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**Online Booking: An opportunity or a threat to retail travel agents?**

Year after year, the booking preferences for independent travelers are diverging towards online booking. The impacts of online booking on travel agents can be measured in terms of opportunities and threats, and vary according to the size of travel agents, the target market as well as the business structure. The purpose of this paper is to propose the investment in online-booking technology as an opportunity to retail travel agents, enabling them to overcome the threats of direct reservation on their business. In this context, we will refer to previous studies and researches that evaluate the impacts of the macro environment, on the business of travel agents. A research study about online-booking led us to believe that, despite its negative impacts, investing in online-booking technology can still create a competitive advantage for travel agents. Research outcomes should shed light on the understanding of the new trends in the tourism industry.

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**Keywords:** Independent traveler, online booking, retail travel agents.

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## Introduction

Lebanon gained its fame as a tourist destination in the 1960s and early 70s for its beautiful natural sites, environment, culture, and climate.

The annual number of tourists reached 1.4 Million in 1974. However, due to the incidents between 1975 and 1990, the tourism activity was affected in the country. After the incidents, Lebanon slowly began to rebuild its tourism sector. After 2005 and the war with Israel in 2006, the sector has seen remarkable growth since 2008.

In 2009, 1.9 million<sup>1</sup> have visited Lebanon relative to the previously held records of 1.3 million and 1.2 million attained in 2008 and 2004 respectively in the years following the incidents and the 1.4 million figures attained in 1974<sup>2</sup>.

According to WTTC (WTTC, 2012), the total contribution of Travel & Tourism to GDP was LBP22, 416.8bn in 2011 (35.2% of GDP) and was expected to grow by 4.4% to LBP23, 408.1bn (35.5% of GDP) in 2012. The main sectors behind tourism dynamism in Lebanon are: the hotel sector, the restaurant sector, the travel agencies and the transportation sector (air, sea and land transportation).

Despite their important contribution to the development of the national economy, Lebanese travel agents face a challenging macroeconomic environment that affects their sustainability. Many incidents have created an uncomfortable working environment for retail travel agents in Lebanon for several years and caused real threats to their continuity into business, as many of them have already declared bankruptcy.

Before 1975<sup>3</sup>, [Lebanon](#) was widely known as "*The Switzerland of the Middle East*," due to the stability of the local currency and the prosperity of the tourism sector. The number of

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<sup>1</sup> Lebanon counts approximately 4 million in 2013, according to the ministry of internal affairs.

<sup>2</sup> According to the statistics of the Ministry of tourism.

<sup>3</sup> The date of civil war in Lebanon.

travel agencies at that time was 400. The independent travel business was so significant in this period; most tourists were Arabs from neighbor countries, mainly families who call for travel agent's services. During the incidents between 1975 and 1990, the number of certified travel agents in Lebanon was only 460. After 1990<sup>4</sup>, the tourism dynamism restarted again with the opening of international hotels, restaurants as well as new travel agencies.

The actual situation of travel agents in Lebanon:

- In Lebanon there is 650 travel agents, just 50 of them are Tour Operators.
- Only 216 of travel agents are IATA members.
- 235 of the 650 travel agents are members of the Association of Travel & Tourism agents.

The majority of travel and tourism agents in Lebanon today are of small size. This category is the mostly affected by:

- political instability in Lebanon;
- advancement in online-booking technology;
- commission cut strategy by airlines and,
- lack of travel and tourism regulations.

Being part of the macro environment, the above-mentioned difficulties have created an uncomfortable climate to most travel agents who had to seek immediate solutions. On the other flip, tourism researchers have called a particular attention to the effects of online booking on travel and tourism intermediaries, with the increased dependence of travel providers and independent travelers on this technology. Tourism providers detected several advantages in utilizing the online booking: it serves their marketing purposes (promoting

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<sup>4</sup> Lebanon was featured by several international media outlets, including the *New York Times*, CNN, and *Paris Match*, as a top tourist destination at the beginning of 2009.

their activities, penetrating new markets, etc.); its manipulation and control of information is very simple, the cost of promotion and distribution is low comparing to other Medias and its return on investment is relatively high. As for independent travelers, the online booking has facilitated their direct access to packages and services provided, without passing through intermediaries.

