

# ***Electronic Distribution & Emerging Strategies***

By:

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Experts routinely describe new travel agent technology in the context of electronic travel commerce. There are few other technology topics with similar market potential or emotional appeal—to the extent that new business start-ups, product announcements, and seminar programs are dominated by predictions of the potential of e-commerce.

This is usually described as an exceedingly simple business proposition: either the demise of travel agents is imminent as vendors adopt new strategies to bypass them or else vast new frontiers are opening to anyone with the most modest travel credentials provided only that they are able to operate a World Wide Web site on The Internet. The idea that reality might be less certain and that traditional and non-traditional channels may both flourish in the future appears to have been lost.

The true effects of electronic commerce are complex and intertwined with emerging business strategies affecting more of society than just travel. The opportunities opened to all segments of the industry, vendors and agents alike are substantial. So is the task of sorting fact from fancy. The businesses able to prosper through electronic commerce in coming years will those able to find sustainable strategies and develop business models that deliver what their customers truly want to buy. Unfortunately, there is often little relationship between sound business practices and the “Internet Hysteria” that has swept the travel industry for several years.

This report discusses electronic selling as contrasted with traditional travel sales and describes what the travel industry may realistically expect from electronic commerce. It describes the overall state of the electronic travel sales scene in the U.S., predicts what characteristics successful competitors will likely possess over time, and attempts to put the current euphoria in proper context.

## ***The Electronic Sales Proposition***

Electronic travel sales have been with us for over 14 years. In the mid 1980s the proprietary on-line services of the day offered fee-based access to Travelshopper from PARS (eventually becoming Worldspan) and later EasySABRE. Proprietary services were started in the Electronic OAG (which still exists today) and others that have gone by the way. Although these services attracted a steady stream of customers (EasySABRE eventually becoming a major source of bookings for SABRE,) they were never embraced by the millions of customers now predicted for electronic products.

Today's predictions for the future of electronic travel commerce are nothing short of astounding.

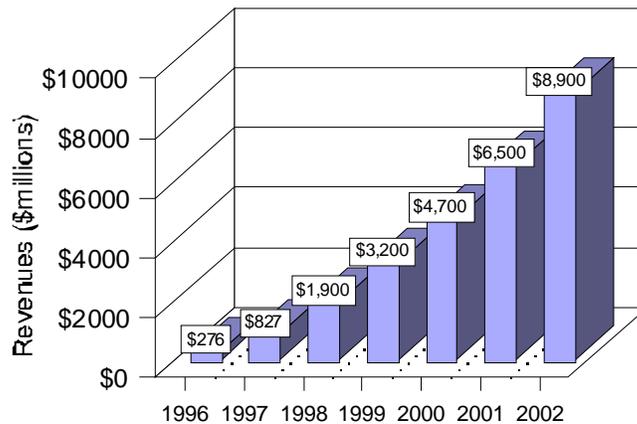
According to the most recent figures published by the *Travel Industry Association*, on-line travel sales in 1998 will increase 230% over 1997 and a further 168% and 147% in 1999 and 2000 respectively, eventually reaching US \$8.9 billion in 2002.

Although expanding public interest in on-line services

of all types cannot be denied what travel experts routinely do not address is what factors specifically have changed from the 14 year history of on-line travel services and why "this time is different" so that the essential success of retail travel agents, if not their very survivability, is now at issue rather than the rising tide of on-line consumer interest simply being at work to lift all boats.

## ***Online Travel Revenues***

©1997 Jupiter Communications/Online Travel Market: Five Year Outlook



### ***Case Study: OAG Electronic Edition***

Perhaps no electronic travel product was the subject of so much investment and "push" as was the OAG Electronic Edition. Conceived as an adjunct to the highly successful printed flight guides that were essential reference tools in every U.S. travel agency during the early 1980s, the Electronic Edition (EE) quickly evolved into a complete booking tool, with the target customers being technology-oriented companies that would integrate EE functionality into their local networks. Other customers used dial-up access and paid time-based usage fees.

Although third parties handled ticket issuance for most of its history, the OAG company partnered with Thomas Cook Travel in the U.S. in 1980s and began a concerted campaign to promote printed and electronic services in concert with a traditional travel agency business.

