

## Communications of the IIMA

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Volume 3 | Issue 1

Article 1

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2003

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Jiaqin Yang

*Georgia College & State University*

Jan Flynn

*Georgia College & State University*

Krista Anderson

*Georgia College & State University*

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### Recommended Citation

Yang, Jiaqin; Flynn, Jan; and Anderson, Krista (2003) "E-Business Application in the Hospitality Industry: A Case Study," *Communications of the IIMA*: Vol. 3: Iss. 1, Article 1.

Available at: <http://scholarworks.lib.csusb.edu/ciima/vol3/iss1/1>

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# **E-Business Application in the Hospitality Industry: A Case Study**

**Jiaqin Yang**

Georgia College & State University, Milledgeville, GA 31061  
Phone: (478) 445-2572, Fax: (478) 445-0602; jyang@gcsu.edu

**Jan Flynn**

Georgia College & State University, Milledgeville, GA 31061  
Phone: (478) 445-2569, Fax: (478) 445-0602; jflynn@gcsu.edu

**Krista Anderson**

Georgia College & State University, Milledgeville, GA 31061  
Phone: (478) 445-4324, Fax: (478) 445-0602; kanderson@gcsu.edu

## **ABSTRACT**

*This paper describes some recent development of e-business application in the hospitality industry (e.g., travel industry, and recreational entities) and illustrate with two case studies. One is about a local hotel industry's effort to use the Internet to boost its local market. Another describes the operations and its competitive strategy of an emerging online travel agency. The research objective is to investigate the trends and level of prevalence of application of the Internet in the hospitality industry focusing on some emerging issues and challenges. Managerial implications are discussed with suggestions for future research.*

## **INTRODUCTION**

The application of the Internet in the business world has become a major trend in practice and generated a hot stream of research in the recent literature. The Internet, as a collection of interconnected computer networks, provides free exchanging of information. Over 400 millions of computers on more than 400,000 networks worldwide today are communicating with each other (Napier, Judd, Rivers, and Wagner, 2001). As such, the Internet has been becoming a powerful channel for business marketing and communication (Palmer, 1999), and for new business opportunities - as it is often called as "e-business" or "e-commerce" today (Schneider & Perry, 2001). This new virtual marketplace allows small companies competing with business giants by *just* having a better web presentation of their products/services. Under the same wave, online customers can enjoy a wider choice of products or services, more competitive prices, and being able to buy their favorite items/services from the sellers located thousands miles away. It provides communication between consumers and companies and through

*electronic data interchange* (EDI), buyers and sellers can exchange standard business transactions such as invoices or purchase orders with remarkably easy.

E-commerce has been defined as "*the buying and selling of products and services by businesses and consumers over the Internet*" (WWW.Commerce.net). The Internet and e-commerce give consumers an opportunity - through the easy on-line information gathering and convenient online shopping - to be better prepared to purchase the right product (or service) at the right time (Schulze, 1999). New entrepreneurs and traditional small to medium sized businesses are the pioneers exploring on the forefront of e-commerce. According to a published survey, more than 90% of new entrepreneurs and starting businesses are using the Internet - to either enhance their existing business operations or to explore new business opportunities (McKendric,1999). Numerous studies have been reported about the Internet applications in business - including the application in the service operations, such as: the health care industry (e.g., webMD), banks and financial institutions (e.g., e-banking), and the hospitality & tourism industry (e.g., e-booking of hotel/motel rooms, airline tickets, etc.). Those Internet applications have attracted a great amount of attention from industrial practitioners and academic researchers, due to the fact that the information exchanging and sharing is a key part of those business operations, where the use of Internet will provide an advantage in the related information flow. Given the competition from powerful traditional businesses, a successful e-business can only occur if this business can satisfy its consumers' needs better than those traditional business approaches and provide consumers with at least one of the following advantages: (a) lower price, (b) wider selection, (c) better choices, (d) superior services, and (e) more convenient (Vassos,1996).

