

A2Z Professional Travel Ltd.

By

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ABSTRACT*

A2Z Professional Travel Ltd is a start-up online travel intermediary in Thailand since 2001. It first specializes in inbound travel and hotel booking via www.MoreThailand.com - B2C website powered by www.A2Z-ProTravel.com. On the supply side, it represents more than 1,000 independent owned and operated hotels in Thailand. On the supply side, it focuses mainly on European Independent Travelers and Asia. In early 2005, its latest strategic move is to expand www.A2Z-ProTravel.com into B2B2C space by electronically connected to new distribution and supplier partners via Web-Services and XML format. It also plans to roll out www.MoreCityHotels.com aiming for Thailand and South East Asia Travelers in early 2006. Despite of SARS outbreak, Tsunami, Bird Flu epidemic concern and the Southern Unrests facing Thailand during this period, A2Z has managed to have its sale grow about 70% annually.

Keyword : Thailand online travel intermediary, Thailand independent owned and operated hotels, Web Services, XML format, Search engine optimization, Search engine marketing

Introduction

A2Z Professional Travel Ltd. (or A2Z) is an online travel intermediary based in Bangkok, Thailand. (See more details at www.A2Z-ProTravel.com). It offers various travel related services to both tourists and other travel agencies all over the world. Since its inception in 2001, the firm has been able to create a space for itself in

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the travel and tourism map of Thailand. Through its network of websites, the firm enables tourists and travelers to search and book rooms in hotels spread across Thailand mainly via B2C site – www.MoreThailand.com. The firm practically offers a one- stop service that covers all needs, such as airport transfer, car rental, flight reservation, tourist guide, travel advisory, customized and FAM trips arrangement etc. To the potential tourist, it is best known for hotel booking because it represents more than 100 independently owned and operated (IOOs) hotels in Thailand. The www.A2Z-Protravel.com which is a company site and a transaction engine behind its associated B2C sites (and later on B2B business) was founded in 2002 as an offshoot from a Taipan1.com Ltd. Bangkok based incubator. Carried interesting travelogues about various locations in Thailand, this website attracted a lot of serious visitors who were interested in traveling to Thailand so as to enjoy the beautiful scenery and climate. Over a period of time, the popularity of this sites gave birth to the idea of starting an on-line travel intermediary based out of Thailand which can satisfy the tourist's needs while traveling in Thailand. Presently the company employs about 30 people. In Thailand, there is no agency which is involved in collecting reliable data about the on-line travel industry and hence, relative market shares of the major players is difficult to estimate. However, A2Z professional travel presently does a business of 25,000 room night bookings in 2004 with compound growth rate at 70%.

Thailand is one of the most favorite tourist destinations in the world. It is estimated that about 10 million tourists visit Thailand every year. Due to certain unforeseen events like the SAARS outbreak and the Tsunami, the expected growth rate in tourist's arrivals has not materialized over the past two years. However, the World Travel and Tourism Council (WTTC) forecasts a bright future for Thailand Tourism in the next decade. Presently, the earnings from Tourism contribute about 11% of the GDP of Thailand and is expected to increase to about 14% in four to five years. The Tourism sector in Thailand has spawned a large network of travel intermediaries and tour operators who fulfill the need for servicing the large inflow of tourists to the country.

Key products and services in the B2C domain:

A2Z offers services in both the B2C as well as B2B domain. Presently its major thrust is in the B2C domain where through its popular websites, A2Z offers its

potential customers opportunities to search and book rooms in about 1,000 independently owned and operated hotel (IOOs) properties across Thailand. In the travel and tourism industry, while the eventual service provider is certainly the most important part, firms which enable the end-customer to access the service provider like the travel agents also play a crucial part. This is primarily because of the peculiar nature of the tourism product as well as the large geographical distance that separates the eventual service provider and the end-user. For its B2C activities A2Z maintains and promotes a network of websites. Morethailand.com, the most popular among these websites has grown to become a very popular brand among tourists and hoteliers in Thailand. In order to understand the position of A2Z in the in the B2C domain of the tourism industry of Thailand, it is important to get a proper perspective to the travel intermediary sector of Thailand.