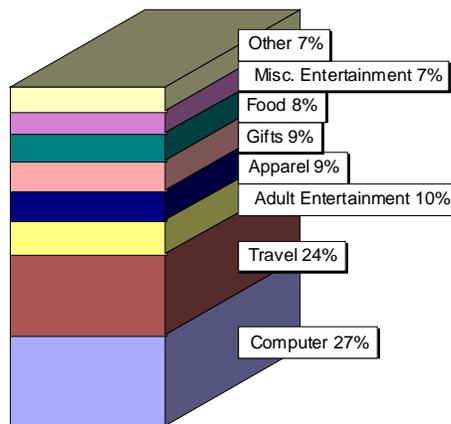
Various innovative informational and reservation services were added to the product line until several business reorganizations at both OAG and Thomas Cook ended the formal relationship the 1990s. Among the most interesting aspects of the product was its proprietary pricing technology, developed wholly independent of the CRS/GDS framework. As every other electronic booking tool then and since had relied upon CRS methodology, the OAG approach offered customers a decidedly different choice.

Despite very early market entry and innovative technology-based products, marketing problems and limited customer interest relegated this technology to a meager overall market share.

Certainly, "Internet Hysteria" grips travel as it does few other industries. According to Forrester Research (1996) estimates of on-line merchandising travel is the second largest field, capturing 24% of the \$518 million market<sup>1</sup>. Virtually every travel vendor of substance has made at least a preliminary commitment to on-line marketing or information distribution, with some of the most ambitious on-line sales platforms anywhere dedicated to the travel field. The industry's fixation

## Online Merchandising

Source: Forrester Research (1996)



on The Internet and electronic commerce generally is so pervasive that, based upon published articles and press releases, there is little else in the technology realm left to talk about.

This overriding interest forms the basis of what I call "Internet Hysteria." This is because depends upon certain basic assumptions about customers, their behaviors, and most importantly about the essential elements of the electronic sales process that have never been fully validated and depend

mostly upon the blind faith of their adherents. These assumptions deserve not only to be clearly identified and discussed but ought also to be seriously questioned, if not flatly rejected.

### Customers

On-line travel sales of all descriptions depend upon the customer premise that people will assume greater responsibility and take on added work in exchange for

<sup>1</sup> Note that Forrester estimated the total size of the on-line travel market at less than half that claimed by Jupiter Communications (discussed in the prior table). Such substantial variances in market scope and demographics in the on-line field are significant.

self-determination and greater control. Implicit is the view that customers generally are dissatisfied either with the travel process as a whole or with their travel agents, who are the basic intermediaries in today's market. Were it not so the whole move toward electronic self-booking would be moot and customers would simply continue delegating their travel planning to agents or corporate travel departments.

While there are customers who telephone airlines directly, visit city ticket offices, and generally assume an active role in the travel planning process, the electronic proposition carries this a step further and demands that the customer assume the central role as the selector of services, the arbiter of decisions, and implementer of reservations—not just casually but ongoing if electronic businesses are to be sustainable.

That's more, technology developers and operators appear so persuaded that an inevitable expansion of the travel market is a correct view that they further assume customers will tolerate inefficient, cumbersome, and annoying software in their quest for ever-greater control and involvement. Products that clearly are focused at a very limited market are offered to customers and burden them with restrictions and limitations that most travel agents would probably find embarrassing to offer.

#### Case Study: United Connection

United's electronic booking product has been available in several versions for many months. It accesses the Apollo CRS either through The Internet (no browser required) or a dial-up route. Visually attractive and fully Windows 95 aware, it is reputed to be among the top five booking systems in the U.S.

Translating an attractive platform and major vendor affiliation into a long-term success may be another matter. Numerous product inadequacies, limitations, and built-in oddities are apparently acceptable to the designers and to which they believe customers won't object to strongly.

For example, built-in customer profiling can be advantageous in selecting services, but even minor profile changes subject the user to a tedious registration process that must be repeated regardless of whether the customer successfully registered before and that includes numerous opportunities for failure if customer inputs are not letter-perfect.

Flight schedules are offered based upon customer profile selections—except that United schedules appear regardless of whether the customer wants them or not. This may seem a minor concession to make in order to use an airline's product—one assumes that people using "United Connection" would not object to United schedules—while in practice it often results in weird and unusable itineraries as the system fills screen after screen with United flights that no reasonable person would use.

After sorting through confusing flight displays, multiple re-registrations, squabbles over "approved" payment vehicles, and other ambiguities, if the system cannot access its "host" and complete the transaction according to its programmed

parameters, it drops the entire booking with a terse message that it cannot be completed as booked. An hour or more of work can easily be lost—together with whatever confidence a customer had in this product.

