

Morethailand.com – Online Travel Intermediary

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*ABSTRACT**

The entrepreneurial case study showcases ‘morethailand.com’ an e-intermediary in the tourism industry. Based out of Thailand, the firm is in the process of finding a niche for itself through innovative online and offline marketing strategies with the constraint of limited resources. The case study attempts to focus on the e-business challenges in the travel and tourism sector especially in a developing country like Thailand. It specifically highlights the clash between the traditional and modern form of intermediaries in the travel and tourism sector and how it is bound to evolve in the future. A comparison between different approaches to search engine marketing offers an interesting perspective to the literature pertaining to on line e-commerce. An economic view on the case is also presented.

Key words: Online Travel Agent, Hotel industry, B2C, Thailand, Entrepreneur.

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It was a challenging task - to grow by more than ten times a year. That was the objective set by Mrs. Nontana Thanabatchai, the founder and Managing Director of Morethailand.com for the coming two years. Morethailand.com was at a turning point in terms of its future performance. While the present increase in the visitor rate and enquiry conversion rate were quite creditable, to emerge as a dominant player in its field, a growth of over ten times a year was absolutely important. Yet it was achievable if the latest efforts in improving, dynamic pricing and searching engine optimization bears fruit.. The opportunities were immense, the need was to implement a coherent set of strategies that would attract more customers and generate a high transaction rate.

Morethailand.com is an online travel intermediary based in Bangkok, Thailand. The company acts as an intermediary that helps customers round the world to book rooms in Thailand hotels through the internet. Motherthailand.com was founded in the year 2002 after the need was felt for setting up a Thailand based on-line travel intermediary. The company has a clutch of interconnected websites that together provide potential travelers a means for searching for and booking hotel rooms in Thailand. These web-sites also enable potential tourists to book tour packages as well as airline tickets. The website displays a list of hotels which are part of the network. A potential tourist can enquire about the availability of rooms as well as to book accommodation in the hotels listed in the websites. Provision for tour packages, airline booking

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and travel related products are also available. The sites normally get around 5000 hits a day. Attachment-I gives a screenshot of the website.

Having established itself as a B2C site, morethailand.com is looking forward to strengthen its position in its primary line of activity ie. online travel intermediation. The primary area of focus was in increasing site traffic by attracting more and more potential tourists to its web-sites. The company was also keen to strengthen its supply side by forging partnerships with more and more IOO hotels in Thailand. This would in turn enable morethailand.com to offer rooms to its customers at more competitive rates than the off-line travel agents who presently occupy the dominant position in the market. The biggest challenge in this endeavor was to compete with large travel wholesalers in gaining acceptance and support from the hotels. This was an extremely difficult task as most of the hotels in Thailand presently depend heavily on large travel wholesalers or consolidators to sell their rooms in bulk¹. The offline intermediaries who are well entrenched in the market ensure a steady cash flow for the hotels through bulk buying. The travel wholesalers, in turn gain greater power and influence over the hotels who would not like to risk themselves by aligning with a relatively new player like morethailand.com. However, hotels that depend on travel wholesalers have to sell their rooms at a heavy discount to the wholesalers. It is estimated that many hotels sell their rooms to travel wholesalers at almost 30% of their walk-in price. The hotels are compelled to offer such heavy discounts since the travel wholesalers are in a position to ensure high occupancy rates for the hotels. Morethailand.com, on the other hand, demand considerably less discounts from the hotels though it is presently not in a position to match the travel wholesalers in terms of the number of rooms sold. The critical success factor for morethailand.com is therefore about consistently ensuring higher occupancy rates to its partner hotels so as to gain their commitment and confidence. This in turn has to be achieved by attracting greater traffic to its websites and then converting these visitors to enquirers. The case study illustrates the operation of a small start up in the on-line travel industry and its efforts at capturing market share from much stronger and well entrenched off-line competitors through various e-commerce strategies. It is indeed a great challenge in the face of the turmoil that the Thai tourism industry is presently going through.

Technology adoption for travel and tourism marketing-a theoretical perspective:

¹ See more discussion by Ryan and Hoontrakul [2005]

The importance of information and communications technology in the travel and tourism sector has been well acknowledged. In fact, technology has become the main source of sustainable competitive advantage and a strategic weapon, especially in the tourism and hospitality industries owing to the pivotal role information plays in the description, promotion, distribution, amalgamation, organization and delivery of tourism products (Poon 1993 and Sheldon, 1997). Within the larger ICT adoption, the adoption of internet and e-commerce in the travel and tourism industry has led to wide ranging transformations both in the Industry structure and basic processes. UNCTAD (2000) in its E-commerce and development report states: “The tourism industry is learning fast that the Internet can satisfy the acute need for information at all stages of the tourism product life cycle far better than any other existing technology”. The extent of adoption of the Internet as a medium for transaction in the travel and tourism sector is testified by the fact that in the year 2001 almost half of America booked either airfare, hotel reservations or car rentals on-line (UNCTAD, 2000) since 2001, it has only increased even further. It is a well-known fact that small or remote destinations and products with well-developed and innovative websites can now have equal Internet access. However, the usage of Internet as a viable medium for promotion and transaction of travel and tourism related services have not been so widespread in the developing countries. The rate of adoption has been hampered by several factors both economic and historical. There has been very little research trying to look at the adoption of e-commerce in the travel and tourism sector in the developing countries. The case study of morethailand.com attempts to contribute to this stream of research. It brings out the main challenges and the unique contextual factors that hamper this adoption in the hotel industry in Thailand - a country that finds a prominent place in the tourism map of any traveler.

Tourism Industry in Thailand

Tourism is one of the most important sectors in Thailand with about 6% of its GDP being contributed by the tourism sector alone (TAT 2003). In 2003 the tourism authority of Thailand (TAT), the nodal agency for tourism promotion in the country, estimated that about 9.31 million people had visited Thailand. The tourist arrivals in Thailand is expected to increase to 12 million

in 2004 and is ultimately posed to reach 20 million by 2007 (TAT 2003). Fig.1.1 below shows the trend in tourism arrival over the past several years.

Take in fig.1.1 here

As the figure 1.2 indicates, Most of the tourists who come to Thailand, stay for an average of 8 days. This implies that a greater proportion of tourists who arrive in Thailand are holiday makers, with the proportion of business travelers being comparatively less.

