

THE MAIN APPLICATIONS OF THE INTERNET IN TOURISM MARKETING

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Abstract

The Internet as a marketing media can be of great benefit to virtual all areas of marketing, from marketing research, through market segmentation, targeting and positioning, to the effective use of the marketing mix, and marketing organisation and control. The following discussion does not attempt to provide an exhaustive list of the Net's use in tourism; rather, it simply intends to exemplify its common applications in and main implications for tourism marketing.

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The Internet is widely recognised as an extremely valuable marketing tool. It is generally held that the Internet offers substantial advantages over traditional means of communication: reduced costs of information exchange; increased speed of information transfer and retrieval; increased customer involvement in and control of transactions; and greater flexibility of using the marketing mix. Its main business uses include communications (both internal and external), market research, customer services, market penetration, product development, cost savings through process reengineering, direct marketing, advertising and product delivering. The Internet has the unique quality that, through its addressibility, can transform the prominent marketing communication paradigm from one-to-many to one-to-one or from broadcasting to narrowcasting. The traditional media, such as print, radio and television, follow a passive one-to-many communication model, whereby a company reaches many current and potential customers through the broadcasting of the same message. This approach to communication has three problems: uncustomised message to every consumer, wasted exposures to uninterested audiences, and "noise" distraction from competing and conflicting messages. Another feature of the Net that distinguishes itself from traditional communication media is its ability to respond to user inputs, i.e. interactivity. The Internet is capable

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of giving feedback in response to the actions users perform on the computer, resulting in the sense of engagement with the computer. This two-way dialogue forms an important component of relationship marketing, and is an important factor in building customer loyalty. Customers effortlessly communicate with companies to find product information and conduct transactions with a few keystrokes while companies can easily contact customers to clarify their needs or inform them of new products. Moreover, in contrast to traditional communication channels like newspapers or television, on the Net the customer is an active participant and is in greater control of choosing and processing information about the firm. It is the customer - and not the marketer - who decides with whom to interact and how to interact. In other words, it is entirely in the customer's power to decide whether to surf the net, which web site to visit, which web page to browse, for how long, how often and how much information to obtain. The Web is a much more flexible marketing medium than the traditional mass media. A web page can be considered as an electronic billboard, electronic advertisement, or electronic catalogue that provides information on products or services plus contact information for interested consumers. But a virtual advertisement or catalogue is much more flexible than a physical advertisement or catalogue. It can gather fresh and updated information based on the direct feedback received from consumers. It can also keep consumers constantly informed of the company's new product offerings, latest price changes and sales promotion initiatives. As a communication medium, the area in which the Internet has overwhelming advantage over any other media is its permanent exposure and global market reach. The Net greatly improves, both spatially and temporally, the information availability and user interaction. With an effective web site, a company is on business on a global spectrum 24 hours a day, 365 days a year. Any web user in the world can access its marketing information at any time that is convenient for him. This extends greatly the place and time utility of companies which traditionally rely on distribution channel members to perform. The round the clock accessibility is extremely important especially in international trade where business is conducted across different time zones. The global exposure is particularly desirable for tourism destinations which up until the mid-1990s had to depend entirely on promotion agencies in tourist generating regions to market its products. The Web has enabled tourism destinations to market themselves with well constructed and well promoted web sites. Furthermore, the Web facilitates doing business overseas by avoiding regulations and restrictions that companies must follow when they are physically present in other countries, for instance in many countries, foreign travel companies are forbidden from organising or selling tours. Finally, compared with the traditional media, the Web not only provides virtually unlimited access for hundreds of million users but also delivers unlimited amount of information on the Web as there is practically no restrictions in terms of the "space of advertisement" - the number of pages a web site can accommodate or the "bytes" of data a online database can hold. For example, the global distribution system

(GDS) Sabre's data centre has a capacity of 60 terabytes of electronic storage - equivalent to over 15 billion pages of information.