Fig.1 indicates the possible channels available for a potential tourist to book rooms in a hotel. Of the four possible channels, the first and the second channel that involves the wholesaler, the travel agent and/or the tour operator is the most established and popular one in Thailand. The wholesalers, typically based out of Europe, are large intermediaries with links to several hotels and several travel agents. The wholesalers demand huge discounts (to the tune of about 50 to 60%) from the hotels as they deal with big volumes. 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. The wholesalers are very powerful in the market primarily due to the huge volume handled. It is estimated that about 70% of the hotels are highly reliant on the wholesalers for their marketing effort. The role played by the tourism wholesalers in developing tourism in Thailand is widely acknowledged. At a time when most of the destinations were relatively unknown, the wholesalers marketed it quite enthusiastically especially in the developed countries which rapidly led to the development of these destinations. The travel wholesalers like LTU, TUI and Thomas Cook with monophony like market power thus enjoyed the first mover advantage in dealing with most of the hotels especially in getting large chunks of rooms at a relatively bargain price.

The third channel via 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 on-line channel, depicted as the fourth route, is expected to be channel of the future. With increasing Internet penetration, the on-line travel industry has seen phenomenal growth over the years. The online channel it self comprises of different routes. Different channels considered as part of the on-line travel industry are Global Distribution Systems (GDS), on-line portals of large chains like best western or holiday Inn, 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, hotels.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 IOO hotels, which are not large enough to invest in being a part of the GDS.

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-Thailand.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 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. 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 large extent. With the ‘death of distance’, the information delivery through the Internet satisfies most of the customers quite well. In addition, 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.

Business Model

The business model followed by the e-intermediaries can be explained in the following manner: The intermediaries enter into a contract/agreement with hotels in a particular destination. As part of this agreement/contract, the names, descriptions and room rents of the hotel are included in the website. The hotels agree that any customer who makes an enquiry through the website will be offered rooms at the rate indicated by the website. Typically the rates displayed in the website would be a bit less than the walk-in rates charged by the hotels. Customers who visit the websites of the e-intermediaries can search and book a room matching their requirements through the website. Once the enquiry is made, the website booking staff passes on the enquiry to the respective hotel to gauge whether rooms are available in the hotel on the days specified by the customer. After confirmation from the hotel about the availability of rooms, the customer is intimated the same. The customer can book through the booking engine in the website and the full amount is passed on to the hotel three days before the customer is to arrive in the hotel. The e-intermediary receives a commission/profit for each room booked through their website. There are of course certain instances of instant booking where, certain hotels would always reserve certain rooms for the website whose availability can be instantly confirmed.

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. Clients are also benefited since it makes it easier for them to search and book rooms at affordable rates.

By relying on morethailand.com, or other websites of A2Z protravel, customers benefit immensely in terms of the variety of choice that becomes available to them. This is because, morethailand.com and other associated websites feature mostly Independent owned and operated hotels. The hotel industry in Thailand can be divided into tier-I and tier-II hotels. The tier-I hotels typically belong to a large chain. They are generally more expensive and are featured in most of the GDS. Since it is possible to book rooms in tier-I hotels through any of the existing GDS available with all travel agencies, catering to the tier-I hotels will not be a major value addition to the customer. The tier-II hotels, which offer more variety, are typically small hotels, which are Independently Owned and Operated. These hotels are comparatively less expensive and offer some exotic choices. Morethailand.com prominently features IOO hotels, which would otherwise be missed out on the GDS and large travel agency networks. For tourists who are located at geographically distant locations like the USA or Sweden, information about and an opportunity to book in such independently owned and operated hotels provide an attractive proposition. Often, the tourists also receive considerable discounts from morethailand.com for rooms booked in these hotels.

