperfectly imitable, and non-substitutable (Michalisin, Smith and Kline, 1997, 2000). This theory suggests that strategic assets are intangible in nature; however, all intangible resources are not strategic assets. Although each of the three travel providers examined—direct suppliers, online brokers, and traditional travel agents—each have their strengths and weaknesses, intangible assets cross the Internet barriers as they are seen as industry-wide qualities. Reputation, for example, is an intangible asset that cannot be eliminated in one firm and established in another by a one-time special sale. Simply stated, reputation is the perception of a company and its quality (Michalisin, Smith and Kline, 2000). Reputation takes significant time to establish. For many consumers, brand recognition is part of the decision making process of their spending. Reputation builds brand recognition and brand recognition builds trust. Regardless of the purchase, consumers want to know that they can trust the source of their sale in terms of security, integrity, and cost.

However, the travel industry is characteristically a mature one. Although prices will fluctuate, travel packages will vary, and travel providers will come and go, the industry has established its presence on the long term. The future of traditional travel agencies is unknown. Going head-to-head with e-services that enable consumers to have total control over their travel arrangements and save money definitely creates a disadvantage for the traditional travel agent. Traditional travel agents cannot compete directly with airfare, hotel and car rental rates offered
by brokers; therefore, they must find a distinctive offering or advantage that captures a niche market. Since no one company can be all things to all people, the challenge is finding the one offering you can make to all people, or the niche market you can service fully.

The overall goal of these three major e-travel players is the same—to win the battle over gaining the trust and continued business of the ticket-buying public. The direct supplier, the online broker, and the travel agent each have an Achilles’ heel (Maselli, 2002). The task of differentiation is unique to each of these players in the travel industry. For example, travel agents need to demonstrate that the premium they charge is small in comparison to the value-added of peace of mind they deliver to customers of the travel package. Online brokers must find a way to be profitable and financially secure without dramatically increasing the price of the products they sell. Direct suppliers need to find away to attract the price conscious consumer who would rather comparison shop than remain brand loyal. In fact, the majority (60%) of customers are not loyal to any one travel source (Mullaney, 2002), so regardless of the source, companies must develop a strategy that will provide superior service at a reasonable price that will directly result in repeat customers and ultimately brand loyalty. With technology advancing as on the IT-related front, time is of the essence for service providers to develop a loyal customer base. If these suppliers do not meet the needs of the travel industry and turn a profit, then another firm will come and leverage its resources to regain and enlarge its market share. Whether companies are well-established brick and mortar enterprises or not, the Internet is making a common theme clear—understanding the competition, in all of its forms, is the key to survival.

Consumers traveling for pleasure traditionally have more time to make travel plans than their business counterparts. Therefore, the luxury of researching and comparing various websites is convenient and sometimes even an enjoyable challenge for many of them. Many consumers love the “thrill of the hunt” that they may experience when individually booking through online brokers; while others may be easily frustrated by the seemingly endless choices of travel combinations. In the end, the competitive-conscious consumer will not be shy about telling others how much (or how little) he/she paid for a ticket. The business traveler may be very similar in accepting this challenge, since there is a cost and timesavings advantage as travel budgets shrink. Increasingly, many companies must adhere to a travel budget and make every attempt possible, given the traveler’s time constraints, to book reasonable airfare, hotels, and rental cars. Some companies frequently have
employees in-house who book travel for a specific person or team—a common practice in academic and scholarly travel as well. In smaller companies, employees may be responsible for their own travel arrangements. In addition, online brokers give employees in these types of diverse enterprises the ability to set up a password-protected account. Within this account, you can store employee profiles that include personal preferences and frequent flier numbers, different credit cards for billing, and different billing and shipping addresses. Expedia.com, for example, keeps all itineraries (past and present) in a database. At any given time, an itinerary can be reviewed in real time to verify details and the ability to exercise the option to repeat that exact itinerary within a few mouse clicks.