Although rarely put into words these assumptions are key. Were it not so the ten-fold growth in on-line travel sales over the coming five years would be impossible. There is no escaping the fact that any type of self-booking tool is not one of convenience. It takes commitment, dedication, and time to make these tools work—plus an inordinate amount of patience to overcome product limitations. When the total travel process can easily be handed to an expert agent for resolution, it is very difficult to rationalize how self-booking systems will ever be other than cost-centers (in either time or actual expense) for the customer.

### *Corporate Travel Purchasers*

Customer costs become more significant when a corporate focus for on-line bookings is assumed. Several large U.S. corporations, among the largest being Chevron, have awarded travel service contracts to on-line booking suppliers such as *Internet Travel Network* or have mandated on-line booking tools offered by agencies be used to serve their needs. The rationale behind these moves is difficult to explain apart from the general fixation with new technology and non-traditional ways of doing business.

The current generation of on-line booking systems and tools is mediocre in most instances at best. Most popular systems are Internet browser-based and suffer from the speed, access, and design limitations imposed by browsers—which allow very little optimization for either the ordering process or for display of travel products. Regardless of their foundations, however, all self-booking tools do little to improve overall efficiency (in the hands of an expert user, they are arguable far less efficient than a regular agent-based CRS/GDS).

When implemented in a corporate setting, therefore, self-booking adds complexity to the travel process and distributes labor that had been concentrated in a travel agent or corporate travel department across a broad range of travelers—many of whom are far more expensive than the specialists they are displacing. It has been argued by several observers that corporate self-booking focused at the traveler can only be a cost.

The counter-argument is that traveler-oriented self-booking systems introduce a higher level of product selection control and cost containment oversight and that this more than offsets the redistributed workload. No one has ever proven, however, that self-booking tools are more efficient appliers of corporate travel policy nor that their use is in any way an essential part of effective policy management.

### *Vendors*

The vendor business premise is that the retail travel distribution system, consisting of CRS/GDS, wholesalers and other intermediaries, and retail travel

agents, delivers insufficient value based upon its cost. The appropriate resolution, it is reasoned, is to reduce costs at any accessible level of the distribution system through “disintermediation” (collapsing of the distance between vendors and their customers by eliminating intermediaries) and through outright compensation cuts where these can be rationalized.

This is why airlines have attempted to “value” Internet-based reservations handled by agents at between \$10 and \$15 per transactions rather than at standard commission rates. This compensation strategy has less to do with the agent’s cost of handling the reservation (which may not vary appreciably from more traditional reservation methods) than it has to do with the perceived value the agent brings to the process.

### *A Priori Reasoning*

The theme common throughout all on-line travel business premises is their *a priori* character—meaning reasoning based upon one’s own presuppositions or knowledge without evidence. There is so much discussion of on-line selling and e-commerce that casual observers tend to assume much more is known than is actually the case or that the strategic underpinnings of the businesses are firmer than they really are. In fact, general trends regarding the growth of the on-line market can be described but advertisers have long complained that serious demographics do not exist.

Developing a logic system using a priori techniques is an acceptable approach but its application in business is risky (people do not always behave logically) and usually an excuse for inadequate research. More serious, frequently research that is done is inconsistent with the personal conclusions of e-commerce advocates and is thus dismissed.

One example is the long-term role of travel agents. Those predicting the demise of agents through on-line travel sales usually cite anecdotal evidence that the public distrusts or is dissatisfied with travel agent performance. They reason from cause to effect, therefore, that since some people are dissatisfied with agents they will embrace on-line sales. Not only does the conclusion not necessarily follow, but also the basic assumption is unsupported.

### ***Customers, Customers***

Studies have shown more than once that the traveling public is frustrated with many parts of the travel process—but travel agent performance specifically is usually not among them. Far more important to most people than possible failures by their agents are poor vendor performance, the inability to access favorable rates, or personal rudeness by service-delivers. When the typical customer is presented with the proposition that, in order to use an on-line service offering they *must* do so without the travel agent of their choice most want to part of the transaction.