On the other hand, the Independent Owned and Operated hotels (IOOs) will benefit because they are being offered a credible platform to market their services to a worldwide audience. For these IOOs, having an effective presence in the online market is otherwise quite unviable. Further, unlike travel wholesalers, morethailand.com doesn't demand a heavy discount from the IOOs for selling their rooms. Typically when the IOOs sell their rooms through travel wholesalers, a

discount of more than 50 to 60% is paid on their walk-in price. Instead if they sell through morethailand.com, they need to provide hardly 30% as discount. Thus, both ends of the stakeholder chain - the customers as well as the supplier - are in a win-win position in case they choose to associate with morethailand.com.

Despite this obvious advantage, the model is yet to enjoy widespread adoption. The main factor that works against a faster and more widespread adoption of this model is the vice like grip of travel wholesalers on the hoteliers of Thailand. These travel wholesalers follow what is known as a 'merchant model' where in they pay in advance and buy rooms in bulk from the hotels though at a significant discount. A big chunk of rooms in a hotel are sold out in advance through the travel wholesalers even though at a huge discount. The hotels would however enjoy committed cash flows and are saved from any botheration to market their rooms. On-line intermediaries on the other hand mostly follow a 'commission model' where once the hotel sells a room to a customer through the online intermediary, the website is paid a commission. Thus, hotels are not assured of a certain occupancy rate and the consequent committed cash flow if they rely on on-line intermediaries like A2Z pro travel. Many small hotels fall prey to the lure of committed cash flows paying little attention to profitability and thereby declining to offer favorable contractual terms to e-intermediaries like morethailand.com.

Even when profitability is given more emphasis over cash flows, occupancy rate remains one of the main concerns for most of the hotels. Hotels therefore are willing to offer better terms to those intermediaries, which assure sufficient number of customer enquiries. It is therefore absolutely imperative to build up customer interest in its sites like morethailand.com for A2Z pro travel to survive and grow in the market. The number of hits received at its websites and the resultant of enquiries is considered to be the key success factor by A2Z- protravel.com.

A2Z pro travel use search engine optimization (SEO) and search engine-marketing (SEM) gearing toward search engines like google.com, yahoo.com and msn.com in order to drive traffic to its websites. This is a constant process and involves the full time attention of about four staff members of A2Z pro travel. The association between the number of visitors and the number of enquirers is estimated

to be about 5%, leading to a high ROI for search engine optimization that drives traffic to the website. The primary aim of search engine optimization is to keep the company's websites in the first ten positions in the output screen when the customers type the most popular key words in the three search engines. Presently there are 20 web-sites for the company and each web-site contributes directly and indirectly to the traffic. Maintaining 20 web-sites is part of a well thought out strategy. Other than morethailand.com, all the other web-sites are mainly meant to provide information. For instance a web-site 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 it is possible to transact through a site like www.moresamui.com, the website is not primarily meant for transactions. Most of these allied websites also serve the purpose of increasing the company's visibility when potential customers search using destinations as key words in search engines. Together, all the 20 web-sites generate around 22000 hits and 5000 unique visitors per day.

B2B Initiative

While the B2C initiative of A2Z is being established, an expansion into the B2B domain is being contemplated. This initiative would imply the interaction with the similar businesses units, from the travel distribution value chain, operating from different markets or offering complimentary products. The rationale and motivation for the initiative is to benefit through competence sharing with the partners for the distribution and supply of travel services. With B2B operations A2Z would be able to access newer markets while the technology enabled interconnectivity options would provide operational efficiencies and scalability.

A2Z is involved in two kinds of B2B partnerships:

Distribution Partnership: with travel service providers with own distribution network and technology infrastructure, for the distribution of Thai based travel products

Supplier partnership: with major B2B suppliers, for the supply of the hotel inventory from outside Thailand.

A2Z offers the two major technology platform for the interconnectivity

XML Interface: The system uses the XML language to interact with the partner system. The inventory data is exchanged on real time basis.

Web Services: Web services are the latest buzz in the application integration and B2B integration. It uses ubiquitous technologies like XML, SOAP etc and is cost effective solution that offers high flexibility and reusability.

