

CABI TOURISM TEXTS

2nd Edition

Tourism Information Technology

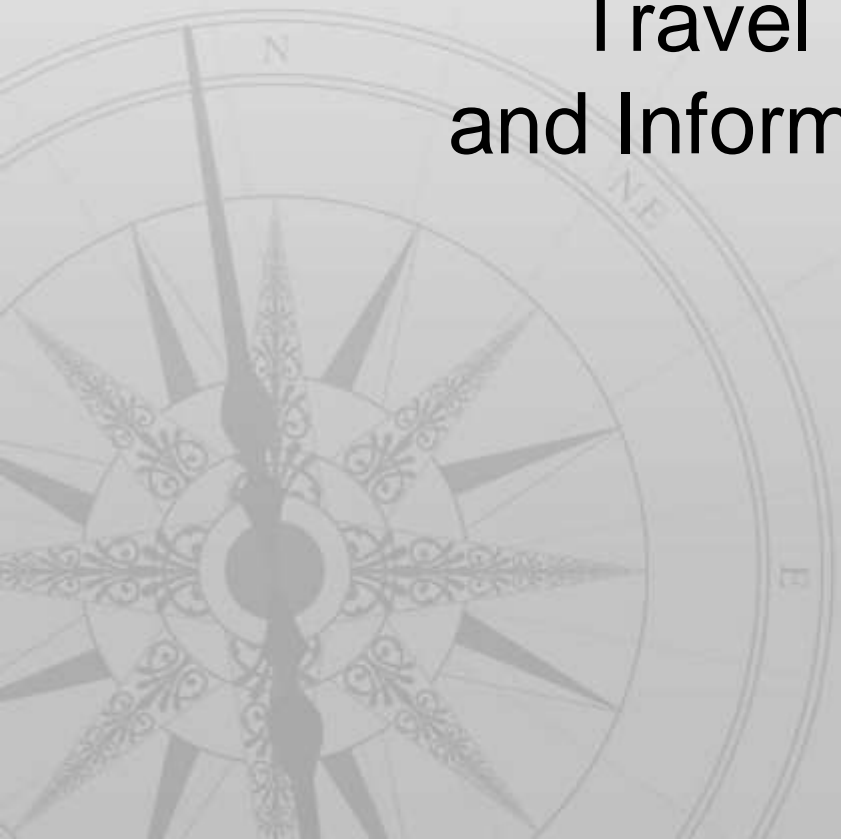
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DANIEL R. FESENMAIER



COMPLIMENTARY TEACHING
MATERIALS

Chapter 3

Travel Intermediaries and Information Technology



Chapter 3 Learning Objectives

After studying this chapter you should be able to:

1. Explain the **evolution, role and features** of Global Distribution Systems (GDSs) as travel intermediaries;
2. Analyze the **challenges** faced by GDSs as a result of technological change and innovation;
3. Explain how **traditional travel retailers** use IT;
4. Explain how IT has led to **disintermediation** and evaluate how this has impacted travel intermediaries;
5. Describe and critically evaluate the different types of **online travel intermediaries** that have developed as a result of IT; and
6. Explain how **tour operators** can use IT to improve productivity and competitiveness.

Key Concepts

- ⊙ Computer reservation systems(CRSs)
- ⊙ Global Distribution Systems (GDSs)
- ⊙ GDS New Entrants (GNEs)
- ⊙ New Distribution Capability (NDC)
- ⊙ Tour operators
- ⊙ Tour wholesalers
- ⊙ Travel retailers
- ⊙ Travel management company (TMC)
- ⊙ Online travel agents (OTAs)
- ⊙ Channel Managers



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*She makes **FRIENDS**
... as well as reservations*

Although your only contact with her may be by phone, the helpful girl in Reservations takes as much personal interest in your travel problems as if they were her own.

At her finger tips she has a wealth of information about space and time—flight plans, seats and flight schedules. In answering your questions, you will find her as available as she is accurate. In making your reservation she is both careful and courteous.

American Airlines has no "reservations"—merely a deep sense of pride—about the way our Reservations staff helps to make and keep friends for our company.



AMERICA'S LEADING AIRLINE **AMERICAN AIRLINES** INC.