One key issue for the e-business application in service operations is about the possibility of online delivery of the services customers ordered - as not all types of services (or products) can be delivered online, such as haircut (or hot cooked meals). Specifically, the services requiring customer participation (or the items demanding immediate delivery) are difficult (if not impossible) to be purchased and delivered online. In this regard, the online booking of hotel/motel rooms, airline tickets, advanced car rental, or a total travel package has become one of a few good example services - which can be inquired, checked, and ordered easily while conveniently communicated and delivered online with the Internet. In fact, the use of internet information delivery and on-line document printing has provided the backbone for the current stream of e-commerce - as it can overcome many traditional business obstacles and operational barriers by delivering access to global market and providing new leverage with old large powerful suppliers (Westerlund, 2000). In the current performance criteria for service operations, fast service delivery and prompt and reliable service have been identified as two key competitive priorities for the future Web-based service delivery operations (Verma and Young, 1997), while time-based competition through better customer service has been re-emerging as a major tool of delivering high-quality services to customers through a total operation cycle - including planning, design, processing, marketing, and distribution (Sue Abdinnour-Helm, 2000).

The hospitality industry has followed the trend of Internet application in recent years, and sometimes even gaining its own name of Internet application - called "*e-traveling*" referring to all travel related business transactions now completing through Internet

applications. Some key issues addressed in the recent literature about the e-traveling include: customer acceptance and satisfaction, services rendered, value added for both the travel businesses and consumers, privacy concerns, profitability, operational risks, and competition from traditionally non-traveling firms. Smaller traveling agencies, among others, are more interested in the application of Internet to gain certain competitive edges over their larger counterparts.

This paper is an attempt to address some emerging issues and challenges in the recent applications of the Internet in the hospitality industry. Recent trends of the Internet applications in the hospitality industry are first discussed in the next section. Followed with two case studies - one is about a local hotel/motel industry's effort to use the Internet to boost its local market, another focuses on the strategy and operations of a major online travel agency. Managerial implications are then discussed in the final section with suggestions for future research.

## **E-BOOKING – RECENT TRENDS IN THE HOSPITALITY INDUSTRY**

It has been reported that the online booking in the hospitality industry (including hotel/motel, airlines, travel packages, etc.) is increasing at a very rapid speed recently, especially at the lower rate end, as illustrated in Table 1 below (Deegan & Horan, 2003). As seen from Table 1, online hotel room bookings has been increased by six times just during last four years (from 1999 to 2002) from \$1.1 billions in 1999 to \$6.3 billions in 2002. As a result, its percentage as of total annual bookings is increased over 400% - from about 2% in 1999 to 9% in 2002. As indicated in Table 1, it has been projected a more rapid jump in the online hotel room bookings for the next few years – reaching \$15.8 billions in 2005 and account for 20% of total annual bookings.

| Year                             | 1999  | 2000  | 2001  | 2002  | 2003  | 2004   | 2005   |
|----------------------------------|-------|-------|-------|-------|-------|--------|--------|
| Annual Bookings<br>(in Billions) | \$1.1 | \$2.8 | \$4.2 | \$6.3 | \$9.9 | \$11.8 | \$15.8 |
| As % of Total<br>Annual Bookings | 2%    | 4%    | 6%    | 9%    | 13%   | 16%    | 20%    |

\* 2003 figure is estimated, and the figures for 2004 and 2005 are projected.

**Table 1: Summary of Recent Annual Online Hotel/Motel Bookings**

More significantly, the groups who are now going online bookings are those of business travelers and above-the-average vacationers – who are traveling more frequently than the average publics. Targeting great deals while still in control of their search process, those online bookers claim that more than often they are able to book a hotel room at much lower rate online comparing traditional phone reservation systems or old styled travel agents (e.g., to book a high end hotel room in New York city under \$200/night).

The hotel industry is certainly full aware of this trend and fully willing to contribute its share in this effort. In fact, the industry has realized that during those early forays into cyberspace, the industry didn't view e-booking strategically (many hotels simply considered online room bookings at the time as a way to pick up additional business by selling distressed inventory through those online travel agencies), and handed over too much control of inventory and pricing to those third party online travel agencies, and now the industry is in the unenviable position of trying to take back the reins after early shopping patterns have been established. While the pressure to sell their inventory rooms online will be continuing, the industry has developed its new online strategy striving to get a better grip on this emerging marketing channel.