In tourism the web-based distribution systems can satisfy consumer needs for easy access to transparent and easy to compare information on a wide variety of choices of destinations, holiday packages, flights, lodging and leisure services. They also provide immediate confirmation and speedy documentation of reservations providing a greater degree of flexibility and enabling prospective travellers to book at the "last minute". Increasingly, tourists' satisfaction depends on the accuracy and relevance of tourism information as well as the promptness of responding to consumers' requests. As a Delta Airlines executive said: "Most people will tolerate misconnects and changes when they occur in the airline industry what they won't tolerate is not getting timely and accurate information. The airline business today is much more than a transportation business - it's an information business, prefaced with an 'e'". Many airlines are using the Internet, especially through mobile phones, to provide aggregate information in real-time to business partners, employees as well as customers. Across the tourism industry, the improved access to information covering all aspects of tourist activities has provided marketers with the opportunity to offer personalised services at price levels comparable to those of standard packages.

The cost saving effect of the Internet derives mainly from five areas. First, the streamlining and electronic processing of booking and payments cuts down sales cost. Second, automation and the deskilling of tasks reduce the labour intensity and staff training cost. For example, the web-based travel reservation systems (using windows and is menu-driven) are much easier to use than the traditional viewdata systems (using DOS and was command driven where a sales clerk has to remember all the commands and the airport codes). Third, by offering direct links between the producer and the consumer, the Net helps the producer to save huge distribution costs through the disintermediation process. Fourth, the ability of the Net in narrowcasting and electronic communication leads substantial savings on promotion in both "above and below the line" costs. Finally, cost savings in the form of reduced office and sales space, furniture and decoration outlay, and administration overheads. The cost of setting up a promotional web site (i.e., without the booking facilities) is relatively low. An average computer user, given a proper software package, such as Microsoft FrontPage can build a basic company web site in days. The marginal cost of adding an extra web-page to the site is negligible. The more comprehensive and powerful web-sites, such as a destination site offers complete information, a tour operator site with a virtual multimedia brochure to include thousands of product offerings, and a site which integrates information, reservation and transactions, will cost more and take longer to develop. However, compared with the tens of millions of dollars spent by airlines, tour operators and hotel chains on TV and magazine ads, the Web is a low cost medium for promotion. The simple web-presence, by providing information on the Net, and allow customers to find answers to their inquiries themselves can also help to reduce telephone charges based on toll-free

numbers. Travel and tourism products are ideal for marketing on the Internet. This is because tourism is an information-intensive industry and the Internet is the most effective and efficient means in information exchange worldwide. The Net can greatly facilitate the promotion and distribution of tourist products and potentially enable tourism destinations and enterprises to compete on a level playing field. The perishability of tourism products and the often erratic tourist demand make the task of balancing tourism supply and demand far more significant than any other sector. That is probably why tourism became one of the first industries to widely apply IT and conduct electronic commerce from the 1960s in the form of computer(ised) reservation systems (CRSs) and then global distribution Systems (GDSs). As a service industry, most tourist products are intangible services, they are experienced and cannot be touched, tasted, smelt or seen and therefore difficult for tourists to grasp and evaluate. Furthermore, the spatial fixity of tourist attractions and amenities means that a tourist cannot really assess their quality until he arrives at the destination. Tourists have, for a long time, relied on limited information from holiday brochures and other literature to evaluate tours and destinations. Comprehensive, relevant, timely and accurate information is essential in tourists' holiday decision making process. But they were not readily available to tourists until the emergence of the Internet, especially the wide use of the Web. With the Internet, virtually unlimited amount of information can be stored at a web site and an unlimited number of users can retrieve it at any time from anywhere in the world. The Web can not only provide more information but also provide it from a much wider range of sources; while in the past, tourists are almost exclusively dependent upon representations and descriptions by the travel trade. The Web can also deliver the information in a greater variety of formats, from text to photos, graphs, audio and video clips, whereas in the past, tourists primarily relied on the printed brochures as the limited copies of videos of a limited number of tourism destinations or holidays were only available to the major travel agents. The web-based electronic brochure can also facilitate the complex process of choosing among the hundreds of holidays using browser-generated selections from back-end databases linked to web servers whereas the printed brochures are usually arranged and indexed by one way, often by destination. Through Internet video telephony, tourists can also "test drive" a prospective holiday by viewing real-time scenes through cameras placed in hotels, clubs, restaurants, scenic spots and other sites in the destination and transmitted via the Internet. Video clips can also show episodes and scenes of festivals, art performances and service delivery to facilitate tourists in the comparison and evaluation of intangible services, the quality of which is otherwise difficult to assess in advance. Since in tourism, it is the tourists who travel to the destination, rather than the tourist product be transported to the market. When a tourist books an airline seat, a hotel room, or a package holiday, he acquires the right to use that seat, room or holiday in the specified time period. After the tourist completed his journey or holiday, he takes nothing home but experiences (though often together with some photos and souvenirs). In the whole process, from the booking, through the out journey to the

