

To grow and succeed, management at travel and hospitality companies of any size must juggle multiple distribution channels, customer segments and intermediaries in their distribution of goods and services. Before the advent of the Internet, distribution intermediaries existed to compensate for the lack of knowledge on products and pricing, as well as to bring buyer and seller together over a physical distance. However thanks to the Internet, products and services no longer need a physical distribution presence.

The implications – both negative and positive – on the industry are immense. Generally, suppliers benefit from lower distribution costs, better product image control, enhanced brand value and a better relationship with the customer. Intermediaries are likely to experience the greatest short-term turbulence, as each scrambles to assess the value they create and how to sustain it in the value chain. The consumer is most likely to gain, given the opportunity for better service, lower prices, tailored marketing and more options.

One of the impacts of the new value distribution chain is the extraordinary increase in competitive pressure to "own" the customer. Each player in the new value chain is attempting to develop customer loyalty. Owning or, at a minimum, significantly influencing the channel is an important component of managing customer loyalty. Customer relationship management systems remain largely in an infancy stage. Only the top few percent of frequent hotel guests, for

example, receive consistent customised service. A vast majority of websites also do not mimic how consumers buy travel products and services. For example, to secure a hotel booking online, the customer typically enters an arrival date and length of stay. In reality these variables often are influenced by price, but this symbiotic relationship is not well represented by websites.

The airlines continue to lead in the new value chain by removing activities that do not add value, while developing new items such as e-ticketing and last minute fares at low prices. The recent development of airline portals responds to the

inventory access, and airlines required paper tickets for accounting.

These intermediaries are also at significant risk from the collapse of the value chain as the Internet introduces new forms of competition. Suppliers connected with consumer groups have the potential to mimic and exceed the purchasing power of individual tour operators. What prevents well-branded airline, hotel, and car rental companies from agreeing to share inventory and create their own packages? Nothing – as is the

Hospitality Industry - Understanding the New Value Chain and Your Place In It

threat of online travel agencies as they attempt to re-intermediate themselves with customers.

Channel conflict is a significant issue among hotel companies. The price of a physical hotel room often varies widely depending on the source of the booking (e.g. Call centre, Internet site, retail travel agency, corporate agent of direct).

Even though single-image inventory is widely favoured, displaying the same image to all potential buyers remains challenging and is largely unfulfilled since legacy systems were not designed for true single image inventory. With available technology moving the industry toward price transparency, companies will feel the pressure to compete on brand and differentiation rather than price alone.

case with many packages offered today by airlines and hotel companies. Virtual travel agents represent a new form intermediary, with some estimates placing the number of websites with travel booking capabilities at close to thousand. Virtual travel agents charge a commission from suppliers (above 5 per cent for hotels), but critically offer a lower flat fee for airlines.

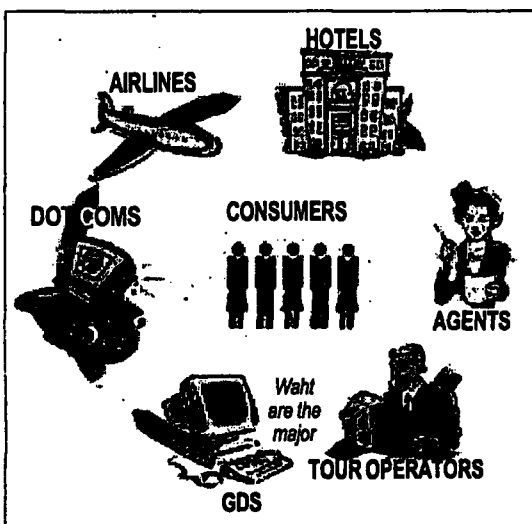
Many of these companies will have to revisit their Internet strategies and business models over the next several years, as hotels, airlines and other suppliers become more aggressive in offering consumers direct access to inventory. Many of these dot.com companies are still not profitable and are running out of time and money to gain significant market share to offset the high costs in technology and pay roll.

With the restructuring of the value chain, consumers stand to gain the most. Whether consumers choose to book on line, or use the Internet for research and a physical agent to book, the level of knowledge, choices and convenience is unprecedented. The purchase experience will only improve as broadband access and multimedia content are married with product availability and one-to-one marketing activities.

Distribution costs are eliminated when a value chain is shortened and many of the savings are passed on to the consumers.

Travel Agent

A portion of a retail travel agent's activities today remain valued added, while other roles are "old economy" in nature and becoming obsolete. The act of printing and issuing paper airline tickets is rooted in history when only Global Distribution System terminals provided



Courtesy: Travelweekly East