Take in figure 1.2 here

The travel intermediary sector in Thailand

The intermediaries in the travel and tourism sector exist mainly because of the lack of expertise and inclination of the eventual service providers to indulge in direct sales. Being primarily service providers, hotels generally consider it difficult to attract customers on their own. They are therefore quite happy to stick to their area of expertise and thus don't have the inclination or resources to shoulder the responsibility of selling rooms directly. On the other hand, without expending adequate selling effort it is quite difficult to achieve high occupancy rates in large hotels with more than 200 rooms because word-of-mouth as a means of promotion is very limited in scope. Further, in the travel and tourism sector the customers and service providers are normally separated by large geographical distances. This makes the position of the intermediary at close contact with the customer absolutely indispensable. It is for this reason that most hotels rely heavily on travel agencies or tour operators to market their properties. The travel agencies perform the task of managing the inventory of the hotels, especially for new hotels and new destinations. The hotels in turn offer rooms to these intermediaries at a heavy discount which serves as the operating margin for the travel agent. Figure.1.3 shows the different types of distribution channels in the travel and tourism industry that sell hotel rooms on behalf of the hotels to the travelers.

Take in Figure.1.3 here

The basic inability and disinclination of hotels to market their products directly to its customers can be attributed to certain fundamental economic reasons. If hotels attempt to promote their properties on their own, they will be: (i) unable to achieve economies of scale and (ii) unable to achieve economies of scope. The inability to achieve economies of scale is due to the highly dispersed customer base spread across all the continents that in turn necessitates that any marketing effort has to be truly global in nature. Further, the atomized nature of demand necessitates the presence of an extremely large sales network for a hotel is to be in a position to achieve sales targets consistently. Consequently, the promotional expenditure associated with selling tourism products on a global scale will be very high. Since a large sales and marketing network is economically feasible only when large numbers of rooms (may be tens of thousands of room-nights) are sold through it, a single hotel or even a relatively large hotel will not be in a position to achieve any economies of scale if it attempts to market directly without the help of intermediaries.

The potential customer on the other hand will be more interested if a whole host of choices are provided like a beach resort, a golf holiday, a river cruise etc. at the point of sale so that he/she can choose a particular hotel or destination according to his/her preferences. When a single hotel offers its products in an individual basis, the choice set presented to the potential customer will naturally be very limited and thereby reduces the potential customer's motivation to search and select. Therefore it becomes absolutely essential to rely on intermediaries who can achieve both economies of scale and scope in distribution by bundling an attractive choice set for the customers.

The preeminence of intermediaries can also be justified on the basis of the unique features of the tourism product. At the point of sale, tourism is little more than an information product since the customer decides about consuming a product mostly based on the information that he/she gets about the product from various sources. Further, during the period leading up to the time when the product is actually consumed, consumers must be confident that the experience purchased will materialize and satisfy their expectations. Tourism is also thus considered as a credence good as discussed by Hoontrakul (2004). This is because experience attributes predominate in a tourism product (Cooper et al, 1998). While a potential customer can

see photos and get a very general feel of the destination he/she is going to visit, it is extremely important that the customer is made to imagine the experience of visiting a destination. This is probably possible on a large scale only with the help of intermediaries who could explain and give a credible idea about what the visitor can expect. Intermediaries therefore are required to reduce the high level of information asymmetry that exists between the potential customer and the service provider. During the transaction phase, it is hence important that the customer is fed with the right information which he/she can feel confident about. This fact puts the established intermediary located at the customer's end in a position of great advantage.

As can be seen from figure 1.3, there are four possible ways through which a customer can book his/her accommodation in a hotel. Of the four, the first channel which involves the wholesaler and the travel agent is the most established and popular one. The wholesalers are large intermediaries with links to several hotels and several travel agents. The wholesalers demand huge discounts from the hotels as they deal with big volumes. The discounts normally are in the range of 50 to 60% (sometimes even 70%) of the room rent eventually charged by the hotel from the guest. A part of this discount is passed on to the travel agent who is in direct contact with the customer. The other part becomes the operating revenue for the wholesaler. Due to the huge volume handled, the wholesalers are very powerful in the market. It is estimated that about 70% of the hotels are highly reliant on the wholesalers for their marketing effort. The wholesalers are typically based in Europe from where most of the tourists originate. It is widely acknowledged that the large tourism wholesalers have been instrumental in developing the Thai tourism market. When most of the destinations were relatively unknown, the wholesalers had marketed it quite enthusiastically especially in the developed countries. This rapidly led to the development of these destinations. The travel wholesalers like LTU, TUI and Thomas Cook with monopsony like market power thus enjoyed the first mover advantage in dealing with most of the hotels especially in gaining access to a large inventory of rooms at a relatively bargain price.

The second channel comprising of the travel wholesaler, tour operator and the travel agent is the second most popular channel. Tour operators package the tour for the customer and sell these packages through the travel agent. The customer in fact may not even know in which hotel he/she will be staying while he/she books for the tour. The third channel viz. the direct channel

or walk-ins are not very practicable to depend upon especially for large hotels with more than 200 rooms. This is because intense competition among the hoteliers has made it impossible to sell their rooms entirely on the support of word-of-mouth. Further, since there is a huge geographical barrier between the tourist and the hotel, creating awareness about the hotel itself is a stupendous task. However some rooms (less than 10%) gets sold directly.

The online channel is the latest and emerging channel, which was expected at one time to revolutionize the sector. However, the utility of the channel for a hotel still remains quite limited, as the business generated by this channel for an average hotel is still not significant. The on-line channel itself comprises of different routes. For instance, a hotel can be a member of a large web-site like expedia.com or rely on an emerging on-line intermediary like moterthailand.com.

The on-line travel and tourism channel

With increasing Internet penetration, the on-line travel industry has seen phenomenal growth over the years Marcussen (2004). The on-line travel industry consists of large Global Distribution systems, on-line travel agents who operate on a global basis as well as on-line travel agents with a regional presence. The GDS like SABRE, Amadeus, World Span, Galileo etc. have been in existence since the late 70s. These systems span the entire world and enable travel agencies to book airline tickets or hotel rooms any where in the world. Of these systems only World Span is available through the internet.

Large global intermediaries like expedia.com, orbitz.com, Travelocity.com etc. have a worldwide presence. They enable customers anywhere in the world to search for and book rooms in any part of the world. These websites often cater to large hotels or hotel chains that have a well-known brand. Another type of on-line travel intermediaries are the global marketing representatives like utell.com, best western, Concorde etc. These companies cater to independent owned hotels which are not large enough to invest in being a part of the GDS. These companies provide an interface between the hotels and the travel agencies (O'Conner, 1999).

