

OnLine Case 3.4

The Holiday Travel Industry

Airline tickets are increasingly available direct from airline call centres and via the Internet. In recent years, holidays, especially last-minute bargains, have been advertised on teletext to encourage direct bookings, and the Internet is also becoming accepted as an appropriate channel for customers to use. Both of these imply that the high-street travel agent is bypassed. However, many people still prefer the personal help and advice provided by a travel agent, but travel agencies have increasingly made use of IT to provide a better, faster and cheaper service. A 1999 MORI survey concluded some 45% of people *would* book a holiday direct via the Internet, but so far only 1% had. This has obviously changed dramatically since.

Thomson Holidays: pioneer of IT for competitive advantage

The package tour holiday industry is extremely competitive, with pricing an important weapon. The leading holiday companies are vertically integrated and own high-street travel agency chains as well as their own airlines. Thomson, now part of Tui Travel, which became the market leader several years ago, believes that much of its early competitive advantage derives from its pioneering of IT-based booking systems, and that further developments with IT have helped it to retain market leadership.

In general, it is difficult to create and sustain competitive advantage in this industry. Package tour companies hire beds and airline seats, put them together, and by adding fringe services market them as a package holiday. Offering better service at airports or a wider range of tours in the various resorts can easily be copied by rivals, and so any competitive edge is quickly eroded. The same is true of different holiday 'packages' such as self-catering apartments as an alternative to a hotel.

Thomson first introduced computers in ten regional offices in 1976, allowing easier access for travel agents. Previously, agents had to telephone one location; now they had access to ten linked centres. The computer generated management information and invoices as well as providing availability data for agents, but the agents still relied on the telephone, backed up by paperwork for confirming bookings.

Thomson recognized that what was needed was a terminal in every travel agent's office, but appreciated that if the system were exclusively Thomson it might be less popular than one that also allowed access to rival organizations. In 1979 they began experimenting (with Prestel), and in 1982 introduced TOP or the Thomson Open-line Programme. Through TOP travel agents enjoyed instant access to Thomson holiday information on their terminal screens, but their terminals also accessed rival and, at the time, less sophisticated, systems. The problem of customers having to wait while telephone calls to check availability ring unanswered because the system is congested had been largely eliminated. This proved particularly valuable on busy Saturdays and enabled Thomson to save on staff costs. The computer could handle both options and confirmed bookings, and customers were encouraged to book because more and better information was being made available to them. The system has been continually improved, and the effect has been reduced booking costs for both Thomson and the travel agents. In addition, the role of the agent has been changed more towards selling than administration. Other operators have followed, but the time-lag clearly proved beneficial to Thomson.

Thomson has also been able to obtain more control and planning information for future capacity planning, and the gradual introduction of terminals linked to the UK in their offices abroad has improved the total service in other ways.

More recent IT applications

IT has had a major impact on the marketing and selling of holidays because at the booking stage it is information that is being exchanged. Nevertheless, for certain elements of the service, IT has had only limited impact: travel shop windows are invariably filled with hand-written signs for late booking holidays and prices, for instance.

Tour operators move the prices of holidays several times a day when they are chasing last-minute bookings, based on the number of unsold holidays, the current levels of demand and, most importantly, competitor prices for the equivalent holiday. Sophisticated IT systems are essential to facilitate this flexibility. From the customers' position, both teletext and the Internet provide information on the availability of last-minute holidays, as pointed out above. Various e-commerce companies, such as Lastminute.com, offer tickets and holidays at reduced and sometimes bargain prices.

Some travel agencies provide self-service, touch-screen terminals which allow customers to access multimedia information about holidays and talk to sales people via a video-telephone link. Interactive televisions also offer information about hotels in audio, video and text forms. The Internet can be used to acquire information on airlines, resorts and hotels.

The leading travel agents, including Thomson and My Travel (previously Airtours and merged with Thomas Cook)), have invested in Internet booking systems. In most cases they have bought out small, specialist companies that have been set up independently, rather than start their own.

Travel agencies can print airline tickets directly in their branches, rather than simply order them from the airline who would issue them at a later date. However, electronic ticketing is making this less significant. Commissions vary and represent more of a 'management fee' than a percentage commission at a standard rate.

Project: Use teletext and the Internet to access and evaluate the holiday bargains that are available.

question: Can you see a real future for *auctioning* last-minute bargain holidays via the Internet?

Thomson Holidays <http://www.thomson-holidays.com>