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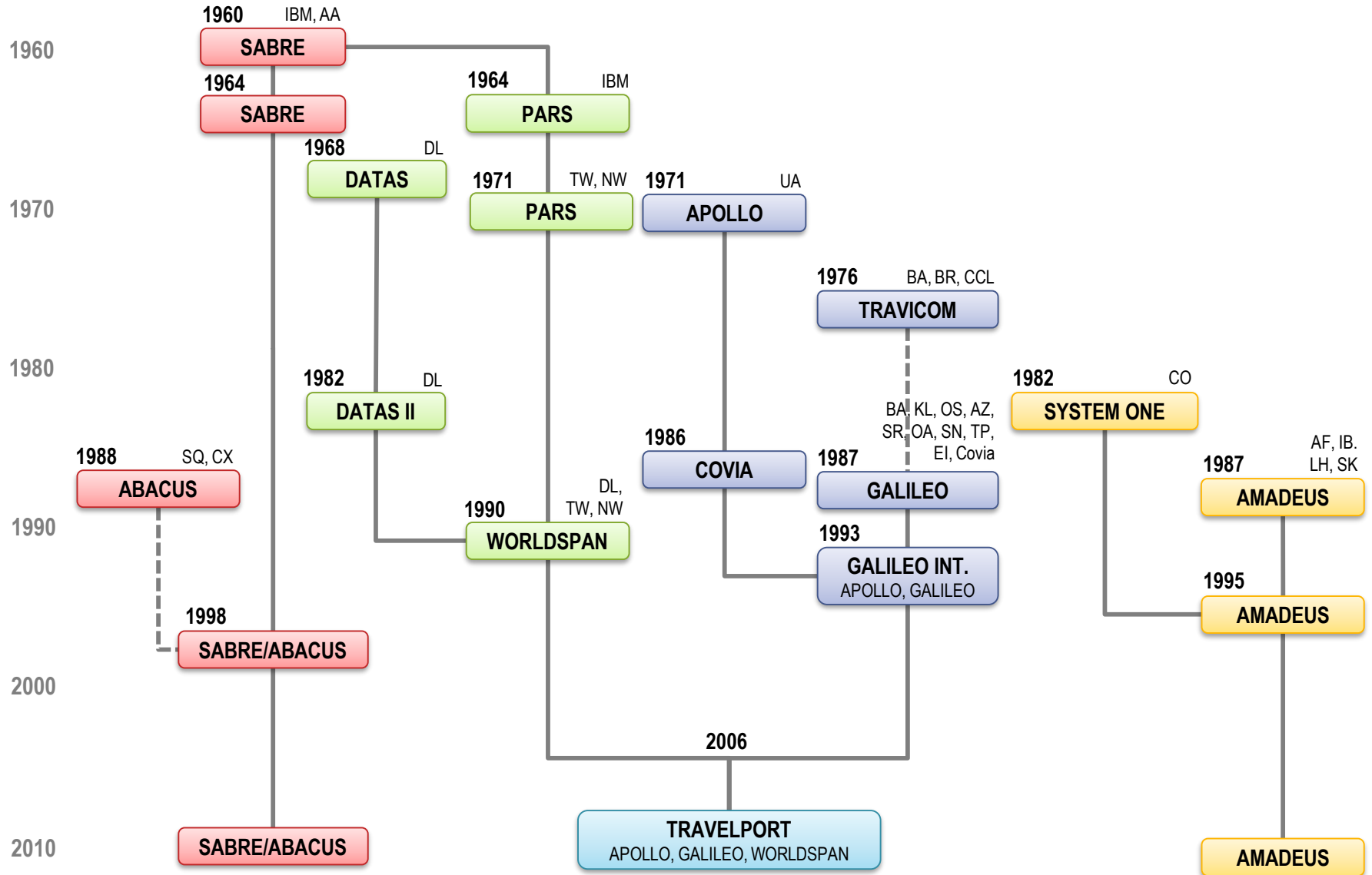
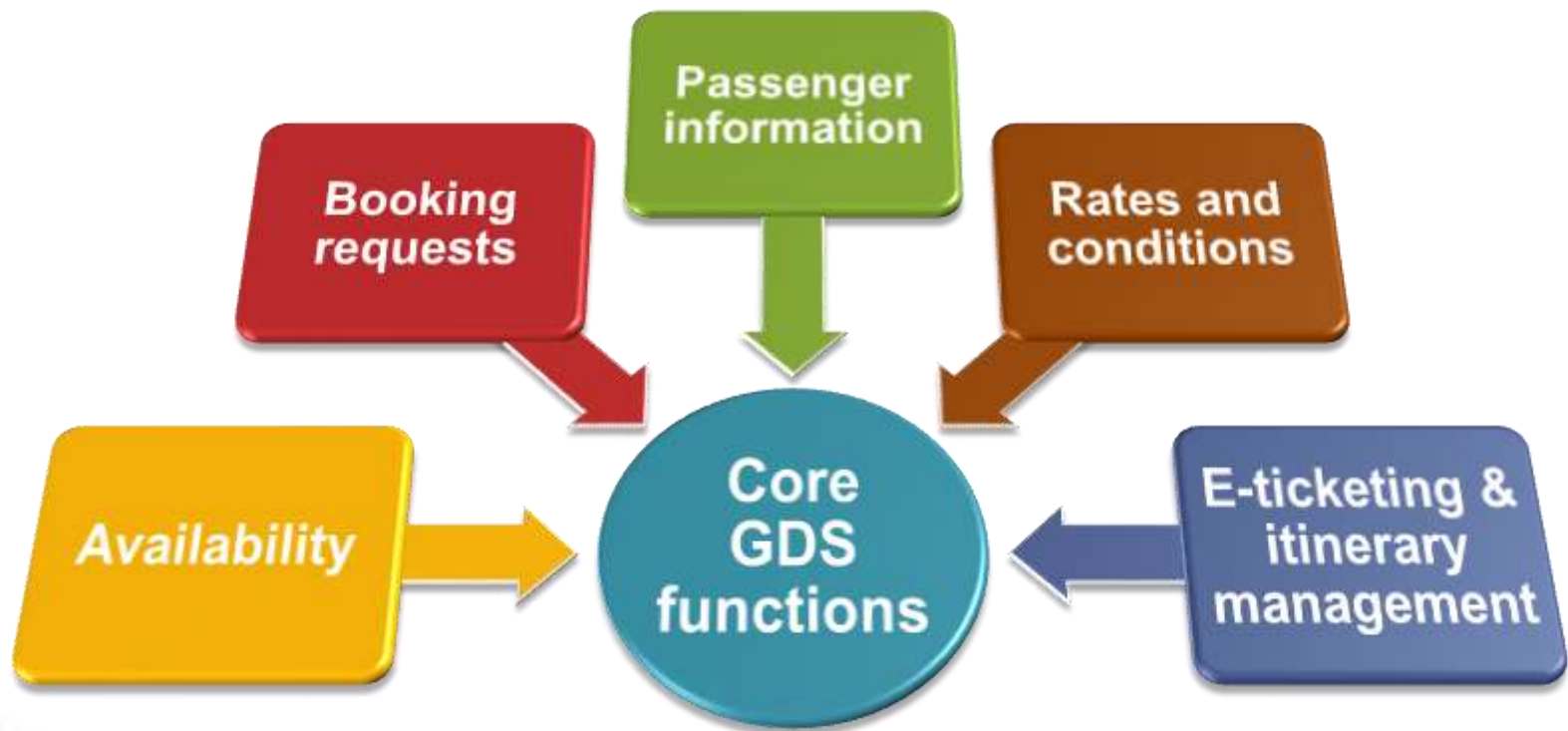