B2B Distribution Partnership

Distribution partnerships imply using the existing aggregated inventory of A2Z pro travel to strike deals with large buyers like tour operators and travel agents in Europe and USA. Typically, the tour operators and travel agents based out of Europe or other developed countries are not in a position to strike large deals with small IOO hotels in Thailand. At the same time, such small but beautiful properties are in high demand in developed countries. While A2Z pro travel has been selling rooms in such properties through its websites to individual customers, it is now being felt that a tie up with large tour operators and agents provide greater and much better opportunities in the long run. The main advantage that A2Z enjoys is its existing network and the local knowledge that it has so assiduously built over the past several years. This network of relationships gives A2Z pro travel a competitive edge over its main competitors.

A2Z can offer distribution partnership with:

Online Travel Retailers: Online retail websites, which directly interface with the customers, can integrate their booking process with A2Z to avail the Thailand hotel inventory. They need to have necessary technology back end system like XML interface or web services to participate in the program.

B2B distributors: B2B suppliers from Europe and other markets can integrate their system with A2Z's to offer distribution facility for the Thailand hotels from A2Z.

Offline Travel agents: A2Z would provide the technology platform for travel agents, joining the distribution channel, to check the inventory availability and offer instant booking facility for the hotels in Thailand.

The business structure for the distribution side partnerships is shown in fig 3

B2B Supplier Partnerships

A2Z also operates the outbound travel division targeting the customers from Thailand and other nearby locations. The service is offered under the MorecityHotels.com brand. A2Z relies on the supply from major B2B suppliers providing service for the targeted locations. Real time connectivity is established with the service providers with the help of XML interface and Web Services.

The website – www.MoreCityHotels.com is under the Beta testing stage and is would be upgraded to fully functional format by the end of January 2006. The business structure for the outbound division is described by the diagram. (fig. 4)

Future challenges

The online travel intermediary market is evolving and hence under tremendous flux. A2Z pro travel is in the process of consolidating its position as well as trying to expand into other markets. The biggest challenge for A2Z pro travel remains the existence of large travel wholesalers in the market. The legacy of the travel wholesalers makes it difficult for A2Z pro travel to expand its model rapidly across Thailand. Hotels are far too attached to travel wholesalers that, they consider it quite risky to have a committed relationship with A2Z pro travel. This makes it difficult to convert many visitors to enquirers. Typically only 5% of the total visitors convert themselves to enquirers. The main factor that converts visitors to enquirers is the presence of attractive rates on rooms as well as attractive properties in the website. In order to achieve that A2Z pro travel has to get a much better preference from the hoteliers.

The biggest challenge before the management is therefore to convince the small hoteliers about the viability and utility of the model. The hoteliers have to be convinced that this model will definitely work and also that it can be relied upon. Presently a series of relationship building programs are being held to convince the hoteliers to give more prominence to A2Z pro travel. The company conducts several business meets in which hoteliers are invited to attend. In these meetings, experts and the staff of A2Z pro travel address the hoteliers and inform them about the opportunities in e-intermediaries. Over a period of time this is bound to increase the brand equity as well as make hoteliers believe in the business model being mooted by A2Z pro travel. Further, there is greater thrust on search engine optimization and strategies to build greater relationship with the existing customers. Nationality specific promotion program through google.com is one of the SEO based programs being used. Here google.com websites specific to a particular nationality like Italy (for instance) is carried out so as to increase visibility and awareness among the end-customers

While continuing the thrust on the B2C channels, new channels like B2B are supposed to strengthen the position of A2Z. Selecting appropriate technology platform that would offer flexibility and agility for the connectivity was the key for the B2B strategy. By adopting the latest technology like Web services and XML Interfacing, A2Z is able to leap frog the competition on the basis of this diverse yet versatile option that is presented for the businesses looking for efficient supply for Thai hotels.

The company has invested more than 1.5 million bath for the migration of the system to the new platform. A2Z has set the modest target of 10,000 transactions for the B2B project during its initial phase of operation in 2006. The challenge for A2Z is to sustain the first mover advantage, in offering the technology based distribution options, through coherent strategies that optimizes the potential of the platform.