Still more significant is the fact that on-line travel sales simply are not important to most people. Throughout the electronic commerce world, there is a tendency to evaluate long-term customer trends based upon the characteristics of today’s

“early adopters.” The prior chart describing the breakdown of on-line revenues ranks computer products first at 27%, followed by travel at 24%. Two-thirds of all Internet advertising is computer-related, yet computer products comprise less than 1% of overall U.S. ad revenue. The disproportionate relationship is described by what is known of Internet user demographics, in that there is a high concentration of upper-income, young males with strong computer literacy. This also accounts for the disproportionate share of so-called “adult entertainment.”

A detailed discussion of Internet customers causes one to seriously question the basis for optimistic travel sales growth projections. According to Nielson, media Research, of the approximately 12 million Internet users in 1996 over 60% were extremely casual users who concentrate their activity mostly in e-mail. The number of seriously committed Internet users was very small and the time measurement Nielson used to define that serious commitment was very generous. U.S. consumers spend far more time watching television than even heavy users spend on The Internet.

Among the most successful corporate electronic booking systems is that jointly developed by Microsoft and American Express, which boasts 60 companies throughout the U.S. using the system via internal corporate information networks (intranets), a three-fold increase from 1997. While this represents but a tiny segment of even American Express’ corporate customer base, substantial year-to-year increases convince observers that a new trend in consumer behavior is emerging.

### ***Nobody Knows ...***

Research into customer attitudes and desires in the electronic travel field is deficient. Legitimate researchers with extensive records of accomplishment in other fields find defensible statements about electronic commerce exceedingly challenging.

Even the size of the market is elusive. A special report published in the Wall Street Journal proclaimed, “In the Dark: Companies have absolutely no idea how many potential customers they have on-line.”<sup>2</sup> The article cites the Nielsen Media Research study mentioned earlier and explains that it initially estimated 24 million Internet and 18 million web users in the U.S. and Canada. Subsequent (and acrimonious) revision by researchers involved in the study resulted in conflicting estimates based upon the same data.

Most travel entrepreneurs and technology developers appear content to base their market expectations upon anecdotes and personal customer discussions. This tolerance for developing business plans and predictions about the future of the travel industry is both surprising and dangerous.

Anecdotal discussions reinforce the value customers place upon direct involvement with the reservations process:

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<sup>2</sup> Wall Street Journal, June 17, 1996, page R26.

*"It's really nice to have a way to book travel ourselves, rather than having to call our corporate travel desk and explain everything I want or need to someone over the phone."<sup>3</sup>*

The flaws in this approach to customer attitudes include:

- 1) An inability to critically distinguish between committed "early adopters" and the general consumer populace.
- 2) Failure to factor unique failures by the respondents existing service provider into stated preferences.
- 3) Lack of buyer qualification between those that will be committed long-term users and those that want a self-directed alternative to handle special situations.

Distinctions must be drawn between studies produced with limited resources or using methodologies intrinsically favoring companies with a personal stake in promoting electronic commerce development and the basic, well-documented consumer research available in other fields. One measure of Internet Hysteria is that the companies presently making the best e-commerce money in travel are often those that educate and develop electronic commerce, rather than those selling directly to the consumer electronically. The allure of technology is sufficiently great that businesses willingly and uncritically accept the predictions and conclusions of those with clear conflicts of interest.

Although definitive publicly available studies have yet to be developed, arms-length preliminary research usually indicates that most customers:

- 1) Do not care about electronic travel self-booking one way or the other.
- 2) Are not essentially dissatisfied with travel agents or other intermediaries and, in fact, would resist new systems that required them to eliminate agents.
- 3) Have a limited tolerance for inconvenience or time-investments required by self-booking tools.
- 4) Want some well-defined recourse in the event their self-booked travel plans go astray.

The number of people actually purchasing travel using The Internet was probably between 2 and 3 million in 1997—although more aggressive estimates range as high as 14 million<sup>4</sup>.

Recognizing that more aggressive estimates may be self-serving, even the lower estimates may appear substantial until one recognizes that they are insignificant on a national basis and given the diffuse nature of The Internet. A tiny penetration

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<sup>3</sup> Interviews with business travelers published in *USA Today*, March 17, 1998.

<sup>4</sup> Travel Weekly *Crossroads*, "ITB Speakers: Web Bookings Cheaper For Hotels," March 13, 1998.

does indicate potential for growth but e-commerce advocates have not explained what will occur to make on-line travel important to the consumer—which today it is not.