FIGURE 3.2 The evolution of major global distribution systems.

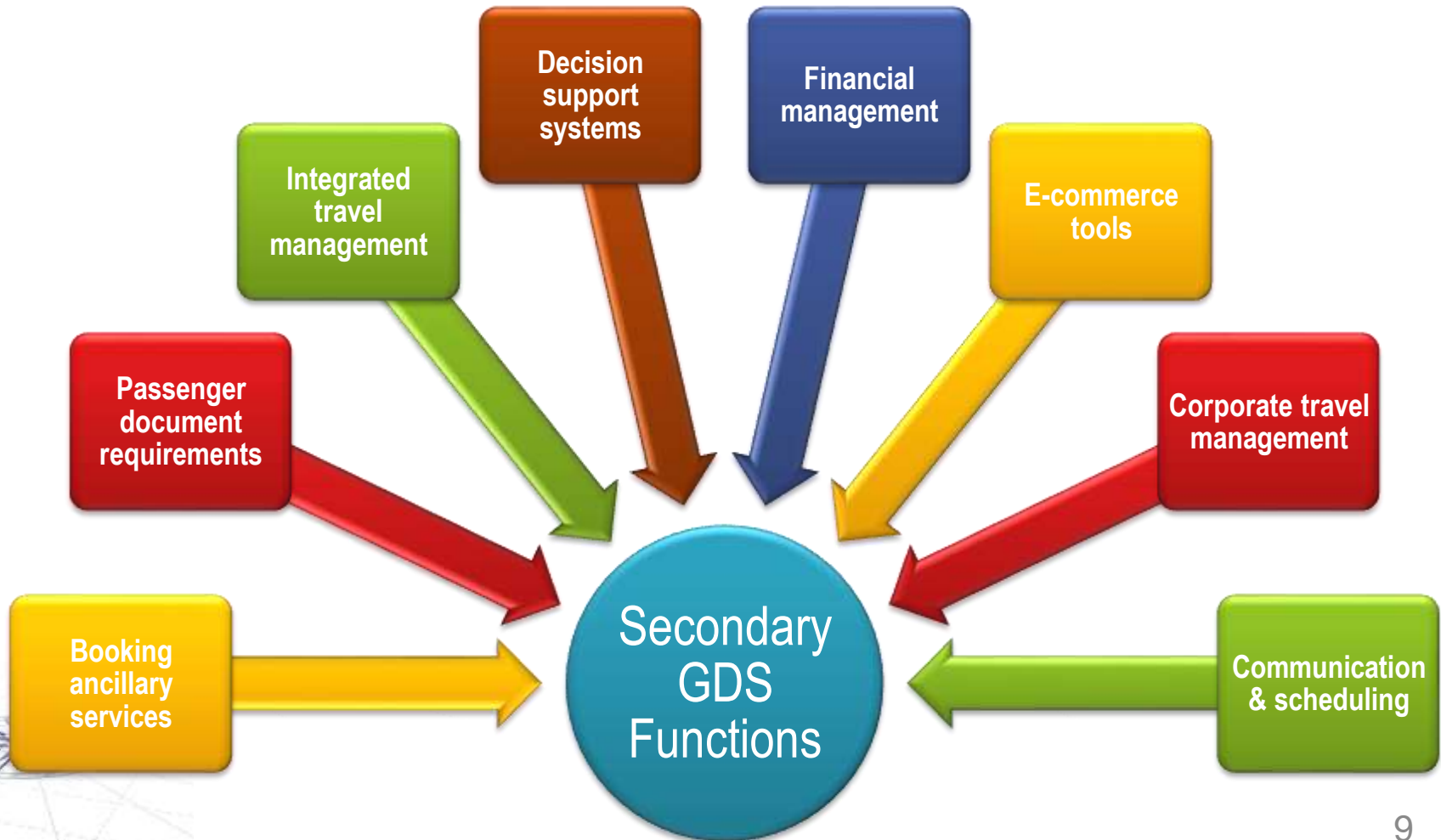
Characteristics of Major GDSs

GDS	Founded	Founders	Market Share	Locations
Sabre	1960	American Airlines	30%	56,000 travel agency locations. Global presence, strong in US & Asia Pacific
Amadeus	1987	Air France, Lufthansa, Iberia & SAS	39%	104,000 travel agency locations. Mainly Western Europe, Middle East & Asia Pacific
Abacus	1988	Singapore Airlines & Cathay Pacific	5%	20,000 travel agency locations. Mainly Asia-Pacific
Travelport	2006	Merger of Galileo & Worldspan	26%	67,000 travel agency locations. Global presence, strong in US & Western Europe
<i>Worldspan</i>	1990	United Airlines		
<i>Galileo</i>	1987	Nine major European airlines		
	1971	Delta, TWA & NW Airlines		
<i>Apollo</i>				

