A Study on Innovations and Emerging Patterns in Airline Industry due to E-Commerce

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Abstract: *This contextual analysis examines the impact of internet commerce and online reservation systems on the transportation industry. Two queries are looked at: 1. How might new information technologies—especially those relating to e-commerce—be used to establish a competitive edge? 2. How has the job of travel agents changed as a result of the new information technologies being employed to achieve a competitive edge in the aviation sector? The first topic focuses on the effects of American Airlines' SABRE technology, which has repeatedly been hailed as giving the company a competitive advantage. To understand how information technologies have affected the travel industry, the larger impact of remote-access, computerised reservation systems, or Global Distribution technologies, and e-commerce access to online bookings is explored using Porter's five-force model of industry competitive forces.*

Keywords: Travel agent, booking , internet, airline, bookings, consumer

I. INTRODUCTION

In the 1960s, when individual airfare became accessible, travel agents provided an essential service. A travel planner would track down a reasonable trip in the printedschedules distributed by individual carriers and phone the aircraft booking specialist to makea reservation. If there were no seats available, the airline booking agent would return the call to either confirm the reservation or suggest an alternative flight. For the booking, the airline paid the agent a fixed commission. The majority of routes were served by a single airline because the airline industry was regulated. Travel planners principally served the singular travel market,whilecorporate travel was reserved straightforwardly with a carrier, to accomplish corporate limits (Clemons&Hann, 1999). The travel agent's job was to help customers decide where to go and act as a middleman in the complicated process of making travel reservations. The following discussion examines two waves of information technology that have had a significant impact on the air travel industry to present a case study of how new technologies have affected the industry. The creation of direct reservation systems like the American Airlines SABRE system is the first of these.

The advent of global distribution system

In the middle of the 1970s, airlines began providing travel agents with access to direct, computerized reservation systems (see the discussion of the SABRE system below). In 1978, the airline industry was deregulated, resulting in increased price and service competition among airlines operating the same route. Suppliers of automated reservation frameworks gave admittance to travelagents by means of dialup phone associations (and ultimately long-lasting or broadband connec-tions). This impacted the manner by which travel planners finished an exchange and gave themfaster and better data about cost and accessibility, contrasted and the previous,asynchronous cycle of booking direct with the carrier.

Travel planners were still essentialto the method involved with booking a flight, as admittance to the particular innovation expected to obtainthis information was inaccessible to the purchaser. Albeit inaccessible for direct consumeruse, modernized reservation frameworks permitted travel planners to give a more effective service. The travel planner could affirm the booking progressively and look for options if a flightwas full, while the client paused. A continuous booking with a carrier booking specialist wasbetter than depending on an offbeat exchange, directed north of a few hours or days. The movement market became divided, as travel planners progressively designated

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corporatecustomers, offering some incentive added administrations like exchange of mass charges and arrangingcomplex agendas (Clemons and Hann, 1999)

.Direct reservation framework terminals and associations were frequently offered free to travelagents, as aircrafts sought piece of the pie with travel planners. Most of the time, a travel agent wouldn't use more than one direct reservation system because it took a lot of time and training to use them. At first, not all systems carried all airlines, but as direct reservation systems became common, this changed. However, a particular airline has an advantage because their direct reservation system typically displays their flights first. Airlinesalso needed to pay an expense to have their flights remembered for a contender's reservation framework, whichwould add to the expense of booking with that carrier through a travel planner who utilized acompetitor's reservation framework. Over a period, direct reservation frameworks became moreprevalent and incorporated a more extensive scope of items and administrations, to become GlobalDistribution Frameworks (GDS)

By the mid-1990s, the market had changed and travel planners turned out to be less light. In an effort to maintain profitability, the airlines waged price wars and saw their profit margins shrink. They attempted to cap or reduce commission. Albeit a portion of the bigger specialistshadreplaced dialup associations with broadband or for all time associated joins, they were stillrelying on outsider suppliers for their data and level of administration (the different airline reservation frameworks). The innovation utilized (direct access terminals) was becomingoutdated, frequently having lumbering, text-based interfaces, with challenging to-arrange menusand UIs. The majority of travel agents differentiated their value to customers by relying on the same kind of local knowledge they had always used.

