

# The history of travel agencies



Travel agencies exist mainly as intermediaries among suppliers of travel services such as carriers and hotels, and customers. Travel agencies do not deal with tangible products but with information where it is different from other distributors in many industries (Cheung & Lam, 2009). As for the travel agent it is best defined as an individual who undertakes a work for another individual, who is being the 'principal'. The principal in such an affiliation not only sets the aims of the work, such as selling tickets, however can also control the means and way in which the work is completed (Cheung & Lam, 2009). Cheung & Lam (2009) added that modifications in the business over the past ten years have affectedly changed the environment and significance of info in the travel industry and, subsequently, the role of travel agency.

Lately, the technology advancement has brought changes in tourism industry. Why did the Internet so affectedly affect the travel industry? What impact do the changes have on travelers? (Harrell Associates, 2002). The Internet has revolutionized the method in which customers make their travel choices (Anon, 2012). Customers nowadays have several additional selections because the Internet offers providers additional chances to generate direct customer relations and allows a varied range of pricing (Harrell Associates, 2002). The Internet offers an influential atmosphere for the conception of virtual representations of tourism destinations permitting indirect experience that really exceeds the potentials of traditional travel agents (Bogdanovych, Berger, Simoff & Sierra, 2005). Currently the Internet is the perfect connection among customers and dealers, over hundreds of websites, travelers have sufficient information for their travel preparation (Ortega, 2008). According to Travel Industry Association of America (TIA)

over 75 million online travelers used the Internet for their travel planning such as to look for places to stay, rental car prices, also searching for maps and driving directions, searching for airfares and schedules and other information about tourist destinations (Ortega, 2008).

According to Ortega (2008), he said that the travel planning and booking on the Web are among the greatest popular online activities in best important e-commerce markets and online travel sales are rising at an explosive amount (over \$115 billion this year) in the US, Europe and the Asia-Pacific regions. Therefore, because of the growing of the e-commerce in the tourism industry, the tourists have numerous selections provided by the Internet to obtain online, in the ease of their houses or offices, touristic services and products (Ortega, 2008). Furthermore, the Internet assists to locate low prices in tourist services such as air tickets and hotel rooms. In conclusion, it offers tourists a remarkable total of information to make an exclusive trip.

According to Vrana (2010), she claimed that a main forte to travel agencies is the capability to offer personal information and assistance to tourists endlessly, along with consultancy service for corporations and will keep on secure if their advice-offering ability remained supported by the existence of the Internet. Even though there are many online travel services, a traditional travel agent is as far a vital part of the trip as ease is to traveling! (Will, 2012). The travel industry is comprised of over a dozen related industries: airlines, restaurants, hotels/motels, travel agencies, gift shops, auto rentals, and a host of other businesses that may not be even recognized their dependence on travel and tourism since travelers are usually indistinguishable from local customers (Cheung & Lam, 2009). Will (2012)

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also stated that, the part of a travel agent has remained growing with the eras and currently most people are reliant on them for fulfilling most of their travel plans so that they can rest calmly and just relish their trip.

This study aims to examine the factors involves in sustaining travel agency's operation in order to survive in this tourism industry and evaluate their performance or sales of travel agency that can affected by the uses of technology such as Internet.

## 1. 1 RESEARCH ISSUES

Tourism has become the second largest economy contributor after manufacturing. One of the factors that contributes to the boom of tourism market is the advancement of technology. Travel industry are comprises of variety related industries, such as airlines, travel agencies, restaurants, hotel/motel and more (Cheung & Lam, 2009). More or less, each of the related industry will get at least a little impact from the technology advancement, notably these travel agencies. There is some research that indicates that tourism product is popular to be bought through online (Nysveen & Lexhagen, 2001). Online tourism has grown rapidly as the consumer nowadays are using the advancement of technology to acquire information and also purchasing tourism products and services (Dixit, Belwal & Singh, n. d).