First, now every hotel/motel chain has developed its own website in which bargain hunters can book their hotel rooms online – other than through an Internet travel agency. By 2002, over 51% of the total annual online bookings of \$6.3 billions (Table 1) were earned through hotels' own websites (i.e., remaining 49% were through those specialized online travel agencies). Another attempt by the industry is to change its early agreements with those online travel agencies – from old “*merchant model*” where hotels making rooms available to online travel agencies at wholesale rates and the agencies marking up those rates by 15% to 30% before peddling them to the public at fixed prices for fixed periods of time to a new “*sharing model*” where the hotels will have more control of their rooms via online booking by providing a higher priority to their own websites over the websites of those third-party travel agencies. Thirdly, other than allowing those online

travel agencies to profit for an average 20% from original wholesale prices, some hotel chains now offer a more competitive price on their own websites to directly compete with those online travel agencies. For example, *Six Continents PLC* chain (including: *Holiday Inn* and *Inter-Continental*) and *Starwood Hotels & Resorts Worldwide Inc.* (including: *Sheraton* and *Westin*) both started to promote their special online packages since May 2002 – which are guaranteeing the best price deal available on all online websites. The slogan of their programs is “*If a customer is able to get a better rate for the same room on another website within 24-hour of booking, the company will not only match that price, but beat it by extra 10%.*” Both companies reported increased online bookings on their own online systems. Another effective strategic decision by the industry is to form an online allies with a single combined e-booking website. In this effort, for example, five major hotel chains (*Hilton*, *Hyatt*, *Marriott*, *Six Continents*, and *Starwood*) launched their allied online booking website - *<Travelweb.com>* in 2002 to serve as their rival directly to those online travel agencies (e.g., *hotels.com* or *Travelocity.com*). This combined discount room site provides negotiated cut-rate deals at more than 10,000 properties and nearly 100 hotel brands. The claimed advantages to online room hunters include: a better deal in room rates, a direct link to all airlines’ websites, reservations are made directly into hotels’ systems to eliminate any potential snafus, and a fast payments to hotels where rooms are booked online. And finally, the hotel/motel industry has realized the importance of flexibility and thus developed new programs to provide hotels with more flexible room offerings and pricing schedules on an available-as-needed-basis.

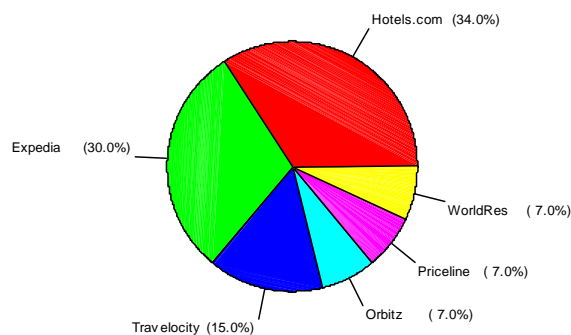
While the e-booking of airline tickets has reached about 26% of total annual sales in 2002, the online hotel room booking is just account for half of that proportion – 13% to total annual hotel room bookings (Table 1). As every two out of three hotel rooms are currently booked through traditional telephone reservation systems (see Table 2), the industry has predicted more quick increase in online room bookings during next few years – as the Internet technology becomes more popular and the access to the Internet becomes more easy and convenient to the public. As a result, a clear trend displayed in Table 2 is that the hotel room bookings through both traditional (in-house) travel agency and traditional hotel telephone reservation systems has been declining year after year. Both hotel chains and existing online travel agencies have seen those potentials and prepared for the coming competition.

| Year | Online Travel Agency | Tradition Travel Agency | Hotel Chain Own Website | Hotel Telephone Reservation | Individual Walk-In Customers |
|------|----------------------|-------------------------|-------------------------|-----------------------------|------------------------------|
| 2001 | 3%                   | 21%                     | 3%                      | 63%                         | 10%                          |
| 2002 | 5%                   | 20%                     | 5%                      | 60%                         | 10%                          |
| 2005 | 9%                   | 18%                     | 11%                     | 53%                         | 9%                           |

\* 2005 figure is projected.

