

**THE FUTURE ROLE OF INTERMEDIARIES:
A STUDY ON MALAYSIAN TRAVEL AGENCIES**



**INSTITUTE OF RESEARCH DEVELOPMENT AND
COMMERCIALISATION
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA**

**PREPARED BY
MOHD MOKHTAR MOHD GHANI
RAJA MAZHATUL YASMIN SURAYA BT. RAJA ABDUL
MALEK MUZAFFAR SHAH**

MAY 2007

ABSTRACT

This paper reports an investigation of the Malaysian conventional travel agencies in facing the reality growth of Internet and e-business technology. Realizing the threats of “disintermediation”, this study explores the awareness level of the agencies in perceiving their role as middlemen in a digital marketplace. Based on 250 samples selected among the ticketing agencies in Malaysia, 124 of them have responded to the survey. The findings illustrate, despite the fact that Internet based e-business technology adoption is still at limited stage, the perception level of the technology usage remain positive in enhancing their business performance. To be totally eliminated by the technology is not their main concern. Their role is seen as a main contributor towards the growth of the Malaysian travel industry and hence, e-business will continuously bring them an opportunity to evolve and innovate as an intermediary in the near future.

TABLE OF CONTENTS

COPYRIGHT STATEMENT	iii
DECLARATION	iv
ACKNOWLEDGEMENTS	v
ABSTRACT	vi
TABLE OF CONTENTS	vii
CHAPTER 1: INTRODUCTION AND OVERVIEW	1
Introduction	1
Problem Statement	2
Aim of the Study	3
Research Question	3
Scope of the Study	4
Significance of the Study	4
Report Overview	4
CHAPTER 2: LITERATURE REVIEW	5
Introduction	5
The Internet and E-business	5
E-travel	7
The Internet and Malaysian Travel Agencies	9
Diffusion of Innovation	9
Technology Replacement	11
CHAPTER 3: RESEARCH METHODS AND PROCEDURES	14
Introduction	14
Selection of Method	14
Research Sample	14
Planning the Survey	15
Instrument Development	15
Data Collection	15
Data Analysis	16
Summary	16

CHAPTER 1

INTRODUCTION AND OVERVIEW

Introduction

The travel and tourism industry has become an exciting industry to explore with the emergence of the Internet and e-commerce technology. It is one of the major industries to be affected by the technology and is likely to involve successful online businesses in the future. Travel agencies are organizations which have played an important role in the growth and development of the travel and tourism industry. They act as intermediaries between suppliers and customers by adding value to the products and services offered and providing advantages and convenience to both parties.

Nowadays, the advancement of technology in the market has transformed industry structure and the means of conducting a traditional business. The emergence of commercial facilities due to rapid development of the Internet has brought a major breakthrough in the form of modern and new ways of conducting businesses. Indeed, technology such as Internet and e-commerce would have an impact on the fundamental role and tasks of a travel agency in disseminating its products and services in the marketplace. This is due to the fact that the technology can offer or replace businesses with a range of effective online services. (Lawrence, Corbitt et al. 2000; Turban, Lee et al. 2000). It enables the provision of services which the conventional travel agency could not offer such as fare comparison, currency conversion, electronic travel magazine, fare tracking – free email alerts on low fares to favorite destinations, tips before travel, places and attractions, maps, chat rooms and bulletin boards and many more (Turban, Lee et al. 2000).

The emergence of new technology will leverage a new marketplace that matches buyers and sellers with increased effectiveness, facilitating transaction at lower cost to a more efficient “friction-free” market (Bakos 1998). The relationship between buyers and suppliers has become closer as the technology allows cheaper access to both parties. The

CHAPTER 2

LITERATURE REVIEW

Introduction

This chapter discusses previous literature and conceptual framework introduced by earlier researchers which are relevant and applicable to the current study. The topics reviewed in this chapter include: the Internet and e-business, e-travel, the Internet and Malaysian travel agencies, diffusion of innovations, and technology replacement.

The Internet and E-business

The Internet initially emerged from a research program initiated by the U.S Defense Advanced Research Project Agency (DARPA) in 1973 to develop communication protocols which allow networked computers to communicate across multiple linked packet networks. Subsequent to the research program, in 1986, the U.S. National Science Foundation (NSF) developed the NSFNET, a major backbone of the communication service which today, provides services for the Internet. Great support came from the U.S. Federal Government since the Internet was originally part of a federally funded research program and subsequently became a major part of the U.S. research infrastructure. However, during the late 1980s, the number of Internet users and network constituents grew worldwide including educational and research institutions, businesses and government organizations (Leiner, Cerf et al. 2000).

The emergence of the Internet has fundamentally changed the way people do things in some areas. Nowadays the technology has become a significant tool in many aspects of people's lives at home, in school, at work, in government or in leisure activities. The number of world Internet users currently has reached 580.78 million, the highest proportions coming from Europe (32%), followed by Canada and USA (31.5%), Asia/Pacific (29%), Latin America (5.7%), Africa (1.1%) and the Middle East (0.9%) (Nua Internet surveys 2002). Internet consumers were projected to double to 1 billion by 2005 (Iconocast 2001). Coming from a military and research academic background until