There are many reasons why consumer tends to choose Internet as one their medium in purchasing tourism product and services. One of it is Internet are giving them cost-saving convenience (Cheung & Lam, 2009). Cost-saving convenience means that there are no efforts required for the consumer to

spend their time and money to seek for information needed about a certain package. Some of the consumers also choosing Internet rather than looking for travel agencies because of the flexibility that Internet has to offer. The consumer are seeking flexible tourism product to suit their travel needs (Harris & Duckworth, 2005). Based on their research, the consumers buying pattern recently has change rapidly to independent travel from the typical package holiday. To support this statement, they are adapting a research done by Mintel, in UK independent travel has conquered the travel market in 2004 with 55%.

The other reason why consumers tend to choose Internet over travel agencies is because of online experience has greater potential in visualizing travel destinations (Bogdanovych, Berger, Simoff & Sierra, n. d). They also stated that online technology offers 3D interactive tours that can deliver clearer image on the destination. Interactive videos can also be shown online without interrupting other customers. Based on a study done by Daugherty, Hairong & Biocca (2005) which they wanted to get consumers reaction on the product presentation method. The two choices are indirect experience (virtual presentation), and direct experience (direct product manipulation). The results proved that, product knowledge and decision quality made by the consumer are both significantly higher when they are exposed to interactive 3D products than to static products presented in a form-based way.

Despite from all the factors, travel agencies which are at stake need to survive in order to sustain their spot in the travel industry. They have to differentiate themselves more than what technology advancement has to

offer. Based on the statement of research problem, we want to conduct a research on how travel agencies can sustain their operation. There are a few factors that make travel agencies can sustain themselves in tourism industry in Malaysia. These factors can determine the sales of the travel agencies because the trade travel agency community has sustained substantial losses due to the mutual effect of the growth of Internet (Cole, 2009)

## 1. 2 STATEMENT OF RESEARCH PROBLEM

Generally, in real world, an increasing competition from other channel had caused the number of traditional travel agents nearly decrease (Buhalis, 2003). The Internet is changing the industry's structure and the consumer's behavior. Widely used of technology in tourism industry has affect the operation of the travel agencies in Malaysia. The usage of Internet by travelers has decreased the number of travel agencies' sales in Malaysia. Besides that, Internet also has caused the high street travel agencies to close, thus creating job losses within the businesses (Anon, 2010).

Many studies have looked into The Internet Travel Industry: What Consumers Should Expect and Need to Know, and Options for a Better Marketplace (Harrell Associates, 2002), Travel Agents vs. Online Booking: Tackling the Shortcomings of Nowadays Online Tourism Portals (Bogdanovych, Berger, Simoff & Carles Sierra, n. d), Evaluating the Adoption and Use of Internet-based Marketing Information Systems to Improve Marketing Intelligence : The Case of Tourism SMEs in Jordan, AL-allak, 2010), Attitudes Towards Internet Use Among Travel Agencies In Greece (Vasiliki, Costas & Savvas) and Travel Agents Fight A Losing Battle With the Internet (World Airline

News, 2008). Unfortunately, there is no specific study that evaluates or observes on the factors that lead to the methods of sustaining the travel agencies operation in Malaysia regarding on the technology advancement.

### 1. 3 RESEARCH OBJECTIVES

- 1) To identify the factors that capable to sustain the operation of travel agencies in Malaysia
- 2) To identify whether the performance or sales of travel agency are affected by the uses of technology such as Internet or not.

### 1. 4 RESEARCH QUESTION

- 1) What are the factors that can sustain the operation of travel agencies in Malaysia?
- 2) Does the performance or sales of travel agency are affected by the uses of technology such as Internet?

### 1. 5 CONCEPTUAL FRAMEWORK

Independent variables    Dependent variable

Sustainability factors:

- Human Touch
- Negotiation Power
- Interpersonal Skills

- Niche Market

Travel agency's operation

Figure 1: Proposed framework for the study

#### 1. 6 SCOPE OF THE STUDY

The scope of the study is using the travel agencies around the Klang Valley area. All the travel agencies that took part in this study offers wide-range of services and products in their company. These travel agencies have been selected according to their location that located in Kuala Lumpur and Selangor. Most of the travel agencies are located in Kuala Lumpur.

