Disintermediation Threat: How and What Strategies are Used by Traditional Travel Agency to Survive?

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Abstract
Tourism operations and businesses have changed since most of these industries have utilised internet and technology. The modernisation of technology has made all the online activities easier where people can get rapid internet access besides making a secure transaction online, and receive express services. Without realising, this has led to disintermediation in the tourism industry where people can directly communicate with the supplier. Considering disintermediation as an important issue and problem, this research is about identifying the strategy and approach that have been applied by the travel agencies if they are exempted by the tourism provider in Malaysia. A qualitative approach is considered the appropriate technique for exploring this issue. Findings show that disintermediation has affected both the positive and negative effects to travel agents, therefore the travel agent should take disintermediation as one of their risks and an opportunity in maintaining their future business. The results also indicate that product differentiation is one of the useful strategies in sustaining their future travel agent business.

Keywords: Disintermediation, Technology, Travel Agency, Strategies

1 INTRODUCTION
Technology has provided a major change in the direction of the travel industry today. Since the introduction of the industry revolution 4.0, the industry tends to use technologies such as artificial intelligence, sensor technology and automation that make the company more agile and better equipped to respond or act ahead of the rapid changes in consumer demand, supplier conditions and technology availability (Jones & Pimdee, 2017). The advent of information and communication technology (ICT) has contributed to the growth of the tourism

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industry and is one of the industries contributing to the Malaysian economy (Puah, Jong, Ayob & Ismail, 2018; Rani, Othman & Ahmad, 2012). Since the facilities of ICT have improved from time to time, the online buyers have increased up to 7.1 million and this proves that the latest technologies have enhanced the buyers’ confidence and purchasing activity (Khan, Dominic and Khan, 2009). Moreover, ICT has also created good opportunities in boosting up the online transactions in Malaysia. These new and current technological facilities have made all online activities easier where people can get rapid internet access besides making a secure transaction online and receive express services. However, without realising, these facilities have led to disintermediation in the tourism & hospitality industry, where people can directly communicate with the industry supplier (Kaewkitipong, 2010).

In the hospitality and tourism industry, disintermediation has grown rapidly as many providers have efficiently used websites and the internet- using direct channels to promote and sell products to customers (Abrham & Wang, 2017). In fact, the fast development of the Internet has increased the potential conflicts among travel agents and hotels, for instance, the customer does not need to be ordered in advance by each travel agent because they can make their orders directly from the supplier on the internet which save time. (Tse, 2003; Werthner & Klein, 2009). At the same time, this makes the companies(travel agencies) more competitive with each other. The agencies who do not have a good strategy will not survive in the business. When airline companies have cut off their commissions to the intermediaries and some airlines practicing zero commissions to travel agency (Stephen, 2017), the relationships between the travel agents and the airline companies have become tense as the airline companies now directly sell their products to the consumers using their own websites (Osborne, Nagendra & Falcorne, 2001; Kristiaan, 2019). As a consequence, travel agents have no option but to charge their clients a fee for these services in order to remain in their business, meanwhile this issue will give the clients the opportunity to purchase product and service directly from the suppliers. Hence, disintermediation can be considered as an important issue and a problem. Accordingly, this research is about identifying the strategy and approach that have been applied by the travel agencies if they are exempted by the tourism provider in Malaysia.

2 LITERATURE REVIEW
2.1 Disintermediation
The use of the Internet in recent decades has changed the way products and services are distributed to customers (Berne et al., 2012). Hospitality and tourism are no exception as the evolution of internet distribution has consistently been highlighted as one of the most important issues in all industries(Kracht & Wang, 2010; Pearce & Schott, 2005). Under the traditional distribution model, travellers rely on traditional intermediaries, such as travel agencies, to access products that are provided by suppliers such as hotels and airlines over the global distribution system (GDS). From the Internet, travellers could access travel information directly and make reservations through the provider's website without having to make a booking from intermediaries (Kaewkitipong, 2010). In this case, it is called disintermediation of publication.
intermediaries. The term disintermediation was first coined in the mid-1966 and has since become a part of everyday use by banks and economists (Walker, 2007). Disintermediation has been recognised as a development that allows households to avoid banks and to put their savings directly into other types of financial institutions. In short, the term disintermediation is meant to eliminate intermediaries from the supply chain. From the travel and tourism industry perspective, the term disintermediation is known as the elimination of supply chains or third parties, accelerated by internet factors (Kaewkitipong, 2011). In addition, disintermediation can be defined as the removal of intermediaries (e.g. tour operators and travel agents) in the distribution channel, as a result of an electronic approach that allows users to access and transact directly with carriers such as airlines, hotels, buses and cruise operators and destinations (Bennett & Buhalis, 2003).