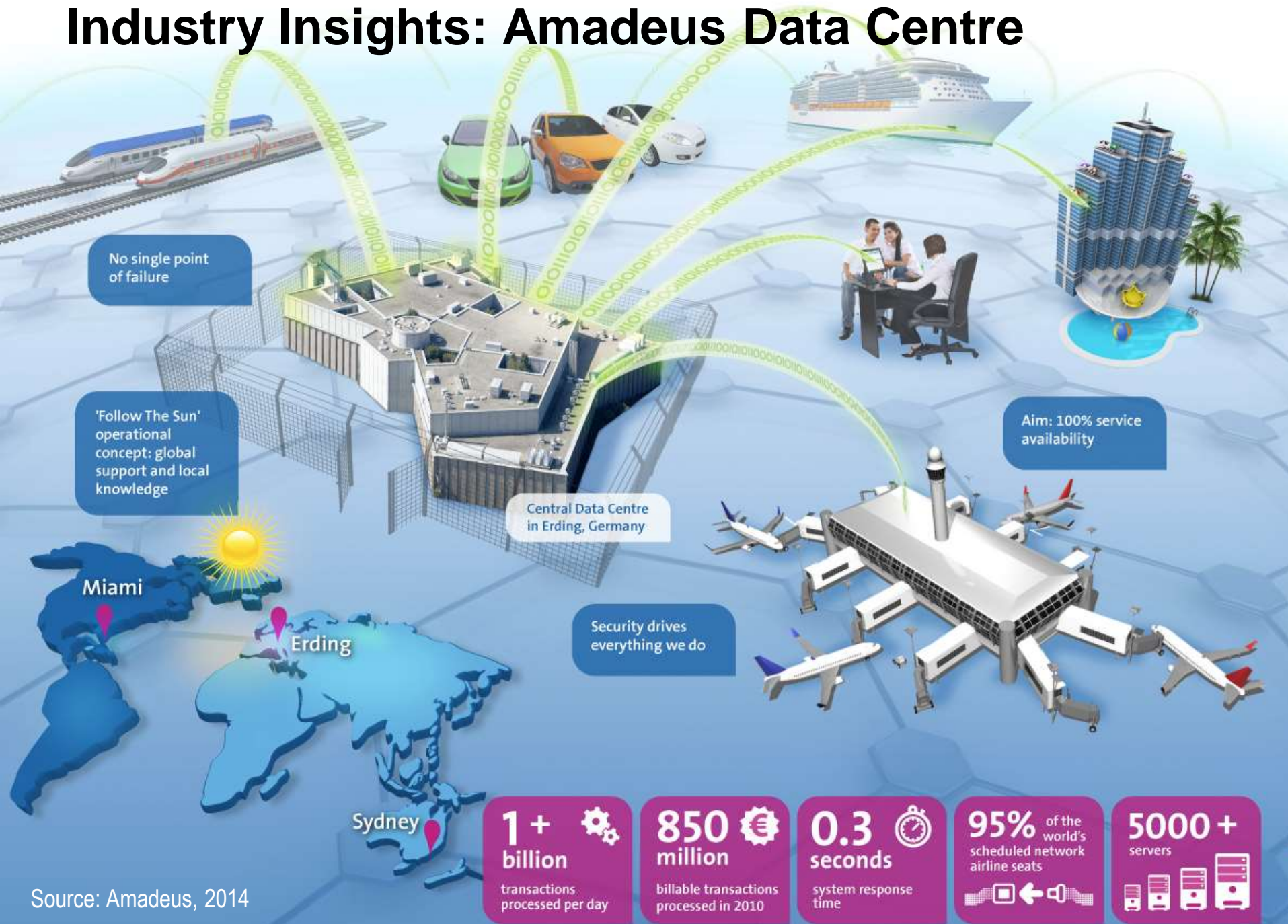
Core GDS Functions



Secondary GDS Functions



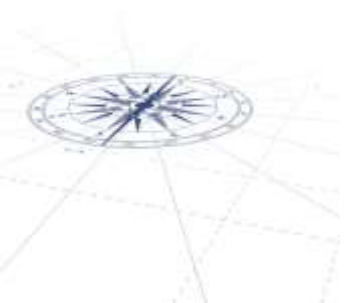
Industry Insights: Amadeus Data Centre