The latest entrants in this field are e-intermediaries that operate exclusively through the internet. While they are similar to large e-intermediaries like expedia.com or orbitz.com, the new intermediaries normally concentrate on particular regions and cater to small or independent hotels. Some of the main players in this field in Thailand apart from morethailand.com are asiatravel.com, sawadee.com, phuket.com and hotels-hailand.com. However, except morethailand.com most of the other e-intermediaries are nothing more than electronic directories since they operate mostly on a commission basis. These intermediaries basically provide a much cheaper and easier way for hotels to sell their rooms through cyberspace. The business model for these intermediaries is quite simple. They enter into a contract with hotels in a destination and include their names in their website. Customers who visit the websites of these companies can search and book a room matching their requirements through the website. The e-intermediary receives a commission/profit for each room booked through their website. The main cost for the e-intermediaries is to maintain staff for the back office activities and promotion of their websites. The back office activities include receiving and answering to the enquiries from the customers, contacting the hotels for availability of rooms and finalizing the transactions. The marketing activities include search engine optimization, e-mail marketing and other means of off-line promotion. Hotels which find it costlier to have electronic interfaces can easily make themselves available to a global audience through the internet by contracting with these e-intermediaries. Customers are also benefited since it makes it easier for them to search and book rooms at affordable rates.

The emergence of e-intermediaries as a strong contender against off-line travel wholesalers and consolidators can be attributed to several technological and market-related factors (Buhalis and Licata, 2002). With the rapid expansion of the internet in the developed countries- the prime market for Thailand, the advantage enjoyed by the travel wholesalers due to their close proximity to the customers has been blunted to a substantial extent. With the 'death of distance', the information delivery through the internet satisfies most of the customers quite well. Further, e-intermediaries were in a position to operate with considerably less operating costs than the large travel wholesalers located in some of the most expensive cities with a large employee contingent. This enabled the e-intermediaries to match the travel wholesalers in terms of the discounts

charged from hotels. In fact e-intermediaries often are able to offer more attractive benefits to the hotels than large travel wholesalers.

The Hotel Industry in Thailand

Hotels in Thailand are typically classified into two: tier-I and tier-II. Table 1.1 gives the number of hotels in each category at the most favorite destinations in Thailand. The tier-I hotels are typically large hotels and generally form part of a hotel chain. These hotels are mostly associated with a Global hotel chain like group Accor or Holiday Inn. They are often professionally managed and use a global distribution system like SABRE, AMADEUS etc. and/or are attached to a global website like expedia.com. or Travelocity.com. The potential customers book rooms in these hotels when they use any of these intermediary networks. Out of the estimated 10,000 hotel properties in Thailand not more than 10% are considered as belonging to tier-I. Almost all international hotel chains like Group Accor, Marriott, Holiday Inn, Hilton etc. are present in Thailand apart from Thailand based chains like Dusit Thani, Central etc.

Take in Table 1.1

The tier-II hotels are normally known as IOO (Independent Owned and Operated). Many of these hotels are small with less than 200 rooms, though a few large IOO hotels also exist. However, most of the IOO hotels are stand alone hotels. These lodges were normally owned by a local landlord and the management structure in these hotels present a typical principal-agent problem in the Jensen and Meckling (1976) sense. These properties would typically have an owner, a general manager and a sales director. The owner would often be a local landowner, not quite competent to run the affairs of the hotel and is only interested in the profits generated. Normally these parochial landlords had constructed the hotel in their land by managing to secure funds from different sources. Once the property is build, they expect a steady stream of profits. The general manager and the sales directors are professionals but often have conflicting interests with the owners. The owner is more interested in the amount of profit and cash flow generated from operations and thus not too keen to give huge discounts to the travel wholesalers. The sales director in turn is more interested in incentive payout from the total sale, while the general

manager would like to improve occupancy rates and hotel food and beverage sale. Thus, they would not be wary of teaming up with travel wholesalers who would often demand high levels of discounts in return for ensuring a steady occupancy rate. This agency problem leads to high turnover of executives in many of these IOOs. It is estimated that a sales director's average tenure in an IOO is not more than two years. These conflicting interests and the differences in perceptions make it difficult for the e-intermediaries to enter into contracts with these hotels. While the management teams will often be pro-travel wholesaler, the owner may be more appreciative of the efforts of the e-intermediary. Since the level of discounts provided by the hotel to the e-intermediary as well as the commitment of rooms during high season are two major issues that determine viability of e-intermediaries, such internal problems within hotel organizations often prove to be very difficult to tackle. It is hence conjectured that online intermediaries would have a much easier time with the IOO hotels, when are managed by the owner.

The IOOs don't have any major presence in the world wide web though they may have their own websites. Very few transactions take place directly between the customers and the hotels through their websites. This is because it is very unlikely for a potential customer to come and visit the website without any promotion of the website on the part of the hotel.

The IOOs find e-intermediaries like morethailand.com an attractive proposition to collaborate with since they don't have the manpower or expertise to manage the inventory transactions if they become part of a GDS or other centralized reservation systems. Only chain hotels can afford to become part of a GDS since they require a well developed and constantly updated electronic data base to be a part of the GDS. Further, it is estimated that even in those hotels which are linked to the GDS, hardly 10% of the rooms are being booked through that route. This is mainly because of the fact that a GDS is only a network that enables on-line reservation on a global scale doesn't indulge in any kind of promotion activities with regard to the hotels. On the other hand, the e-intermediaries through their promotional campaigns market it self as well as the hotels that are part of it.

Motherthailand.com offers the hotels that are part of their network; (i) flexibility in managing their inventory and (ii) support by means of internet marketing and other type of promotional activities. Hotels can also promote themselves through the motherthailand.com website by renting out a preferred area in the site which could catch the attention of the web-surfers when they open the web page. For the hotels, morethailand.com is of course only one of the avenues for selling rooms. Usually hotels will form linkages with several intermediaries like travel agents, tour operators, e-intermediaries etc.

Contractual agreements with hotels

Morethailand.com has contractual arrangements with around 500 hotels located all over Thailand. The number of hotels having linkages with morethailand.com from the different regions of Thailand is given in Attachment II. For morethailand.com to make available rooms of a particular hotel to be booked through its website, the company has to enter into contractual agreements with the concerned hotels. These agreements cover aspects like commission sharing, clauses on cancellation of rooms, procedures for payment etc. Hotels usually sell rooms to intermediaries in three ways: (i) the commission rate (ii) the contractual rate and (iii) the merchant system. In the commission rate system, the hotels decide the eventual selling price and give a commission to the intermediary as per the contract while in the contractual rate system, the hotels sell rooms to the intermediary at a particular rate and the intermediary in turn has the freedom to sell the rooms at whatever rate it deems fit. In both the systems however, there is no commitment from the intermediary's side to sell a certain number of rooms. In the merchant model followed by a few large on-line intermediaries like expedia.com, the intermediary actually buys rooms at a very low rate from the hotel and then resells it to the travelers. In this system the intermediary loses money if it is not capable of selling the rooms to the customers. In the case of morethailand.com, about 20% of its contracts are at commission rates while 70% are in contract rates.