Not limiting our discussion to travel, the short-term importance of The Internet as an advertising medium is overstated. Again using 1996 statistics, Internet advertising revenue was \$142 million, out of total U.S. national advertising expenditures of \$87 billion. The potential may be vast but customer exposure and information, essential for any exponential expansion, are not present. Most Internet revenues are concentrated in a dozen high-profile sites while the vast majority of Internet sellers have never turned a profit. According to Forrester Research, Time Warner lost \$8 million in 1996 on its heavily promoted Pathfinder web project to promote electronic versions of Time publications (and that included a strong travel component).<sup>5</sup>

### *The Great Equalizer?*

Some travel industry expert advocate The Internet as a powerful competitive tool, empowering local and regional agencies to compete effectively with national companies. It would seem as though technology-based solutions are frequently appealed to as weapons against larger and more successful competitors, as many of these same experts made similar predictions about ETDNs (electronic ticket distribution networks) and other technologies that faded from view. Going back far enough, similar statements were made about the rise of the CRS 25 years ago.

The Internet is no more a competitive enabler or equalizer than is the telephone: both are important tools but their effectiveness is based upon resources, skill, and overall business promotion. The “equalizer” fallacy arises from a misunderstanding of the forces driving technology evolution in travel and society as a whole, and the ways in which users will be prepared to embrace that technology.

Travel distribution computer technology has progressed over roughly the last 30 years driven by two distinct forces: *efficiency* and *effectiveness*. Efficiency embodies the creation of tools that leverage time or resources toward the completion of essential or desirable tasks. Efficiency also tends to follow the availability of hardware and software: if the technological “platform” exists then productive uses will be found for it. This is generically referred to as “Technology Push.”

Among the best examples of “push” is the rise of travel agency accounting systems during the early 1970s. This was the era of minicomputers—when computer technology moved out of the highly specialized “mainframe” realm and became both affordable and manageable by individual businesses. During these years Agency Data Systems (ADS), the forerunner of most present-day travel accounting systems was developed—actually pre-dating large-scale introduction of CRS/GDS technology by several years.

ADS, more than any other single factor, made the national and multi-national "mega" travel agencies of today practical. Without this technology it would be impossible to manage the financial controls and paperwork a mega agency entails.

Effectiveness, the other major force affecting travel technology, is generally regarded as being more subject to user "pull." During the years when ADS and similar systems were introduced, many control reports became available as by-products of the accounting process. Their value as management tools was quickly recognized and from this beginning emerged the emphasis upon travel reporting and data that continues today. This reporting also made sophisticated travel management, cost-control, account bidding, and vendor negotiations possible.

Whereas early travel technology tools delivered an economic value through their automation of the financial process, so they also delivered management value as the outputs of the financial process were interpreted and applied. Thus, technology effectiveness arguably delivers more sustainable competitive differentiation and advantage because it requires disciplines, organizational skills, and interpretative expertise that are not easily replicated. These factors are easily recognizable in travel but touch all segments of the business economy and have been identified and described by experts for years.

Today's technology "push" is focused upon the economic value decentralization and networking can bring. The rapid and pervasive emergence of The Internet was not foreseen more than a few years ago, but technology experts did predict the advent of decentralization as the next logical economic value "push" would deliver. One clear evidence of this "push" is the exponential growth of The Internet, which is fueled by the willingness of businesses and individuals to embrace personal computers—where networking has become an expected feature.

The problem with advantage achieved through technology "push" is that it exists for only brief periods. There is some competitive leverage available because of "being first," but technology quickly opens the door for competitors to follow the same way it did for pioneers.

This is clearly seen in travel agencies that pioneered electronic distribution only a few years ago. Several highly successful for brief periods, but quickly faded and ceased operation as competition became widespread. Today a search through a major Internet search engine on the work "travel" yields half a million references, while narrowing the search to "travel reservations" cuts that number to "only" around 200,000.

It is difficult to see how any small competitor can profit materially from simply "being there" when the background noise relegates everyone to equivalent obscurity. The competitive field here is no different than in any other area: the best funded, most skillfully managed, and most aggressively promoted businesses profit at the expense of those with lesser resources—unless smaller businesses can create specialties that protect them.

The effectiveness-driven result of technology-enabled decentralization is decision support. This has been shown in various industries, notably credit card customer service, banking, and catalogue ordering. Note that the availability of sophisticated decision support does not require that any systems necessarily be placed in the hands of the customer—although this can take place. The essence of decision support in retailing, including travel, is increasing the selectivity and sophistication available to give the customer what they really want to buy.

