Trends in Travel Technology

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ABSTRACT

The use of Internet has been increasing exponentially as consumers become more tech-savvy and perceive the Web as a medium for information and communication. With the popular use of Internet, consumers are now able to access travel information without the guide of a traditional travel agent. This increases the use of online travel agents, which results in a decline in the demand for traditional on-site travel agents. Consumer preferences are changing constantly; therefore it is imperative that the industry stays updated to fulfill the heterogeneous needs and demands. This paper discusses the history of the trend, the impacts of the trend on the travel and tourism industry, and the future outlooks for this trend.
Description of Trend

The use of the World Wide Web has grown exponentially throughout the years, and has become a medium for information and communication. With the Web being a medium for data retrieving, consumers are straying away from the traditional use of travel agencies, and are now becoming their own travel agents in the comfort of their own home with the aid of online travel agents (OTA’s). OTA’s such as Expedia and TripAdvisor are two of the most popular travel booking websites among travelers. Vinod, B. (2011) states “[c]ustomers are comfortable with the transparency offered by the OTAs with competing airline schedules and available fares; user rating, star rating, selling room rates and accurate description of hotels by destination market.” The transparency in the rates and fares offered by OTAs gives the websites a competitive advantage over travel agencies, as consumers are now more aware of the hidden fees charged by airlines, hotels, and cruises. Consumers also prefer the use of OTAs for the “convenience and the ability to find the best value for their travel needs.” (Vinod, B., 2011). According to Canadian Facts Online Express (2006), online travel bookings accounted for 53% of travels in 2006, compared to 42% in 2004, while the use of travel agents was 15% in 2006, and 14% in 2004. The use of OTAs give the convenience and best value that consumers demand, which is one of the main reasons for the growth in the use of travel websites. It also allows for easy price comparisons among different airlines and/or hotels, helping the consumer to make a final decision.

To accommodate the needs of travelers who wish to avoid queues at airports, self check-in kiosks are now available. The kiosks act as substitution for the check-in agents at the airport and provide a swift check-in process. Along with the kiosks, travelers are
now able to web check-in 24-48 hours prior to their flight on the airline’s website, making the check-in process easier and quicker. Mobile technology has also enabled travelers to check-in at a hotel or airport with their mobile phones. The airlines industry introduced mobile check-in which allows for travelers to check-in to their flights, have their E-Boarding passes sent to their mobile phones, and are able to scan their device at an airport kiosk and proceed to security. (Gasson, S., 2003).

The increasing trend of travel technology also includes the use of mobile services while traveling abroad. Vinod, B. (2011) states “[w]ith the broad adoption of 3G (broadband and wireless), mobile has become the third screen alongside the desktop and the laptop. Business travelers now use smart phones to find local attractions, get navigations assistance, have access to OTAs and supplier sites, read user reviews, and access social networking.” This suggests that travelers, especially business travelers, are increasing their use of smart phones before or during their travels to gain information on their destinations. Information such as location of local restaurants, accommodations, and other attractions are often requested when travelers use their smart phones during their travel. Other requests such as special sales on airplane tickets, flight information, and even social networking are also popularly requested. Wireless service providers such as Roger Wireless in Canada are now offering roaming packages for those travelers who wish to use their mobile phones while traveling. The roaming packages offer cheaper roaming rates for the users, instead of paying the normal, expensive rates. (www.rogers.ca). This suggests that the North American network providers are aware of this trend in travel technology, and are fulfilling the new demands of their consumers. Vinod, B. (2011) states that over 2,000 travel related mobile applications are available in
the market today. Mobile applications such as Blackberry Travel for Blackberry users, Next Flight for iPhone users, and TripIt for Android users are available to access flight information, or to gain information on a specific destination such as local restaurants, and room bookings.

The increase in the use of the Internet is accompanied by an increase in travel technology. Consumers are now gaining more independence in their travel plans, straying away from travel agencies, and researching their own travel information via the Internet through online travel agents. To meet the needs of travelers who wish to avoid queues at airports, self check-in options are now available ranging from self check-in kiosks to web check-in online at airports and hotels.