Each of the contracts will be valid for a year. It takes at least a week to more than a month to get a contract signed from a hotel. On an average the commission (either in the form of commission or discounts) given to morethailand.com will be in the range of around 30%. The

contract with the hotel also mentions the policy with regard to cancellations. Almost 70% of the hotels in the list charge an average room rent of Thai baht. 3000 to 5000 per night. It is estimated that about 50% of the hotels in the list don't get any enquiries at all while most of the bookings are for about 20% of the hotels. Morethailand.com is very selective in inducting hotels into its network for cost-effectiveness. Only hotels of a particular standard are included in the network. The main reason is that the firm wants to ensure a certain standard in the service provided by the hotels to its customers who book rooms through morethailand.com. Subsequently, the partner hotels would be visited for inspection at least once in a year by the staff from morethailand.com. Accommodations which give poor service constantly as reported by the customers are deleted or suspended from the list by morethailand.com.

Morethailand.com has just started with the merchant system with a few hotels. In the merchant model, morethailand.com purchases room inventories prepaid at a cheaper rate for a specific period of time and promotes through its website. The potential customers are offered these rooms at a competitive rate as morethailand.com is able to pass on the benefits of the heavy discounts to the customers. In addition, Morethailand.com is experimenting with the dynamic pricing model by varying prices offered to the customers on the basis of their time of booking. Customers who book in advance are offered rooms at a cheaper rate than those who book later.

Morethailand.com visitor statistics

Presently there are 12 websites for the company and each website contributes directly and indirectly to the traffic. Maintaining 12 websites is part of a well thought out strategy. Other than morethailand.com, all the other websites are mainly meant to provide information. For instance a website like www.moresamui.com is primarily meant to provide information about hotels in a destination called Samui. Morethailand.com on the other hand is primarily meant to be a transaction site. Though you could do transactions through an allied site like www.moresamui.com, transaction is not the primary purpose behind maintenance of the website. Most of these allied websites serve the purpose of increasing the company's visibility when potential customers search using destinations as key words in search engines. This is because travelers familiar with Thailand often search using destination specific key words like Smaui,

Phuket or Krabi and having a website with the key word as a part of its url increases the possibility of achieving a higher rank in the website listings of search engines.

Together, all the 12 websites generate around 22,000 hits and 5,000 unique visitors per day. Table.1.2 gives the number of hits and no. of unique visitors to morethailand.com and its associated sites during the month of October 04. Analysis of the traffic shows that most of the competitors are generating more hits than this figure. Sawadee.com, which is the closest competitor for morethailand.com is estimated to generate four times more hits than morethailand.com. As table.1.2 indicates, the number of hits received by the websites allied to morethailand.com also varies considerably. Table 1.3 gives details for the total hits and the break up of the sources through which these hits originated. The target for the year 2005 is to achieve 50,000 hits per day. It is estimated that about 300 hits are generated per day from google.com while Yahoo.com generates 100 hits and msn.com generates another 100 hits.

Table.1.2 hits and unique visitors for the major web-sites in the morethailand.com stable

Website	Hit/week	Avg./Day	Unique Visitors	Avg./Day
morethailand	4,429,170	142,876	64,250	2,073
morebangkok	484,810	15,639	20,866	673
morekrabi	238,436	7,691	6,316	204
morephuket	241,337	7,785	6,432	207
moresamui	344,760	11,121	9,395	303
morepattaya	92,957	2,999	2,288	74
morethailandmap	398,344	12,850	4,927	159
thaiparks123	1,309,091	42,229	15,311	494
total	7,538,905	243,190	129,785	4,187

Take in table 1.3 here

The Customer Profile

It is worth noting that most of the visitors to the morethailand.com websites are repeat travelers having traveled in Thailand before. Nearly all website visitors are well educated and have good knowledge of the destinations they are about to choose. About 70% of the customers are from Europe and the rest are from the other parts of the world including the US. In terms of volume of transactions around 80% are for leisure travel while the rest are for business travel. This skewed ratio for leisure travel is explained by the fact that most of the hotels listed in the websites are located in destinations that are better known for leisure travel. Business travelers usually visit just Bangkok and since morethailand.com has less than 100 hotels listed down in Bangkok, it is quite natural that the website caters mostly to the leisure traveler.

The customers generally progress through three stages before they indulge in a transaction. In the initial stage the customers just visit the site. Once they are serious about traveling to Thailand, the visitors post an enquiry about the rooms and the price at which these rooms are available. This is considered as the enquiry phase. It is estimated that just 4 to 5% of the visitors end up enquiring about the product displayed in the website. Out of the enquirers about 35 to 40% eventually end up transacting with the company during the normal season. The transaction rate for the five main destinations focused by morethailand.com is shown in figure 1.4.

Take in figure 1.4

High season in Thailand would mean the months of November to March of every year. It is estimated that about 70% of the tourists visit Thailand during these five months (TAT 2004). As the attachment shows, the enquiry conversion rates vary from one location to another and also from one season to another. Except in Bangkok where there is little impact of seasonal demand, in all other destinations, the number of enquiries is considerably less in low season than in high season. The conversion rate doesn't seem to be determined by the seasonal fluctuation since it is seen to be varying unevenly across different seasons across different destinations.

It has also been observed that 80% of the bookings are for rooms with rents ranging between 1500 Thai bahts to 3000 Thai bahts. Enquiries are classified on the basis of the price of the rooms as well as the actual sales are classified on the price of the rooms is shown in figure 1.5.

Insert Figure 1.5 here

Before the enquiry culminates into a transaction the potential customer may require more information about the destination, the hotel to stay, even about the possibility of reducing the price. The entire process normally takes about a week. Hence the sales cycle is about 5 to 7 days. Once the visitor transforms to an enquirer, it is assumed that the enquirer is in touch with other websites offering similar products to compare the price. The communication normally progress through e-mail during this phase. Once the enquirer is convinced about the right hotel and the right price, he/she transacts with the morethailand.com. Once the transaction is complete with the amount paid, either through credit card or through bank transfer, the amount net its commission is passed on to the respective hotel at least three days before the customer checks in.

While this is the normal process of transaction with the customer through morethailand.com, two types of transactions are actually possible. The normal transactions explained above are not instant and has a sales cycle of about 5 to 7 days. In the second type called instant transactions, the traveler gets instant confirmation for a room booked through the website. However, such instant transactions are normally less than 10% of the total transactions. Moreover the instant booking facility will not be available with all the hotels listed in the website. For making available the instant booking facility, morethailand.com has to enter into a special contract with the hotel so that some rooms are kept apart for morethailand.com for a particular period of time.