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FIGURE 3.4 Traditional GDS “Green Screen” command line display.



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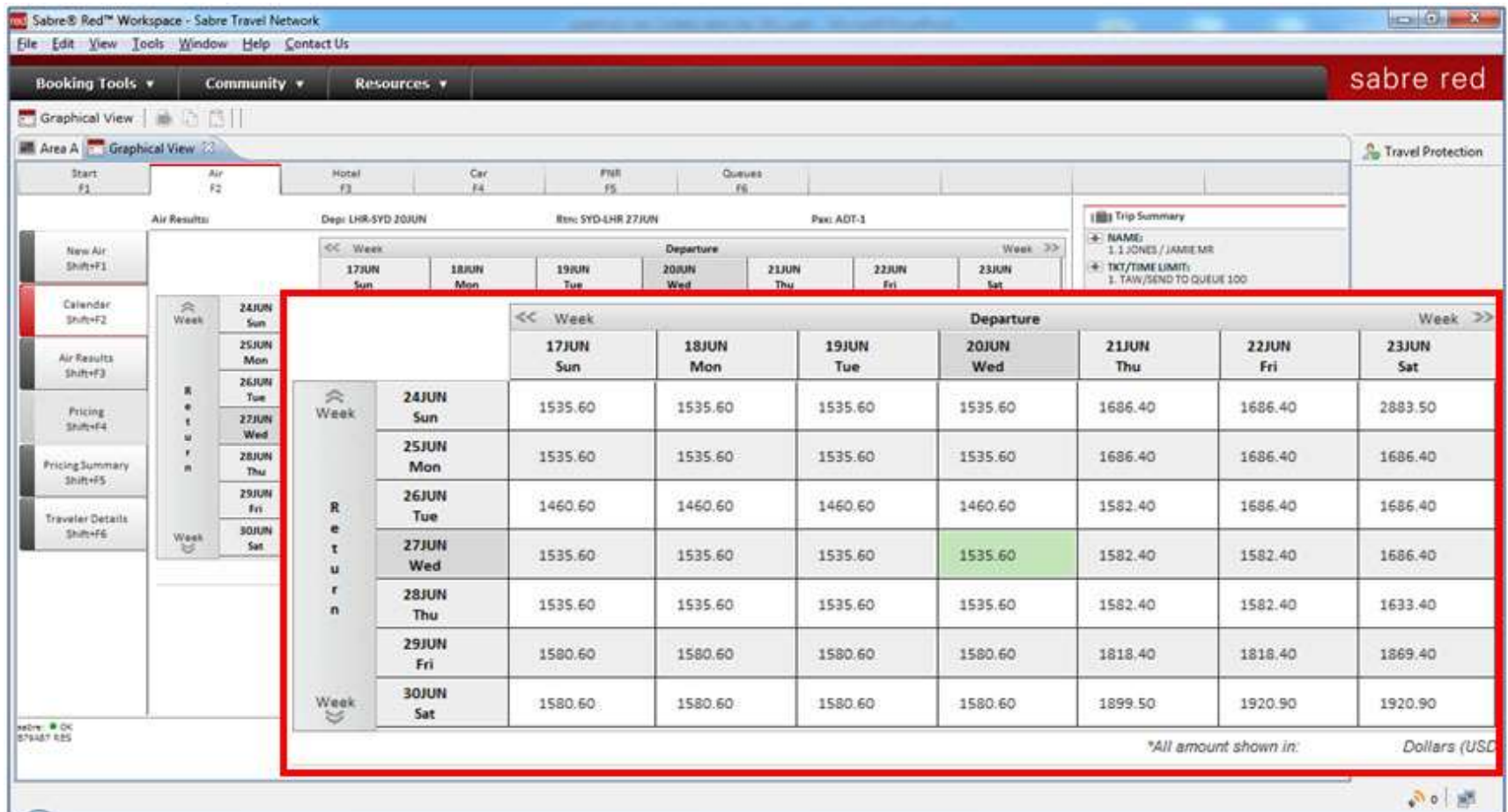