**Table 2: Breakdown of Annual Hotel/Motel Room Bookings**

The competition among all online travel agencies has been intensified during the past years. As the end of 2002, current major players in the e-booking business include: *Hotels.com*, *Expedia*, *WorldRes*, *Travelocity*, *Priceline*, and *Orbitz.com*, and their market shares in 2002 are shown in Figure 1 below (Deegan & Horan, 2003). As a pioneer, *Hotels.com* is the current market share leader (with 34%), followed by *Expedia* (30%), and *Travelocity* (15%). These market share percentages, however, are just snapshot of the time and will be more dynamic as the competition is expected to go deeper in a near future. It is noteworthy that the newcomer *Travelocity* has climbed into top three among all major Internet-based travel agencies in just a few years – through its effective business strategy and operations. The details about *Travelocity* and its operations will be explored in a later case study section.



**Figure 1: Online Booking Market Shares**

There certainly are some challenges and issues in the application of Internet technology in the hospitality industry (including e-booking). One major obstacle addressed most in the practice is the security concern. Customers are certainly concerned of giving their personal financial information (e.g., a credit card numbers) online, and many old-fashioned customers somehow afraid to pay an invoice through Internet. Another issue challenged to the online booking is the quality of delivered service - including both delivery speed (i.e., short advance time required in ordering) and delivery reliability (i.e., the rooms booked are available on check-in times). It has been predicted that in the travel industry to be successful in long-term, the operations of an online booking business must compete in a more creative way comparing to those traditional business counterparts. That is, the strategic positioning decision of an online booking business must establish its own unique competitive advantages over its traditional business competitors as well as its online business counterparts.

To illustrate the recent development in the e-business application in the hospitality industry explored and discussed above, two case studies - one is about a local hotel/motel industry's effort to use the Internet to boost its local market, another focuses on the strategy and operations of a major online travel agency are described in the following two sections.

## **APPLICATION OF E-BOOKING AT MACON, GEORGIA**

Tourism is the second largest industry in Georgia – behind only to agriculture industry. In 2002, tourism expenditures in the state is reached to \$23.9 billions – with 42 millions visitors who traveled to Georgia as their primary destination – a 2% increase (by 300,000) over year 2001 (Report of Georgia Department of Industry, Trade, and Tourism). Among those visitors, 81% were traveled by vehicle, and 63% (about 19 millions) had destination of overnight trips in Georgia were leisure travelers. Those visitors were estimated to spend an average of \$120 per day and thus helped create thousands jobs for Georgia.

Hospitality has grown into big business in the Macon area in the past several years. As the size of the city increases, the bigger the challenge is to manage the tourism and the hospitality industry within the area. The application of Internet in the hospitality industry such as e-booking has made tourism and traveling easy to the public and provided a new business opportunity to the local hospitality industry. As the tourism industry faced enormous change in the aftermath of the September 11<sup>th</sup> attacks, the shift was to smaller and more secure areas, e.g., those without skyscrapers and could be reached with automobiles. “*Major metropolitan areas have trailed off in both business and leisure segments.*” This thought pattern and central locality make Macon, Georgia becoming a prime attraction for state tourism (Cruz 2002, Eckenrode 2002).

The city of Macon is located at the center position of the state of Georgia, and ideally between Savannah and Atlanta (two major tourist attractions in the state) on the interstate highway system. The city is one of several middle-sized cities in the state - with a total population of approximately 150,000, and about 80 miles south of Atlanta – the capital of the state. The city has a small town spirit feeling while provides enough entertainment to keep one busy. The Macon area has been growing by leaps and bounds within the past



several years, and much of this growth has been attributed to the new industry and the efforts on the part of the Greater Macon Chamber of Commerce through expanding hospitality promotion.

There are seven recreational centers in Macon. These centers offer summer activities, workshops, classes and sports. Programs for senior citizens, physically challenged and mentally disabled citizens are also available. There are also over 75 public parks that are maintained in the city. Two public tennis courts featuring 36 courts and three private clubs offering 26 courts to its members. Six public swimming facilities offer classes and Macon hosts 12 baseball and softball leagues, ranging from T-ball to 18-year old teams. If one enjoys a different kind of physical activity, there are over 50 shopping centers offering virtually any product or service to suit your needs. The Colonial Mall Macon has over 170 stores and is the only mall in the State with 6 anchor stores.