Figure 1: Channel Distributions for Hotel

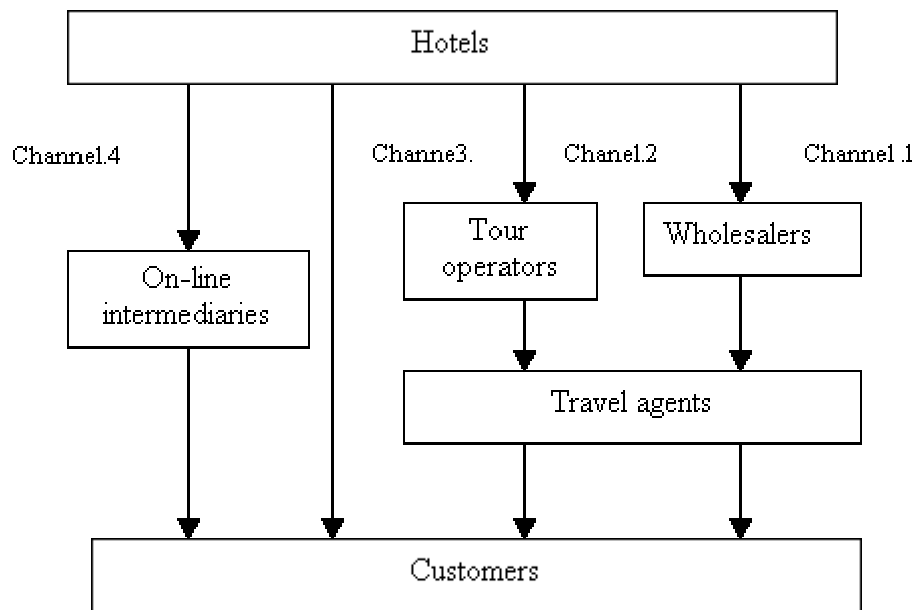
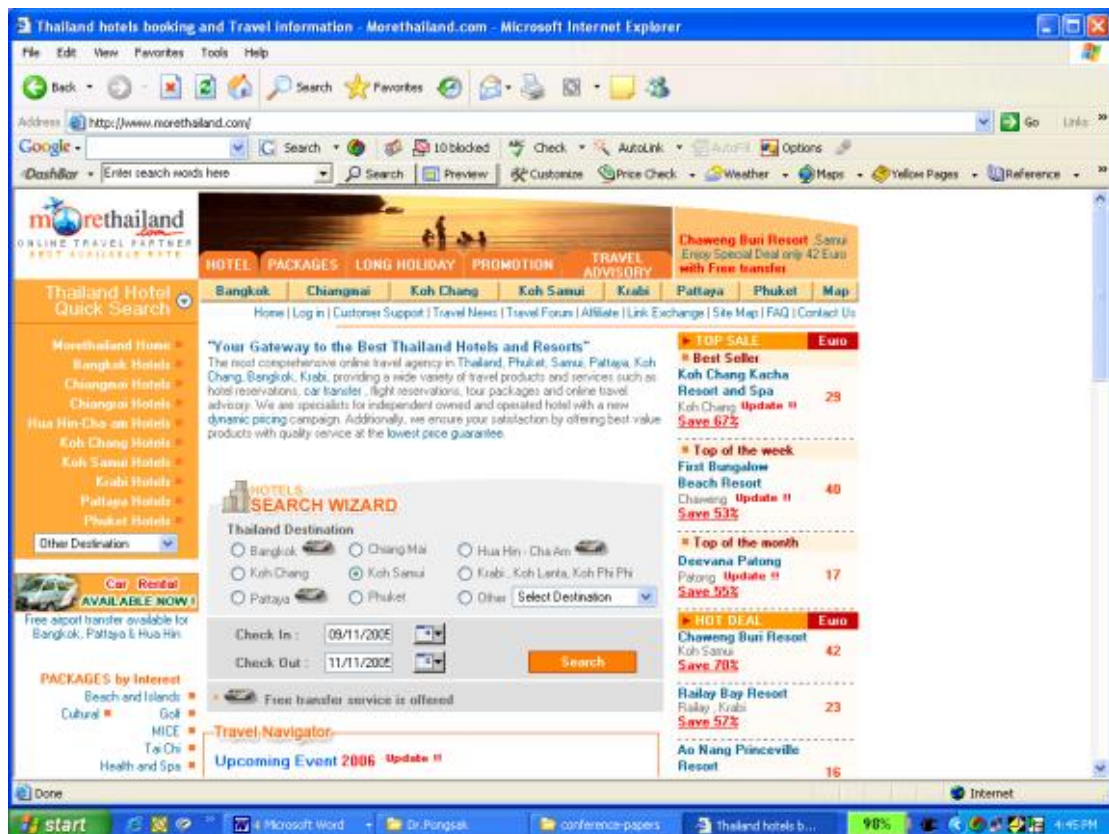