In credit card processing, for instance, decision support allows the telephone operators in many call centers to raise credit limits when card holders request that service by telephone. Before decision support the task was delegated to specialists and involved extensive delays.

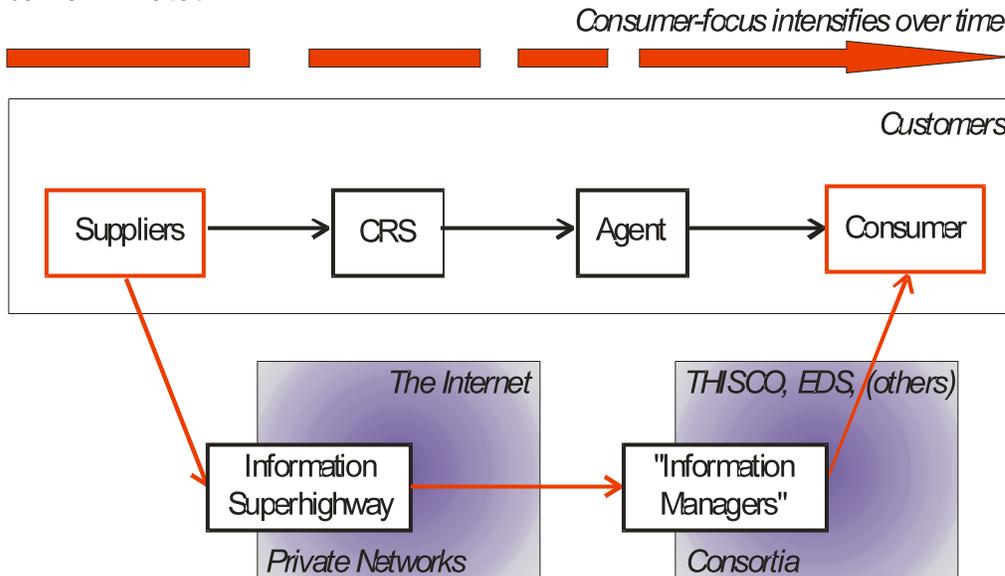
Travel technologists confuse the relationship between decision support and decentralization. They reason that customers will embrace making the decisions themselves if the appropriate tools are available. Not only has the sustainability of this business model not been demonstrated but it is shaped by a misunderstanding of customer characteristics.

Among the most successful of all electronic commerce markets is the business-to-business sale of technology components. Cisco Systems, a major provider of networking technology, reportedly conducts over a third of its business on-line. The essential driver supporting this model is a customer base that knows what it wants and is therefore sorting through options and placing orders.

This model does not transfer well to travel. The segment of the electronic market receiving the most immediate attention consists of either early technology adopters or the so-called “hard core” business travelers who usually do know what they want. These are the most desirable customers for any service business to have—whether they are being served electronically or not. Although several businesses are attempting to meet the decision support needs of a broader customer base, it is unclear whether they will be successful in displacing the expertise residing in the retail travel agency distribution system.

## **Disintermediation**

Networking technology encourages an illusion of “closeness.” Because the interchange of data and messages is easy and quick, people are tempted to assume that they enjoy professional or personal relationships with their present or potential customers that are out of proportion to reality. Further, the financial restructuring that has affected business worldwide for the last eight years encourages the view that intermediaries of whatever description add costs that can be eliminated.



In travel, this has led to increasing disintermediation at all levels. Vendors strive to get closer to their customers and rebel against the insulation their distributors have imposed. Few industries were subjected to as much customer anonymity as travel distribution.

Technology provides the means and the excuse to eliminate intermediaries. Some, most notably the CRS/GDS, have not articulated their value to the marketplace in light of technology advances and are especially susceptible. While disintermediation is an inevitable trend extending far beyond travel, it is subject to the same fallacies and limitations as electronic commerce generally and may fall from favor the same as have other business “fads,” such as “Total Quality Management,” because it is equally impractical. Much is made over potential savings in CRS charges, commissions, and other fees as disintermediation takes its toll upon travel distribution. What is really happening, however, is that travel suppliers are trading one intermediary for another—who usually goes by a different name and applies a different fee structure.

This is not necessarily bad, but the evolution of large-scale information managers such as Microsoft Expedia, Pegasus TravelWeb, and Preview Travel can hardly be termed true disintermediation. These businesses seek to perform parts of the CRS/GDS and agent roles simultaneously—and to be compensated for so doing.

