Impact of e-commerce on travel intermediaries in Bulgaria

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Goal and objectives of the dissertation

Goal

The goal of the research study is to identify the strategic directions of effective use and development of electronic commerce (e-commerce) on the activities of travel intermediaries in Bulgaria.

Objectives

The research objectives are:

- ✓ To define e-commerce in tourism;
- ✓ To analyse its specifics and mechanisms, and its impact on the business of travel intermediaries;
- ✓ To develop a conceptual model and methodology for the assessment of impacts and significance of e-commerce on the activities of travel agencies;
- ✓ To analyse and assess the current situation and impacts of e-commerce on the activities of travel agencies in Bulgaria;
- ✓ To research consumers' inclination for online purchasing of tourist services and products offered by travel agencies;

- ✓ To identify and analyse problems in the development of e-commerce on the activities of travel intermediaries;

- ✓ To identify issues and proposals for the use and implementation of e-commerce in the business of travel agencies.

Methodology

This dissertation employs variety of research methods: *analysis and synthesis; observation, survey questionnaire and in-depth interview; comparative and SWOT analysis; alternative scenario method; descriptive, statistical and mathematical methods*. Empirical data have been collected through the implementation of questionnaire surveys and the relevant responses have been processed by using SPSS software. The purpose of the questionnaire survey method is to estimate the impacts of e-commerce on the activities of travel intermediaries and customers' inclination to use the Internet when they prepare and do their journey. Empirical research is conducted in accordance with secondary information sources. In this relation qualitative secondary

information is put to analysis including data from scientific reports, articles, and other types of publications.

The impact of e-commerce is evaluated through an integrated model. The assessment of efficiency of e-commerce as an integral part of the model is done through a *selection of criteria* which reflect the specific characteristics of travel agencies as well as the expected goals for the realization of tourist services and products through the Internet. We further assess the benefits from and the effects of intermediaries' *web sites* as a market tool for the implementation of agents' activities. A significant structural element in the model is *customers' inclination* for online purchase of tourist services.

The empirical data for the conducted survey are collected by spreading questionnaire forms amongst 200 travel agencies and 300 consumers. For the purposes of the analysis, 178 questionnaires are collected from travel agencies (22 invalid questionnaires) and 257 questionnaire forms are collected accordingly from consumers of tourist services (43 invalid questionnaires). The questionnaire form designated for travel agencies consists of questions about: the influence of e-commerce on the activities of travel intermediaries and assessment of its efficiency; factors that influence online transactions; assessment of travel agencies web sites; changes in consumers' behaviour; problems of e-commerce development, etc. The questionnaire form designated for the consumer gives information about: intention of tourists to use Internet when planning a trip; problems of online purchases of tourist services; ordinal level of importance of different information sources and travel services. The respondents also evaluate the web sites of Bulgarian travel agencies.

For the purpose of the analysis, 8 interviews have been conducted with managers and employees of travel agencies. The interview consists of questions about: trends of e-commerce in the intermediary business; advantages and disadvantages of its development; results of the usage of e-commerce in travel agencies.

Results

The situational analysis of travel intermediaries

reveals a significant slowdown in the development of travel agencies' business in Bulgaria compared to the current situation in Western-European countries. The reasons for this delay are objectively determined by the nature and specifics of Bulgarian tourism. *The development of e-commerce in Bulgaria* is not as rapid as the relevant development in the USA and the European countries. One of the reasons for this comes out to be the fragmentation of Bulgarian tourist market. In this relation the market stakeholders are travel agencies which cannot afford significant initial investments for the implementation of successful e-commerce practices.

The reporting of *online sales* of tourist services in Bulgaria started in 2002. This late start was a result from insufficient development of Internet communications in the country, small-scale use of credit cards for online transactions, lack of sufficient experience, guarantees, protection of consumer, etc. Incoming visitors to Bulgaria are more inclined to buy tourist services online. The increased volumes of tourism-related e-commerce in Bulgaria are due to a faster growth of incoming and outgoing trips and weaker online purchases of domestic holiday packages.

The results reveal *ambiguous and complex attitude* towards the possibilities for selling tourist services and products through the Internet. The favourable influence of e-commerce on the process of making a final decision for a trip has not been confirmed by a significant share of researched travel agencies. Contradictory results are reported with regard to the impact of e-commerce on *customers' loyalty*. The reduced confidence towards travel intermediaries confirms the existence of some problems in this aspect.