Web Technologies More as of late, travel planners have confronted extra dangers to their productivity, enabledby the inescapable utilization of the Web. The first is disintermediation (removing themiddleman) by the carriers and the PC reservation framework administrators. The widespread availability of internet access has turned on its head the economics of processing individual transactions: it is currently legitimate in any event, for the carriers to serve individual clients, as thecost of handling an electronic exchange is so low, contrasted with the expense of processinga buy exchange performed by a human salesman. The profitability of corporate electronic transactions attracts airlines even more. With refined informationsystems, it is presently workable for aircrafts to offer complex limits on mass buysacrossmany various courses and classes of movement, for corporate clients. They can also target high-value corporate customers with dynamic discounts and value-added service offers using data mining techniques, increasing the business they attract through direct sales channels. The second threat is competition from online travel agents, whose overhead costs are much lower and who can make much bigger savings by processing a lot of relatively low-margin purchases.

Online travel planners utilize new technologiesto access the immediate reservation frameworks of various administrations progressively, permitting individualand corporate clients to straightforwardly facilitate flight, vehicle recruit, lodging and different administrations, asshown in Figure 3. However, using online travel booking services comes at a cost. The cost of search can be high: Prices for air tickets can fluctuate daily or hourly. Most of the time, it takes too much time and effort to put together a complicated package that includes hotel reservations and services for air and land travel. The most price-conscious segment of the air travel market may be the focus of the online market: those who are willing to put in a disproportionate amount of effort and time to secure a cheap ticket. Manycustomers may likewise visit an internet based travel planner's webpage to get data and afterward bookelsewhere

Cutthroat Examination of Changes in The Air Travel Industry

This area utilizes Doorman's five-force model to dissect the effect of new technologieson contest in the air travel industry (Watchman and Millar, 1985). This model breaks down therelative cutthroat tensions applied on a firm (or kind of firm, for this situation) by five differentindustry "powers": direct rivals, new entrants into the market, alternative goods and services, suppliers, and the company's clients After that, the most significant threats to the business are looked at to see if information technology can be used to ease or avoid the pressure. At first, the inconvenience of going to a travel agent paled in comparison to the amount of time and money spent calling for information about alternative flights and airfares. Because the commissions paid to travel agents were also applied to individual direct bookings,

using a travel agent was neither cost-effective nor convenient. Travel planners just contended with one another on assistance rather thancost. The help component chiefly comprised of neighborhood information about which carriers offeredthe best timetable from nearby air terminals to a specific objective and which carrier's pricestructure was generally appealing. The job of particular framework information and nearby knowledgeabout aircraft timetables and estimating structures gave individual specialists a benefit overother specialists. Agents who were not early adopters of direct reservation systems faced increased barriers to entry as a result of their use. Direct reservation system terminals and connections were frequently installed free of charge by airlines as they competed with one another for market share. However, training required a significant investment, and those who waited to adopt the new technology struggled to keep up. Once a criticalmass of straightforwardly associated travel planners was accomplished and flights could be placed in multiplesystems, carriers had the option to offer unique estimating, raising charges during times of highdemand and bringing down passages during times of low interest. Travel agents were only able to compete on the basis of the level of personal service they provided, so their local knowledge quickly became less important. In the 1980s, airlines started using differential pricing to their advantage, favoring travel agents who bought more than a certain amount of flights from them in a month. Two recent trends have had an impact on the air travel product market, resulting in the closure of numerous small agents. Global DistributionSystems (GDS), which are the primary channel for the distribution of airline tickets in the United States, have emerged as an IS application that has radically altered the travel agent market. One illustration of this is the transformation of SABRE from a direct ticket reservation system into a GDS that serves airlines, hotels, car rentals, rail travel, and cruise lines. Although subscription and booking fees are now more significant for small businesses, the advent of GDSs has altered the balance of power and diversified travel agents into selling multiple products, all of which can be reserved in real time (Elias, 1999). Numerous other GDSs are currently in operation, reducing the costs of entry into the travel agent market significantly. As displayed in Reference section 1, a large portion of the major Worldwide Circulation Systemsare possessed by consortia of carriers, permitting them to have some expertise in unique estimating over a subsetof travel suppliers

