

# Advantages of both tourism operators



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The growth of the internet has made direct selling easier and faster for both tour operators and tourists. According to Frost (2004) the fascination with new technology has changed the way tourism providers interact and trade with their customers. The primary focus for this essay is to discuss the advantages and disadvantages of direct selling for travel and tour management. In this essay, the perspectives of both tourism operators and tourists will be considered.

This essay will be presented in four sections. The first section will outline direct selling and identify the users of direct selling. The second section will discuss the advantages and disadvantages for a tourist using direct selling. The third section will discuss the advantages and disadvantages for a tourism provider using direct selling. Finally, the essay will be concluded summarising the key advantages and disadvantages for direct selling.

In the past, travel agents have been an intermediary for tourists and tourism sellers. Travel agents have been used by tourists to access a wide range of tourism service providers; likewise tourism providers have used travel agents to gain access to numerous customers (Frost, 2004). Due to the extreme competition in the tourism industry, tourism providers are looking to cut costs in order to win over customers with lower prices. This is currently being done by cutting down on the commission costs payed to intermediary such as travel agents and introducing direct selling.

In recent years the rapid growth and vast accessibility of the internet has allowed the transition to direct selling to take over. The internet creates availability and accessibility for tourists and tourism providers to do business

while providing equivalent information at a lower cost than a travel agent can (Bennett & Lai, 2005). Moreover, Frost (2004) identifies four methods of direct selling other than the internet where tourism businesses are able to get in contact and do business with tourists, these include: use of the telephone, increased use of credit cards, the development of call centres and the development of customer loyalty programs. Each of these function have the ability to facilitate direct selling and put the tourism seller directly in touch with the purchaser.

However, for many tourism businesses, airlines in particular, the internet has become the primary method for direct selling (Law & Leung, 000, as cited in Frost, 2004) Tourism businesses are generally able to easily create their own websites on the internet to attract, interact and make transactions with potential tourists without using an agent. According to Bennett and Lai (2005) the internet has given tourism providers such as hotels the opportunity to cut out intermediaries by providing facilities for direct booking via their websites. Hotels and airlines are service providers who make notable use of direct selling over the internet. According to Howard and Harris (2001) travel products are one of the most popular products and services available on the internet as they do not require the customer to feel, smell, try on or test before purchasing and the product does not need to be sent to the buyer.

Many tourism businesses provide the opportunity to purchase tourism products or services directly via their websites. A study by Dolnicar and Laesser (2007) revealed that 64.4% Swiss tourists purchase tickets for scheduled flights departing from local airports directly from suppliers in

comparison to 35. % who purchase from travel agents, similarly only 33. 2% of Swiss tourists purchase tickets for ships and cruises from travel agents. This data shows that many tourists are moving away from the traditional use of travel agents and further towards direct purchasing.

Webber and Wesley (1999) found that the types of tourists most likely to be using the internet to purchase directly from tourism sellers are usually between the ages of 26 and 55, have high incomes, are employed in management, professional or computer related positions and have more experience on the internet. However it is important to note here that this research was conducted in 1999 and results today may differ. A tourist will experience advantages when purchasing tourism products and services directly from the seller. The most apparent advantage that a tourist encounters is lower cost.

As the seller is not required pay commissions to an intermediary, products and services become cheaper and the tourist will benefit from the lower cost. The availability of cheaper tourism products is a certain advantages for tourists. As the purchase is often a high involvement purchase, tourists tend to shop around for the best available offers. The introduction of direct selling has forced prices in the tourism industry down therefore creating more competition for sellers but better prices for buyers. Direct selling has also allowed the industry of low cost airlines to evolve and create greater savings and advantages for tourist. Dolnicar and Laesser (2007) found that direct selling over the internet also allows tourists to communicate with suppliers regarding information about the product or service and allows them to make transactions at any time and any place.

For many tourists the convenience of direct selling online is a key advantage. The ability to purchase at all hours of the day and night and from any where in the world is one of the significant attractions to online direct selling. Many tourists work long hours and are not able to get to a travel agent during open hours; this feature of convenience is a huge incentive to book directly with supplier. There are also disadvantages tourists experience when using the internet to purchase directly from sellers. According to Frost (2004) the internet is considered by some to be: impersonal, inflexible, frustrating, not always convenient, not always available and risky.

Frost (2004) explains that many people would prefer to talk to a real person when planning travel rather than a computer screen, as people value the reassurance of personal advice. Many tourists appreciate the independence of an intermediary who does not work for the supplier and will give true, unbiased advice. Intermediaries such as travel agents are able to make tourists feel comfortable when purchasing tourism products as they are able to offer lots of different options from many suppliers. Frost (2004) also identifies that for some people the internet can be difficult to use as some websites do not allow certain people to access it and may lack the information required to complete bookings. Some websites of tourism suppliers are confusing to use as they may use technical language and have too much information. People who do not use the internet as frequently as others often have difficulties with making bookings online.