This case study is an attempt to examine the current stage of the Internet application in the local hospitality industry, especially about the hotel/motel room online booking and reservations. There are 50 hotels/motels in Macon area, representing a total of 4,500 rooms. The average annual occupancy rates of recent three years are listed in Table 3, according to a report by Macon Convention & Visitors Bureau.

|                               | 2001  | 2002  | 2003  |
|-------------------------------|-------|-------|-------|
| Average Annual Occupancy Rate | 54.8% | 55.5% | 58.5% |
| Annual Percentage Increase    | 0.2%  | 1.3%  | 5.4%  |

\* The 2003 figure is projected.

**Table 3: Annual Occupancy Rates in Macon Area Hotels/Motels**

In cooperation with the Greater Macon Chamber of Commerce, a questionnaire survey among the hotels/motels that are a member of the Macon Chamber of Commerce was conducted to collect the related data, especially about the online hotel/motel room booking and reservation information. The survey result is listed in the Table 4. It can be seen from Table 4 that over 82% (25/30) of lodging businesses in Macon have the online booking service available – a 200% increase from three years ago. Half of those hotels/motels are registered with online travel agencies such as *Hotel.com* and *Priceline.com* – two major Internet based traveling service businesses - which are allowed to book rooms at certain discount rates from these hotels/motels. For a better control and management, 60% (15 out of 25) hotels/motels surveyed indicated that they have a monitoring system in place for the online bookings. Thus the feedback information from its monitoring system can provide a basis for further analysis to identify any potential trends or patterns in the online bookings – upon which an improved

promotional effort can be lunched thereafter in a more effective way. Finally, the information about the current shares of online bookings for each hotel/motel revealed that one hotel (Wingate Inn) has an exceptional high percentage (80%) of online bookings for its rooms – because this motel is not a part of any national hotel chains and its management placed all its rooms at a discount prices to those Internet based travel agencies. Not surprisingly, two *Best Western* chain hotels have the success of online booking at 30% - given its national promotional effort by the headquarter. All the rest – about 60%, have an online booking rate less than 10%. It is a clear indication that more efforts are needed for those lodging businesses – if they want to increase their online booking rates for their rooms.

| <u>Hotel/Motel</u>       | <u>Internet<br/>Reservations</u> | <u>Track Online<br/>Bookings</u> | <u>% Bookings<br/>On-line</u> |
|--------------------------|----------------------------------|----------------------------------|-------------------------------|
| Ambassador Inn           | no                               | -                                | -                             |
| Best Western Inn & Suite | yes                              | yes                              | 30%                           |
| Best Western Riverside   | yes                              | yes                              | 30%                           |
| Budget Inn               | yes                              | no                               |                               |
| Comfort Inn North        | no                               | -                                | -                             |
| Courtyard by Marriott    | yes                              | yes                              | 15%                           |
| Crowne Plaza             | yes                              | yes                              | 20%                           |
| Days Inn                 | yes                              | no                               | -                             |
| Fairfield Inn Macon      | yes                              | yes                              | 5%                            |
| Fairfield Inn - West     | yes                              | yes                              | 5%                            |
| Family Inns of America   | no                               | -                                | -                             |
| Hampton Inn              | no                               | -                                | -                             |
| Holiday Inn @ I-75       | yes                              | yes                              | 5%                            |
| Holiday Inn Express      | yes                              | yes                              | 5%                            |
| Holiday Inn - Macon West | yes                              | yes                              | 5%                            |
| Howard Johnson           | yes                              | yes                              | 5%                            |
| The Jameson Inn          | yes                              | yes                              | 10%                           |

|                           |     |     |     |
|---------------------------|-----|-----|-----|
| LaQuinta Inn and Suites   | yes | no  | -   |
| Masters Inn               | yes | yes | 7%  |
| Quality Inn               | yes | no  | -   |
| Quality Inn & Suites      | yes | no  | -   |
| Ramada Inn                | yes | no  | -   |
| Ramada Inn North          | yes | no  | -   |
| Red Roof Inn              | yes | no  | -   |
| Residence Inn by Marriott | yes | yes | 15% |
| Sleep Inn                 | Yes | yes | 8%  |
| Studio Plus at Macon      | No  | -   | -   |
| Wingate Inn               | Yes | yes | 80% |