Previously, disintermediation has affected few industries such as the publishing industry, music, banking (Campbell 1998; Radigan 1994), and now it has affected the hospitality and tourism industry (Dieck, Fountoulaki & Jung, 2018). The current advancement in technology has caused the traditional travel agency to suffer. For instance, when the airlines are introducing the e-airlines system, the customer can manage their booking directly from the airlines’ website without depending on any travel agency (Buhalis, 2004). As such, within the Malaysian context, the Air Asia airline has introduced self-check in services. Travellers who choose this service will be able to print their bag tags, check-in at the kiosk and drop off their luggage at the auto counter without any help from the airlines ground staff. (Phaharoradzi, 2015).

Besides airlines, hotels have also started using the e-Hospitality system (Kumar & Passah, 2019) to improve their operations, maximise profits and to manage their inventory (O’Connor, 2000; Kumar & Passah, 2019). This shows that information and communication technologies (ICT) have facilitated easier disintermediation for tourism service providers.

Apart from that, this new technology also allows the management and the efficient transport of information around the world. Furthermore, by providing this information, customers can also have easy access to the booking engines to make a reservation (Abrham & Wang, 2017). In addition to booking, travellers can also compare prices from different organisations and choose what they can afford. Booking engines such as Orbitz and Expedia, which are available through the online interface, take advantage of technology and provide such services to customers (Werthner & Klein, 2009). This booking engine also reduces costs for travel businesses by reducing the number of calls and providing travellers with more control over their purchasing process. Direct access to information has also increased the bargaining power of suppliers and customers as the two sides can communicate directly without interacting with intermediaries (Zelenka, 2009). Thus, the Internet enables the growth of the tourism business by accelerating communication and the provision of any important information. Conversely, Huang, Chen and Wu (2008) argue that traditional travel agents can be threatened or be replaced by an electronic distribution system. Despite the increase in sales and marketing of online travels, travellers still rely on travel agents to provide a human touch and professional services (Tsai, Huang & Lin, 2005).
2.2 Impacts of Disintermediation

As most providers, such as hotels and airlines, use e-commerce services in their business, the revenue of travel agents has dropped as they are no longer being paid commissions. This statement was supported by the decline in the travel agents' assets from RM 653.19 million to RM486.54 million from 2005 to 2006, following travel agents who began using ICT in 2005 (Department of Statistics Malaysia, 2011). Many travel agents have lost their revenue streams because they no longer need to do easy flight or accommodation booking (Keeves, 2011). To some extent, hotels have built their own websites by providing e-commerce services that allow customers to pay directly to hotels to save costs (Tse, 2003). Furthermore, experts have stated that a zero commission does mean no performance incentives for the agent. Most people who rely on commissions from insurance policies will lose their income. In support of this, Abdul Hamid (2011) points out that zero commission has reduced revenue for travel agencies, while an estimated 10,000 agents have opted out of the business (Stephen, 2017). Therefore, there is a decrease in the revenue of the travel agency (Antonio, Aimieda & Nunes, 2017).

Besides affecting the travel agency revenues, Tse (2003) states that disintermediation is caused by direct web distribution which can affect the relationship between travel agents with hotels and airlines. Large airlines no longer feel the need to maintain their close relationship with many travel agents as they have been able to reduce costs and still attract customers to buy their products and services that circumvent travel agents, and instead offer their services directly to customers using the internet (Gharavi & Sor, 2005). Disintermediation diverts authorities from intermediaries, provides manufacturers with access to user information and can build direct user relationships that benefit only both the manufacturers and consumers in aspects such as loyalty, technical issues and customisation, but it does not benefit travel agents. In addition, as most travel providers switch travel agents and use the Internet as a direct sales channel, competition between providers and travel agencies has increased (Kaewkitipong, 2010). Therefore, it can affect the intimacy between travel agents and suppliers as they are no longer needed as they can intercept intermediaries and sell directly to end users (Palmer and McCole, 1999). This can be seen in detail in figure 1. Additionally, the introduction of airlines such as Malindo air, Scoot airline, Air Asia, Firefly, Malaysia airlines has led to many routes, schedules and fares in the airline industry. This has affected the way agents perceive and deal with airlines and how they do business (Abdul-Hamid, 2011). This is because ICT has facilitated this integration and enabled the customisation of tourism products to suit individual needs. Therefore, tourists can buy directly from suppliers, thus avoiding travel agencies altogether (Law, Leung and Wong, 2004).