The main objectives of this paper consist of: 1) evaluating the degree of dependence of the Lebanese market (especially the independent travel market) on online booking, 2) evaluating the impacts of online booking on travel agents' business in Lebanon (especially the retail travel agents). The focus will be on studying potential opportunities and threats that online booking provides to travel agents, and recommending suitable solutions.

## **Methodology**

This paper represents a survey performed by the Hospitality and Tourism Management department at the Lebanese International University in 2012. The data collected from 200 travelers was based on the convenient sampling method, using questionnaires. The pool of study was composed of travelers who:

1. Are aged between 20 and 60 years old;
2. Travel for leisure, business, education or visiting relatives/friends.

In addition to questionnaires, interviews were conducted with major travel agents to evaluate their perception of the importance of online booking on their business. These travel agents have their own website and some of them are international organizations.

The questionnaire addressed to travelers comprised 15 questions. The focus was on their booking habits, in an attempt to find a link that explains the relationship between: 1)

age, education, profession, purpose of visit, and, 2) the booking choice of travelers (through a travel-agency consultant or online booking).

### **The Main Threats to Lebanese Travel Agents**

As mentioned earlier, Lebanese travel agents have been facing major business threats, related to four macro environmental conditions:

1) The political instability in Lebanon has provoked a climate of insecurity, what caused a tremendous retreat in inbounds, as many Arab countries have restricted their citizens from visiting Lebanon due to security reasons. Adding to that, the incidents in Syria that caused a real threat to land transportation, what discouraged inbounds from Jordan, Iraq and Gulf countries who found in Dubai and Oman a safer destination. The consequences of the regional and local political instability were devastating on travel and tourism business in Lebanon, many travel agents (especially those who focus on outbound tourism to Turkey, Syria and Egypt, using land transportation) announced their bankruptcy, leaving the floor to larger travel agents and tour operators who have diversified services for inbound, outbound and domestic tourists.

2) The advancement in online-booking technology has changed the rules of travel and tourism business in recent years. The easy access to travel providers led gradually to "disintermediation" and to an increase in the number of independent travelers. The impacts were dramatic on small travel agents who couldn't adapt this technological revolution into their business procedures. Whereas, large travel agents and tour operators found in this technology a stepping stone for their prosperity into the online business.

3) The commission cut strategy started by national and international carriers, followed by several service providers such as tour operators, excursion clubs and hotels has negatively

affected the income of travel agents (4 years back, the airline commission represented 90% of travel agent's income, whereas today it doesn't exceed 50% of it). Recently, travel agents in Lebanon started taking a flat service fee<sup>5</sup> instead of a percentage on sale, in accordance to IATA guidelines.

4) The lack of travel and tourism regulations that insist on the role of travel agents as main players in the tourism cycle and protect their rights for commissions, especially when it comes to inbound tourism.

In their attempt to overtake these difficulties, some travel agents in Lebanon, chose to specialize<sup>6</sup> in certain activities that concern specific market niches (the organization of distinguished packages for specific market niches) whereas others view the investment in online-booking technology as a competitive advantage<sup>7</sup>. According to Mr Hitti<sup>8</sup>: “the income lost by travel agents due to online booking, can be recuperated by diversifying our activities and specializing in certain niche services: selling travel insurance, selling international driving license, tailoring particular trips, car rental, etc. Especially that we cannot keep on airlines that do not represent at this time more than 50% of our source of revenue, instead of previous 90%, due to the annulations of ticketing commission”. Not to add that many budget airlines and others are now competing travel agents by providing online package tours on their websites.

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<sup>5</sup> The service fee is equivalent to an average of \$45 for each ticket sale.

<sup>6</sup> Hajj and Omra trips, civil marriage trips, Spa and wellness trips, Honeymoon packages, etc.

<sup>7</sup> In Lebanon there are 16 travel agents who have developed their own online reservation network where independent travelers can book a hotel room, rent a car or even select a suitable seat on the airplane. A commission of 20-30% is deducted from service providers.