Since the site also offers lucrative tour packages. Almost one new package is introduced every week. At a time there can be about 60 such packages. While the packages offer variety and choice for the customers visiting the site, except for long stay packages, other packages are not very popular. The long stay packages in turn are very popular since the price at which they are offered are very low compared to the normal rates. It is in fact estimated that about 50% of the customers who book through morethailand.com are opting for long stay packages.

It is difficult to list down factors that lead to greater conversion from the enquiry. The room rent quoted by the hotels in the list is considered to be a main reason. Other factors include the

service provided by the website in terms of the variety of packages, confidence of the traveler with the service providers listed in the site etc. Since it is difficult to understand the real factors that lead to greater conversion, it is also difficult to either differentiate or position the services. The average duration of stay of a traveler who books through morethailand.com is estimated to be about 3 to 7 days. It is of course clear that most of the travelers who transact through morethailand.com are price-sensitive customers as they have a definite threshold as far as the price of a room is concerned. Since the website also offers, but not focused, airline booking facility, a small percentage (about 10%) of the travelers also use morethailand.com for composite booking of their stay and travel. For packages the main attraction seems to be the price reduction offered through the long stay packages as well as the pick up and transfer arrangements. Another trend that has been noticed is the increase in customer traffic caused due to the popularity of certain hotels. Certain properties, end up becoming very attractive with the travelers either due to the superior service that they provide, or because of the scenic beauty of their location, and thus attract customers to the website. The positive word of mouth about the hotel also contributes to the increase in traffic.

On-line marketing effort of the company

The main marketing activities of the company comprises of search engine optimization (SEO) and search engine marketing (SEM) carried out on some of the most popular search engines like google.com, yahoo.com and msn.com. SEO relates to altering the content of the website in order to make it easier for the search engines to find and understanding the content's essence. A search engine's mission is to deliver the most relevant results to searchers and therefore, the search engine rank that a website will enjoy is dependent on the content and your linking strategy. This is a constant process and involves the full time attention of about four staff members. It has been found that increasing the traffic to the site is a major way of increasing the transaction levels. SEO aims to keep the company's websites in the first ten positions in the list that emerges when the customer types the most popular key words in the three search engines. This is ensured through positioning specific keywords in strategic positions in the web pages, trying for achieving links from other sites to morethailand.com etc. Reputation management, online PR, and content freshness based on seasonal search behavior, as well as trend adjustments, are ongoing processes that will enhance a search engine friendly site

Apart from SEO, the company also conducts SEM whereby it advertises in google.com to obtain sponsored links for certain key words. These sponsored links appear in the right side of the screen when certain key words are used for searching through google.com. In order that a website URL² appears as a sponsored link in the first screen for a keyword, google.com charges a certain amount per click through. This click through rate varies from one key word to another based on its popularity. This is because, for each key word, there will be more than one claimant for the first few spaces in the sponsored link. In order to be in the first three positions in the sponsored link space, each of the sites have to bid for the keyword. The bidding is for the click through rate. If you bid the highest for a key word like ‘Phuket’, then, when the customer searches using the key word ‘Phuket’ in google.com, the link to a relevant site will appear as the first among three or four sites in the sponsored link portion of the screen. It is always important to be in the first three as otherwise a website may not appear in the first page of the keyword results and as a consequence, the sponsored link will be of little use. The most crucial part in SEM is therefore to identify the most popular keywords and successfully bid for it. This is because there are thousands of keywords that are used by the customers to search in google.com³ and it is virtually impossible to get sponsored links for each of these keywords. The paid campaigns through google.com, are classified into two: (i) nationality specific campaigns in which Google sites of specific countries are considered and (ii) destination specific campaigns where the sponsored links for destinations are sought and paid for.

Comparison between destination and nationality based campaigns through Google.com:

The destination specific campaigns and nationality specific campaigns use two different approaches. In destination based campaigns, keywords associated with specific destinations like Bangkok, Samui, Krabi etc. are booked in google.com so that when web searchers type any of these destinations based keywords, a link to morethailand.com or any other associated website appears in the search screen on the right side. Morethailand.com has to pay a specific click through amount for obtaining a specific position in the screen. Table 1.4 shows a report of the outcome of a destination campaign through google.com. Overall during the week when this

² Unique resource locator which enables computers to reach a unique Internet Protocol (IP) address of the site.

³ For more information of google adword campaign visit: <http://www.google.com/ads/>

report was taken, morethailand.com paid about \$475.00 for 2277 clicks and 31 enquiries. The summary table (table 1.6) shows the total transactions that directly resulted from the 31 enquiries and the volume of the transactions from these enquires. A total of 15 enquiries were converted to orders with a value of \$4730.57. With an order processing cost of roughly about 7\$ per order and a margin of roughly 15%, this works out to an ROI of about 10%.

For nationality specific campaigns, morethailand.com pays for sponsored links in nationality specific google.com sites for instance to cater to the Italian audience, morethailand.com pays for sponsored links in the Italian version of google.com via google.co.it. The details of the outcome of the nationality specific campaign for a particular week in November 2005 are given in table 1.5. The nationality campaign is much less profitable, but more targeted oriented to achieve other marketing objectives [e.g. strategic coverage, visibility, branding, etc.]. The total amount spent was about \$ 306 which generated 927 clicks and 6 direct conversions. The campaign during the week considered generated to confirmed orders with a total volume of about \$1787.00. This turns out to a ROI of about -20% after considering the order processing cost.

However, it is not always vital to look at specific conversions; the click through that has been achieved is an immense advantage in terms of promotion of the website. Especially in terms of achieving greater visibility and patronage in the long run. Further the conversions registered in the calculations are just the direct registrations. In reality there will be several customers who might click and browse the web on a particular occasion and transact much later. The ROI calculation mentioned above does not capture such transactions which are the indirect effects of the google based promotion campaigns. Overall, it can be said that campaigns which are essentially based on click through rates are much less profitable in the short run. Their major contribution is in the long run. For a firm like morethailand.com, it is more profitable to have organic enquiries which are attracted through word of mouth or through repeat customers the search engine based marketing campaigns only serve the purpose of attracting first time customers and developing a brand image in the market for the firm.

Take in table 1.4 and table 1.5, Table 1.6 here

Offline marketing

About the offline marketing effort and public relations (PR) of the company, Mr. Tri Pramoj, non-executive director to morethailand.com on offline marketing has this to say:

“The offline marketing efforts and public relation campaign of the company mainly focuses on building relationships for branding and brand awareness with the supply side of the tourism service delivery chain. It is increasingly being realized that only through developing stronger relationships with hotels can the company expect more favorable prices and thus be able to offer rooms at competitive process to its customers.”