![Figure 1: Traditional travel distribution (Nik Hashim, Ismail, Awang & Muhammad Safri, 2013)](image-url)
3 METHODOLOGY

3.1 Sampling and Population

The population for this study was the manager of a travel agent in Selangor, Malaysia, and the study is carried out using a qualitative approach. The sample size that has been used for the qualitative approach is usually a very small quantity, which is enough until the researcher secures the redundancies of information (Fox, Hunn and Mathers, 2009). Ten managers from different travel agencies located at various areas in Selangor were interviewed. The researchers have chosen a travel agent in Selangor as the respondent because Selangor has the second-highest number of travel agents in Malaysia (Ministry of Tourism, Arts and Culture, 2019). Therefore, the opportunity for travel agents to compete with each other is very high in order to survive in their business.

3.2 Data Collection Process

Data was collected from travel agents in the Selangor area. Since Selangor has the second-highest number of travel agents operating in Malaysia, there is a high probability for travel agents to compete with each other which will affect their survival in their respective business. As a procedure of the interview session, the prospective travel agents have been contacted before the interview session. Each of the interview session takes about thirty to forty-five minutes. During the interview session, notes was taken and the conversation was recorded using a tape recorder. This is to ensure that the researcher has not missed any information being discussed during the interview session. The permission form was distributed to the participant in order to obtain permission to record the conversation. The interview conversation was conducted in the English language. The interviewees were informed that their anonymity and confidentiality will be guaranteed and that they were allowed to withdraw anytime during the interview session without any reason required. At the end of the interview session, the main points of the conversation were reviewed to ensure its validity. Two months has been required to collect data and to collect information from all respondents. The process of data collection and information gathering that is about two months has been carried out on working days, and depends on the representatives of the travel agencies.

3.3 Data Analysis

Using thematic analysis, the issues related to the topic were obtained. This includes data sorting, organising, and identifying the differences and similarities. Notes and tape recordings were reviewed and these were used to extract themes by searching for recurring words or phrases to explore the main dimension. In the first step, the researcher examined the transcripts of the notes and tape recordings that were taken during the interview to make sure nothing was missing from the transcript. Each transcript has been encoded to ensure that each respondent's name is identical. Researchers then re-read the transcript several times to immerse themselves in the data. This process allowed the researchers to identify themes in the data. Secondly, after the key points and ideas had been identified, the researcher generated the initial codes based on their frequency. Then, the data was transferred to Microsoft Excel, based on Hahn (2008) suggestion.
4 RESULT AND DISCUSSION

This section primarily describes the profiles of ten informants, consisting of tour agency managers aged 26 years and above, who have participated in the interviews. The Informants were classified by age, gender, education background and past experience working with a travel agent. Conversely, the name of the informant was not unveiled to ensure confidentiality and to build trust between the researchers with the informants. Semi-structured interviews were conducted for this qualitative study. Interviews with ten travel agency managers were conducted in the Selangor area. The sample represented both genders, with slightly more (60%) female respondents than (40%) male respondents. The respondents were among 26 and 55 years old, with most of the respondents being 26 to 35 years of age. See figure 2 and 3.

The results show that different strategies are used by travel agencies in the face of disintermediation. The modernisation of technology has changed the way people live and how they use their daily needs (Sulaiman, Ng & Mohezar, 2008). New technologies have helped customers access fast internet connections, secure transactions, and provide quicker and easier services that can be a source of disintermediation for travel agencies. For this reason, the tourism industry needs to develop several strategies for their business to survive. One of the strategies that is used by travel agencies is product differentiation.

When it comes to product differentiation, every company has its own product that looks very different from another company. Product differentiation can be achieved in several ways. It may be as simple as wrapping things up in creative or complicated techniques such as introducing new functional features. Sometimes the difference does not involve changing the product at all but creating new advertising campaigns and other sales promotions instead. It is crucial to attract customers to buy products. In response to this question, informants have their own way of making their product different from other travel agencies. For example, the informants’ claim:

"If you look at our site, the key term is actually a creative adventure. So, number one, we have unique places, exciting travel schedules and we also create creative adventures. At the same time, we work with community service..."

In addition, informants have also mentioned that each travel agency or tour operator has its main products and services in promoting their company to make it easier for clients to remember their company. For
instance, if the company focuses on Dubai packages, then they will focus on promoting travel packages to Dubai aggressively. For example, the informant states that:

"What make our product is different from others is that, we have offered a low-price package. For example, we have introduced campervan package in New Zealand. This package is actually the cheaper price even though we have mark up the price but still customer said it is very cheap. Overall, what I can say is that, the product price needs to be reasonable or cheaper with good quality. Most of the important thing is that the product needs to be unique. Why cheaper?? Hmmm... because we are managed to deal with direct agent/suppliers in New Zealand".