**Historic Perspective**

The first computerized airline reservation system was launched in the 1960’s, known as “SABRE” (Semi-Automated Business Research Environment), developed by American Airlines in conjunction with IBM. (Carroll and Siguaw, 2003). The launch of this new system helped American Airlines gain competitive advantage over its competitors. However, this competitive advantage did not last, as competitors rushed to develop their own online reservation systems to meet this new trend. Hotels also began to join this trend by developing their own online booking and reservations systems for guests.

Before the popular use of the Internet to make online bookings or reservations, the use of travel agencies was the medium for travelers to gain travel information. Carroll and Siguaw (2003) state “[t]ravel agents were still essential to the process of booking a flight, as access to the specialized technology required to obtain this knowledge was
unavailable to the consumer.” However, consumers are now able to gain access to such information without the help of the travel agent. The revolution of online booking websites such as Expedia and Travelocity has changed the way that consumers book and choose hotels and airlines. “In 2001 Expedia was the eighth largest travel agency in the United States. Together with Hotels.com, Expedia accounts for over 70 percent of online hotel bookings…” (Carroll and Siguaw, 2003). In less than 10 years of launching, Expedia had accounted for more than half of online hotel bookings, and became the eighth largest travel agency in the United States. The website’s revenue more than doubled in approximately two years from hotel bookings. This sparked the beginning of the trend of online bookings with the owners of Expedia leading this trend.

According to TNS Canadian Facts’ Online Express (2006), one half of Canadians consider the Internet to be very or extremely important to their travel plans. This number went up from one third in comparison to the numbers in 2002. Gasson (2003) states that the issuing of paper tickets dropped to 6% in 2009 compared to 24% in 2002. They also state that 65 million adults in the United States were making bookings online as of November 2005. The steady growth in Internet travel bookings in the United States ranged from 21% in 2000 to 51% in 2006. (TNS Canadian Facts’ Online Express, 2006)

From computerized airline reservations such as SABRE to the use of travel agencies to online travel agents, the tourism and travel industry is undoubtedly changing constantly based on the change in consumer demands. With the increased use of the Internet for gathering information, online travel agents are becoming increasingly popular, and will continue to grow in the upcoming years.
Breadth of Impacts to Date

With the new revolution of online bookings, travel agencies face an increased risk and vulnerability in the travel industry. They have faced a risk of disintermediation and reduction of commission costs from hotels and airlines, but this acts as a benefit for the hotel and airline industries because of the reduction in coordination costs and expenses. Consumers also gain benefits with this trend as they gain more satisfaction with individual control of their travels.

The popular use of online travel agents acts as a threat for traditional on-site travel agencies as they are now being bypassed, as consumers are now able to access information independently. In fact, Cheyne, Downes and Legg, S. (2006) state that online travel sales make up the largest retail e-commerce category. This includes the purchases of airline tickets, hotel bookings, cruise ship bookings, and car rental bookings. This impacts the travel agent industry negatively, as online travel sales are beginning to take over e-commerce as the largest retail category. With online travel sales becoming more popular, hotels and airlines are beginning to eliminate the use of off and online travel agencies in order to reduce their coordination costs. This is a disadvantage to the travel agents as their commission salaries decrease, and there is less demand for travel agents from hotels and airlines.

With online travel sales increasing, hotels and airlines perceive travel agencies to be unnecessary, and view this as an opportunity to reduce their coordination costs by eliminating travel agencies on a whole. With such high costs in travel agent commission alone, the airlines are willing to cut down on the costs, especially since Internet purchases are becoming of higher demand. The elimination of these costs is one of the reasons
many airlines offer discount fares that are available exclusively to online users, and promote the use of electronic ticketing. Lewis, Semeijn, and Talalayevsky (2000) state that the ability to make travel-related reservations online directly with the provider significantly reduces fixed and variable coordination costs because there is no human intervention between the consumer and the travel provider. Airlines and hotels view this as an advantage as their high cost of fixed and variable coordination costs will be reduced, given they invest in their own distribution systems.

They are also able to communicate and make sales directly to the consumer via their website. This allows them to gain customer feedback on the booking website, and their personal experience with the service. However, this also acts as a disadvantage to the hotel and airline industries as there is more pressure for them to provide consistent and satisfying customer service that a travel agent would provide. Consumers are now more demanding and unforgiving; they expect websites to be swift and expect to complete their online purchases within a few minutes. They demand convenience and speed along with a commendable customer service. This acts as a challenge for the involved industries because they are required to provide the services that travel agencies provide, along with their original services; therefore creating more pressure to meet the heterogeneity in consumer needs and demands.