Few travel agencies in Bulgaria offer services and products for e-commerce, and as a result of this, e-commerce could be determined at the stage of its *initial development*. The research shows that *lack of experience and uncertainty* are typical in the implementation of online transactions with tourist services both on the part of travel agents and the Bulgarian

customers. The agencies make use of e-commerce advantages in order to *backup an offline business and not to promote a virtual one*. The volume of business of Bulgarian travel intermediaries has not been significantly influenced by the processes running in the global network. Instead, *numerous problems and threats* continue to *exist*, which prevent the unfolding of e-commerce advantages in the business of travel intermediaries.

The results for customers' inclination to use the Internet for organising their trips are wholly positive. The web sites of the biggest online travel groups (Expedia, Travelocity, Lastminute.com, Booking.com, Opodo) take priority in tourists' searches over the web sites of Bulgarian travel agencies. When a trip is being prepared, the potential of the global network is searched predominantly at the initial stage: for accumulation and gathering of information by the tourists. At the stage of making reservation of services and payments, *Bulgarian customers demonstrate mistrust and uncertainty* and prefer to consult themselves with the traditional intermediaries when undertake important procedures in purchasing tourist services.

The research of Bulgarian travel agencies reveals that a quarter of them have developed internet sites, containing in-depth and diverse information, concerning the specifics of their products and services by types of tourism and destinations. The now-existing internet pages of Bulgarian travel intermediaries *do not satisfy customers' requirements* with regard to: validity and detailed presentation of information; security and guarantees of reservations and payments.

Theoretical conclusions

E-commerce is a comparatively new economic category, which is being researched in a multilateral and interdisciplinary way. It is a logical result from the *merger of information communication technologies* with the business, marketing and sales as well as the Internet as the main communication medium. E-commerce in tourism is a unified and integrated process of collecting, control and dissemination of specific information for the purpose of sale and

purchase of travel services and tourism products, where participants interact electronically. The *prerequisites* for the e-commerce development are predetermined by the nature of tourism and characteristics of tourism products. At the same time the specifics and significance of online commerce holds for travel and tourism industry. Tourism is an information business, the tourism industry undergoes a structural change and the tourism business goes electronic.

In the recent decade *travel intermediaries are undergoing through a certain transformation* which coincides with the maturity of tourism industry and the respective importance of information technology used by travellers in their quest for alternatives when purchasing tourist products and services. No other sector of the economy has been influenced by information and communication technology like travel and tourism industry. Travel agencies will have to radically rethink the way they do their business. Tourism industry is dependent on and dominated by the Internet. Trends in the development of travel intermediaries provide an opportunity for these technologies to assert their positive role and place in the distribution of tourist services, instead of being a threat to the business. The key factors for success in the future of travel intermediaries will be flexibility and innovation in providing added value to tourism products and services. Competitive and successful travel agencies will emerge as *customer-centric value creators*.

The most important *effects of e-commerce* on the activities of travel agencies will be found in the following: digitalisation of economic transactions; development of virtual/electronic markets; globalisation of markets; effects on the communication (direct communication with travellers); effects on the traveller (large volume of choices with problem of increasing volume of information to handle). The development of travel intermediaries and use of the potential of e-commerce are being determined by a diversity of *factors: internal factors* (material and financial resources, marketing and management goals, staff, service technology, etc.) and *external factors*

(legislative, economic, technological, competitive). *Customers' behaviour and inclination* to participate in online transactions are of decisive importance at the determining of the impact of e-commerce on travel intermediaries.

Practical application of the dissertation

The joint initiatives that stimulate e-commerce in travel agents' activities are related to the role of *governmental bodies, tourism and professional organisations* who should undertake measures in the following directions: research of the impact of factors, which limit the development of the virtual market; evaluation of travel agencies' presence in the Internet and rendering of cooperation in overcoming the technological, infrastructural and communication obstacles in e-commerce; research and dissemination of experience gained from successful strategies for online travel business; development of practical guides and training programs for e-commerce, etc.

Main factors for success of travel intermediaries are: constant changing and innovation, adaptation and *integration of travel agents in unions and associations*. Travel agencies must provide better service; develop strategic alliances with other agencies and suppliers and above all, innovate, if they are to sustain their present performance within the travel and tourism industry. The travel agency business, reputed for its high degree of fragmentation, has the opportunity to consolidate around e-commerce initiatives. Alternatives range from alliances, franchise networks, travel agency consortia groups or independent networks. The service must be improved and the product range must be expanded in order for travel intermediaries to gain a competitive edge in the future.