FIGURE 3.5 Sabre Red Graphical Workspace.

Source: Sabre Holdings, 2014

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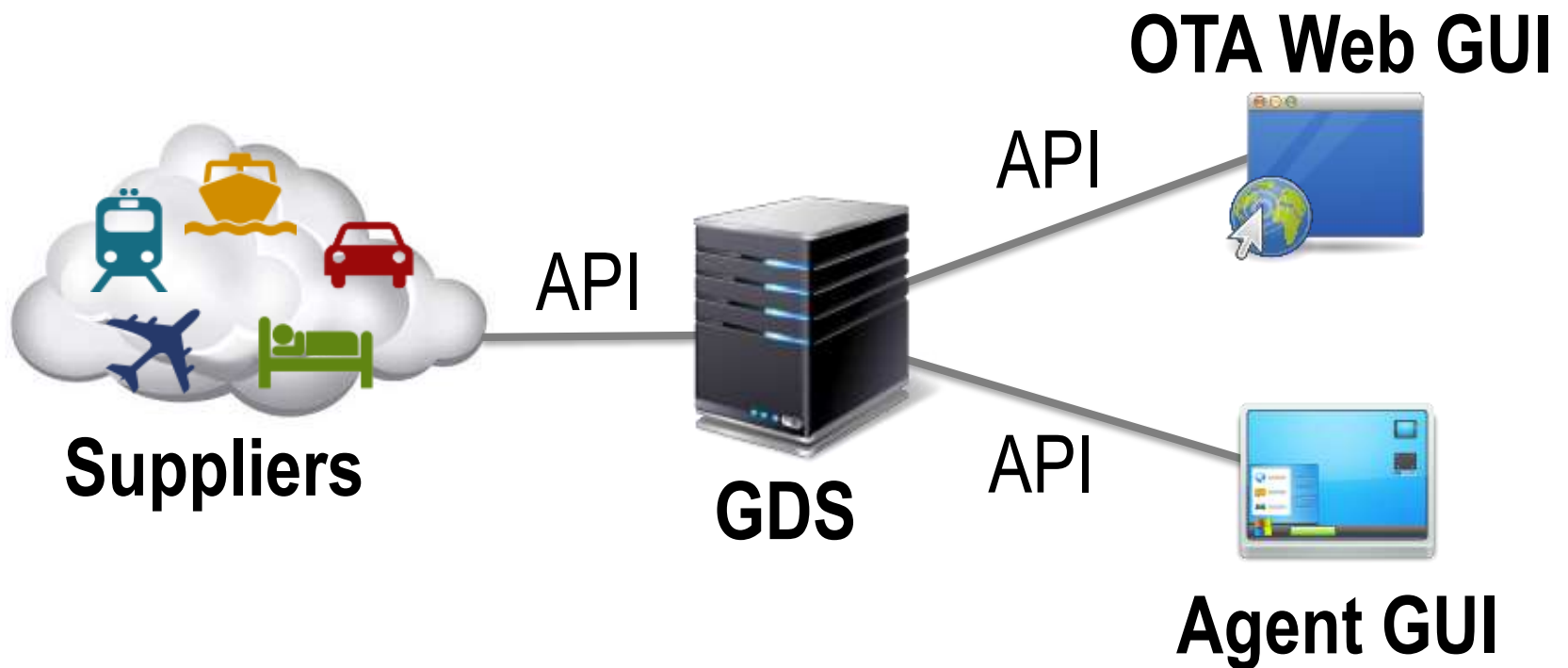


FIGURE 3.6 GDS interfaces.