Table 4: Survey Results of Online Bookings in Macon Hotels/Motels

This is an ongoing research project. The above survey showed that 18% of the hotels/motels had no room booking tracking system to monitor their reservations. As such, an instrument of information sheet is recommended from this research project for those hotels/motels to be placed at the reservation desk. When a customer checks in a simple question is the most efficient way to monitor the reservations. The clerk then records a tally on the log. Once the log is complete and the night audit begins, a summary is placed in a monthly excel spreadsheet that will allow management to monitor not only the number of reservations but also monitor the way in which the reservations were made. It has been proposed to those hotels/motels that currently track their online reservations that after the above monitoring instruments are implemented for certain periods of time, they should then collect all the information available from those records. Upon which several statistical techniques would be applied to identify any meaningful trends and patterns in the online booking – which then will provide managerial insights to the management of those hotels/motels, and to the traveling industry as a whole – such as if additional marketing efforts could increase the total number of online bookings and what kind of effort would be more effective.

## **TRAVELOCITY: AN ONLINE TRAVEL AGENCY**

*Travelocity.com* is one of the leading travel agents who provides online bookings for more than 700 airlines, 50,000 hotels and over 50 car rental companies, as well as more than 6500 vacation packages, tour and cruise trips and a large database of destination and interest information (Company Overview, 2001). The company started during the hot stream of dot.com e-business era in 1996 and located its global headquarters in Fort Worth, Texas. Travelocity targets two primary markets: (1) offering travelers assistance with every aspect of their trip in terms of air, hotel, car, cruise ship over the Internet, and

(2) aiding the hospitality industry by selling tickets, renting cars, or making reservations online for the traveling business (Investor Relations, 2001)

From the beginning, the company developed its own business model – which can be characterized with the following ten long-term strategic objectives: (1) Market Leader, (2) National Brand, (3) Robust Member Database, (4) Key Alliances, (5) Powerful Shopping System, (6) Trusted and Reliable Customer Care, (7) Diversified Revenue Mix, (8) Strong Ad Sales, (9) Broad M-Commerce Alliances, and (10) Global Reach (Merrill Lynch, 2001). This business model has helped the company to gain a quite success in the extremely competitive Internet-based travel business. For example, the company's diversified revenue mix shows an increase in profit in every category: air, non-air, advertising, and other since 2001. While the company's operating expenses continue to decrease.

*Travelocity* has been a leader in the online travel agency business - among top three of market share holders in 2002 (as seen in Table 1), and currently the sixth largest travel agency in the world, competing with travel agencies around the globe. In order to compete effectively, the company developed its own business strategies. First, to establishing certain partnerships within the industry for more flexibility and cooperation, as in 2001, *Travelocity* entered into formal partnerships with its past competitors: *Priceline* and *Hotel Reservations Network* to help in offering its customers more options. Secondly, realizing that the market for those traditional travel agency will continue to decline, the company moved one step ahead of most of its competitors by having affiliate members: travel agencies who use *Travelocity* to book vacations and trips for their old customers. Next, to form powerful alliances with major airlines and web providers - *Travelocity* now has exclusivity deals with *America Online*, *Netscape*, *CompuServe*, *iwon*, and *digitalcity*. In addition, the company also has alliances and agreements with many airlines, hotels, car rental companies, and cruise lines to offer the best deals for their customers. In addition, as the whole online travel booking business is based upon the Internet technology, the company has pushed for the development of new Internet technology and attempted to use the technology as competitive resource for its advantage. Finally, along with the increasing popularity of international traveling, the company wasted no time from very beginning to expand its operations beyond the U.S. boundary. Since November 1997, *Travelocity.com* first became the exclusive online travel agent for *Yahoo* and *Netscape* – both were approached by their global users at the time. Then global expansion started in 1998 when *<Travelocity.co.uk>* was launched in London. By April 1999 *<Travelocity.com.ca>* opened in Toronto, and in October 2001 *<Travelocity.co.en Francais>* was launched in French. In fact, its performance and the ability of *Travelocity* to handle its 30 million-member database had lead its official website earning many special awards including: *Best Commerce Website Webby Award* in 2001 and being selected as one of *<PC Magazine's> Top 100 Web Sites* (Holiday Travel, 2001).