#### 1. 7 SIGNIFANCE OF THE STUDY

This study will basically benefit few categories of organizations that play important key roles in the tourism industry. Firstly, the government bodies such as the Ministry of Tourism, Tourism Malaysia and travel agencies in Malaysia. Secondly, this study will benefit the educational institution especially academicians and students in the tourism line. Therefore, it is hoped that this study can act as a guide and reference in future studies. There might be some filed in this study that is not investigate thoroughly due to constraint of time and funding and therefore it is welcome for any future researcher to examine those intended field.

#### 1. 8 LIMITATIONS OF THE STUDY

For this study, we were using online survey. In order to deliver the questionnaires, we need to use an email. We took the email address of travel <https://assignbuster.com/the-history-of-travel-agencies/>



agencies from MATTA website, MOTOUR website and also their own website, however, some of the emails are not valid. This problem leads to the difficulty in collecting the information and giving us some difficulties in processing the result. Other than that, some of travel agencies did not give cooperation to us. They were not answering the questionnaires even though we already stated that all information are confidential and only use for study purposes. Lack of the cooperation and resources limit the researchers to gain extra information to enhance the study.

## 1. 9 SUMMARY

This chapter has presented the background of the research and research problem, outlining the research objectives and questions relevant to the research topic. This chapter also covered the scope of the study together with the importance in conducting the research.

## CHAPTER 2

### LITERATURE REVIEW

#### 2. 0 INTRODUCTION

This study aims to discover the factors that can make the travel agencies in Malaysia sustain its' operation in this tourism industry. In order to achieve the objectives of the study, literatures regarding the sustainability factors will be examine.

#### 2. 1 HUMAN TOUCH

According to a professor of psychology, Dacher Keltner from a University of California, Berkeley, he says that, touch is “ our richest means of emotional expression”. The researcher found out that, touch interconnects in ways that words cannot (Moll, 2012). In retail store settings, concisely touching customers has been shown to rise the consumers’ shopping times, store valuations and purchase volumes (Lynn, Le, & Sherwyn, 1998). According to Jochman (2009) in his article title ‘ The Benefit of Human Touch’, he said that the quantity of body contact plays an important role in people’s physical growth and mental as infants and in our happiness as an adults as shown by the scientists. Human touch has experience of working with banks, credit unions, insurers and other financial service providers to increase awareness of how service excellence can have a dramatic impact on their bottom line (Anon, 2012). A service representative asking the right questions and being sensitive to a customer’s needs can make all the difference between the sale of a financial product and the loss of that business to a competitor (Anon, 2012). In the years of computer-generated workplaces, where e-mail, teleconferencing and fax machines increase, something is missing that American business people need to close a deal the human touch (Seaberry, 2000). In other words, handshake and looking at each other’s eyes are still needed by the business people.

According to James J. Green (2012) in his article, he said that the personal touch-the person-to-person touch-that you offer to your clients the one that distinguishes you. He added that talking to your peers, in person, provides you with perceptions that you cannot get electronically. Individuals play an important role in any business relationship because it is actually managed by

individuals (Nguyen & Nguyen, 2011). In manufacturer-distributor relationships, personal interactions talk about the communication at the individual level between distributors and manufacturers' vital contact people (Ulaga, 2003). Furthermore, research has shown that personal interaction can play a critical role in distributors' valuations of suppliers' performance (Ulaga, 2003). As said by Kaufman (2012), automation is vital for growing and speeds up service in many industries. However, he added that when individual care or courtesy is required, customers require contact with real people. Once human energy flows and connects, good things can get completed and you can increase customer experience to your advantage (Kaufman, 2012).

Scholars in marketing and organizational behavior are present giving increasing attention to the personal interaction among the customer and the employee on the frontline of service businesses (Mattsson, 1994). The personal interaction is recognized to be one of the important subjects in business and industrial marketing, both in terms of practice and theory (Mainela & Ulkuniemi, 2012). Mainela and Ulkuniemi (2012) also stated in their journal that, personal interaction is also required to exchange social values and it may weaken the involvement of price in determining the behavior of the two parties. According to Pinnington and Scanlon (2009), business relationships are actually managed by individuals and there is extensive personal interaction in any business relationship (Pinnington & Scanlon, 2009). Research has shown that a lot of companies are moving from transactional separate relations to relational ones (Nguyen & Nguyen, 2011). In addition, Tho D. Nguyen, Trang T. M. Nguyen (2011) said that,

committed relationships are among the most durable because they are difficult for competitors to comprehend, to duplicate, or to relocate. Thus, scholars and practitioners have agreed that two-way relationships between buyers and sellers represent a source of competitive advantage (Nguyen & Nguyen, 2011).