return journey, the only things being transported are travel tickets and the tourist himself. This unique characteristic offers tourism a great advantage in Internet marketing as the only cost of online sale will be the transaction processing expense plus a little postage cost; in contrast, for manufactured goods, the delivery cost is often substantial. As a place product, tourism includes all the elements a destination has to offer to tourists, including the social, cultural and physical environments as well the "touristic" components of tourism supply such as attractions, transport and lodging facilities, and other travel related services. First, tourism is fragmented in that while the tourist looks at a holiday as a complete "experience", it is sold in the market place "in bits" as beds, meals, tours, seats, etc. by a plethora of independent suppliers that operate independently of one another. Second, no one agency controls or can deliver content about a destination's tourism product as the marketing of a tourism destination is shared by another plethora of organisations such as tourist information centres, regional tourism boards, national tourism organisations and national tourist offices overseas located in main generating markets.

The Internet provides the effective means for a destination to develop a sustainable electronic "infrastructure" that is capable of establishing a comprehensive and multi-lingual destination web site. This site can present existing and potential tourists with up to date information, from a variety of sources, about the destination in all aspects of tourism - tourist attractions, transportation, accommodation, tour operators, travel agencies, shopping and leisure facilities - as well as the background of its people, culture, history, economy, climate. The master destination database can be integrated through hyperlinks with individual tourism companies as well as with suite of applications which enable tourists to pick and mix to make their own holiday "packages". As such a mega-site could be the "portal" or the "home page" of the web sites of all tourism enterprises in a destinations, it is a great deal easier for the destination to establish itself in the already crowded web-space. From this first stop-of-call, an visitor can search for all the information he needs to make a decision as to whether to visit the destination, what facilities to use and to arrange for reservations and transactions online. In comparison, with the traditional media, in order to get the relevant information of a destination a tourist often needs to go to a travel agency to get a brochure, to a bookshop to get a guide book, and may also contact the destination's national tourist office to get some promotional literature. Furthermore, the printed literature the tourists get is often outdated while a properly constructed and maintained web site can provide right-to-the-minute information. The fragmented tourism industry is also polarised in that on the one hand, there are a few large multinational airlines, tour operators, hotel chains and theme parks; on the other, there are millions of small and often family owned businesses, especially in the travel retailing, tour guiding, hotel and catering sectors. For the small tourism enterprises, the Web is probably the first effective and feasible medium for them to carry out professional marketing function beyond the basic sales and operating activities. The Internet has opened the door for small businesses with little capital to reach a worldwide market. Open access results in lower entry barriers so that virtually

anyone can both access and provide content to the Internet. Travel retailing is one of the sectors in the economy that requires very little initial capital investment. The Net also re-defines economies of scale, allowing small firms to achieve low unit costs for products and services in markets (such as tour operating) dominated by large companies. In the hospitality sector, small firms could also have more cost-effective marketing through the destination's web-site than the printed tourist directory. The Internet as a marketing media can be of great benefit to virtual all areas of marketing, from marketing research, through market segmentation, targeting and positioning, to the effective use of the marketing mix, and marketing organisation and control. The following discussion does not attempt to provide an exhaustive list of the Net's use in tourism; rather, it simply intends to exemplify its common applications in and main implications for tourism marketing. An important feature of the Web as a medium is that it is the consumer who is actively searching for information about products or brands in which they are interested. In effect the consumer is "pre-screened" and shows both interest and involvement in visiting the web site. While on the Web, the consumer can also provide instantaneous feedback to the marketer. All the feedback, and indeed, every "click" or "hit" the user makes can be memorised by the web server. Through the application of the IT data mining technique, companies can find patterns within their internal customer data and make sense of data or turn data into meaningful marketing information. For instance, the visitation record of an online brochure may show the total number of hits, the distribution of the hits among the pages and across time, the order of the pages been accessed. The user's visitation data can be easily combined with user profile information from user registrations through online visit cards or questionnaires and used to uncover the consumers' interest and the patterns of demand and buying behaviour. This in turn leads to identification of likely target segments, often niches based on specific benefit sought. Armed with such information, organisations can refine their targets and develop specific means to achieve true one - to- one marketing. The appropriate use of user profile and surfing behaviour data can improve the effectiveness and efficiency of market segmentation and targeting. This is because the traditional approach to market segmentation is often based simplistically on geographical, demographic and economic variables while the psycho, behavioural or lifestyle data is costly to collect and difficult to measure and compare. In Internet marketing, it is easier to collect these data from potentially each and every user of the company web site, though tangible rewards such as free prize draws and free membership, are often needed to attract users to fill in web forms. It is even a great deal simpler and more effective in market targeting as the email messages and even tailor-made web-pages can reach the intended receiver with little cost. It is possible to set up "virtual" or cyber - communities for each target market niche in the form of news-groups through which consumers with similar interest and behaviour patterns can be sent with relevant product offering and other information from the marketer. Members of such Internet communities can regularly exchange information between them and strengthen a sense of belonging.