From the perspective of operations management, the service provided by *Travelocity* is still in the growth stage - being only a few years in existence, there is still a large untapped market to the Internet-based travel booking business. While its current service line offers all types of travel assistance and booking including: air, hotel, cruise, train, and car rental, the company certainly can go beyond in a near future- such as online

bookings for concerts, sport events, and other entertainments. As mentioned earlier, *Travelocity* is a leader and pacesetter in the industry when it comes to new developments. For example, its official website provides a personalization for their users. The website not only welcomes its customer by name, it has this customer's "Fare Watcher" section where one can see the prices on flights one has listed to keep an eye on. But don't worry about missing out on a good sale, when the price drops below a mark set by the customer, the customer will be e-mailed with the price and airlines offering the sale. This technology has increased customer satisfaction significantly, which in turn increased customer loyalty to the company. Other noticeable new services provided by the company include: fast, immediate pricing of travel, multiple options of travel, customization to individual needs and individual travel history, updates by e-newsletters, and the ability to plan every aspect of a trip in one sitting and on one website.

Since 1996, *Travelocity* started its online booking services for airlines and car rentals, thereafter expanded its online booking services to hotel/motel rooms, cruise, train, (and condo rental in a near future). The benefits to expand its operations are obvious, not only to maintain its leadership position in the marketplace, but also to diversify its revenues. The company's official website is continuously upgraded with new available Internet-based technology. While the headquarter of the company is located in Fort Worth, Texas, to better serve its customers, the company also has branch offices in San Francisco and New York, and several regional customer service centers in San Antonio (Texas), Plains (PA), Clintwood (VA), Ottawa (ONT), Stansted, UK, and Munich, Germany. In fact, having its customer service centers across global locations allows *Travelocity* to focus on the quality of customer service – a cornerstones of its business model and a major competitive advantage in the marketplace. For an e-business organization, good customer service is an apparent top priority in the online travel booking industry and if a company can offer assistance in customer's native language 24 hours a day and seven days a week - customer satisfaction will be enhanced. In terms of quality management, there are standard "dimensions of service quality" that are important to the online travel booking industry, including fast delivery of services, competitive price, understandability of online booking websites, customer service, and customization of customer needs. As discussed in earlier section, *Travelocity* has been the industry leader in most of those quality dimensions.

While many other dot-com businesses had faded out during last few years, the on-line travel booking industry has boomed to become one of the hottest Internet-based professional field as well as the fastest growing e-business sector. *Travelocity* has used its technology edge from its parent company to continuously develop new online travel booking services for the engaging online bargaining travel hunters and thus become a leader in the industry. Its business model is perfectly compatible with the firm's operational strategies and the near future continues to look bright for this Internet-based travel booking agent business. To stay on top, the company must continue to expand globally with its new services. Moving into Asia and Eastern Europe seems to be the next move for this continuously growing e-business firm.

## CONCLUSIONS AND FUTURE RESEARCH

The application of the Internet in the traveling booking industry has attracted a great amount of attention by both industrial practitioners and academic researchers. Because the information exchanging and sharing is a key part of those business operations, where the use of the Internet provides an advantage in the related information flow. One key issue for the e-business application in service operations is about the possibility of online delivery of the services customers ordered - as not all types of services (or products) can be delivered online. The travel booking industry is one of several services - which can be checked, inquired, and ordered online easily, and conveniently communicated and delivered electronically via the Internet.

This paper presents certain recent development of e-business application in the hospitality industry (e.g., travel industry, and recreational entities) with a focus on the online travel booking industry. Two case studies are then used to illustrate the described development - one is about a local hotel industry's effort, Macon, Georgia, to use the Internet and online booking services to boost its local market. Another describes the operations and its competitive strategy of one of the leading online travel agency - *Travelocity*. Managerial implications are discussed along with these two case studies. It should be noted here that what described in this paper are only certain preliminary results of an ongoing research project – investigating the Internet applications in the hospitality industry for both their successes and failures through comprehensive comparative studies. For future research, more e-businesses in the traveling industry should be chosen for further empirical analysis and evaluation - to enhance any managerial implications to be learned from this project.

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