Travel agent might look similar to a profession of the past, just like elevator operators and milkmen, however they are not merely hanging on, certain of them are successful. In actual fact, the February/March topic of Shop Smart magazine has a story on travel agents, saying that they are a lot better than online travel services (Williams, 2008). In the article title 'Travel agents: Hong Kongers prefer the real thing', Hong Kong travelers blame the online trend and continue to choose for humans when booking vacations (Li, 2012). Li (2012) also said that, Hong Kong is not a huge city; it is appropriate for people to make straight contact with travel agents as they are the expertise and backing that an offline travel adviser can convey additional value to the holiday. Travel agents will make sure that you will have an incredible experience on your trip. They are excited and will show their enthusiasm in helping you, their clients, have the best vacation possible (Bow, 2012). Travel professionals are individually invested in seeing your trip come to be a success trip. This personal interaction with existent, live agents undermines the frequent dull experience of doing it yourself online (Bow, 2012). As soon as you book a trip or a holiday with a travel agent, you create a personal as well as a business rapport with that travel agent. If something goes incorrect, your travel agent is your personal representative who has an entrusted concern in resolving the problem to your satisfaction (Morris, 2012).

According to Geoff Williams (2008), if you are afraid that you will need to change your flight or your travel plans at the last minute, a travel agent might be capable to talk to an airline directly and will save you away from those worries and stresses.

Even though growing numbers of people turning to technology, specialists on both sides of the bureau are saying that there will always be a space for the human touch (The Sydney Morning Herald, 2007). Wherever travel agents remain incomparable is in their capability to offer a personal service. Naisbitt (2001) refers to it as ‘ high-touch’, the antidote to ‘ high-tech’. Moreover, it is becoming increasingly evident that agencies will need a ‘ high-touch high-tech’ strategy to satisfy the customers of the future (Naisbitt, 2001). A website cannot provide what the travel agent can offer such offering help, advice and also that “ personal touch” to your travel planning experiences (McNally, 2007). According to the technology advisor Mary O’ Haver, the experience that travel agent has is part of the personal touch that travel agents can offer. Besides that, according to Hoffman (2012) who is an online travel expert and managing director of the world’s largest online travel agency, expedia. com. au, people will always like to walk into a store and get personal service. He also said that, the more complex the trip, the more cooperative an experienced agent will be. He continued that, an agent can guide an inexperienced traveler over foreign travel or travel to exotic destinations. When travel in less developed tourism destination, the travel agents may have more knowledge of travel about that destination (Morris, 2012). Complicated arrangements like various destinations on one ticket or

group travel might turn into difficult and an agent with experience can help (Morris, 2012).

According to Olmsted (2012) in his article, between the several main advantages of high-powered agents carry to the table is individual connections and influence. If you have problems while you remain away, your travel agent is there to help you in resolving your concerns. If you make a booking with a travel agency, you are less likely to experience flight, city, or accommodation changes by the tour company, as they know the agent will be there to stand behind you (Travel Café Inc, 2012). If you have at present reserved your trip but before you go to travel you want to adjust some details, your travel agency can assist you by get all the required steps complete, leaving you without the difficulty and confusion (McNally, 2007). Travel agencies take care of all travel particulars form reserving tickets to booking hotels that can give the tourist sufficient time to plan the travel (McNally, 2007).

