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Potential of online travel

Local players lagging behind in adoption rate

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THE local travel and tourism sector will need to drop its wait-and-see approach and increase efforts to seize opportunities in the

online travel market. Compared to their counterparts in other countries in the region such as Singapore and Hong Kong, local players are still left behind in embracing this type of business, said industry observers.


According to Meraj K. Huda, principal consultant of travel and tourism management consultant forumline.com, online travel is a fast-growing business that local players should tap into.

He said a recent PhocusWright Inc study, for example, shows that Asia-Pacific's online travel market is due to grow from US\$4 billion (RM15.2 billion) to US\$13 billion between 2002 and 2004.

"This is an incredible growth rate for the travel sector," he told *CompuTimes* recently.

Yet, there are only a small number of local players in the online travel industry despite the fact that Malaysia is a major tourist destination in this region, he added.

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Meraj: Online travel is fast growing.

Identifying the right solution

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"The danger, of course, is by the time the traditional players want to react (and embrace online travel), it may be too late for their survival."

According to Meraj, in terms of market segment, online travel is still predominantly more accepted by international than local consumers.

"International users, especially from Europe, North America, Australia and Japan tend to be more Internet-savvy due to the level of maturity of their Internet markets.

"They also tend to be more trusting of the Internet due to proven secure payment gateways in their markets," he said.

Nevertheless, efforts by the Government to place more broadband connectivity within the residential sector as well secure payment gateways will be key in increasing more interest in online travel among local consumers.

To successfully embark on a business-to-consumer (B2C) venture, players in the local travel and tourism sector will need to identify the right technology solution, said Reliance Travel.com's business development manager Darren Goh.

He said local companies have to seek for a dynamic vacation packaging solution to pull *live* inventory and that is by creating a unique package that will appeal to the online mass market.

For example, group

packages are hard to push online as they require more human-touch interface, hence this market segment needs certain customisation in a B2C approach.

In addition, Meraj said local companies will have to understand that online customers are essentially bargain hunters and they can compare rates faster than the traditional method, through a click of the mouse.

According to Goh, local companies that wish to embark on a B2C initiative must realise that trading online might not necessarily be cheaper than traditional means.

"The cost of maintaining a Web site and cost of transaction online via payment gateways and clearing banks can actually reduce the already thin margin," he said.

Local players who plan to venture into online travel must be mindful to build a strong brand recognition by carefully selecting a cost-effective medium as the profit margin for the industry is about seven per cent, said Alex Kong, chief executive officer of online travel company Asiatravelmart Sdn Bhd.

Based on Asiatravelmart's experience, he said word-of-mouth advertising is critical as one-third of the company's new users and bookings are referred by existing customers through its member-get-member programmes and via 8,000 partners' Web sites.