One of the major advantages of the Internet in marketing is that the tourist can here be a value creator for tourism companies through redefining the labour division between the marketer and the tourist in providing tourist experiences. This is because, on the one hand, tourists can provide individual preferences for or specifications of holiday packages through feedback in the forms of web forms, email messages or simply the 'clicking' patterns, which the tourism marketer can use to develop new products or tailor-make existing products to suit the needs of particular consumer(s). In this sense, the Internet has accelerated a shift in the nature of products from mass produced and tangible to customised and information based. On the other hand, the self-servicing tourist can not only conduct transactions online and reduce costs of sales for the supplier but also actively participate in the production process itself. Provided with choices, a tourist can now assemble his own product according to the specifications desired. This is especially useful in the production and marketing of package holidays. Tour operators, for example, can offer modular products or services, such as flights, rooms, tours, car hire and performances on their web sites, and allow the user to participate in the development of the specific holiday packages using a menu of options, ie., 'pick and mix' his own package. As tour operators negotiate with the providers of these separate holiday items and buy in bulk, the economies of scale will enable the operators to offer lower "parts" prices to individual consumers than they buy directly from the different producers of the travel products. At the meantime, since the booking engine is integrated with the product inventory, it is easy for the operator to adjust in real-time the prices of different holiday components in response to their relative popularity and demand patterns. In this way, tour operators can effectively provide the market with low cost and flexible (rather than the conventional rigid) package tours. This is what both marketers and consumers have long dreamed for - high quality products made individually at a unit cost level of mass production -all enabled by the power of the Internet. The role of the Internet in pricing is based on its ability in processing and exchanging large amount of data instantaneously with a great number of people. This information processing capacity enables a company to analyze relevant pricing data effectively and quickly. The information exchange capacity enables firms to set and change prices in real time and also facilitates online bidding and flexible pricing. Both of these qualities of the Net are extremely useful in tourism marketing. In Internet marketing, the potential for price discrimination is diminished given the enhanced capability of consumers to identify the least expensive source, regardless of supplier or location. The skilled consumer could have the "perfect knowledge" of market prices, which could facilitate the realization, to certain extent, of 'perfection competition' at the national and global markets. This will lead to the increasing standardisation of prices across companies or even borders, especially for the undifferentiated products such as airline seats, beach holidays and city breaks. Other applications of pricing on the Web including bidding and flexible pricing - many web-based businesses allow customers to bid for products on their sites. Customers commit to the sale if the price is agreed upon. The bidding locks in customers to the

sale and the committed price. Tour operators may use online bidding in a different manner to market special holidays the demand for which may be extremely difficult to estimate in advance. For example, a tour operator can put on its web site the details of a package holiday to the moon and the total cost (including profit margins) for a group, say 50 travellers, the more people bid the lower the price for each traveller. This way of pricing could well enhance the operator's image and profitability, as it is both an innovative marketing and sound financial approach. The uniqueness of the Internet as a means of distribution is based on the fact that it exists in "cyberspace" thus physical phenomena such as location and distance are less significant or even irrelevant. For the producer, the Web enables it to have direct links with consumers at a low cost therefore provides it with the opportunity of "disintermediation". For the retailer, the Web threatens its livelihood and changes its critical success factor from location, location, location to access, access, access. For the wholesaler, web-based business means it can bypass retailers while at the same time risk being bypassed by the producers.