Telfer (2000) states as people are becoming more experienced in travelling, they are demanding more individual control... The Internet provides consumers with more information, quicker responses, and often lower, and more transparent prices for their travels. This not only gives them more control, but it also gives them the opportunity to access the desired information without the additional costs of using a travel agent.
Travelers are interested in a convenient way to access information such as airline schedules and fares; they want to control travel costs, and demand to pay the lowest price possible.

The overall impact of the trend in travel technology has negatively affected the independent travel agents. Hotels, airlines, and cruise industries are positively affected because they gain financial benefits with the disintermediation of travel agencies, along with the benefits of direct customer interaction.

**Anticipated Future Evolution and Impacts**

With the tourism and travel industry being extremely heterogeneous, there is no doubt that the changes will continue to occur rapidly. Hotel and airline websites will have to be updated constantly, online travel agents will need to provide swift service, and online travel bookings will increase. With wireless technology such as tablets and mobile phones increasing in popularity, travelers will demand for tourism resources that match these sources.

Telfer (2000) states [t]avel agencies will differentiate themselves through customer service and more agencies will increase their level of outsourcing for items such as ticketing. Even with the decline in use of travel agencies, the industry will still aim to target those who prefer not to spend time researching travel information. In order to differentiate themselves, they will offer more value-added services such as increased consumer interaction and satisfaction, and offer value-added packages that are not accessible via online travel websites. With the tech-savvy, Generation Y group, it is possible that the agencies will begin to target the Generation X group. The baby boomers, namely the biggest e-commerce spenders, will also consist of leisure travelers, as most of
them will be in retirement, along with a higher income and less familiar with mobile
technology. This will positively impact the industry as they target a market with higher
income, and possibly higher willingness to pay, which will in turn result in a higher rate
of profitability.

Vinod (2011) states US online travel bookings will increase by 8.1 per cent each
year to $153 billion through 2014. Online travel bookings are projected to continue to
increase, which shows that the influence of Internet will continue to rise in the upcoming
years. Websites will be required to meet the demands of the consumer, such as swift
service, exceedingly satisfying customer service, and provide transparent rates. This will
include the exclusion of hidden fees such as luggage fees and seating fees for airlines.
With consumers being more aware of such hidden fees, the demand for transparent rates
will continue to increase. The ease of price comparison among hotels or airlines is also
becoming popular; therefore hotel and airline industries must find a way to fulfill this
new demand. It is understood that online booking websites will become a fragmented
industry in the upcoming years, as competing OTAs join together in order to survive in
the competitive industry. Their main goal will be to gain consumer loyalty through the
use of brand loyalty, and invest in decisions that support customer interaction and
satisfaction. “To attract and retain profitable customers, OTAs and supplier websites will
continue to focus on web analytics, understand consumer preferences and feedback to

The demand for faster wireless service will also continue to increase. With the
development of 4G broadband services, service providers are aiming to increase the 4G
to 10G. This applies to wireless as well as Internet at home. The use of mobile phones
during travel is also becoming increasingly popular. Whether it is used for determining local attractions or for the GPS, travelers are beginning to use their mobile phones while traveling internationally. Therefore, it is imperative that service providers fulfill this need by providing more affordable roaming packages or rates, and broaden their services in countries where they are not networking.

Conclusion

The use of Internet is undoubtedly rapidly increasing. As consumers become more tech-savvy, they also become more knowledgeable and aware of hidden fees; therefore they are demanding transparency in their purchases. Online travel agents provide this transparency, along with easy price comparisons among different companies. With the convenience and cost of savings that online travel websites provide, the use of traditional on-site travel agents is declining. Airlines and hotels also perceive travel agents to be unnecessary, leading to disintermediation of travel agents. Along the lines of online bookings, travelers are now able to use their mobile devices to check-in to airports or hotels, avoiding the queues at the check-in counters. The use of mobile devices while traveling internationally is also becoming popular as travelers use their mobile devices to search for information such as local restaurants, accommodations, or directions to a local store.

The overall impact of this travel technology trend comes with advantages and disadvantages. Traditional travel agents are the ones who are mainly negatively affected, while airline and hotel industries are gaining benefits from this trend; as in the consumer.