Time will tell whether present disintermediation activities in the travel industry will truly yield enduring cost or service benefits.

### ***Who's Doing The On-line Selling?***

According to Web21, an Internet research company based in Palo Alto, California, the top *ten most visited travel web sites are:*

- 1) *Microsoft Expedia.com*     [www.expedia.msn.com](http://www.expedia.msn.com)

Expedia is a major strategic initiative on behalf of Microsoft. Well-funded and staffed, the site displays state-of-the-art graphics and aggressive advertising. Aimed at being a comprehensive travel shopping center, visitors can order basic travel services such as airline tickets, view promotions offered by select vendors, or shop for vacations through what are essentially electronic brochures. Fulfillment is through a variety of contracted suppliers.

Expedia is clearly positioned to play a central role as a travel information manager and is likely to command a substantial share of the electronic market indefinitely.

- 2) *Travelocity*     [www.travelocity.com](http://www.travelocity.com)

Developed along much the same lines as Expedia, Travelocity is the SABRE Group's all-inclusive alternative. Displays are not quite as sophisticated as Expedia, nor is advertising as aggressive. Travelocity integrates products from multiple suppliers in its single-stop format, resulting in less consistency than competitors achieve.

- 3) *Excite City.net*     [www.city.net](http://www.city.net)

Excite is a major Internet search engine and this site reflects these roots. Visitors are offered a vast number of choices ranging from reservations delivered through Preview travel to travel-oriented news services and chat rooms. More a cohesive place for a number of travel-related services and links rather than a coordinated service offering, as are Expedia and Travelocity.

- 4) *United Air Lines*     [www.ual.com](http://www.ual.com)

Well-conceived and visually appealing center for customers of a major U.S. and international airline. Reservations, flight, airport, and general information are offered—these are essentially extensions of services customers could obtain from the carrier via telephone.

- 5) *Map Quest*     [www.mapquest.com](http://www.mapquest.com)

A large collection of maps and map-oriented trip planning services ranging from vacation to relocation themes; offered by GeoSystems, a major developer of electronic mapping technology. Modest advertising.

- 6) *Asia Travel Hotel & Tours*     [www.asiatravel.com](http://www.asiatravel.com)

A geographic-oriented hotel and resort information and reservation service, clearly aimed at fulfilling the electronic brochure and reservation intermediary role.

7) *American Airlines* [www.americanair.com](http://www.americanair.com)

Similar in concept to the United Airlines site, but more text-oriented and promotional. A one-stop information center for American Airlines products, services, and inquiries.

8) *Carnival Cruise Lines* [www.carnival.com](http://www.carnival.com)

Graphically superior promotion of the world's largest cruise company's products. Consistent with the overall position of the cruise industry, there is no overt reservation approach and the site attempts to involve agents. Tends to assume visitors have more than a casual familiarity with the cruise experience.

9) *Intellicast* [www.intellicast.com](http://www.intellicast.com)

Visually appealing weather and destination site, with moderate advertising and a shopping mall.

10) *Preview Travel* [www.previewtravel.com](http://www.previewtravel.com)

The closest thing to an electronic travel agency, with involvement in both the leisure and business travel areas. Frequent advertising from travel-related vendors.

Despite their diverse ownership and missions, the top travel web sites have many common features. Many are graphically appealing but must be evaluated on web-based terms. When evaluated against other media, such as magazines, both graphics and especially advertising appear superficial and remote. Advertising experts have long complained about the poor quality of Internet advertising and the lack of meaningful demographics that are the first step toward improvement.

The premiere sites consist of companies that attempt to become travel intermediaries—meaning a combination of agent and CRS—in their own right (although the agent's role is frequently discounted in descriptive and promotional discussions). With the exception of Carnival Cruise Lines and Travelocity to a limited extent, there is no meaningful way to engage the customer's travel agent nor any type of local representation. This presumes a business model that is radically different for travel purchases, especially where major vacation expenditures are involved.

The sites assume a consumer-direct stance. Even where business travel is part of the offering the assumption is that the business traveler will behave as an individual—there is no business-to-business approach in any of the sites (although such business-oriented services do exist elsewhere in the Internet travel world).