During high season, good relationships with hotels assume a strategic importance since often it is only through such good relationships that rooms are made available in the most attractive hotels. The main activities in relationship building include conducting seminars for hoteliers, participating in Tourism fares and public relation campaign to make hoteliers understand the significance of e-intermediaries. The idea is to position morethailand.com as a knowledge-based intermediary that doesn't limit itself to mere room booking activities. The company conducts around one seminar every three months where hoteliers are invited to attend a series of talks for half a day by the founder and top executives of the company. This also serves as an occasion for the executives of the company to interact with the hoteliers and develop relationships with them. Since the e-intermediary concept is relatively new and the hoteliers are yet to get substantial bookings through this channel, it is felt that these efforts are required to get greater cooperation from the hoteliers. Another activity promoted by the company is a PR campaign through professional PR agency. The PR campaign aims to improve the visibility of the company among the trade. The campaign involves publishing articles about the website, general articles about the tourism industry and the role of the intermediaries as well as publishing interviews with the founder and the CEO of the company in various media like the national television network and major newspapers. These activities attempt to improve the stature of the company among the travel and tourism industry so that it becomes possible for the company to get the support of the hoteliers in its endeavor.

Organizational Structure

Morethailand.com has a small organization comprising of mostly young professionals. Presently there are 30 employees in the company. This is in line with the company's philosophy of being technology driven and purposeful in all its endeavors. However, the employees of the company are presented with a good learning opportunity. The operations of the company are divided into five departments:

- (i) *Reservation department:* Headed by a manager with sufficient experience in the travel industry, the department looks after the communication with the customers. The department is the actual direct interface with the customer for the company. Apart from the manager, the department has 3 staff members. The department is also responsible for developing the products like designing special packages, negotiating with hotels etc
- (ii) *Online marketing and SEM staff:* The online marketing staff is responsible mainly for search engine optimization. The department has apart from a manager, four staff members. They undertake all the search engine promotional activities of the organization including SEM and content writing. This activity is of prime importance in attracting customers
- (iii) *Webmaster and SEO Department:* This department is responsible for updating the website, ensuring the overall attractiveness of the website and SEO. Apart from a manager there are four other staff members working in this department. They prepare a site traffic report every Wednesday for analysis by the company.
- (iv) *IT- Department:* This department looks after the hardware and software aspects of the website. In this department there are three programmers and, one systems engineer apart from the manger who heads it.
- (v) *Key-in department:* The main task of this department is to look after the main paper work including the responsibility of up-keeping the contracts with the hotels and other service providers. There are two staff members in this department. The key in department reports to the reservation department
- (vi) *Finance and Accounting department:* The finance and accounts department consists of three staff members.

Each of the departments also has an external advisor who provides a strategic vision for the functioning of the departments. The employees are given performance-based incentives.

It is estimated that about 70% of the company's costs are incurred as salaries and about 20% on advertisements in google.com. The company also incurs expenditure on off-line promotion like participating in travel and tour fairs conducting seminars for hoteliers etc. It is estimated that to process each order, the company has to spend about 40bhat (almost equivalent to \$1.00)

Conclusion and Discussion

As is evident from the case study, a start up morethailand.com is trying to establish itself in an industry that is itself in its infancy. The future of this industry is as yet quite uncertain. The main challenge the industry has to face is the market power dominance of the conventional off-line travel wholesalers who are moving onto online in the market. The hotels are often not in a position to come out of the clutches of the travel wholesalers and help the on-line intermediaries wholeheartedly. On the other hand, only if the hotels give adequate support by allotting sufficient rooms to the e-intermediaries can the intermediaries give a stiff competition to the travel wholesalers. In addition, the customers will adopt e-intermediaries in a big way only when the e-intermediaries are able to sell hotel rooms at rates comparable to that offered by travel agents. The industry therefore is in a transition phase with the e-intermediaries trying their level best to break the stranglehold of the travel wholesalers. Though at presently the market power of offline travel wholesaler is declining, it is still a long way to go before online travel intermediary may emerge significantly. From an e-commerce perspective this provides an interesting scenario as it illustrates how e-commerce and IT can change the relative power structure in an industry. It is an instance where the traditional loyalties and economies of scale enjoyed by conventional intermediaries are challenged by the cost efficiencies of the new age Internet based companies. In the developed countries the transition to a predominantly Internet based intermediation has already happened in the hotel industry. It is in the developing economies like Thailand with significantly big tourism industry that the new wave of e-commerce based

intermediation is taking root. Morethailand.com as a representative of this new wave of companies is traversing through a path which is abounding in opportunities and challenges. Morethailand.com considers itself as a bridge between the Independently Owned and Operated Hotels and the worldwide tourism market. The IOOs hitherto had very little direct access to the international tourist market. Morethailand.com believes that through linking IOOs in Thailand to the worldwide tourism market, it is actually opening up more choice and more possibilities to the global tourist. An activity that it feels is quite sustainable.

On supply side, the IOOs continue to face an agency problem between the owners and management. This may be a major obstacle to ICT adaptation and E-Commerce usage since the management is very keen to keep in existing off-line channels and their networks for their own benefit. On the other hand, in the long run, due to increasing competition and the consequent reduction in margins, if the owner can not resolve this agency problem, IOOs would end up being part of a large hotel chain or sold out rightly.

The biggest challenge for morethailand.com however is to promote its offer in the world wide web with its limited resources. Morethailand.com has selected search engine optimization (SEO) and search engine marketing (SEM) as the two main means of increasing its presence in the B2C space. The business model selected by morethailand.com, though very promising is not totally unique. Moreover, in Thailand itself there are numerous e-intermediaries that follow the similar business models. The main differentiating factor between morethailand.com and many of its competitors is its high reliance on IOOs and its adoption of the merchant model. By featuring a large number of hotels in the website, morethailand.com hopes to improve the choice for its visitors. For those who want to explore new areas and visit hitherto unknown destinations will find morethailand.com would be a better option to search. Further, through the merchant model morethailand.com intends to offer rooms at a cheaper rate to the customers than most of its competitors including the travel wholesalers. Morethailand.com has to grapple with the challenges posed by two domains. At the supply side, the company has to contact and negotiate with hotels to get them listed in their websites and once an enquiry is received from a potential customer, to get the rooms allotted during the dates required for the customer. On demand side, the company

has to market its website to its customers. The demand side activity requires such responsibilities like developing the content in the website, search engine optimization so that potential customers could access the site when they search for any information on hotels in Thailand or other associated subjects. The company has to deal with both on-line competitors as well as off-line competitors both in the supply as well as the demand side.

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* Freely downloadable at www.Pongsak.Hoontrakul.com

Attachment.1

Attachment I- Morethailand.com, screenshot



Table 1.1 The number of hotels (accommodation establishments) in the important destinations in Thailand.

