

# A Study of the Trends of E-Commerce in Airline Industry

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**Abstract:** *This contextual investigation looks at the effect of online reservation frameworks and internet business on the movement business. Two inquiries are inspected: 1. How can new information technologies, particularly e-commerce technologies, be utilized to gain a competitive advantage? 2. How have the new information technologies being used to gain a competitive advantage in the air travel industry altered the role of travel agents? The impact of American Airlines' SABRE system, which has been frequently touted as giving the airline a competitive advantage, is the subject of the initial discussion. Using Porter's five-force model of industry competitive forces, the travel industry's wider impact of remote-access, computerized reservation systems, or Global Distribution Systems, and e-commerce access to online reservations is examined to comprehend how information systems have shaped and shaped the travel industry. The contextual investigation closes with a correlation of the effect of data innovations between the U.S. also, European travel businesses. It comes to the conclusion that the roles of industry players are not affected by technology alone; rather, the development of successful technologies takes advantage of environmental structural factors. In order to achieve a competitive advantage, strategic information systems must constantly evolve, but opportunism also plays a significant role.*

**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 printed schedules distributed by individual carriers and phone the aircraft booking specialist to make a 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, while corporate 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 travel agents by means of dialup phone associations (and ultimately long-lasting or broadband connections). This impacted the manner by which travel planners finished an exchange and gave them faster and better data about cost and accessibility, contrasted and the previous, asynchronous cycle of booking direct with the carrier.

Travel planners were still essential to the method involved with booking a flight, as admittance to the particular innovation expected to obtain this information was inaccessible to the purchaser. Albeit inaccessible for direct consumer use, 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 flight was full, while the client paused. A continuous booking with a carrier booking specialist was better than depending on an offbeat exchange, directed north of a few hours or days. The movement market became divided, as travel planners progressively designated corporate customers, offering some incentive added administrations like exchange of mass charges and arranging complex agendas (Clemons and Hann, 1999)

Direct reservation framework terminals and associations were frequently offered free to travel agents, 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. Airlines also needed to pay an expense to have their flights remembered for a contender's reservation framework, which would add to the expense of booking with that carrier through a travel planner who utilized a competitor's reservation framework. Over a period, direct reservation frameworks became more prevalent and incorporated a more extensive scope of items and administrations, to become Global Distribution 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 specialists had replaced dialup associations with broadband or for all time associated joins, they were still relying on outsider suppliers for their data and level of administration (the different airliner reservation frameworks). The innovation utilized (direct access terminals) was becoming outdated, frequently having lumbering, text-based interfaces, with challenging to-arrange menus and 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, enabled by the inescapable utilization of the Web. The first is disintermediation (removing the middleman) 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 the cost of handling an electronic exchange is so low, contrasted with the expense of processing a buy exchange performed by a human salesman. The profitability of corporate electronic transactions attracts airlines even more. With refined information systems, it is presently workable for aircrafts to offer complex limits on mass buys across many 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 technologies to access the immediate reservation frameworks of various administrations progressively, permitting individual and corporate clients to straightforwardly facilitate flight, vehicle recruit, lodging and different administrations, as shown 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. Many customers may likewise visit an internet based travel planner's webpage to get data and afterward book elsewhere

### **Cutthroat Examination of Changes in The Air Travel Industry**

This area utilizes Doorman's five-force model to dissect the effect of new technologies on contest in the air travel industry (Watchman and Millar, 1985). This model breaks down the relative cutthroat tensions applied on a firm (or kind of firm, for this situation) by five different industry "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 than cost. The help component chiefly comprised of neighborhood information about which carriers offered the best timetable from nearby air terminals to a specific objective and which carrier's price structure was generally appealing. The job of particular framework information and nearby knowledge about aircraft timetables and estimating structures gave individual specialists a benefit over other 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 critical mass of straightforwardly associated travel planners was accomplished and flights could be placed in multiple systems, carriers had the option to offer unique estimating, raising charges during times of high demand 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 Distribution Systems (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 Systems are possessed by consortia of carriers, permitting them to have some expertise in unique estimating over a subset of travel suppliers

#### **CURRENT Difficulties/PROBLEMS FACING THE ORGANIZATION**

Trends in the Movement Industry Influences on the air travel industry incorporate expanded contest through globalization, changing client ways of life, and the impression of hazard that customers append to air travel. 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 increase the 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 online reservation frameworks don't need to offer their bundles to purchasers on the web, in spite of the fact that they may need to endeavor to rival the comfort of the people who do.

#### **The Challenge for E-Commerce Transactions**

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 expect page downloads in under eight seconds and hope to finish the shopping system in less 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 customers stop using 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 the same level of administration that they would overcome a travel planner. Clients purchasing airline tickets 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 the new innovations, to add worth and data administrations to their fundamental assistance bundle. To this factor is ascribed the ascent of travel planner incomes in the USA, which rose 25 percent in 1998 (Kellendar, 1999). A report by Heartland (2001) contends that more modest travel planners are becoming progressively uncompetitive, given pressed edges, lessening commissions and cherry picking of higher-esteem custom by online travel planners and via carriers. The question is, 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 and innovative approaches to getting a minimal expense, great package? In the corporate travel market, are deals going to the customary travel planner, who reduces the search time and exertion of corporate travel purchasers, however whose net revenues are squeezed at the two closures: by reducing airline commissions and negotiating rebates for businesses? Are they going to the internet based travel planners, whose economies of scale can uphold extremist discount strategies? 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 see corporate 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 for their contenders, this procedure likely could find actual success.

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