According to Donvan & Lieberman (2011), the human touch that makes travel agencies different is when something goes wrong with our trip; we have someone to call or refer to solve the problem. Compared to persons who booked their accommodation or flight tickets online, there was no one for them to refer to help them resolve that situation. Secondly, according to them, travel agents are giving services by giving real information or their personal experience on the destination spots they send people to. They can also give travel tips that maybe useful where we cannot get them from online information. If a person booked online, if there is any mistakes happen during their bookings, they will have to carry the burden for themselves. But,

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using by the travel agents, they will do anything in order to personalize the needs and wants of their customer (Travel Café Inc, 2011). Besides that, the travel agents are giving their specialized expertise that an individual does not have, or might forget during a trip. For example, visas, insurance, currency exchange and also custom regulation of a destination (Cole, 2009). Travel agents can help you to arrange and organize any compulsory official papers that you possibly will need in order to travel outside of the country (McNally, 2007). Rand McNally (2007) added that, travel agents know the necessary documents that you may need for your traveling such as visa and they can direct you to your local passport office too. Furthermore, travel agent can give extra services that an individual cannot get from online booking. One of the example is they have the ability to source and different travel experience and help to book hard booked restaurant (Talwar, 2011). Other than that, when you call with any problems during your trip, an online travel agency is not going to pick-up the phone but then a travel agent will remains to give you that personal care even though you are away (McNally, 2007). Building that personal relationship provides you the assurance that you can reliance on your agent's expertise and no matter the situation, they will be around to assist you to find a resolution (Bow, 2012).

Additionally, if you should have any enquiries after booking your trip, you know exactly how to contact your travel agent and can escape the uncertain FAQ section on a website (McNally, 2007). The services that serve with the human touch and worth deal will make the travel agency retain in the business. According to Geoff Williams in his article, he said that as soon as the tourism space getting bigger, you are going to have a choice in the

middle of a thinking, helpful individual and a capable unfeeling internet site that does not surely care if you travel on Saturn whereas your baggage bursts into flames on Mercury. As for that, who are you going to trust? Smart Money magazine summarized the whole thing moderately well on the cover of the June 2007 edition. “FORGET ONLINE! TRAVEL AGENTS GET BETTER DEALS”.

## 2. 2 NEGOTIATION POWER

In general, negotiation mean bargaining process between two or more parties seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict (Business Dictionary. com). According to Fisher & Ury in their book Getting to YES: Negotiating Agreement without Giving In, negotiating is a basic way in getting what you want from other people (1981). While in Oxford Dictionary, negotiation means discussion is aimed at reaching an agreement. In Women Are Getting Even (WAGE) website, they interpret negotiation as conversation between two parties in order to make an exchange. According to Rusk (2006), the meaning of negotiation is “discussion intended to produce an agreement”. It also can be referring as common solutions that used to make a decisions and settle down the problems (Moore, 2012), a process which is two or more parties attempt to agree on the rate of goods and services that they exchange (Robbins & Judge, 2003). Conflict and negotiation are a fact of everyday work-life, yet it often produces anxiety (Cutts, 2012).

The UK Border Agency has announced that there are still technical problems with online booking service (Kelly, 2012). This statement shows that



sometimes online booking faced a problem such as lost record (Kirschbaum, 2009), security issues (Fane, 2010) and technical issues (Scoot, 2012). There are problems that faced by customer when they used online booking system. Despite the fact that all the respondents (except for one) use computers almost every day, 14% believe that booking online is not securing in general (Bogdanovych et al, 2006). Conflict happen because of these problems. Conflict happen when people did not agree with the issue, it will create a friction or tension between that individual or groups (Nahavandi, 1999). Negotiation is a process that examining the facts of situation, exposing the interest of both parties involved and bargaining to solve the conflict as many as possible (Moore, 2012). Negotiation permeates the interaction of almost everybody in the organization (Robbins & Judge, 2003). According to Lucas (2008), conflict might occur because of differing perception, inadequate or poor communication and also contrary expectations. These problems often happen when dealing with customer especially in travel agency. In tourism industry, negotiation is an important process to gain a mutual agreement of something, especially for the travel agencies. It is crucial for them to confirm what their customer wants and need. Through negotiation conflict between travel agency and customer can be reduced. Negotiating through areas of conflict can often lead to win-win situations agreeable to parties, reducing ill feeling and conflict (Queensland Government, 2011). Travel agents have the negotiation power because they have maximum choice to offer to their clients (Travel Café Inc 2011). This means they have variety of choices that they can get from their travel suppliers and they can give us the best deal with best value of possible. Online booking lack of firsthand knowledge and rarely gives customer opportunity to speak with someone knowledgeable

about service that they are booking (Morelock, 2012). The clients and travel agents can assist us to get what we need in our vacation and help us to get the best offer.

