Strategic implications of eTourism for the consumer of the future

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Abstract:
Information is the life-blood of the travel industry, and that ITCs (Information and communication technologies- the hardware, software and netware used by information system) are becoming the information, communication and operation backbone of tourism. ITCs are driving the emerging globalization of tourism demand and supply. They provide effective tools both to consumers for identifying and purchasing suitable products and to suppliers for developing, managing and distributing their offering on a global scale. ITCs therefore become an imperative partner and they increasingly determine the interface between consumers and suppliers as well as the ability of the industry to develop, manage and market suitable tourism products globally.

Key-words: eTourism, ITC, product, information, communication, tool

1) Introduction

ITCs provide the tools to re-engineer and rationalize the tourism industry. However, the reliability and functionality of the tools as well as their cost need to be improved, while their use should be advanced. This will enable the development of all the direct links required and the establishment of close partnerships between all stakeholders in the industry, as bring a whole range of new benefits for the consumer as well as for innovative and forward-looking tourism suppliers. These developments are expected to have major implications for tourism management and marketing of tourism enterprises. The technological developments need to be backed and stimulated by innovative and robust management and marketing of tourism organizations if they are to fulfil their entire potential.

Consumer benefits include more information/knowledge about products, services and destinations. This allows consumers to have a higher involvement in planning their travel and in building their own itineraries. As a result, niche
markets can grow rapidly by enabling tourism organizations to offer consumers themed, specialized and personalized experiences. More information and competition also allow consumers to shop around and often to reduce the price they have to pay for tourism products. Online bargaining allows suppliers to sell their distressed capacity and maximize their yield, while offering competitive pricing for the leisure/flexible traveller. A greater level of transparency is also evident, enabling consumers to search the best available product for each occasion. Although the English language dominates both the Internet and international tourism, new tools emerge to assist non-English speakers, such as automatic translation or regional sites on the local language.

2) Strategic implications of eTourism for the consumer of the future

Security of transactions and quality assurance of both services and information are critical for consumer satisfaction. Although prospective travellers are still concerned about giving their credit-card details on the Internet, advanced encryption techniques pioneered by credit-card companies are gradually making the Internet safer and increasing consumer confidence. It needs to be emphasized that transaction security over the Internet is also a perceptual issue. In most cases, consumer trust unknown waiters or shop assistants to disappear with their credit-card while settling their accounts or happily give their credit-card details to strangers over the phone or fax in order to purchase products and services. However, they are often reluctant to provide credit-card details in a much more secure, encrypted electronic transaction, which is often fully automated. It is reported that electronic intermediaries, such as Expedia and Travelocity, have not experienced any security problems despite selling several million tickets online. The objective danger for online fraud will gradually be reduced, as encryption systems and credit-card companies improve online transaction security. As consumers start purchasing goods on the Internet and realize that there are no major risks, their security concerns will decrease rapidly.

It is widely reported that consumers will be the main winners of technological developments, as they will have more choice, more interactivity and more personalized products to choose from. Never before have consumers had as much power as they have today and never before could consumers influence their tourism product more than in the 21st century.

ITC developments introduce a wide range of opportunities and threats for the various players in the tourism industry. Airlines have been pioneering the use of technology for their marketing and management since early 1970s. Increasingly they take advantage of ITCs in order to achieve better control of their distribution costs and processes, as well as to establish innovative and interactive partnerships with consumers and intermediaries. This has propelled them to redesign their distribution channels and to develop multi-channel strategies for accessing their clients. In addition ITCs have propelled airlines to collaborate
closely, initially through code-sharing agreements and gradually to full stretched alliances. Similarly, car rental, trains and ferry companies are heading in the same direction, although the airline industry is by far the most sophisticated in using ITCs for their marketing and management. Hotels have increased their efficiency and are gradually taking advantage of technology for promoting and distributing their products. International corporations also use ITCs in order to coordinate remote properties and to expand their operations globally. Developing direct links with consumers enables hotels to maximize their yield by offering special price and negotiated corporate rates on the Internet. At the micro-level, tourism suppliers/principals can maximize their long-term profitability, through close interaction with their clients, yield management and networking as well as through developing value-added chains and enhancing virtual close cooperations.

A wide range of opportunities and challenges also emerges for smaller and medium-sized tourism enterprises (SMTEs). Traditionally, the vast majority of tourism suppliers are small and family-run. Hence they face enormous difficulties in marketing their products globally and compete with their larger counterparts.

Innovative suppliers are also empowered by achieving a greater degree of internal efficiency and effectiveness and by optimizing their operations. They can also develop links with their trusted partners and stakeholders in order to coordinate collaboration and interaction towards developing and delivering seamless products. Cooperation at the local level can enable them to increase their presence in the international markets and also to reduce the handicaps caused by lack of expertise, resources and capital. In this sense, the tourism value chain is enhanced to a wealth-creation system for all participants. Opening a window to the entire world through the Internet enables organizations to communicate with their clients and to interact dynamically, enhancing the exposure of the enterprise.