		Bangkok	Krabi	Pattaya	Phuket	Samui
Source:	www2.tat.or.th/stat					
Year	2003					
Supply						
Number of Accom. Estab.		259	290	250	549	357
Grade 1		78	53	12	178	33
Grade 2		46	192	14	304	30
Grade 3		35	45	25	3	23
Grade 4		69	-	84	10	70
Grade 5		31	-	116	54	200
Number of Rooms Available		54,904	9,088	25,349	31,302	10,913
Grade 1		30,247	2,036	4,599	13,712	2,599
Grade 2		9,108	5,577	2,888	13,786	1,635
Grade 3		5,688	1,475	4,899	367	969
Grade 4		7,361	-	7,752	525	1,975
Grade 5		2,500	-	5,211	2,912	3,735

Note:	
Classification	Room rate (Baht)
Grade 1	>2500
Grade 2	1501 - 2500
Grade 3	1001 - 1500
Grade 4/5	<1000

Attachment III

<u>Northern Region</u>	
<u>Location</u>	<u>no. of hotels</u>
Chiang Mai	32
Ghiang Rai	8
Pitsanulok	7
Rest	16
Total	63
<u>Central /Eastern /Western</u>	
<u>Location</u>	<u>no. of hotels</u>
Bangkok	62
Pattaya	47
Huahin	21
Koh Chang	12
Koh Samet	13
Kanchanaburi	14
Rest	23
Total	192
<u>North Eastern</u>	
<u>Location</u>	<u>no. of hotels in</u>
Nakhon Ratchsima	6
Rest	10
Total	16
<u>Southern</u>	
<u>Location</u>	<u>no. of hotels</u>
Phuket	76
Krabi	59
Samui	56
Phang Nga	18
Rest	2
Total	211

Figure 1.4: Type of enquiries and sales classified in terms of the price per room

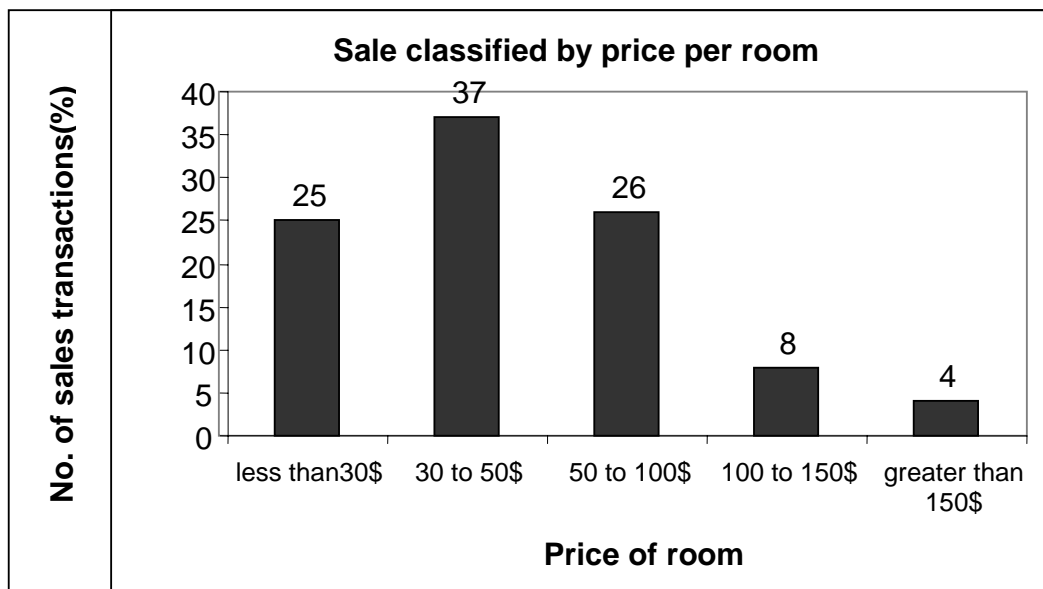
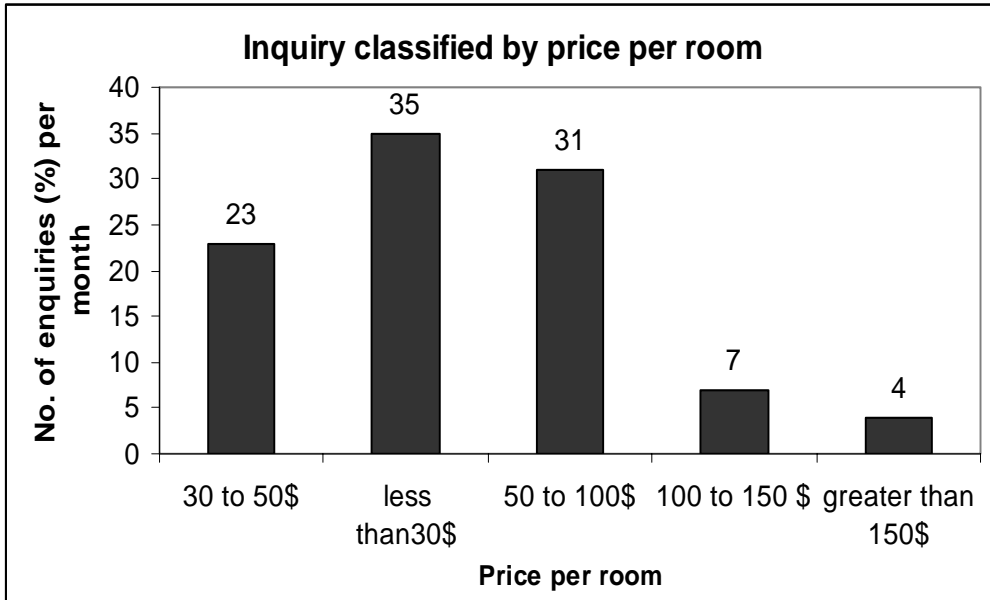


Table.1.3 Details about traffic to morethailand.com

Overview	% Change	19-25 Jun.04		12-18 Jun.04	
		Visitor	Avg.	Visitor	Avg.
Unique Visitor (Webtrend)	-4.56%	17228	2461	18051	2579
Adword	1.16%	2098	300	2074	296
Adword (Destination)	2.27%	1487	212	1454	208
Adword (Nationalities)	-1.45%	611	87	620	89
Search Engine	5.03%	3154	451	3003	429
Search Engine (Google)	9.39%	1561	223	1427	204
Search Engine (Yahoo)	-11.97%	618	88	702	100
Referring Domain	-6.45%	20862	2980	22301	3186
Our Storefronts	14.01%	6421	917	5632	805
Direct	-19.85%	5378	768	6710	959
No Referer	-9.17%	6450	921	7101	1014
Top Spiders	-26.46%	2527	361	3436	491
Googlebot	12.19%	451	64	402	57
Yahoobot	-32.13%	1992	285	2935	419
Unique Visitor (Truehits)	3.21%	3957	565	3834	548