Online booking allows customer to make all travel plans on the Internet means they can do it any time of the day or night at home or while they're on their lunch break at the office (Oakley, 2012). It is true when we are doing booking online we can make a booking everywhere and anytime, where it will be more convenient to us, but we cannot negotiate the price of the tourism product that we wish to book. If we are negotiating with travel agents, we have the chance to get lower prices as possible. Price negotiation usually occurs during purchasing of materials or supplies (Francois, 2012). For example, if a travel package to Cameron Highlands costs about RM300 for two nights, the clients can negotiate to get the lower price and finally they will get the offer around RM250 only. With negotiations, both parties will receive their own benefits and it is a win-win situation (Rusk, 2006). When customer asks an agent to negotiate, means customer are essentially asking the agent to subsidize their vacation (Brock, 2009) but through online system, customer had no chance to negotiate with an agent because the price is fixed. The Marriott International, Hilton Hotels, Sheraton Hotels & Resorts and others was charged in San Francisco Federal Court on charges conspired to use their market dominance to fix the hotel prices with travel websites like Travelocity, Booking.com and Expedia, a subsidiary of Priceline.com. From this case we can see that customer cannot negotiate the price because the price is fixed. The aim of the negotiations is to decide the price that is acceptable for both parties (Francois, 2012)

From price negotiation process it becomes bargaining process. Negotiations commonly follow a process of “positional bargaining” (Cutts, 2012). Oxford Online Dictionary give two interpretation of bargaining, the first is an agreement between two or more people or groups as to what each will do for the other. The second is a thing bought or offered for sale much more cheaply than usual or expected. There are two types of negotiation which are distributive bargaining and integrative bargaining (Robbins & Judge, 2003). Distributive bargaining also called claiming value, zero-sum or win-lose bargaining is a competitive strategy that is used to decide how to distribute a fixed resource such as money (Spangler, 2003). Honeyman (2012), interpret integrative bargaining as one of platform which party try to understand interests of another party, on the expectation that it will helping the opponent to create solution as responsive its own concerns. According to Tewart (2012), many times people say they don't like to negotiate (bargaining) yet, they still shop around and never pay full price. The word bargaining here does not only mean price negotiation, it is a much differentiated and broader term (Management Study Guide, 2012). Customer also can bargain to build his or her own trip with or without help from a customer care executive (Agarwal, 2012), asking whether travel agency offer travel insurance (trip – Travel Responsibility Informed & Protected, 2012) and a customer can seek redress under certain circumstances commonly referred as the right to repair, replacement or refund (Government of South Australia, 2011). These are things that customer can always bargain with travel agencies.

The freedom for the customer is restricted when they make booking through online system. Customer cannot confirm their specific requirement when make the online booking through the hotel reservation system (Vyas, 2010). For example, when they make booking through hotel reservation system and they have something that they don't understand, there is no place for them to raise the questions. According to Lloyd, booking online doesn't have individual to deal with booking process, it leaf to customer to read and understand the complicated terms and conditions. One of the advantages of booking direct with the hotel, by phone or email, is that customer can request a specific room of the hotel and they cannot normally do that online or with an agent (Trend, 2010)

According to Tewart (2012), most people act in their best interest and most people who say they don't like negotiating, actually still want to. This statement shows that customers still love to negotiate and online booking system prevent them from doing it. Negotiation is needed in order to secure the resources required for successful project completion (Evans & Lindsay, 2008). Through negotiating win-win solutions with customers, it will not only give your company the best chance to succeed but will also create relation between customer and your company for future sales opportunities (Douglas, 2003). Negotiation also can increase clarity about the problem, can lead to innovative breakthroughs and new approaches, involvement in conflict can sharpen approaches to bargaining, influencing, competing and also can focus more attention on basic issues and lead to solution (Wertheim, 1996). Solving problems that arise in negotiations is an integral part of collective bargaining. The first task is to recognize what is the

problem that occurs and the secondly, is to decide what strategy should be taken to solve the problem (Anon, 2012).

According to Goodale (2007), negotiation is one of the most important parts in business as well as one of the most interesting parts of professional purchasing