The emphasis across all the sites is upon breadth rather than depth. Multiple services are offered in smorgasbord-type fashion—sometimes to a bewildering degree. Even where the objectives of the site are rather narrow, such as mapping or weather, there is a conscious attempt to provide as much material and as many links to other sites as practical.

## ***Successful Business Models***

It would be a mistake to underestimate the business potential of The Internet. Likewise, one cannot assume that the business strategies and services currently active in the field are correct or well substantiated. The Internet and the services it enables are evolving rapidly. The key to any evolutionary process is that change—and death—is inevitable. Observers are keen to point out current electronic commerce success stories, while often overlooking the fact that, particularly in travel, those successes have yet to deliver sustainable operating profits and that many have failed.

Despite this uncertainty, there are sufficient lessons to be learned from successful electronic commerce marketers and examples elsewhere in the travel and technology industry to offer some predictions as to qualities that will comprise successful travel electronic commerce businesses.

### *Consumer Research*

Not enough is known of true customer behaviors and attitudes over time. New entrants into the field are well advised to undertake fundamental research—preferably handled by competent research firms whose major business is not seminars or newsletters promoting the joys of electronic travel commerce. The goal of such research should be to bring the service offering into line with what the customer wants, rather than lead into uncharted waters.

### *Customer Service*

Successful decentralization and decision support typically focuses upon delivery of customer service, defined as fulfillment of customer expectations and wants. This may be achieved through a variety of methods, and in travel most likely will involve offering multiple paths for planning, fulfillment, and resource. It is unrealistic to expect that the consumer, either personally or as a business, will sustain the full cost (measured in time, commitment, risk, and cash expense) of the travel transaction.

Customers might, for instance, conduct preliminary “shopping” on-line and deliver a service outline to an agent or other intermediary for fulfillment. Successful electronic marketing should support this type of behavior, if indeed that is what the customer is prepared to accept, rather than create artificial barriers or unrealistic customer expectations. An erroneous commitment to disintermediation, cost-containment, or personal prejudice on the part of service designers is insufficient reason for failure to meet immediate customer expectations.

### *Advertising Development*

Most Internet business models assume an active role for advertising. Yet, the quality of most Internet advertising is mediocre at best and competition for advertising money is intense. Serious and immediate attention to improving the advertising quality and customer demographics must be applied if this situation is to change.

### *Service Integration*

Consistent with meeting customer expectations, many successful electronic marketers regard Internet-based transactions and information as extensions of their existing business processes and operations. While airline web sites assume this posture to a limited degree, those sites focused upon an intermediary, information management role seem intent upon displacing existing business systems regardless of whether they function reasonably well or not.

Where practical, a more compelling transition to an on-line environment may be achieved in this manner. The absence of prominent web sites sponsored by existing “bricks and mortar” travel agencies is revealing. Although such sites exist they usually integrate poorly with the physical agency and tend toward being weak substitutes for the better-developed comprehensive electronic travel sites. One wonders how agents can hope to compete by building Internet sites that only highlight the strengths of their electronic competitors and not the value of their own existing businesses.

### *Quality Is Key*

Internet-based products must assume the high ground as to visual, performance, content, and product quality. This is not done today, as most sites impress even casual observers as struggling for a mission and for products. If Internet services are to be offered they cannot in any way deliver a devalued experience to their customers.

### *Exploit Business To Business*

Many developers assume that a vast end-consumer market will arise for electronic travel services. While intuitively this should happen over time, the evidence as to what such a product offering should include and how large the market will be are lacking. Potentially of more immediate interest is the business-to-business market where efficient integration with existing travel purchasing practices can achieve more sustainable results.

A business sales focus is not absent on the part of many electronic commerce companies, but this emphasis tends toward displacement of existing practices rather than cooperation with them.

### *Mission Definition*

There is no evidence that consumers or businesses are prepared to support an electronic travel agency that simply transfers traditional services into an on-line mode, with the expectation that the customer or traveler will assume an active role. Successful players must define specific and easily identifiable roles for their businesses—especially as the field is crowded and differentiating a message expensive.

**Summary**

Electronic commerce is a dynamic and promising field. While this report has focused upon many shortcomings of present players, strategies, and products this is not because of a desire to underrate the market or its potential. Electronic commerce is too important to be left to speculation or incomplete research. One need not be intimidated by the prospect of electronic commerce or the self-serving predictions of many players in the field.

Applying basic business principles will continue creating opportunities in electronic and traditional travel marketing for the foreseeable future.