Figure 2: The Homepage of MoreThailand.com, B2C site targeted inbound travelers.



Figures: B2C and B2B2C Business Concept and Charts for www.A2Z-ProTravel.com

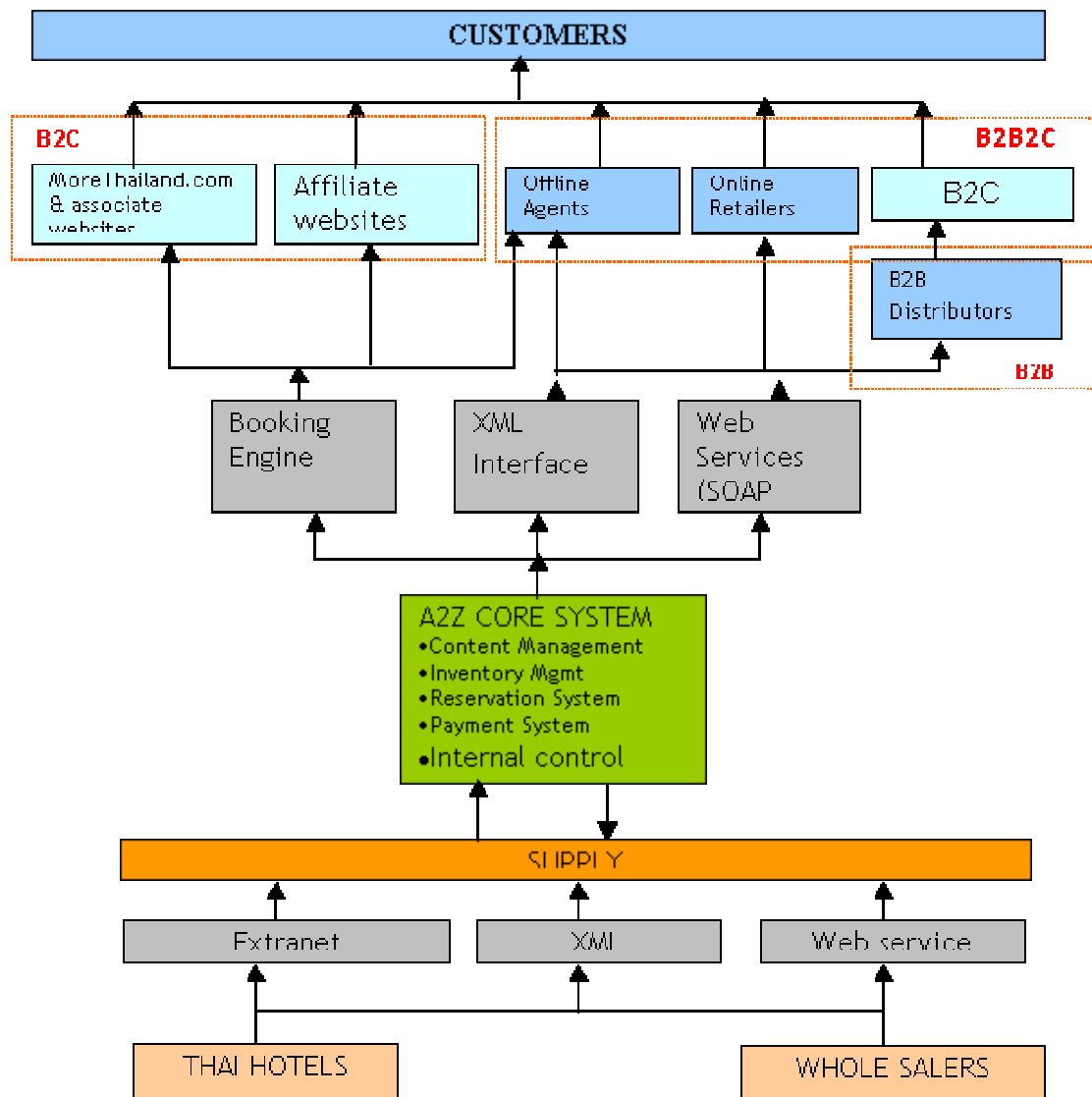
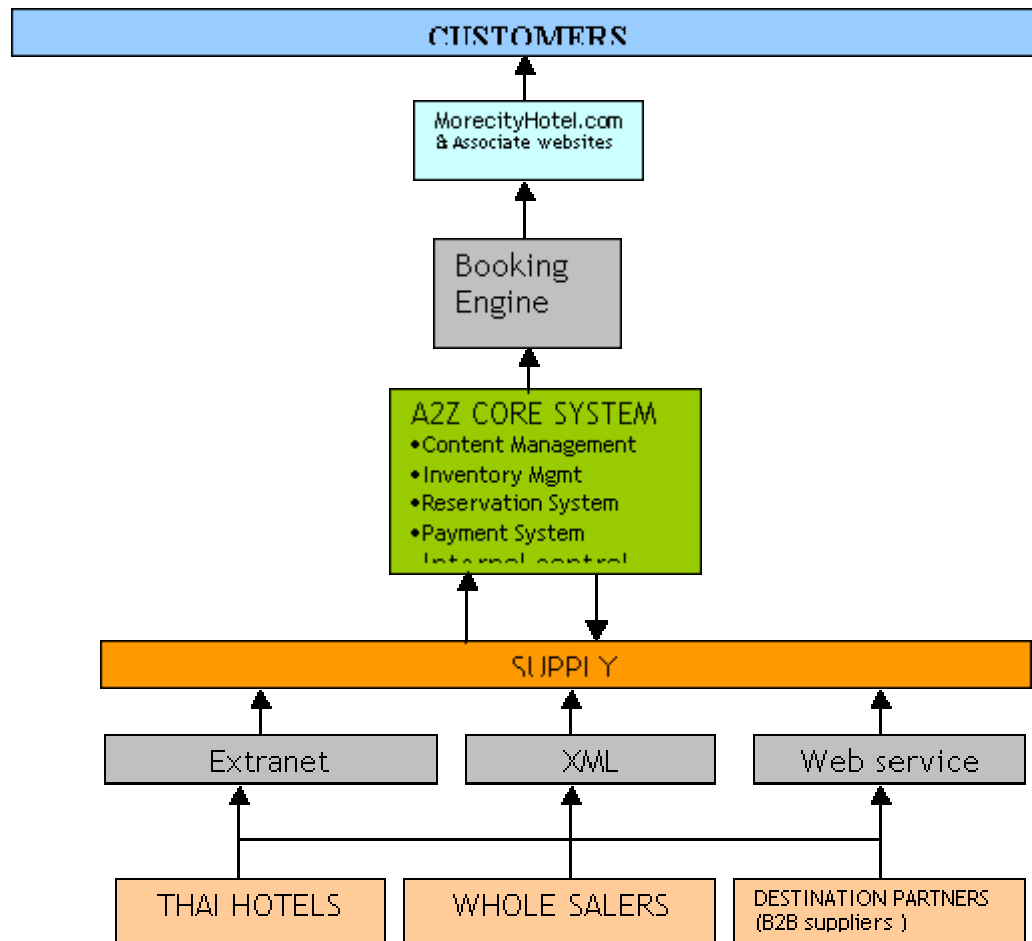


Figure 4: The Business Concept of www.MoreCityHotel.com for outbound travelers.



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* Available for free download at www.Pongsak.Hoontrakul.com

Web-links

www.morethailand.com

www.tat.or.th

www.world-tourism.org