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Dynamic Packaging Applications In Travel Agencies

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Abstract

In our contemporary world, internet has been an essential part of our daily life. Internet has also proven itself within the tourism industry recently. The latest development of the internet application in the tourism industry is dynamic packaging applications. The dynamic packaging application which presents opportunity to travel agencies to supply various holiday packages to the consumers in real time provides a competitive advantage. In this study, the dynamic packaging application is mentioned; and dynamic packaging applications of the prominent online travel agencies are investigated. According to this research, it was concluded that dynamic packaging applications possess choice, customization, flexibility, security and real-time characteristics. These specifications are both individually important and they constitute dynamic packaging application when they are combined together.

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1. Introduction

As Internet has transformed the way we live our regular daily life, our information collection ways regarding tourism alternatives have been altered significantly (Prantner, Ding, Luger, Yan and Herzag, 2007). In addition to information collection, people are able to make their holiday plans through internet and developing technology; and they can purchase their holiday packages online. The companies in the travel industry have started to use these technological applications to keep up with these innovations and to obtain advantage in competition (Cardoso, 2004). Today, it is possible to say that individualized services based on technology will shape future’s travel industry.

Until recently, the consumers who want to purchase a holiday package searched brochures which include pre-

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determined numerous holiday options. Many of these holiday options did not meet consumers’ needs. Those mentioned holiday packages were organized by wholesalers; and they were sold by traditional travel agencies and other wholesalers. But today, these holiday packages can be organized over internet platform and be offered to the market. Consumers can access and purchase these holiday packages over internet from any place and at anytime (Rose, 2004). This situation led the concept of dynamic packaging to take a new place within the industry (Rose, 2004).

1.1. Consumers’ changing demands

Today, consumers’ demand have changed. They prefer preparing their own holiday packages to purchasing pre-determined holiday packages because they want more personal holidays and think that current pre-determined packages are not flexible enough (www.eyefortravel.com). More consumers require more individualized, flexible and selectable holiday programs and discover travel products of the online world (Romano, 2005). Consumers are seeking user-friendly and value-added services (Sharma, 2012). Based on OECD (2008) figures, more than 66% of Americans believe that web site in the category of e-tourism provide better service compared to the traditional travel agencies. One-third of Americans make their reservations over internet platform. 39% of Americans think that internet provide faster service while making a holiday plan than the traditional travel agencies. These data are important in terms of future e-tourism industry and consumer behaviors (OECD, 2008). The internet usage has also expanded in Turkey. The EIAA (European Interactive Advertising Association) 2010 report shows that 52% of Turkish internet users make their travel ticket purchasing decision in the online environment. When all respondents are asked whether they recommend online shopping or not, while percentage of the positive respondents were 79%, negative respondents were 21% (http://www.marketingturiyiye.com/yeni/Haberler/NewsDetailed.aspx?id=15819).

1.2. Dynamic packaging

One of the arms of the semantic web can be found in the tourism industry as dynamic packaging applications. Dynamic packaging is one of the most important innovations of online travel agencies. The application was first started by the Expedia; and today it is adopted and applied by many online travel agencies. Dynamic packaging provides consumers to reach multiple services with a single search. Thus, consumers can get lower price than they purchase each independent component individually. At the same time dynamic packaging provides suppliers to hide their discount rates (Rose, 2004).

Static packages can be defined as fixed components that component prices do not vary according to customer input and business rules. Package date can be flexible but the package components are static. On the other hand, dynamic packages can be defined as flexible components that their component prices can change according to customer input and business rules. Besides package dates, in dynamic packages, package components can be changed as well (Rose, 2004).

According to Cardoso (2005), dynamic packaging can be defined as combination of different travel components which are packaged and priced in real-time in response to consumers’ and agencies’ demands. Dynamic packaging provides all travel packages under single price by hiding each travel agency’s individual price. In the mean time, other services regarding the holiday can be provided in a single web-site (Sharma, 2012; Romano, 2005). According to Romano (2005), dynamic packaging is consumer-driven. It’s an online packaging system in travel industry. Dynamic packaging was designed for satisfaction of both service suppliers and consumers for their purposes (Rose, 2004). Dynamic packaging, at the same time, means dynamic pricing because wholesalers can make adjustments in prices whenever they want based on changing market conditions, supply and demand (Romano, 2005).