Therefore, tourists often prefer to use a travel agent or intermediaries as they are able to perform all of the difficult and time consuming tasks that the tourist can not. According to Frost (2004) some tourists acting as their own

travel agent risk losing the accuracy, knowledge and speed that an agent offers. Travel agents are specially trained in understanding the industry and are available for tourists to use to gain information from. The final disadvantage experienced by tourists to be discussed is the risk of fraud. According to Frost (2001) many tourists have concerns when purchasing online and giving out personal information such as credit card details.

It is a well known fact that some people do experience fraudulent behaviour when spending money online. This can be a high risk that a tourist takes when purchasing from an unknown supplier. This disadvantage of purchasing directly from a supplier may prevent some tourists from utilising this facility and choosing to use a trusted agent. When tourism suppliers sell directly to the tourist, the seller will also experience advantages and disadvantages. The foremost advantage experienced by a supplier selling to a tourist involves lower costs. These lower costs are often experienced due to the reduction in costs of commissions and distribution costs.

Dolnicar and Laesser (2007) complement these advantages by including higher revenues and a larger potential market to the advantages of a supplier selling via a webpage or directly to the tourist. Bennett and Lai (2005) found that suppliers reduce costs by cutting out the 'middleman' or intermediaries such as travel agents. As previously discussed, travel agents and intermediaries work based on the commission paid to them by the seller for selling to tourists on their behalf. By cutting out the intermediary and selling directly to the tourist, large savings can be made by the tourism supplier. These cost reduction will not only increase revenues, but allow the tourism supplier to be more competitive within the industry.

Further advantages of supplying online include the little to no capital investment required and the effectiveness of promotion and distribution through video clips, virtual tours and images (Bennett and Lai, 2005).

Websites make communicating with tourists cost and time effective with online contact facilities such as online bookings email responses. Sellers are also able to provide all required information on the web page including frequently asked questions so that the buyer does not have to contact the supplier. The use of images and videos provide more depth to what the tourist is purchasing and allows the tourist to interpret the information. According to Bennett and Lai (2005) some suppliers, airlines in particular, benefit from direct selling as the internet reduces the cost of producing tickets. As tickets booked online are all created electronically, the supplier saves in the costs of printing the ticket and distributing the ticket.

Further research has found that suppliers are choosing to improve their service by creating customer loyalty programs that allows the business to keep record of past users (Bennett & Lai, 2005). These customer loyalty programs not only benefit tourist, but they allow the supplier to keep a close eye on where and when the customer is travelling. Once the tourism businesses knows who the customer is they are able to target them with promotions for future travel. This shows that if the seller was not directly in touch with the tourist, their customer knowledge would be limited and future promotion would be more difficult.

Common customer loyalty programs in the tourism industry include frequent flyer programs and hotel rewards clubs. These loyalty programs usually reward customers for repeat business with discounts, perks and upgrades

therefore encourages the customer to continue to use the business. The disadvantages of suppliers selling directly to tourists have also been considered. These disadvantages include the costs of maintaining websites and support facilities whilst trying to keep the tourism business running. Many tourism businesses, particularly smaller businesses find it easier to leave the sales and customer service duties to experienced agents so that they are free to do what they do best. Although most large tourism organisations such as airlines have developed departments especially for direct selling, smaller businesses such as tour operators may not have the capacity or facilities to conduct direct business with tourists.

Dolnicar and Laesser (2007) found that the costs in maintaining websites, the use of information technology support and the usage of internet channels often becomes costly to some tourism businesses. It is important for the tourism supplier to ensure that websites are constantly up dated and all applications and purchasing functions are working properly and easy for the tourist to use. In addition, the tourism supplier must ensure that the business is advertised in the best possible media outlet to guarantee high customer coverage. In conclusion, this essay has revealed that the growth of the internet is allowing communication between tourists and tourism sellers to be much easier and widely available. Key advantages for tourist purchasing tourism products through directly include lower purchasing costs and the convenience of purchasing from any where at any time.

However the disadvantages of purchasing directly include the lack of personalisation and trust, the inconvenience of time wastage and the risk of fraud. Key advantages of tourism businesses selling directly to businesses



involve the reduction of costs paid to intermediaries and an increase in customer loyalty. However disadvantages to tourism businesses include higher competition and the costs of maintaining websites. This essay has shown that although direct selling and the internet and is steering customers away from the use of intermediaries such as travel agents, there are still many advantages and disadvantages to both suppliers and tourists when doing business together. References: Bennett, M.

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