For many business travelers, traveling is a necessity, not an elective luxury. Conferences, seminars, and meetings are an integral part of their job, but trip planning is not high on their daily agenda—in fact, for many business travelers, it is a last minute detail that is reluctantly attended to. For example, since 1986, airfares have increased 36%. According to the travel association’s 2001 forecast, fares paid by business travelers are expected to increase another 8% (Stroud and Bernstein, 2001). This fairly steady increase has changed some company’s travel patterns and procedures. Figure 6 illustrates some of the changes corporate travel managers have made as reported as complied in recent surveys.

**E-Travel: Strategic Resource or Outsource?**

Depending on the size and organizational structure of a company, making travel arrangements can be a significant cost expenditure and a time consuming activity. Strategic involvement at all levels is required to properly allocate scarce resources. Before setting up a company travel policy, managers must first evaluate the travel patterns of their employees. Some of the major routine questions in setting this policy include the following:

1. Who is traveling? Very few employees? Most employees? All employees? How can we be equitable in allocating the travel budget within a competitive and prioritized environment?
2. How often do employees travel and how important is this travel as a percentage of sales revenue? Daily? Weekly? Monthly? Quarterly?
3. Where are they traveling? Domestically? Internationally?
Once established, the answers to these relatively simple questions can aid a manager in determining the best policy to establish for corporate travel. In addition to internal issues, a manager must evaluate external issues as well. In light of the massive downsizing and layoffs many U.S. companies experienced in the first quarter of 2002, as well as the financial up and down associated with the elusive DOW, the corporate travel industry has experienced a major organizational shift. Business trips deemed unnecessary by management were systematically cut. This significant decrease in travel in turn led to severed relationships with outside travel agencies, and the termination of several in-house travel representatives. As a result, online brokers became more business friendly and began catering to the corporate market. Presently, the travel industry sees a major shift as managers appear to have a better understanding of online brokers and are facing the question of how to continually improve operational efficiency, as previously discussed. Do firms freely and simply allow employees to spend time booking their own flights or do you pay the travel agent fees and let them handle the bookings? The fact is, as with knowledge management strategies, there must be an equilibrium that truly allows for value-added activities to develop and grow within these firms. Determining whether to outsource or use internal resources to manage-

FIGURE 6. An inspection of changes in corporate travel (adapted from data from the Business Travelers Organization, Stroud and Bernstein, 2001).
The theory behind transaction cost economics (Williamson, 1985), when applied to the concept of corporate travel, proposes that there are three major factors involved in corporate travel decision-making: opportunity, knowledge, and risk. When a manager weighs these factors, he/she can determine whether a specific trip or series of trips requires externally outsourcing attention, or whether employees can use their own resources to make the arrangements internally.

The model in Figure 7 illustrates how this theory applies to corporate travel decision-making. Imagine that corporate travel is like a pendulum. As it swings, the distance and direction of its motion will fluctuate as it swings back and forth between internal empowerment and resourcing and external outsourcing. Simply put, transaction costs exist when there is an opportunity cost with each transaction a company makes. If the XYZ Corporation decides to develop an in-house travel center, a significant investment must be made. So long as the costs incurred to development and maintain the in-house travel center are less than the costs (including opportunity costs as well as other intangible considerations as defined by the RBV theory) that would be incurred by using an outside travel agency, then the pendulum remains suspended.

FIGURE 7. A Transaction Costs Model approach applied to the concept of corporate travel as variable utility of outsourcing versus resources.
towards the resourcing side of the figure. If XYZ Corporation’s travel began to significantly decline and it was no longer cost efficient to have an in-house travel center, the pendulum would begin to shift and swing towards the outsourcing side of the figure. For example, the typical business traveler often has unpredictable schedules and do not have the flexibility or predictability to make advance reservations. As a result, business travelers are often paying full fares, which are much more profitable to the airlines, but now under attack in this model of e-travel to reduce costs and provide increased user flexibility.