Travel agencies should develop attractive and effective web sites, providing the necessary tools to facilitate bookings and gathering information. A successfully constructed and developed web site should be presented in the global network through an *aggregate of activities* directed towards timely efficient *web marketing*. Information technology offers an effective tool to dynamically package

specialized travel products. Incoming agents can develop specialized tourist services at their destination and sell them globally through the Internet.

In the service sector such as travel and tourism, the quality of a company's human resources is often the factor that makes the difference between competitors. To succeed in the travel business, staff needs to be trained on a regular basis how to make use of new technologies and, in particular, the Internet as a distribution channel. The implementation of a *strategy for online commerce* is related to: building and developing customer's loyalty (loyalty programme, which enhances agency's profitability); gathering market information to personalise communication with clients; providing customers with opportunities for dynamic packaging; specialisation in prospective marketing segments. The critical success factors for survival will be the ability to offer customers value-added service; to exploit technology to its full potential and target the niche markets that are overlooked by their larger competitors.

Content of the dissertation

Abstract of chapter one

Chapter one defines the essence of e-commerce in tourism and critically evaluates the characteristics, prerequisites and factors for its development. The advances and trends in the business of travel agencies are traced. The broad use of new technologies changes the role and functions of participants in the process of creating values in tourism industry. The new value is achieved through the use of diverse information sources: both real and virtual.

The impact of e-commerce on the operations of travel agents both internally and externally with other parts of the travel industry has resulted in considerable changes in the quality of service provided to the consumer. This service is influenced not only by travel agents but also, significantly, by the instigators of the technology. The e-commerce is having both positive and negative impact on customer service. Information technology, the development of hardware and software employed to handle and manipulate

information, has become a universal feature of travel industry. Characterized by the need to supply and exchange information throughout the chain of production and distribution, the travel industry has proved particularly suitable for the adoption of e-commerce. This has been encouraged by the intangible and perishable nature of the tourism product.

The role and impact of e-commerce in the activities of travel agencies is assessed through an integrated model in which the stages and technological procedures employed in travel intermediaries occupy a central place. Efficiency of e-commerce is assessed through a selection of *criteria* in compliance with the specifics of agent's activities. The benefits and the effects of usage of internet sites of the travel intermediaries are defined. Customers' inclination for online purchasing of tourist services is characterised according to the particular organization of travels.

Abstract of chapter two

Chapter two gives some notions about the impact of e-commerce on travel intermediaries, presented as a specific research process. The situational analysis covers the period 2000-2009. Despite the rapid growth of internet connectivity the increase of online sales in Bulgaria seems to be a steady one but with very slow climbing pace compared to the relevant increase in other European countries. Surveys show that the Internet is used by every second user to search for information about goods and services, but only 8% purchase something online; in most cases books, magazines and newspapers, and much less often purchase other goods and services, such as those related to travel. Part of the reason is that such services are not widely available, and also Bulgarians are not experienced in taking advantage of e-commerce. The main use of the Internet is for communication and social networking. Incoming visitors from countries where e-commerce is more developed, and such practices are more common, are those who most often purchase Bulgarian travel retail products online.

The problems of e-commerce about travel intermediaries are defined and an assessment

has been made about the impact of diverse factors on the development of e-commerce in travel agencies. Online sales influence the process of distribution of tourist services, consumers' behaviour and efficiency of e-commerce in the business of travel agencies. The changes in tourists' behaviour have been researched in the following main directions: inclination to use the Internet in the preparation of travel; preferences in the organising of a travel package; evaluation of the web sites of Bulgarian travel agencies; need for services of travel agencies; sources of information in the preparation of a travel.

Abstract of chapter three

This chapter presents the global trends and prospects for the development of travel intermediaries. It forecasts three possible scenarios for the future development of travel agents in Bulgaria: *pessimistic* one (denial of e-commerce and development of traditional offline travel intermediaries); *optimistic* one (electronic travel agencies which conduct online intermediation without direct physical interaction with customers); *realistic* one (adapting to and implementing the advantages of online sales in combination with the competencies and proven experience of traditional travel agencies). In this relation the chapter presents the main problems that obstruct the implementation of sales of tourist services through the Internet.

Information becomes one of the most important flows, as it represents the tourist product and helps customers to make the decision about the purchase. To be successful in the future, travel agencies should be flexible and innovative in predicting and delivering travel services required by customers. Travel agents need to ensure that they are providing a professional advisory service. Customers are becoming more knowledgeable, and need to be convinced that travel agents add value to their experience. Finally certain proposals are made for the application of e-commerce benefits in the business of travel intermediaries and for the improvement of the efficiency of travel agencies' web sites.