Beforehand, while consumers were making travel plan, they had to visit many independent web sites, to enter their private information many times, to wait for hours or days to receive an answer or confirmation, and to make payment on many web sites with their credit cards. Consumers were discouraged of these inconvenient conditions. Today, consumers want to be able to organize, manage and update their own holiday programs. By means of the dynamic packaging technology, consumers can combine their selections in flight, car rental, hotel and entertainment services under a single price (Cardoso, 2005). In case consumers change date or place or both of their holiday plan, the web site is able to offer various options at different prices to the consumers in the real-time. This is what makes a web-site and holiday packages dynamic (Romano, 2005). Dynamic packaging application allows consumers to bundle travel components (Cardoso, 2005).
1.3. The advantages and disadvantages of dynamic packaging

It is possible to mention various advantages and disadvantages of the dynamic packaging. Main advantages of the dynamic packaging can be investigated in two different aspects: customers and wholesalers. When we approach from the consumer aspect, consumers are able to organize their own travel packages through dynamic packaging. While they organize their holiday, they can easily eliminate elements that they are not interested in. Instead of purchasing different travel choices individually, consumers can purchase whole package at lower cost through this way (www.ehow.com). Dynamic packaging gives consumers the perception of that they are in control of the process. Consumers can make their selections among travel products supplied by numerous service providers. Consumers can plan and purchase their holidays through one website (Sharma, 2012). Besides, consumers don’t have to adapt fixed dates such as in fixed packages (Romano, 2005).

When we approach from the wholesalers’ aspect, one of the advantages of the dynamic packaging is that it is more convenient to compare different sorts of services in real time. This application provides to give best available price to the consumers (Rose, 2004). Wholesalers can bundle various services under a single reservation. Wholesalers are given opportunity to expand product choices and to decrease their overhead costs (Sharma, 2012). Dynamic packaging provides greater range of product and profit margin as well. At the same time, wholesalers can increase their market share. Dynamic packaging allows wholesaler to hide price of each service because consumers are given wholesale price (Romano, 2005).

In addition to the advantages, there are several disadvantages of dynamic packaging due to perspectives of consumers or wholesalers. According to both perspectives, dynamic packaging has a complex structure. Consumer may experience difficulty during online reservation. Application of the dynamic packaging system can as well be difficult for wholesalers (Romano, 2005).

1.4. Dynamic packaging features

There are also other features of dynamic packaging which distinguishes itself from the other traditional travel agency packages. These are very own characteristics of the dynamic packaging.

Choice: Choice means that consumers are able to make selection of multiple holiday combinations within the dynamic packaging system. Accordingly, consumer can make selection among options in the dynamic packaging application. Dynamic packaging application can provide numerous options regarding a destination because it is possible for many service suppliers to offer their services to consumers by entering them into the system. On the other hand, in the traditional travel agency understanding, consumer has to select one of the holiday combinations which are created by the travel agency. Dynamic packaging can offer various combination options to the consumer regarding their holiday plan. By means of “Choice” feature, dynamic packaging system must be able to offer entertainment options in addition to basic elements of a holiday such as flight, hotel and transfer. According to Romano (2005), tourism service suppliers must be able to offer tailor-made solutions to the consumers.

Customization: This means that consumers can get services that meets their individual needs. Today’s consumers prefer more personal holiday programs. In addition, they prefer to manage their own holiday plans. As consumer even stay in the same hotel like everyone else, by preferring different transportation means and/or different dates, they create their specific holiday plan for themselves accordingly. According to Romano (2005), consumers are searching to find best suitable holiday for themselves and they want to make relevant reservation right away. Thus, wholesalers must be able to offer tailor-made solutions to the consumers.

Flexibility: This means the opportunity given to consumers to make any required changing on their own holiday plan during the planning and purchasing stages. Dynamic packaging provides a wide range of flexibility about travel dates, departure points, duration of travel, budget, and holiday component. Through this flexibility, consumers can control both their holiday and reservation process (Dale, 2009). The openness and flexibility of the web platform enables customizations that would not have been possible on the desktop (Bolin, Webber, Rha, Wilcon and Miller, 2005).

Security: Security is one of the key criterions of online services. Security means protection of consumers from risks such as fraud or financial losses. Security perception has significant effect on consumer tendency to use online services (Zeithaml, Parasuraman, Malhotra, 2002). As it is same with the traditional travel agencies, the fact...
that consumers do not see employees in a dynamic packaging system may increase security requirement. Therefore, in dynamic packaging systems, it is crucial to provide appropriate security and to communicate this to the consumers. According to Dale (2009), dynamic packaging services also provide secure access to the travel reservation systems.