However, tourism suppliers have a number of difficult ITC decisions to face. The pace of ITC developments illustrates that unless an organization innovates in a dynamic way and keeps up to date with both technological and industrial developments it can be left out in the cold. Investing wisely in the right technological solution, at the right time, is critical for a tourism enterprise. But perhaps more crucial is to appreciate the impact of ITC developments on the industry structure. This will enable organizations to identify the best strategic action that they should take. Predicting the impact of ITC on players and formulating the right alliances, distributing through the right channels and targeting the right customers will increasingly be at the centre of tourism organization strategies. ITCs can determine and facilitate a number of these strategic decisions and, vice versa, a number of these strategic decisions can be fulfilled only if the right technologies are in place. Technology is therefore at the heart of strategy considerations for tourism organizations and at the same time the tourism industry generates great ITC requirements for fulfilling its strategy.
Fig. 1: eTourism: stakeholder ITC requirements for the future

ITCs enable and empower
- Integrated technologies for integrated tourism and integrated regional development
- Coordination between all partners
- Consumer information and satisfaction
- Inter- and intra-organizational management and marketing
- Relationship and niche marketing
- Complete tourism solutions for demand and supply management through value-added chain
- Sustainability of tourism resources
- Alliances and partnerships
- Development of virtual organizations

Consumers
- Empower the inspire/research/book/fulfil circle
- Enhance information and provide research tools for information and reservations
- Support specialized demand and niche markets
- Offer themed events/activities
- Enable special and last-minute offers and auctions
- Support high involvement/self-development
- Provide new-generation offerings
- Offer new/unique experiences and authenticity
- Provide reliable information
- User-friendly process and online fulfilment

Destinations
- Strategic tool for planning, management and coordination
- Promotion of destination brand and local products
- Standardization of products and ITC presentation
- Enhance competitive advantage through:
  - DMS/marketing
  - Differentiated/niche products
  - Efficiency/cost advantage
- Branding the destination
- Management marketing – training and education
- Returns on investment
- Sustainability and impacts optimization

Suppliers/principals
- Profitability and maximization of yield
  - Price/fare
  - Occupancy/load factors
- Manage brand online and offline
- Seasonality management
- Attract new market segments
- Evolution of offering through niche products and theming
- Franchising and partnerships
- Virtual cooperation with enterprises
- Disintermediation reduces commissions and dependency

Intermediaries
- Evolution of products: new added value
- Realistic pricing
- Niche markets and unique products
- Reliable and useful information
- Re-intermediation rather than disintermediation
- Multi-channel strategies
- New Internet-based intermediaries
- Destination management systems
Increasingly, the quality of service and the ability to differentiate tourism products depend on the level of ITC usage. Enterprises take advantage of the emerging ITC tools and become capable of interacting closely with their consumers. They also become capable of adapting to tourism demand requirements by constantly updating their products. Using ITCs, the industry can create seamless experiences through developing ad hoc partnerships with local suppliers. Identifying niche markets through ITCs as well as packaging and distributing customized products also enable tourism organizations to differentiate their offering and provide suitable products for niche markets at premium prices. Failure to take advantage of the emerging technology may equally lead to competitive disadvantages, when organizations fail to adapt to change and to provide facilities and services offered by competitors. Only organizations that offer instantaneous, flexible and customized tourism products will be able to succeed in the global marketplace. Hence, suppliers need to be both proactive and reactive in order to optimize their potential. ITCs have changed the best operational practices in the industry and only innovative operators will be able to take advantage of the emerging tools in the future. ITCs are therefore instrumental in enabling tourism organizations to achieve competitive advantages.

3) Conclusions: change is the only constant

ITCs can introduce great benefits in the efficiency, differentiation, cost reduction and response time of tourism organizations. Consequenltly, ITCs stimulate radical changes in the operation, distribution and structure of the tourism industry. The proliferation of technology throughout the tourism distribution channels essentially means that both consumers and professionals use the newly available tools in order to retrieve information, identify suitable products and perform reservations. Thus, the visibility of tourism principals in the marketplace will be a function of the technologies and networks utilized to interact with their individual and institutional customers. This will, therefore, determine their ability to distribute their product efficiently and to communicate interactively with their clients. Should tourism principals neglect the significance of ITCs in their distribution function, they will effectively jeopardize their competitiveness and become marginalized. Hence, tourism enterprises need to understand, incorporate and utilize ITCs, in order to be able to serve their target markets, improve their efficiency, maximize profitability, enhance services and maintain long-term prosperity for both themselves and destinations. ITCs have a great influence on the strategic management of contemporary organizations, as a paradigm shift is experienced, transforming the 'best' business practices.

References: