

ICT가 여행사 경영환경에 미친 영향과 대응방안: 한국 여행사를 중심으로

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The Critical Role of ICT and Core Strategies: The Case of Korean Travel Agencies

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요약

여행사를 둘러싼 경영환경은 급속도로 변화하여 왔으며 이는 정보통신기술의 성장과 무관하지 않다. 특히, 최근 까지 인터넷을 다소 소극적 차원에서 활용했던 한국의 여행사들은 글로벌 온라인 여행사들이 한국 여행시장을 빠르게 잠식해나가는 것에 큰 위협을 느끼고 있다. 이러한 상황을 고려하여 본 연구에서는 정보통신기술이 한국 여행사 경영환경에 미치는 영향력을 중점적으로 분석하고 이러한 분석을 토대로 한국 여행사의 전략적 대응방안을 제시해 보았다. 첫째, 글로벌 관광상품 유통구조에 대응한 플랫폼 개발에 박차를 가해야 한다. 둘째, 빅 데이터를 여행사 경영에 적극적으로 활용할 필요성이 있다. 셋째, 관광 블로그 마케팅 전략을 적극적으로 활용한다. 마지막으로 고객 개별 더 전문화된 관광 컨설팅 서비스를 제공함으로써 현재 직시한 문제점들을 풀어내야 할 것이다.

Abstract

Korean travel agencies that have been utilizing the Internet passively feel threatened as global online travel agencies are quickly permeating the Korean travel market. Under these circumstances, this study conducted a focused analysis on how ICT affects the business environment of travel agencies. Based on the analyzed data, it also presents coping strategies for the Korean travel agencies. First, it is imperative to accelerate platform development to counteract the distribution structure of global tourism products. Second, it is essential that travel agencies actively utilize big data, the new paradigm of technology where data are generated at high speed, high volume, and for numerous purposes. Third, it is necessary to actively utilize a travel blog marketing strategy. As a communication tool for travel agencies, the continuing development of the Internet highlights the usefulness of marketing activities using blogs. Finally, it is essential to provide each customer more specialized travel consultancy.

키워드 : 정보통신기술, 인터넷, 전자상거래, 온라인 여행사

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I. INTRODUCTION

The rapid development of the information and communication technology (ICT) along with the proliferation of the Internet culture [1], and the increasing number of technology-literate customers are swiftly transforming the business environment of the travel industry[2]. Particularly, this business environment is greatly influenced by the arrival of the Internet. Specifically, traditional travel agencies are recently facing a complex, dynamic, and uncertain business environment. The reason is given by the changes in the travel distribution system, brought on by the technological revolution, increasing customer demand, creating extreme competition, decreasing commissions for travel agencies, and triggering conflicts between distribution channels[3].

Although South Korea is a country with a powerful ICT industry, travel agencies are facing a challenging business environment. Until recently, Korean travel agencies have used the Internet to a lower degree, specifically, as an assisting tool in sales and marketing for off-line travel agencies. In the meantime, overseas online travel agencies (OTAs) are permeating the Korean travel market through aggressive marketing. As such, an environment characterized by limitless competition beyond national borders through the Internet surfaced as an important threat to travel agencies in Korea[4]. Under these circumstances, it is critical for Korean travel agencies to search for coping strategies to gain a competitive edge.

In this light, this paper has the following research goals. First, it investigates the impact of the Internet on the primary business function of travel agencies. Second, it analyzes the characteristics of e-commerce and trends for tourism products. Third, it examines the characteristics and trends of OTAs. Finally, based on the analyzed content, it presents coping strategies for Korean travel agencies. The findings of this study have significance in that they can help Korean travel agencies survive on a market of limitless competition against global OTAs.

II. CRITICAL ROLE OF ICT ON THE BUSINESS ENVIRONMENT OF TRAVEL AGENCIES

A. Changes in the Main Business Function of Travel Agencies

The Internet is a computer network that connects the entire world, and a tool for three-business revolution. Because tourism products are intangible and cannot be stored, information becomes a vital medium of communication. In this light, the Internet enables users to access the same information at a lower cost than traditional mediums and channels, functioning as a means to enhance information accessibility and usefulness[5]. Specifically, the Internet is a marketing as well as a distribution tool that allows supplier and customers of tourism to communicate directly[4]. From a tourism supplier's viewpoint, the Internet lowers the distribution cost and overall cost bearing by allowing customers to make bookings at lower costs[6]. Additionally, from the customer's perspective, the Internet has merits such as a lower cost, more information, and more prompt responses.

On one hand, the function of the Internet from the perspective of the travel industry can be seen as a new and critical tool for sales and communication[7]. On the other hand, it is threatening the intermediary function travel agencies have customarily performed[8]. Travel agencies have generated profits by playing the role of intermediaries between customers and travel suppliers by utilizing information, which is their primary stock. However, ICT is advantageous to tourism product suppliers who pay travel agencies. While it is discouraging customers from using travel agencies. In other words, such a phenomenon of disintermediation is transforming the business environment of travel agencies into a dynamic and competitive environment.

B. Characteristics and Trend of E-commerce for Tourism Products

Worldwide, online travel sales have steadily increased from USD 470.97 billion in 2014 to USD 564.87 billion

in 2016, and are expected to reach USD 817.54 billion by 2020. The time people spent visiting or calling a travel agency to book travel has passed, and travel websites and mobile apps connected to the Internet are making digital travel plans increasingly easier. Internet users have the ability to create a travel schedule with a web portal search and the help of digital tools, such as travel schedule and price comparison websites[9].

The Korean online shopping mall continues to grow, and online shopping sales related to travel and booking services showed the highest sales by reaching KRW 11 trillion 288.3 billion, at 17.2% of total online shopping sales in 2016. Particularly, the arrival of smart phones made mobile-based online shopping easier, at 54.7% of total online trade. The travel and booking section in mobile shopping also occupies a high percentage (15%), showing a high volume of trade[10]. The global online shopping market, including Korea, is expected to grow steadily in the future, and the trade volume using smartphones is likely to increase even more. Such a growth of online shopping market will further stimulate the trade of tourism products.

C. Characteristics and Trend of Online Travel Agencies

Along with the development of ICT, technology-literate customers could make more intelligent choices when buying travel services online. With the purchase of online travel services, they increased the rate of utilizing OTAs[11]. Traditional travel agencies are geographically scattered, while OTAs have relatively integrated channels. OTAs such as Expedia.com and Priceline.com are characterized by services offered through the Internet and the absence of offline offices. Representative global OTAs can be roughly divided into the Priceline Group and the Expedia Group. These two groups have the strongest influence on the Korean travel market. The performance of the two groups around the globe can be described as follows.

The Priceline Group is a U.S. company founded in 1997. It is a representative OTA that owns many Internet brands, including Booking.com, Priceline.com, Agoda.

com, and KAYAK. In 2015, the Priceline Group achieved global record sales of USD 55.5 billion and, over the past 10, their profits years have increased annually. In 2016, sales reached USD 1 billion 74 million, USD 0.8 billion higher than in 2007. With such growth, the Priceline Group's property value soared from USD 1.33 billion in 2007 to 19.84 billion in 2016[12].

Expedia, Inc. is a company founded in 1996 in the U.S. It is the world's largest OTA, owning numerous Internet brands, including Expedia.com, Trivago.com, Hotwire.com, and Hotels.com. The gross bookings of Expedia, Inc. worldwide continually grew from 2005 to 2016. In 2016, they exceeded USD 72.43 billion, which are record gross bookings, bookings having multiplied over three times in a span of 10 years. In the same year, Expedia generated USD 8.77 billion. Recently, travel websites such as Expedia.com have been widely used because they offer popular alternatives to traditional travel agencies by providing easy booking from home for a complete vacation package, including hotel reservations and plane ticket booking[13].

Prior to examining Korean OTAs, the characteristics of Korean travel agencies can be described as follows. As of December 2016, the number of travel agencies in Korea was 16,605, representing 60% of the total number of tourism companies. Compared to other types of tourism companies, travel agencies were found to have the lowest average capital, total floor space, and number of employees. Moreover, the average sales of one travel agency are relatively low compared to other tourism companies. Regarding domestic and international tourism product development, the percentage of commissioned product sales was higher than the sales of their own product development. Furthermore, the percentage of travel companies that use e-commerce is only 32.6%, of which 20.6% use e-commerce for sales and 4.3% for purchases[14].

