# The Effect of Internet on
# Travel Intermediaries in Malaysia (A case of a Retail Travel Agent)

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**ABSTRACT**

Purpose – The purpose of this paper is to investigate the effect of Internet from perspectives of traditional intermediaries (travel agency). Internet offers customers with various tools to search info and purchase products/services directly from the suppliers. Therefore, the role and evolution of travel agencies nowadays become questionable.

Design/methodology/approach – An interview was conducted with a travel agency in Malaysia to collect primary data for this qualitative research.

Findings – Even though the effect of disintermediation is severe, there are still demands from the customer that felt the needs of travel agencies because of the personalized services, customizable packages, and also they felt more secure to purchase with the travel agencies.

**Key Words:** Travel agency, Disintermediation, Internet, Distribution Channel.

## 1. INTRODUCTION

Internet was introduced in 1983. Back then, it might look like an alien technology by certain people. However today, Internet has been able to rock the world by closing the gap of communication, where now we are able to communicate with people around the world using Internet without the need for travelling or sending traditional letters in order to deliver the massages. The technology of Internet today is so convenient, as most of us can access it through mobile phones, computers, and tablets. Malaysia as a developing country also has embraced the world of Internet. Based on The Internet Users Survey, The number of Internet users in 2015 was approximately 24.1 million or 77.6% of all inhabitants in Malaysia (MCMC, 2016). This shows how significant Internet has become in Malaysia.

Internet advancement did lead travel agencies toward disintermediation, whereby the supplier have directly supply the product and services to the consumer without using any tourism distribution channel. These kinds of act enable suppliers to make more profit, and is becoming bad news to tourism distribution channel. Thakran and Verma (2013) in their study, stated that the disintermediation results from suppliers being eager to distribute products/services via emerging online technologies, such as social media and mobile technologies.

It is proven by the number of Internet users in Malaysia, consumers today are much more interested in using Internet for doing all sort of online activities such as texting, seeking information, social networking, leisure, e-government, e-banking and e-shop (MCMC, 2016). This resulted in knee-jerk reaction by tourism suppliers to established business Web sites and/or smart phones applications to publicize and distribute their products/services to consumers (Leung et al., 2014; Liu and Law, 2013).

However, according to literatures, customers enjoy the convenience of looking for information on the Internet but still like the professional services provided by travel agencies; considering that traditional intermediaries and online technologies would coexist and supplement each other to serve customers to their greatest satisfaction, Law et al. (2004). This information shed light on the situation of disintermediation that happens in current situation.

Despite the opportunity that travel agencies and Internet would coexist and supplement each other, according to Zare (2013), Internet has already profoundly transformed tourism industry and challenged the value proposition of travel agencies. Moreover, travel agencies are struggling to stay relevant through any possible way. They are also under the pressure by the travel providers who try to access the customers directly and bypass these intermediaries (Zare, 2013). This shows that disintermediation of travel agencies by the tourism supplier is severe.

The disintermediation of travel agencies causes by Internet advancement is already known as one of the biggest negative impact towards tourism distribution channel in the past decade. It is the researcher's interest to investigate the current situation of travel agencies while facing Internet advancement.

## 2. LITERATURE REVIEW

*Evolution in travel agency*

In this modern world, active presence in social media and online travel agencies are essential for hoteliers as, on one hand they need to engage with both existing and future customers to raise awareness, on the other hand to fulfill the need to find convenient commercial outlet for their products (Inversini & Masiero, 2014).

The broad usage of social media in marketing tourism products has introduced an important changed, as it changed the way customers and firms interact and transact (Mendes-Filho & Tan, 2009; Pérez-Aróstegui et al., 2015). Therefore, emergent of social media such as Facebook in the e-commerce sector gradually shifts tourism into a new concept that is recognize as f-tourism, which refers to tourism based on Facebook (Pantano & Di Pietro, 2013).

Based on the studies, most of the customers showed a huge interest to complain through Facebook in order to discourage future customers from purchasing product or services and to have direct contact with the organization to benefit in terms of reimbursement or discount (Archak et al., 2007; Pan and Zhang, 2011; Yoo and Gretzel, 2011; Pantano and Di Pietro, 2013). Unfortunately, this growing culture could has its own risk, as one negative review is enough to harm a product or a service (Pantano & Di Pietro, 2013).

*Impacts of Internet toward travel agencies.*

Use of Internet and social media has transformed the way companies conduct day-to-day business, as it is expanding exponentially worldwide; indeed, nearly half of the global population uses the Internet (McLean and Wilson, 2016). Travel agencies marketing techniques were followed to change as well (Zhang, 2004). In order to create long-term relations with the most valuable customers, companies utilizing Internet should keep  their real customers in database (Juttner and Webrli, 1995).