SWOT Analysis of GDSs

Positive

Negative

Internal

Strengths

- Market power
- Homogenized content
- Interline bookings
- Back-office integration
- Client loyalty

Weaknesses

- Legacy-based systems
- Connectivity
- Pricing innovation

External

Opportunities

- New suppliers
- New clients
- Dynamic packaging
- Interoperability

Threats

- GDS New Entrants (GNEs)
- Open systems
- Direct bookings



GDS Trends

- ⊙ Diversifying IT solutions
- ⊙ Consolidation
- ⊙ Connectivity and interoperability
- ⊙ Transparency
- ⊙ Personalization
- ⊙ Social, Local and Mobile (SoLoMo)



Tour Operator Use of IT

- ⊙ Package creation
- ⊙ Tour package distribution
- ⊙ Reservations and customer management



Traditional Travel Retailers

- ⊙ Front-office systems
- ⊙ Back-office systems
 - Accounting systems
 - Human resource systems
 - Customer relationship management (CRM)
 - Communication
 - Commission tracking
 - Transaction settlement



Enterprise Resource Planning (ERP) Systems

- ⊙ Back office functions can be integrated into cross-functional systems known as **Enterprise Resource Planning (ERP)** systems.
- ⊙ Benefits:
 - Productivity
 - Reporting
 - Customer satisfaction
 - Forecasting



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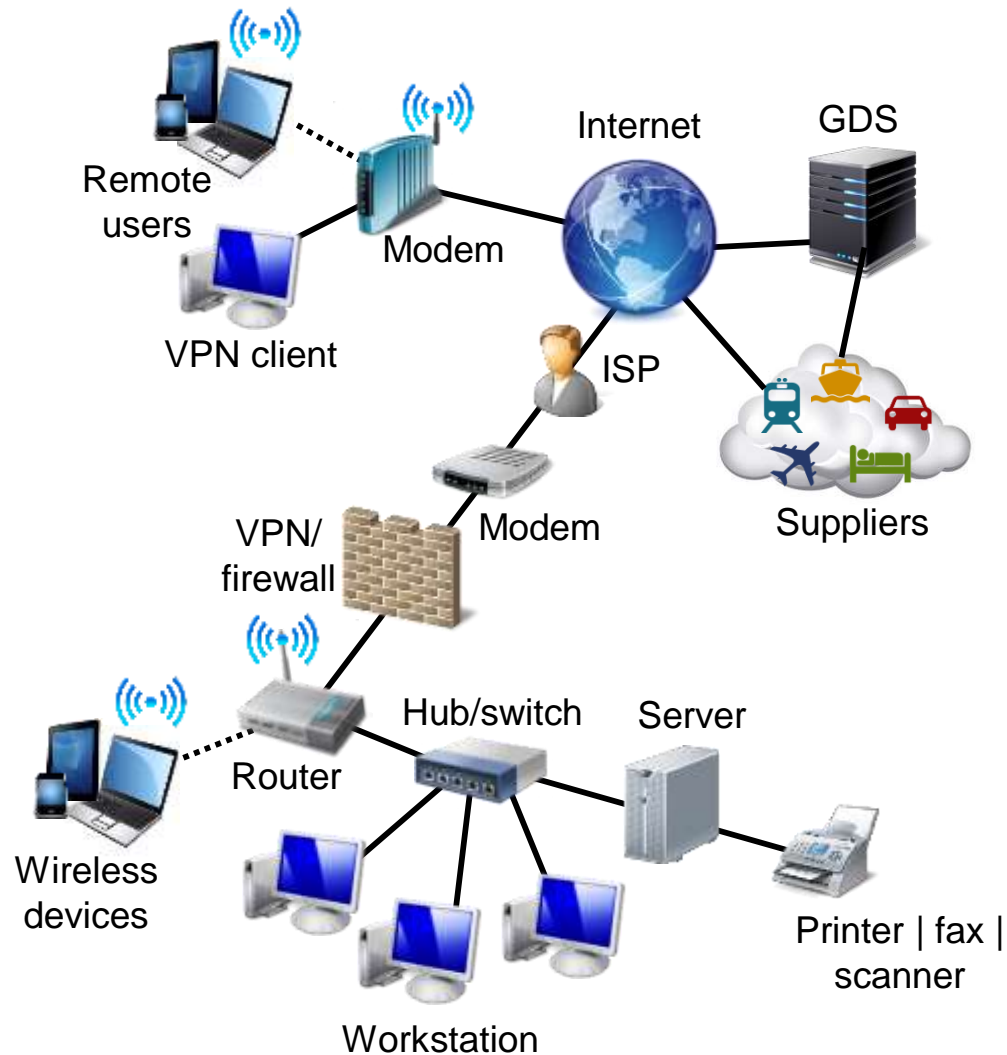


FIGURE 3.7 Simple travel retailer hardware and network.