Figure 1.4

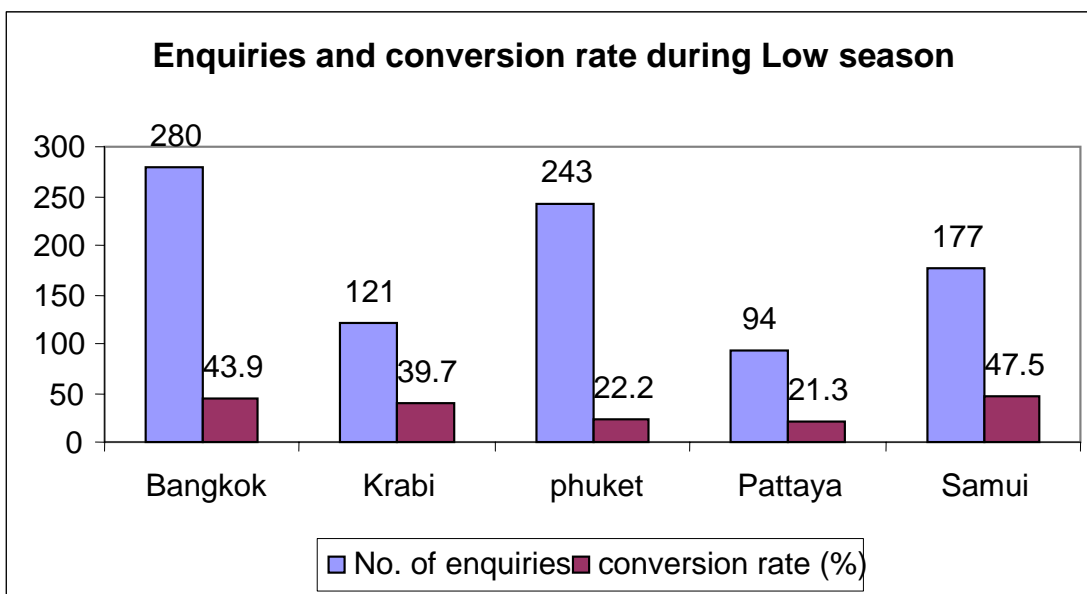
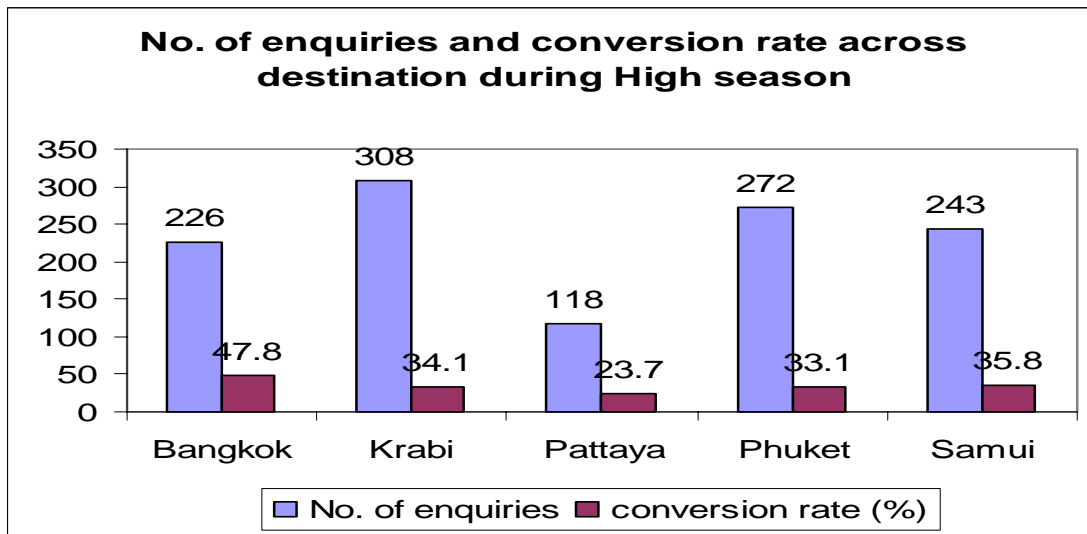


Fig.1.1 Tourist arrivals in Thailand over the past five years (TAT 2003)

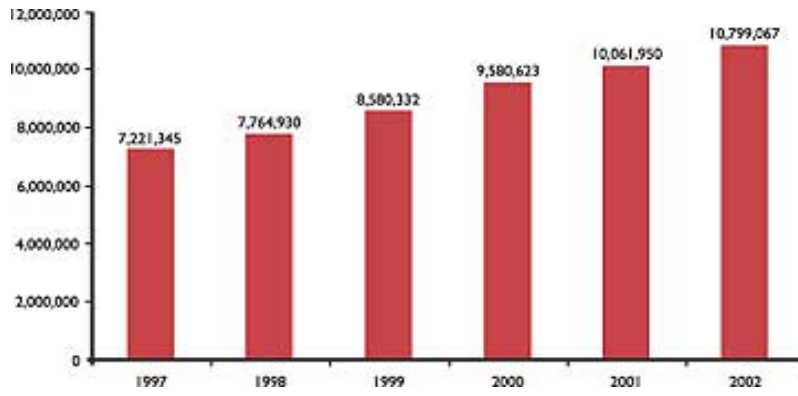


Fig.1.2 Average length of stay in Thailand

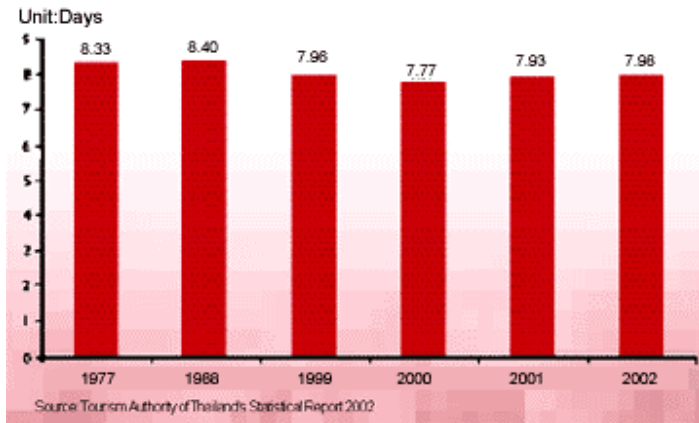


Figure.1.3