This is because only real-customers who plan to buy product will give their information to company (Zhang, 2004), compared to one-time visitors who are surfing sites (Juttner and Webrli, 1995). The

existence of this "customer information database", will allow travel agencies to trace and analyze their customers buying behavior. It will also help them to carry out their marketing strategies (Zhang, 2004).

Other favorable impact of the Internet towards travel agency is it allows them to collect and store massive amount of information about tours in databases and simply offering it on Web sites. However, this changes impacted the role of travel agency, as they gradually turn from a selling agency to an information agency (Zhang, 2004). Other than that, role of travel agency also change from booking agents to travel planners due to the existence of certain groups of customers that have barriers in using technology, as they continue seeking professional touch of travel agencies (Law, 2009).

Unfavorable impact of Internet is that disintermediation could happen to travel agencies. This shows that frequent buyers who frequently buy travel products online are more positive towards online booking. They are less positive about services provided by travel agents, agree it is inconvenient to seek advice from travel agency, and have lower perception for ability of travel agency to provide a human touch service and professional advice. This is worsened by airline companies and travel wholesalers that has begun to market their products directly to the consumers (Law, 2009; Craig Standing, 2014).

Even though many studies showed that travel Web sites may successfully obtain large numbers of customers, there are still customers that are never reached. This may be due to being uncomfortable to exchange personal information through the Internet and refuing to give up on authentic psychological interaction with traditional travel agency which is impossible for e-travel marketers to duplicate (Smith, 2004).

These customers agreed that travel agency could give them better service of human touch, risk reduction and individual services. Furthermore, travel agencies could provide more professional advice, as they also work with tour operators and suppliers who work in tourism destinations that would enable them to provide the customers with an expert-level of knowledge about complexities of any given location compared to dealing through online (Law, 2009; Law, Leung, & Wong, 2004; Ostdick,2017) .

## 3. RESEARCH METHODOLOGY

This study is to investigate the effect of Internet toward a small retail travel agent in Puncak Alam. The study used qualitative research. Face to face interview was conducted with a travel agency in Selangor, Malaysia. This is in line with Yin (1984) who stated that, case study information could be solicited through in-depth interviews with key informants. Purposive sampling was chosen for this study, as the sample selected is capable of providing the information needed to predict the current situation that travel agency is facing today.  The location of the travel agency is specifically located in Bandar Puncak Alam. In respect of the travel agency request to be an *anonymous* respondent, the researchers has created a nickname for the anonymous respondent as Travel Agency A. On 5th October 2017, researchers sent an email seeking permission for conducting an interview. A set of interview questions were also included in the email, to give ample time to the respondent to prepare the answers before the face to face interview on 12th October 2017. After a decent review of the literature, and multiple rounds of discussions, the researchers developed five open-ended questions which reveal insight information and views of the Travel agency A.

The questions are as follows:

Q1. How does global travel and tour distribution is evolving?

Q2. What do you think this evolution is heading?

Q3. How do you perceive the role of travel agencies after the emergence of the Internet and mobile technologies?

Q4. What changes have your company made to adapt to prevalence of Internet and mobile technologies?

Q5. Your travel agency see Internet as a threat or opportunity?

The questions were broad enough for the respondent to express freely, yet still focus within the topic that the researchers aim to analze. The researchers acknowledge that personal bias may exist in designing the questions, however, it is an agreement of all researchers that questions remain as it is. The interview were conducted in English and lasted for approximately 60 minutes.

Table 1 below provides background of the Travel agency A.

Table 1 *Background of the Travel agency A*

| Company name | Company background | Business model | Title of interviewees |
|---|---|---|---|
| Travel agency A | Established in 2013, with 15 years experience in the tourism industries. Product focus on inbound and outbound packages. Also provide arrangements for flight tickets and ground transportation. Located within UiTM in Puncak Alam. Most of their customers are residents of Puncak Alam, university staff and students of Puncak Alam. | B2C, B2B | CEO, Tour consultant, Human Resource executive |

To improve the validity and trustworthiness of our qualitative research, data analyses were perform by using thematic analysis. It was one of the most common forms of analysis in qualitative research. It emphasizes pinpointing, examining, and recording patterns or themes within data. The interview session was audio-recorded with the permission of the key informers, in condition that the audio will not to be given to third party. The audio-recorded enable efficient communication and facilitation of post-interview analysis. Researchers then reviewed the recorded messages to derive an agreement for the findings. In this approach, personal bias was eliminated and validity was assured.

This concludes research methodology section. The following sections present the findings of the research.