## Study Findings

- Lebanese travelers still believe in the important role of travel agents as travel advisors, not just as advertising Kiosks.
- 71% of respondents preferred booking through travel agent.
- 71% of respondents preferred booking through travel agent. The preference for travel agents was explained by the ability of these agents to provide an augmented and personalized service that online booking is incapable to do (*travel agents can tailor a travel package based on traveler's preferences, travel agents are experienced in file preparation for visa application, travel agents can provide an augmented service: travel agents accept cash payment whereas payments on internet are only in credit card, celebration cake, flowers, etc.*)
- According to our study, 60% of travel agents support the investment in online-booking technology.
- The study revealed that large travel agents and tour operators were not very touched by the online booking. These agents have, on one hand, invested in a new technology<sup>9</sup>, on the other hand, managed to maintain strong relationships with their customers, the factors that created a competitive advantage for them.
- It is remarkable that 80% of travel agents found that the major threats to their business are related to the political instability in Lebanon rather than to online booking.
- Families prefer to book their trips through travel agents.
- Travelers prefer to book their main holiday trip through travel agents.
- Business travelers prefer to book online.

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<sup>8</sup> Manager of the Association of travel & Tourist agents in Lebanon (ATTAL).

<sup>9</sup> Nakhal have developed his own web reservation site: Houjouzat

### *Correlations*

- 31% of respondents were independent travelers.
- 24% of respondents preferred to book their holidays online.
- 70% of respondents have never visited a travel agent's web site yet.

The findings of the study revealed a strong correlation between: on the first hand, the educational background of travelers and their purpose of travel. On the other hand, their booking choices.

- 29% of degree holders who travel for business prefer the online booking.
- 52.3% of degree holders who travel for business preferred to book their trip through travel agents.
- 86% of degree holders who travel for leisure prefer to book their trip through travel agents.
- 34% of non-degree holders who travel for study purposes prefer the online booking.
- 71% of respondents preferred traditional booking on web booking because:
  - They do not trust the internet (42.5%)
  - They find that web pages do not provide full details (50%).

**Conclusion:**

In this era of technology, the rules of the game have been changed. Travel agents should admit that despite their long experience in the domain of travel and tourism, they can never be on top of the new technology that is evolving at an exponential rate.

Travel agents in Lebanon are aware of the impacts of online-booking technology on their business. They view that the rate of online booking is increasing in the independent travel market and influencing hence their income. The answer of Lebanese travel agents to the development of online booking was on two levels:

1. Retail travel agents have diversified their activities and strengthened the relations with their customers.
2. Large-sized travel agents and tour operators have invested in online-booking technology to: 1) increase their market share of independent travelers, 2) promote their services, 3) manage efficiently their relationships with customers.

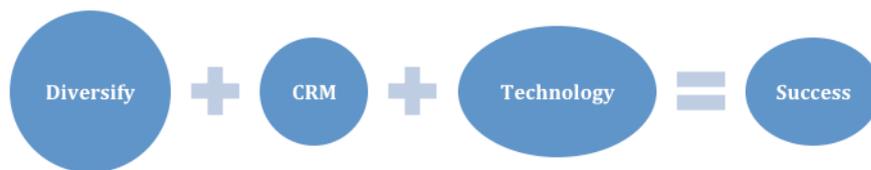
Finally, we can admit that online booking represents an opportunity more than a threat to most travel agents. Despite the negative impacts of online booking, travel agents still believe that investing in this technology would provide an access to new markets and would provide the possibility to promote services and packages online.

In addition, with the increase in the number of independent travelers who book online, travel agents can now provide an online reservation system<sup>10</sup> that satisfies customers' expectations (using CRM program, social media, etc.) and offers the possibility to advertising. However, the main threat to travel agents remains in the political instability in

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<sup>10</sup> Kurban Travel has adopted Amadeus Service Fee Manager, a completely integrated solution for the efficient storage, calculation and collection of all distribution-related service fees, and Amadeus e-Power, a fully customized, high performance and easy-to-use internet booking engine that allows Kurban to move online and deliver full booking service online. Kurban Travel customers can access to their flights and hotel reservations

Lebanon. This instability discourages tourists to visit the country and decreases thereby the income of travel agents. As a result, many of them declare their bankruptcy, specialize or diversify their services and some others merge into a larger company in order to sustain into business and to keep their share of the business pie.



In summary, travel agents can recuperate the loss income due to disintermediation if:

- They diversify their activities
- They invest in online-booking technology
- They maintain strong relationship with customers

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while on the move through Amadeus CheckMyTrip for Mobile applications on Smartphone devices.

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