AN ANALYSIS OF E-COMMERCE STRATEGY
USED BY INTERNET TRAVEL SITES

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ABSTRACT

The purpose of this paper was to analyze the business strategy of Internet travel sites and determine how they differed. Approximately ten web sites were studied. Of the many Internet strategies used by online businesses, the focus of this paper was on the following strategies or business models: shopping mall, portal, pricing, and membership & rebates.

Keywords: E-Commerce strategy, Internet travel sites.

INTRODUCTION

In our dynamic society, we are constantly surprised at how information technology changes our lives. Today, millions of people are using the World Wide Web (WWW) to view product information, order a product or service, make a payment, and communicate through e-mail.

The commercial use of the Internet is referred to as Electronic Commerce or E-Commerce. Forrester Research in Cambridge, Massachusetts expects business-to-consumer online sales to increase from $7.8 billion in 1998 to $100 billion in the year 2003 [8]. E-commerce has revolutionized the way we buy products and services. Travel is currently the most purchased product online, having surpassed computer equipment. In 1999, $5 billion was spent at travel websites [24]. In fact, according to comScore, a consulting firm that evaluates online businesses, travel accounted for over 40% of online sales, but it finished the fourth quarter of 2001 with the same 32% market share at which it opened the year [25]. The move toward E-Commerce, for any business sector, presents many benefits, as well as many challenges. The purpose of this paper was to examine the business strategy of Internet travel sites.

LITERATURE REVIEW

E-commerce includes two major categories: 1) the business-to-business model (B2B) and 2) the business-to-consumer model (B2C). B2C e-commerce includes Internet marketing, advertising, purchasing, and electronic payment systems [18]. E-commerce was originally conducted via business-to-business electronic data interchange (EDI). As Internet use becomes more popular, B2C e-commerce grows exponentially [11]. Online travel service is a typical case for B2C e-commerce.

A great deal of attention has been focused on electronic commerce during the last few years [2, 23]. While a fair amount of case studies in e-commerce (e.g., Amazon.com) have been discussed [13], new

studies have also concentrated on the theoretical construct of business-to-consumer e-commerce [5, 6, 12, 21, 22] and implementation strategy in e-commerce [9].

Travel Services Offered Online

The online travel business has been one of the few e-commerce sectors to really shine, and its growth continues. Figure 1 shows online travel sales and nontravel sales at U.S. websites in 2001. Stock prices of $25 to $50 a share for some of the publicly traded travel businesses are no fluke. "The business is actually making real money," said Legg Mason Analyst Tom Underwood [26]. A wave of consolidation is washing over the online travel sector, and when it recedes, it seems likely that the business of selling airline tickets and hotel rooms over the Internet increasingly will be in the hands of a few big players.

Online Consumer Sales at US Sites 2001
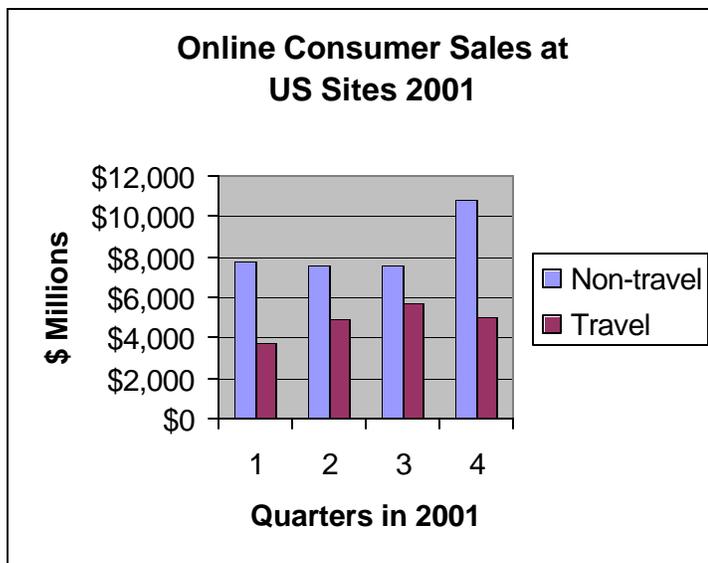
Figure 1. Online Travel Sales vs. Non-travel Sales

Why is online travel still popular? The reasons include no shipping charges, no embarrassment, and convenience.   The different services offered by online travel sites includes airline tickets, car rental, hotel reservations, and a variety of miscellaneous services.

Of the name brands in online travel, Expedia, Travelocity, and Cheap Tickets have been or are being integrated into larger travel-focused operations. So far, at least, name-your-price outfit Priceline.com, airlines-backed Orbitz, and privately held Hotwire appear to be retaining their independence [26].

Consumers love online travel sites. Traffic to the top sites, including some of the sites operated by the airlines themselves, spiked in January 2002, posting double-digit growth following the events of last September 11, according to Nielsen/NetRatings [26].

Payment Options In Online Travel Service Store

To protect the consumer's financial and security information, online travel sites are using a variety of payment options. There are three ways a consumer can make a payment after purchasing a product over the Internet. First, a consumer can look at service information (such as airline reservations) and then enter his/her credit card information on the Internet. Although this is a simple and easy way to order the service, many people hesitate to use this method for security reasons. Second, a consumer can look at service information and then call the company directly and charge the service to a credit card. Third, a consumer can look at service information on the Internet and then mail the company a check.

E-COMMERCE STRATEGIES USED BY ONLINE TRAVEL SERVICES

Today online travel sites use different business strategies to attract customers. The following e-commerce strategies are used by online travel sites:

1) Shopping Mall Strategy

The shopping-mall strategy presents consumers with a wide selection of travel services. They offer more convenience than does searching and shopping at independent online storefront, for a number reasons. For example, consumers can find services from a wide variety of vendors, and rather than making several separate purchases. An online shopping-mall strategy also provides a comprehensive storefront strategy, which combines transaction processing, security, online payment and information storage to enable them to sell their services online [7].