Travel Retail Hardware and Networks

Key Terms

- ⦿ Local area network (LAN)
- ⦿ Intranet
- ⦿ Extranet
- ⦿ Virtual private network (VPN)
- ⦿ Firewall



SWOT Analysis of Traditional Retailers

Positive

Negative

Internal

Strengths

- Time and cost
- Expertise
- Security
- Value adding
- Personalization
- Special needs

Weaknesses

- Cost
- Bias and errors
- Less choice and transparency
- Less control
- High fixed costs
- Limited opening hours

External

Opportunities

- Emerging markets
- Hybrid models
- Consolidation

Threats

- Decommissioning
- Digital competitors
- Public perceptions
- Failure to attract talent
- Lack of investment



Travel Management Companies (TMCs)

Unique characteristics

- ⦿ Contracts and preferred suppliers
- ⦿ Travel policy compliance
- ⦿ Employee productivity
- ⦿ Risk management
- ⦿ Travel expense management



Types of Online Travel Intermediaries



Online Travel Intermediaries

IT Innovations

- ⦿ The Matrix Display
- ⦿ Search filters
- ⦿ Opaque pricing
- ⦿ Dynamic packaging
- ⦿ Flexible date search
- ⦿ Alternative airport search
- ⦿ Low-fare notifications
- ⦿ Mapping
- ⦿ Semantic search



SWOT analysis of online travel intermediaries

Positive

Negative

Internal

Strengths

- Low entry costs and investment
- Pricing and convenience
- Customization
- Choice and control
- Instantaneous
- Comparison
- Flexibility
- Multimedia

Weaknesses

- Lack of transparency
- Cancellation and changes
- Security
- Time consuming
- Limited advice
- Support (general and special needs)
- Lack of expertise

External

Opportunities

- Social
- Mobile
- Integration
- Innovation

Threats

- Competition
- Direct bookings



Discussion Questions

1. What is the difference between a GDS and a GNE? Visit the GDS and GNE websites to help you answer this question. Do you think GNEs are a threat to the GDSs? Justify your answer.
2. You have started your own small travel retail business. Which GDS would you choose and why?
3. What is the role of traditional intermediaries in the travel distribution system and are they still needed? How might traditional intermediaries use IT to compete against the innovative features offered by OTAs?
4. Watch the following video about IATAs New Distribution Capability: <http://youtu.be/IW-flRooeVc>. What impact is this IT development likely to have in travel intermediaries?
5. What is disintermediation and how has it impacted the different types of travel intermediaries described in this chapter? Do you think some of the intermediaries discussed in this chapter are likely to disappear in the next 10 years? Which and why? What role has IT played in this process

Discussion Questions

5. This chapter provides SWOT Analyses for the GDSs, traditional travel retailers and OTAs. Use the information in this chapter along with your own research to conduct a similar SWOT analysis of TMCs. What do you think the future looks like for TMCs?
6. Visit two metasearch engines (e.g. Hipmunk, Room77, Skyscanner, Trivago, Kayak) and search for a return flight and hotel to a destination of your choice. Compare and contrast the two sites by identifying the strengths and weaknesses of each. Do they offer different features? Which features do you like the most? What ITs are used to improve the search experience?
7. Group buying sites and opaque pricing sites have attracted some media controversy. Find some press stories about these types of OTAs and use them to identify the key consumer issues that have generated negative publicity. How can these OTAs overcome these challenges?

Useful Websites



Expedia

<http://www.expedia.com/>



Priceline

<http://www.priceline.com/>



Sabre Holdings

<http://www.sabre.com/>



Kayak

<http://www.kayak.com/>



Travelocity

<http://www.travelocity.com/>



TUI

<http://www.tui-group.com/en/>



lastminute.com

<http://www.lastminute.com/>

Case Study Sabre Holdings

- ⦿ Founded by partnership between American Airlines and IBM in 1953.
- ⦿ SABRE was the first private real-time online transaction system.
- ⦿ 9000 employees in 59 countries.
- ⦿ Diversified beyond GDS to become a travel technology company offering a range of IT solutions for airlines, airports, travel intermediaries, hotels, car rental providers, rail providers and tour operators.
- ⦿ Four business units:
 1. Sabre Travel Network
 2. Sabre Airline Solutions
 3. Sabre Hospitality Solutions
 4. Travelocity