CURRENT Difficulties/PROBLEMSFACING THE ORGANIZATION

Trends in the Movement IndustryInfluences on the air travel industry incorporate expanded contest through globalization, changing client ways of life, and the impression of hazard that customers append to airtravel. Increased consumer affluence, increased consumer exploitation of leisure time as a means of "getting away," increased customer expectations of convenience, added value through customization of offerings, and increased consumer knowledge about product offerings are some of the market trends. Consumer power tends to rise as a result of all of these factors, allowing consumers to exert greater influence over the industry in terms of choice and pricing. Notwithstanding, they additionally increasethe all out market size: According to Jupiter (2001), sales in the first quarter of 2002 were significantly higher than those in the first quarter of 2001. According to Heartland (2001), the exploitation of preferential pricing to a value-added provider (typically a travel agent) makes it possible to bundle a variety of products and services into an appealing package. In 2000, leisure travelers (55 percent) outnumbered business travelers (37 percent). The remaining 8% of travelers combined business and pleasure (Heartland, 2001). Through a variety of real-time online reservation systems, travel agents have recently been given access to "value added" services. Travel planners who exploit onlinereservation frameworks don't need to offer their bundles to purchasers on the web, in spite of the fact that theymay need to endeavor to rival the comfort of the people who do.

The Challenge for E-CommerceTransactions

Individual e-commerce customers are demanding and frequently unforgiving. Bundling gives travel agents more power because they can present the consumer with more attractively priced product bundles than if the consumer buys these services separately. Additionally, they may add value by including items that the consumer would not have thought to add, such as a bottle of iced champagne waiting in the room. They expectpage downloads in under eight seconds and hope to finish the shopping system inless than a little ways from when they open the retailer's landing page. They expect promptness, ease of use, and seamless purchasing. Almost a fourth of online customersstopusing the webpage after a bombed exchange. In fact, failure has a significant impact; 10% of consumers say they will never shop online again (BCG, 2000).

Airlines, like other businesses, will face the challenge of providing a consistent customer experience across channels. Clients shopping on a carrier site expect thesame level of administration that they would overcome a travel planner. Clients purchasing airlinetickets through an outsider site, like Travelocity, anticipate a similar kind of treatment,including acknowledgment of incessant flier honors. Online customers expect a consistent experience on Palm devices and mobile phones in an increasingly connected world. E-commerce wireless portals may play a role in the future by connecting customers to online travel agents, facilitating direct channel sales, and possibly even allowing customers to customize their own value-added bundle of travel products. Travel agents may survive and even remain competitive if they use online technologies actively. However, airlines are more likely to disintermediate in the corporate market because they view the expansion of business-to-business markets as their most important long-term strategy (IBM, 2000). It is ironic that the industry is once again restricting direct sales to corporate customers because travel agents could more profitably handle the overhead and costs of dealing with individual customers.

II. CONCLUSION

The Air Travel Industry's Future Nothing is certain: physical travel planners are starting to take advantage of thenew innovations, to add worth and data administrations to their fundamental assistance bundle. Tothis factor is ascribed the ascent of travel planner incomes in the USA, which rose 25 percentin 1998 (Kellendar, 1999). A report by Heartland (2001) contends that more modest travel plannersarebecoming progressively uncompetitive, given pressed edges, lessening commissions andcherry picking of higher-esteem custom by online travel planners and via carriers. The questionis, to whom is the expanded business going?In the singular buyer market, are deals going to the customary travel agent,hampered by more seasoned innovation in booking flights and fiddling at the edges? Alternatively,are they going to the new, online travel planners, laying out revolutionary brand pictures andinnovative approaches to getting a minimal expense, great package?In the corporate travel market, are deals going to the customary travel planner, who reducethe search time and exertion of corporate travel purchasers, however whose net revenues are squeezedat the two closures: by reducing airline commissions and negotiating rebates for businesses? Arethey going to the internet based travel planners, whose economies of scale can uphold extremist discountstrategies? On the other hand, are they going to airlines, whose direct sales channels can provide dynamic bulk pricing and who can squeeze out service providers through indirect channels by limiting availability and employing differential pricing? The significant aircrafts seecorporate direct deals as their most essential market an open door, long haul. Given the airlines'ownership of the major web-based travel services and their capacity to set commission levels fortheir contenders, this procedure likely could find actual success.

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