In short, it shows that different travel agencies have their own creativity and strategy in promoting their products and services. Most agencies have different products and services that they offer to attract customers to buy from their agency. Table 1 shows the various products offered by the tourism agencies in Selangor and Table 2 shows the strategies that are used by the travel agencies. This node is classified using thematic analysis based on the text that is transcribed from the interview with the travel agent manager.

Table 1: Product differentiation offered by travel agencies

<table>
<thead>
<tr>
<th>No</th>
<th>Product Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exciting &amp; Interesting Itinerary</td>
</tr>
<tr>
<td>2</td>
<td>Lowest Price Product &amp; services</td>
</tr>
<tr>
<td>3</td>
<td>Variety of Packages</td>
</tr>
<tr>
<td>4</td>
<td>Offered Personalized and Friendly Services</td>
</tr>
<tr>
<td>5</td>
<td>Unique Product</td>
</tr>
<tr>
<td>6</td>
<td>Unique Venue</td>
</tr>
<tr>
<td>7</td>
<td>24 Hours Services</td>
</tr>
</tbody>
</table>

Table 2: Strategies used by travel agencies

<table>
<thead>
<tr>
<th>No</th>
<th>Strategies</th>
<th>Informants Answer</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>Online Booking / E-Commerce</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>2</td>
<td>Website Implementation</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>3</td>
<td>Product Differentiation/Uniqueness</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>4</td>
<td>Travel Conferences</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>5</td>
<td>MATTA Fair</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>6</td>
<td>Collaboration with Other Travel Agencies</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>7</td>
<td>Direct Selling</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>8</td>
<td>Public Relation With Clients</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>9</td>
<td>Best Service Quality</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>10</td>
<td>Collaboration with Corporate Companies</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>11</td>
<td>Service Fees Chargers</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>12</td>
<td>Price Manipulation</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>13</td>
<td>Handling Government Warrant</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>14</td>
<td>Direct Suppliers</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>15</td>
<td>Variety of Products</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>16</td>
<td>Social Media (Facebook, Instagram, Twitter)</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>17</td>
<td>Aggressive Promotion through celebrities</td>
<td>/</td>
<td>/</td>
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</table>
5  SUGGESTION FOR FUTURE STUDY

Like other empirical researches, this study is not without its limitations. The sample has consisted of manager of travel agencies in the Selangor area only as generalisation cannot be inferred to travel agencies in other locations in Malaysia, since other travel agencies might have different strategies to improve and survive in their future business. Next, even though this study has reached new information on strategies that are used by travel agencies in Selangor, but it cannot measure which strategies are commonly used by the travel agencies. Thus, it can be suggested that future research can be conducted through a quantitative technique by testing the multiple regression for the variables so that the strategies that are most useful for the travel agencies to survive in future business, can be known. Additionally, previous study on disintermediation was looking from the travel agencies perception, which can be biased since researchers only judge from one lens. Therefore, future studies can be proposed to study aspects of suppliers' perceptions such as airlines and hotels by exploring why providers accelerate travel agencies in the tourism and hospitality industries.

6  CONCLUSION

The rapid growth and advancement of information technology has led to the introduction of different changes in different businesses and industries. In the hospitality and tourism industry, the application of technology has been associated with a variety of positive and negative effects. Technology has changed the way people do and how they conduct their business and plan their journey today. It also has an impact on the tourism distribution chain. New technologies have helped customers access fast internet connections, secure transactions, and provide quicker and easier services that can be a source of disintermediation for traditional travel agencies. The results show that in the face of instability, many travel agencies have developed their own strategies to survive in their future business. The impact of travel agency interruptions can be seen by looking at their sales and revenue whether these are declining or rising. In addition, some travel agencies benefit from disintermediation while others do not, but this depends on how they develop their business strategy. In a nutshell, the above issues and suggestions cannot be solved without the involvement and cooperation of all parties such as the government, non-government organisation and the travel agencies itself. In addition, with a clear understanding of the issue of disintermediation, travel agencies need to think of several strategies on how to survive in future business by restructuring their strategies. This is because technology has suspended the responsibilities of traditional travel agencies in the tourism industry. Despite having a negative impact on travel agencies, the future of this sector is set to experience more positive changes in the future due to the adoption of virtual reality.

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