

## Electronic Markets in Tourism - Constraints and Opportunities

**Tourism is the world's largest industry both in terms of participants and economic value. It is also wholly dependent on information. The customer travels to the product, in many cases to an unknown destination in a faraway country. Crucial purchase decisions have to be made in advance. This information-dependent environment should therefore provide excellent scope for the development of new electronic markets.**

However, despite the continued growth in international tourism, the vast army of intermediaries who supply pre-travel information and the well-established air-

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line reservation networks, known as CRSs or GDSs, extensively used by travel agencies worldwide, many factors have combined to inhibit the development of flourishing electronic markets serving the tourist and the tourism industry. It is certainly true that the airline GDSs provide something approaching a true electronic marketplace in the United States, where 95% of all airline tickets are sold at a discount and the seat has become almost a true commodity. This has been facilitated by the size of the US domestic travel market, its deregulated nature (in stark contrast to the protectionist policies of most European governments), the almost total penetration of the GDSs and the fact that the main distinguishing features of airline tickets (seat location, route, departure details and price) fit the rigid formats of the GDSs' computers.

### Tourism Products

But the situation for tourism products is quite different. These products are characterised by their individuality, for example their location, their facilities, their appeal, their ownership or their trading basis. With a few exceptions, tourism products are difficult to incorporate into the GDSs. Even more importantly most are unable to afford the cost of such involvement. These costs include travel agency commissions and international payments as well as the GDS charges. Add to this the operational costs of conforming with the GDS technical environment and the financial case for using GDSs is difficult to make.

As a result, the majority of the tourism industry's marketplace activity has remained primarily paper-based. Entering any travel agency or tourist office is proof of this. Racks of brochures and other sales material dominate. Much of the necessary inter-communication between the tourist and the product providers at his eventual destination is carried out by intermediaries, including tour operators, travel agencies and tourist offices. Once

again, paper is their prime medium both for communicating with the tourist and for communicating with each other.

Of course, electronic communications are used (telephone, telex, facsimile and now email) but there is no homogenous electronic marketplace in any recognised sense. To date we have only really seen the development of small islands of electronic commerce in the tourism field, for example bed banks, air ticket consolidators and late availability holiday specialists.

Now, however, the impact of the Internet on the public consciousness and the whole Infobahn debate is highlighting the opportunities that low-cost electronic distribution can provide for the tourism industry. The constant media coverage, much referenced at the recent ENTER Conference in Innsbruck, is stimulating the provision of new services as well as interest in the new opportunities for tourism marketeers. With computer technology fast becoming commonplace in the home as well as the office, the potential customer base is also increasing rapidly.

### Electronic Markets

But this does not necessarily mean that effective electronic marketplaces for tourism products will suddenly develop. Markets are for commodities and, as noted above, the tourism industry is distinguished by the individuality of its products. Secondly, while total tourism volumes are enormous, the range of individual preferences is both wide and is generally regarded to be growing. Consequently, it is not a mass market in the sense that toothbrushes or televisions are.

Finally, the business practices of much of the industry's product suppliers, usually small and independently owned businesses, are a major inhibitor. Any marketplace requires willing participants. Most individual tourism businesses are sceptical of the supposed benefits of 'systems' even if they understand the theoretical issues. Fewer still are willing to pay the cost. Charges for participation in a database, whether purely for information or as part of a reservations service, are normally regarded as an evil to be avoided rather than as an investment in improved occupancy, turnover or market share.

Even if they do participate in the existing electronic channels, there are many issues in regard to their use that have to be faced by smaller businesses. The proprietors are often inexperienced in such matters and may make costly errors of pricing or product positioning.

A paradoxical result of these inhibitors to electronic marketplace development may well be a strengthening of the role of local and regional bodies, both trade associations and the public sector. There is already a substantial debate about the risk of marketplace exclusion for many destinations. In view of the difficulties that small businesses have in using electronic channels, local bodies are increasingly arguing that they have a responsibility to their constituents to assemble destination data, to distribute it effectively and to ensure that eventual transactions can be carried out. This approach can be extremely effective in the local context, providing a quality service to visitors almost as a bonus.

But a corollary of local development is a diversity of technology suppliers and system design. Incompatible operating platforms and widely varying data standards are the norm. Without any external imposition of homologation, the lack of uniform interfaces and the complexity of product offering will continue to inhibit remote access to local databases.

### Conclusions

The broad conclusions that can be drawn from this environment are:

- existing intermediaries will initially dominate (there is a key issue of customer confidence as well as marketplace strength)
- other principals, such as publishers well versed in information assembly, will enter the market, a process that will speed up as barriers to entry continue to diminish
- new services, such as virtual warehouses, will be developed both by existing players and new entrants
- SMEs will have to consolidate and coordinate their activities much more than they have in the past.

These developments are likely to gather pace - their net result will be improved information delivery to tourists, wider choice and eventually, the creation of entirely new trading patterns. That day however is still a long way off. ■

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