Economically speaking, whatever saves time and money and continues to add value for the firm is the method most managers prefer. Therefore, it is not possible to establish a corporate travel policy statically that outlines one method for booking travel. Rather, managers must be able to dynamically recognize and adapt the means in order to get to the end efficiently.

**GENERAL CONCLUSIONS AND IMPLICATIONS OF E-TRAVEL**

If there is one thing management can count on in today’s world, it’s another person proclaiming the miracle that is the World Wide Web. The Infobahn, the information superhighway, cyberspace, or whatever it’s called this month has created a whole new arena for organizations to play in. It has captured the hearts and minds of many of today’s finest executives. (Griffith and Palmer, 1999)

As we have seen, the word travel means different things to different people. To travel agents, direct suppliers of travel related products and services, and online travel brokers; it is a means of income. To CFOs and company travel managers, it is a budget and a cost of doing business. To some employees, it is simply a way of life. The common denominator is essentially composed of cost and compromise. Now the e-customer is empowered to follow the lines of strategic disintermediation and bypass the travel agent entirely. Thus the travel industry is in a similar phase that manufacturing and service companies are dealing with, namely more transparent supply chains and flatter organizational structures—a common theme found in conducting e-commerce.

Travel arrangements can be made at any time from any place; competition is fierce and the consumer dollar is going to go to the company that can offer the best deal on both customer service and real value. Direct suppliers and resellers of e-travel related services target their mar-
kets and serve those markets better than any individual competitor initially can on the long term. Identifying the intangible resources from the RBV, such as reputation that a firm has successfully established, and operating effectively in order to build upon those resources creates a path that direct suppliers and online brokers can follow to success. *Caveat venditor!* (Let the seller beware!) From the perspective of the traditional travel agent, the emergence of the Internet has redefined competition within the travel industry. Direct suppliers and online brokers are using the strategic concepts of reach and richness gained through the Internet and letting consumers determine for themselves what the best deal is. The basic performance measures are out for the e-travel customer to see and consumers know they have access to the same schedules and fares they once paid a premium for through a travel agent. Transparency of the entire supply chain may be the ultimate goal of the e-commerce as the development of economically perfect information is one of the leading threats to travel agents, and until travel agents can redefine their own value, the threat continues to dwindle their profitability.

Such communication sites as Internet Travel Network (www.itn.com), Travelcity (www.travelcity.com), and Travel Web (www.travelweb.com) offer consumers a wide array of comparative data regarding the market offerings (travel destinations, agencies, airlines, and so on). In essence, these websites provide objective information concerning such issues as prices as well as they often provide subjective information about overall market offerings. Although travel agents may seem too traditional and old fashioned to some, there appears to be many people that fall in this group that have taken a leap off the information superhighway. For some consumers, it really does come down to the operational strategy of the low-cost provider. Making a decision based on transactions cost means knowing all of the facts, risks and opportunities associated with making the decision at hand.

Whether an individual is a consumer who likes to travel or a manager who oversees corporate travel, there are a few key elements to getting the most out of the time spent booking travel:

1. Know who is traveling;
2. Know the routes that are commonly traveled;
3. Research and try all resources available (direct suppliers, online brokers, and traditional travel agents);
4. Communicate with the travelers in order to better understand their needs; and
5. Double-check–every now and then, compare the various sources and see where the price is better.

Unfortunately, operational effectiveness is not a strategic asset and is not a permanent state. As quickly as companies are working to raise the bar, another firm is working significantly harder to meet the level they have established by leveraging quality as well as costs and service. Therefore, prices will fluctuate. As suggested by Griffith and Palmer (1999), although there may be few companies that are actively trying to take away the service functions from their intermediary partners, scenarios are opening up in which the development of customer loyalty and expectations of service offerings do not include the intermediary provider. This is certainly the case in the e-travel industry. The travel industry is changing; therefore in order to benefit from the changes, travelers must embrace them. The emergence of the Internet allows travelers to exercise as much control over their travel plans, as they would like. In the true essence of the Internet, the only constant is change.

REFERENCES