## 4. FINDING

*Evolution of global travel and tour distribution.*

In response to the question regarding evolution of the global travel and tour distribution, Travel agency A has stated few positive evolutions. Firstly, ticket reservation system becomes more flexible whereby the travel agencies can make ticket reservation at anywhere and anytime using Internet using their mobile phones and tablets. This enables them to do their job without needing to go to their offices. Secondly, Internet advancement did ease the travel agency to seek information for brand new and interesting product, services and places without the need to wait for other parties to promote the new product to them. Furthermore, Travel agency A also stated that the new websites in the Internet offering price comparisons have given the travel agencies abilities to compare prices of certain product and services that are quoted by different suppliers.

*Evolution of global travel and tour distribution direction.*

In relation to the question of where the global travel and tour distribution direction is heading, Travel agency A stated that it heading toward disintermediation. There are several situations happening in the Travel agency A such as decreasing number of customers that walk-in to the office to make any reservation on accommodation or flight tickets. This is because customers nowadays have access to platform that enable them to make the reservation directly to the suppliers without any help from the travel agencies. Furthermore, the key informer also said that, the price offered by some hotel and airline companies to the customers are much cheaper as travel agencies are not eligible to get promotional rate or special rate. Therefore, this situation does make the price of ticket booked at the travel agencies more expensive, due to the service charges added on top of the price of flight ticket and/or hotel room. Even though the creation of website that enables travel agencies to compare price of a product and services is an advantage, it is also a factor of disintermediation as customers have the same abilities to use the same web sites to compare the product and services offered. Lastly, Travel agency A also stated a situation where customers seek information from travel agencies for itinerary of the places just to copy and make their own arrangement.

*Role of travel agency after the emergence of Internet and mobile technologies*

Travel agency A agreed that changes of role take place after the emergence of Internet and mobile technologies. Previously, customers are more dependent on travel agency in order to manage their travel arrangement.  However, Internet era did allow them to search all the required information including information about the chosen destination, flight tickets, hotels and many more by simply using their smart phones.  Nevertheless, some customers still seek travel agency professional knowledge to assist them. Up to now, Travel agency A still provides flight tickets booking services and arrange academic trips for University staff and students. They also make arrangement for business trip for companies, events and conferences for customers or groups that had already their existing customers. As Travel agency A is located nearby the university area, their customers are mostly students. Most of the students will buy tickets by themselves, and walk in to their agency to make changes to their traveling date.

*Adapting to the emergence of Internet and mobile technologies*

In response to question of the changes that they has made in order to adapt to the emergence of Internet and mobile technologies, Travel agency A specified that they did sign up a Facebook account for the company. Most of the other tourism intermediaries use Facebook pages as a medium to display promotional displays. However, for Travel agency A they are more focused using Facebook to market their existence in the industry. This is due to their role that focus more on providing services to booking flight tickets, and creating package as per requested by their customers. Therefore, management is more focus in strengthening their relationship with the existing customers.

*Opportunity in Internet era.*

According to Travel agency A, eventhough Internet could become a threat for travel agencies; it also comes with opportunities to grab. For Travel agency A, they did build a portal for university employees that has authority to make travel arrangements for their officers. This is the opportunity for Travel agency A to strengthen their position as the only travel agency that exists within the vicinity of the University. Automatically  this could ease their job, as the university employees could book their tickets through the  portal by themselves. This surely will reduce time and energy consumption, as they do not need to walk-in to thecounter any longer.

## 5. CONCLUSION & IMPLICATIONS

The main findings of the study reveal the current situation in one of a travel intermediary in Malaysia. The researchers acknowledge that this result cannot be generalized to other travel agencies in the country. However, this study contributes to the body of knowledge by displaying a great insight view from a travel agency perspective on the current situation that they are facing. The magnitude of Internet used is inevitable among the travel agencies. Travel agency A has no option but needs to cope with the situation by integrating Internet technology such as social media to do their marketing. Even then, Travel agency A also felt that disintermediation is the continuous effect that is happening to them. At the same time, this result has important implications for the industry. As we demonstrate in our findings, travel agency could benefit from the Internet and technology advancement, by having various sources to compare price, seek information about new interesting product and services without the need to wait for other parties to offer to them. Moreover, they still able to perform their job out of the office by simply using their mobile phones or tablets. This is in line with Craig Standing (2014), in which it stated that despite the threat of disintermediation, Internet has created opportunities for travel agencies by providing them with a method to give services around the clock, and it could be accessible from home and the workplace. According to Travel agency A, even though the effect of disintermediation is severe, there are demands from the customers that have the needs for travel agencies because of the personalize services, customizable packages. Also they felt more secure to purchase with travel agencies. As conclusion, there is still a need for travel agencies even though Internet supremacy had led them towards disintermediation. Future research should have greater number of respondents so that the findings could be generalized. Lastly, the researchers recommend for comparison studies of small travel agency and big travel agency in facing Internet supremacy. Future studies may look into the difference in roles and functions between retailer and wholesalers of travel agents.

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