The concept of marketing using the Internet was introduced to Korean travel agencies in 1997. However, it was mostly used as a simple promotional tool. As the

Internet user population gradually increased, Korean travel agencies began to run offline offices in combination with online marketing by creating homepages. The travel agencies that are run only online are few, including tour.interpark.com, and onlinetour.co.kr. As a result, the basic functions of OTAs, such as searching for airlines and accommodation worldwide, comparing prices, booking, and making payments, were fulfilled by overseas OTAs that entered the Korean market. The main issue subsequent to the overseas OTA advancement on the Korean market is that overseas OTAs are increasingly dominating the travel industry in Korea, booking 83.7% of Korean accommodation, and OTAs from the U.S., China, and Japan are rapidly permeating the Korean market[4]. To sum up, this study identified that Korean travel agencies were high in number and small in size, permeating in an extremely competitive environment, with a low rate of utilizing e-commerce and poor business expertise, without the competitive edge to stand against the aggressive competition from overseas OTAs.

III. CORE STRATEGIES FOR TRAVEL AGENCIES

Based on the above analysis, the strategies of Korean travel agencies to cope with ICT development and overseas OTAs can be identified as follows.

First, it is imperative to accelerate platform development to counteract the distribution structure of global tourism products. The development of technology allowed a new digital-based business model to emerge, and digital platforms allow unrivaled connection, as opposed to the past, through value creation by customers and suppliers and an innovative form of delivery and reception[15]. The platform consists of the owner that creates and manages the platform; the device system provider that enables the interface with the users; the supplier that offers the services and contents; and the customer that uses, shares, and spreads the generated

contents and services[16]. It is vital to improve the distribution channel for travel agencies by developing the platform business model with these attributes.

Second, it is essential that travel agencies actively utilize big data, the new paradigm of technology where data are generated at high speed, high volume, and for numerous purposes[17]. This would provide potential power to companies in developing new usages, products, and services, and in improving their business management. The use of big data analysis has benefits such as reducing cost, making better decisions, and improving the quality of products and services [18]. As such, big data is used in a wide range of industries. When a company utilizes big data for basic development, which is needed the most, it can help the company gain a competitive edge[17]. Therefore, it is imperative that travel agencies establish the foundations for big data to be actively utilized and innovate their management methods by improving utilization skills to reverse the situation in the market.

Third, it is necessary to actively utilize a travel blog marketing strategy. As a communication tool for travel agencies, the continuing development of the Internet highlights the usefulness of marketing activities using blogs. This is because blogs are linked or integrated with the supplier's website and can contribute to online booking, which is the next step of travel planning and online information search. Particularly, it is not easy for small to medium-sized travel agencies to impose their brand image through the sales of intangible products or services. As such, travel blogs can be excellent media and help create the brand image by describing travel products or services[19]. The growing influence of social networking services is also of great help[20]. In this light, travel blog marketing can become a strategy to gain a competitive edge in the Korean business environment, full of random, small to medium-sized travel agencies.

Finally, it is essential to provide each customer more specialized travel consultancy. Although the Internet has advantages for customers in terms of lower cost, more

information, and prompt response, travel agencies can provide better services than the Internet, especially when there is the need of coordinating a complex travel plan, answering questions, solving problems, or maintaining relationship with travel customers [21]. Therefore, travel agencies need to turn their focus on the trade process into a detailed and more customized consulting service, which is rarely available on the Internet. Additionally, because the central role of travel agencies is to collect, organize, and interpret a large amount of data to deliver the best value and help customers to have the most memorable travel experiences, agencies need to focus on improving their consulting capacity.

IV. CONCLUSION AND IMPLICATIONS

The rapid development of ICT and the increase in the number of technology-literate customers are swiftly changing the business environment of travel agencies. However, Korean travel agencies that are ill-prepared for such a change are facing a crisis and losing their share of the travel market to global OTAs that are rapidly permeating the travel market. Consequently this study analyzed the impact of ICT on the business environment of travel agencies and presented coping strategies. First, Korean travel agencies should strive to develop platforms that can withstand the global tourism product distribution structure. Second, it is essential that travel agencies actively utilize big data. Third, it is necessary to use travel blogs as marketing strategy. Finally, it is imperative to provide each customer more specialized travel consulting services.

The theoretical implication of this study is synthesizing the previous studies on the impact of ICT on travel agencies' business environment. The practical implication of the present study is presenting a direction on how Korean travel agencies can survive on a market of limitless competition against global OTAs as a result of ICT development. Meanwhile, this study has limitations in that it only focused on analyzing the previous studies

related to this topic. Future studies should reflect more specific details from onsite travel agencies and present a more practical tool that further analyzes the coping strategies this study has suggested.

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