The biggest change to tourism distribution brought by the Web could, in the next 5 to 10 years, be the noticeable shrinking of the travel agent sector. Agents are squeezed by both a decreasing market as more and more consumers go online and book directly from airlines and operators and by airlines' declining commission levels. The Association of British Travel Agents (ABTA) believes that the Internet will not cut out the middleman, but it will certainly put their added value under scrutiny. It warns that High Street travel agents that do not excel in what they do may not survive the competition. Nevertheless, the travel agent sector will not be doomed to extinction. How far and how soon the role of travel agent will diminish in the future is dependent upon how flexible and innovative the travel agents can be and how fast the Web can dominate both business and everyday life (Liu and Jones 1995). The Travel agency will have to reinvent itself to suit the new Internet era by transforming from a travel ticket seller to a travel information manager. For tour operators, the potential disintermediation has a dual effect. On the one hand, they can be bypassed by the producer as airlines and hotels that directly sell their products to the travel agencies and consumers; on the other, tour operators could benefit from its own direct sell operation by eliminating the travel retailers. It is hard to estimate the full impacts of the two. But one thing is sure to say that the tour operators, more than travel agencies, have a future in the Internet era. This is based on the understanding that tour operators are not purely intermediaries as they do perform some production function in assembling the various parts of tourism products into a marketable package. Through this value-creating activities, tour operators can provide convenience and better value for consumers, by passing on to them some cost savings gained through bulk buying the separate components of the package, than they would otherwise get from the individual tourist product providers. The major tour operators (in the UK) are also "backward" integrated and have their own charter airlines thus major schedule airlines' direct selling is not much as a threat to them as to travel agents. Arguably, the component of the marketing mix being most

quickly transformed as a result of Internet usage is promotion. The Internet provides a labour-efficient and cost-effective way of distributing information almost instantaneously to millions of potential clients in the global markets. Internet promotion combines mass media's reach with the personalization inherent in two-way dialogue -previously only possible in personal selling. It can be used for corporate visibility, brand name recognition, advertising, public relations, corporate sponsorship, direct sales, sales promotion, customer support and technical assistance. There are three main issues in the application of the Internet to tourism promotion. First, present the promotional information on the company's web site. The Web enables more information to be transmitted to (potentially) more people cheaply, instantly and with multimedia effect. The key to achieve these benefits is a well-designed and maintained web site which is attractive, informative and interactive. Through its multimedia capability, a good web site can and should incorporate information as accurate and detailed as brochures or timetables, photos and graphs as glossy as magazine ads, and videos as entertaining as TV commercials. The site can and supply as much promotional information as possible as there is virtually no capacity constraints or advertising space limits on the Web. By hyper-linking pages together in an appropriate fashion, the Web marketer can create an ultra-comprehensive brochure to include everything a user wishes to know. For instance, a tourism destination web site may become a 'information mall' which provides the users with all the basic information about it such as the exchange rates, local traditions, weather, what to buy, etc. and, through the hyperlinks to the sites of tourism firms, details of flight schedules, tour prices, park opening times, late offers, and so on. A company web site with email links or even telephone numbers and address will enable users to contact it for further and often more personalised information. Second, promote the web site itself to increase its exposure and visitation since a company's web site has to compete in the clutter of thousands of other web sites selling similar products and services. This can be achieved through a number of ways. A memorable Internet address to help user locate it on the Web, usually the company or brand name or a catchy word or phrase. Links "from" other web sites, by registering with search engines and online directories and paying relevant sites for click-through links or banners ads, are particularly important if the company's site is not well known. Links "to" other sites, such as those offer news or entertainment services and those offer complementary products can also make the site more interesting as well as providing more relevant and up-to-date information for the users. Third, use the company's web site as a platform for advertising sites or products of other businesses. Through "banners" and banner linked web pages, a company's web site can also generate revenues by becoming an advertising medium for other organisations. Indeed, the effectiveness of the Web as a medium for advertising has already made online advertising a boom business itself.