To conduct a comprehensive storefront for e-commerce, the online service provider needs to organize catalogs of services, take orders through their Web sites, accept payments securely, send service or related document (such as airline tickets) to customers and manage customer data (such as customer profiles). They must also use push technology to market their sites to potential customers [7].

2) Portal Strategy

Portal sites such as Yahoo give visitors the chance to find almost everything they are looking for in one place. They often offer news, sports and weather information, as well as the ability to search the Web. These websites normally have a good search engines. Search engines include aggregate information on a broad range of topics. If a customer needs to conduct a specific search, then *vertical portals* should be used. These portals offer a great deal of information pertaining to a single area of interest. Online travel service is a popular addition to the major portals. Sites such as Altavista.com and Yahoo.com provide users with a shopping page that links them to thousands of sites carrying a variety of products. Once a customer is familiar with a website, he will be more likely to use the online travel service [7].

3) Pricing Strategy

The low-pricing strategy uses price as a major competitive weapon. Low-pricing strategy includes a) comparison-pricing, b) discount price, and c) price negotiation strategy. The comparison-pricing strategy allows customers to poll a variety of services and find a desired service at the lowest price. However, a customer may not necessarily be getting the best price available on the entire Web [7].

4) Membership and Rebates Strategy

Rebates can help attract customers to the website. Many websites offer "everyday low prices" and specials to keep customers coming back. Some website sellers have formed partnerships with wholesalers and the original service provider (such as an airline or hotel) who offer discounts; the company passes these discounts on to customers in the form of rebates. By adding value to a customer's visit, online travel service companies build customer satisfaction and loyalty [7].

In order to receive rebates, a customer must be a member of a travel club. During the registration process, customers become members and provide information such as their name, needs, hobbies, etc. This information allows the online travel service provider to tailor rebates and service promotions directly for the customer. The online travel service provider forms partnerships with vendors, who, in turn, offer their rebates and promotions on the site [7]. Examples are Milesource.com and Travelers Advantage.

RESEARCH METHODOLOGY

The primary purpose of this research was to study the business strategy regarding online travel business. Website observation was used for this research. Nine websites on the WWW around the nation were chosen for survey between February and March 2002. Online travel sites, ranging from popular, well-known ones to less popular ones, were randomly chosen for the survey. A pilot test was used in a CIS class to test the appropriateness of the questionnaire.

RESULTS

The most popular travel site in the world is Expedia.com, with over 16 million visitors in January 2002. Orbitz.com was second, with 11.8 million visitors, followed by Travelocity.com with 10.9 million. Travelzoo.com and Priceline.come were fourth and fifth, respectively. The list of the global top ten travel sites is completed by Southwest.com, Milesource.com, Cheaptickets.com, Hotwire.com, and Travelnow.com [25].

Table 1 shows some of the major websites which offer travel services. Expedia, Inc. is a provider of online travel services for leisure and small business travelers. Expedia, Inc. also operates the Travelscape.com, LVRS.com, VacationSpot.com and Rent-a-Holiday.com websites, and a Travelscape/LVRS sales call-center in Las Vegas. This company offers one-stop travel shopping and reservation services, providing real-time access to schedule, pricing and availability information for 450 airlines, 65,000 lodging properties, and all major car rental companies. Orbitz, created by the airlines, uses low fares as its business strategy. Travel website run by the major U.S. airlines that provides a lowest-fare airline search service. We found there is a growing trend that online travel service providers will use all the possible strategies they can.

Table 1. Major Online Websites Which Offer Travel Services

Company Name	Website Address	Strategy
Expedia	Expedia.com	Shopping Mall
Expedia	Travelscape.com	Shopping Mall
Expedia	LVRS.com	Shopping Mall
Expedia	VacationSpot.com	Shopping Mall
Expedia	Rent-a-Holiday.com	Shopping Mall
Orbitz	www.orbitz.com	Discount Pricing
Travelocity.com	Travelocity.com (www.yahoo.com)	Portal Strategy; Shopping Mall
Travelzoo.com	Travelzoo.com	Discount Price
Priceline.com	Priceline.com	Comparison-Pricing
Southwest Airlines	Southwest.com	Discount Price
Milesource	Milesource.com	Membership and Rebate
Cheaptickets	Cheaptickets.com	Discount Price
Hotwire.com	Hotwire.com	Discount Price
TravelNow.com Inc.	Travelnow.com	Discount Price

As Table I reveals, the most frequently used strategies are the shopping mall and discount pricing strategies. Also notice that Expedia has several links to its own web site from sites.

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APPENDIX A
Portion of The Questionnaire For
E-Commerce Strategy on Travel Sites

1. Web site address of the travel service: _____

2. Name of website: _____

3. What online services are provided?
    Airline Ticket   _____   Car Rental   _____
    Hotel   _____   Train   _____
    Others   _____

4. What security protection is used?
    Password   _____
    Encryption _____
    Not Sure   _____
    Other   _____

5. Does the on-line travel actually belong to a part of an on-line shopping mall service? (such as
    Yahoo, Netscape)?
              _____ Yes   ____ No   ___ Not sure

6. Does the website offer non-profit services or links, such as for weather, sports?
              _____ Yes   ____ No

7. How does this website rate in terms of **user friendliness**

        Poor   1   2   3   4   5   Excellent

8. Do they have a wide range of travel services?   _____ Yes   _____ No

9. Do they put the special price on the first page?   _____ Yes   _____ No

10. Do you have to join the membership club?   _____ Yes   _____ No