Conclusions

This paper has so far examined some of the key issues related to the marketing of tourism on the Internet. In particular, it has highlighted the main features of the Internet as an effective and efficient communication medium, including its addressability, interactivity, flexibility and accessibility, and its role in improving customer service and reducing costs. It has also analysed the unique characteristics of tourism which make it perfect to be marketed on the Internet and further explored the main areas in tourism marketing where the Internet could play a significant role and provide substantial benefits for both the marketer and the consumer. In an investigation of the key forces which drive Internet commerce, it has found that a wide variety of factors, grouped conveniently in four broad categories – demand, organisational, technological and governmental – could both enable and restrict the application of the Internet in tourism marketing. With regard to the future of Internet tourism marketing, there appears to be little question that the Internet will permeate into every aspect of tourism business and every area of marketing activities. Indeed, the Net could become the dominant platform and instrument for tourism promotion and distribution in five years' time. This is based on the author's belief that Internet marketing has now survived its infancy and is ready to accelerate the transition from the introduction to the growth stage as more and more people and organisations are recognising its unique and great potential for marketing. The increasing power of computers, decreasing surfing cost, and higher level of computer literary and web skills will make web surfing as a necessity in everyday life to an increasingly large population, especially in the developed world. Many of the current technological constraints could also be overcome (though new problems will inevitably emerge) in the next few years with the high quality broadband access via optical fiber or satellites to improve speed; the wide application of constantly improving firewalls, encryption and digital signature software to enhance security; the development of more sophisticated search engines and "intelligent agents" to simplify web search task; and the Wireless Application Protocol (WAP) technology linking mobiles to the Internet to extend the range of services available to the public. At the same time, governments are increasingly involved in the expanding e-commerce through providing incentives to small businesses, facilitating infrastructure development and establishing the regulatory framework which supports and protects all those concerned. It is obvious to the current writer that the key to the future growth and improvement in Internet tourism marketing lies in tourism organisations. The market conditions and web technologies are improving steadily and a conducive legal and social environment is starting to take shape, it is now up to tourism organisations to seize and exploit the opportunities created by such changes to its full potential. Therefore, the crucial question for academic researchers and practitioners in future research is how tourism organisations can take advantage of the changes and opportunities brought about by the Internet. To offer a prescriptive list of policy recommendations is neither feasible, because it requires a thorough understanding of all relevant issues including expertise in technology, tourism, marketing and a keen

awareness of all new developments in both IT and tourism, nor necessary since different tourism businesses have different resources and operate in different settings. Instead, an attempt is made here to discuss issues that are both important and with wide applicability. Three interwoven cognitive issues are highlighted below to emphasise the significance of changing the mentality of tourism organisations to preparing for the new virtual business environment. In order to market tourism products successfully on the Internet, a tourism organisation must first of all have a strategic vision whereby it can fully comprehend the changing market space, from physical to both physical and virtual, and the underlying forces shaping this new marketing space. The Internet has altered forever the tourism marketing system and its environment, no tourism business can escape its impacts but companies willing to become engaged in Internet and embrace Net commerce should find more opportunities while those still pretend that the internet is a bad dream, such as some travel agencies, will be left with all the threats. Whether a organisation likes it or not, the Internet is here to stay and is going to dominate tourism marketing. Andy Grove, the Chairman of Intel, has been widely quoted as saying that in five years' time all companies will be Internet companies or they won't be companies at all. Second, the Internet must not be treated as just a promotion aid or distribution device, but be seen as a major force in itself that profoundly changes the way tourist business is conducted. 'Marketers will need to rethink fundamentally the processes by which they identify, communicate, and deliver customer value.' Third, as the Internet alters the critical success factors in many businesses, tourism organisations must use it effectively to create new competitive advantages. For example, tour operators (in the UK) were obsessed with gaining control of distribution through vertical integration with travel agencies in the last decade, but with the emerging web-based online sales companies, control of how they let the product be distributed now supersedes control of actual distribution. In responding to the threats from airlines direct sale, the major GDSs have been using the Internet to develop web-based GDSs and to diversify their product base to include hotels, car rental, cruise lines, tour operators, etc. Clearly, tourism organisations have to adopt a technology management policy that will assist their competitive strategy and usefully leverage the technology innovations to their advantage. Strategic Internet partnerships or alliances, especially those between tourism companies, and between tourism and IT companies, are also a major source of competitive advantage.

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