**Real Time:** Real time means that consumer acquire information or changing regarding the travel services at the same time. Consumers can plan their travel packages over internet and purchase them online. For instance, consumer can search for three basic services which consist of flight, hotel and transfer over internet. However, in the web sites with no dynamic packaging system, this process can turn into a complex and long process. First of all, a consumer searches and finds a flight alternative for him/herself to take note about it. Then, he/she must follow the same procedure for hotel and transfer alternatives. Accordingly, consumer must make sure that dates and hours of these services match with each other. Furthermore, appropriate options must be determined in terms of price and service quality. A consumer who comes to the point of purchasing decision after these steps, can finalize purchasing if still there is available place for him/her in desired services. Otherwise, all procedure must be repeated from the beginning. On the other hand, the dynamic packaging system is able to provide time intervals and changes in them regarding various services in the real time. According to Romano (2005), dynamic packaging provides combination of various travel services according to consumers’ preferences on the real-time basis.

2. **Methodology**

The research is based on comparison of current situation of websites of three online travel agencies operating in the U.S. in terms of dynamic packaging application. To that end, target websites were determined as Expedia.com, Travelocity.com and Orbitz.com. Those travel agencies were in our interest because they perform their operations only online; they include dynamic packaging applications; and they are leading online travel agencies in the U.S. These websites were investigated by taking the features specified in the abstract into consideration; and differences and similarities were presented as a table. Data regarding websites were obtained from the companies’ own websites.

3. **Findings**

Expedia.com, the first online service provider, was founded in the U.S. in 1996; and started to offer flight, hotel and transfer service over internet. However, the sales boom was reached upon the introduction of dynamic packaging technology. The company, today, continue its operations over 30 countries.

Orbitz.com is one of the online travel agencies founded in the U.S. in 2001. This company provides opportunity of 1 million hotel and 1.5 million flight reservations daily for its customers.

Finally, Travelocity.com was founded in the U.S. in 2007. The company was one of the subsidiaries of the Sabre Holding; and one of the online travel agency companies which apply dynamic packaging system.

In three web sites it was searched the same destination and in the same time intervals. It was searched Antalya-Paris destination with flight+hotel+car combination in 7-15 July 2013. After it was clicked the search button these findings below were founded.

| Features   | Expedia.com                  | Travelocity.com                      | Orbitz.com                        |
|------------|------------------------------|---------------------------------------|-----------------------------------|
| Choice     | 4 combination choices        | 3 combination choices                 | 4 combination choices             |
| Customization | There are customization options | There are customization options       | There are customization options   |
| Flexibility| 1070 holiday components in 12 seconds. | 215 holiday components in 10 seconds. | 858 holiday components in 15 seconds. |
| Security   | Transportation Security Administration (TSA) | Master Card Secure Code and Verified by USA | Norton Secured and TRUSTe Certified Privacy |
| Real Time  | Changes in 18 seconds         | Changes in 10 seconds                 | Changes in 15 seconds             |

Table1. Comparison of Dynamic Packaging Applications

There are 4 combination choices such as Flight + Hotel, Flight + Car, Flight + Hotel + Car and Hotel + Car in Expedia.com. There are also only 1 choices such as Hotel, Flight, Car and Activities. In Travelocity.com, there are 3
combination choices such as Flight + Hotel, Hotel + Car and Flight + Hotel + Car. There are also only 1 choices such as Hotel Only, Flight Only, Car Only and Cruise. There are 4 combination choices in Orbitz.com such as Flight + Hotel, Flight + Car, Flight + Hotel + Car and Hotel + Car. There are also only 1 choices such as Hotel, Flight, Car, Activities and Cruise.

When we look at the customization feature, there are some customization options in three web sites. Customers can determine destination or multiple destinations, departure and return dates, departure and return times, non-stop or refundable flights, round trip or one way trip in Expedia.com. In Travelocity.com, customers can determine destination, round trip or one way trip, departure and return dates, departure and return times, class of flight and airline alternatives. Customers can also determine destination, departure and return dates, departure and return times, non-stop flights and hotel name in Orbitz.com.

It can be said that three web sites give flexible options to their customers. Expedia.com gives 1070 flight + hotel + car combination in 12 seconds. It gives also other service alternatives such as special deals, theme parks, events and shows, tours and sightseeing, spa and beauty, culinary experience, restaurants and nightlife etc. Travelocity.com gives 215 flight + hotel + car combination in 10 seconds. It gives also other service alternatives such as trips. Customers can also compare the Travelocity with Expedia and Orbitz web sites. Orbitz.com gives 858 flight + hotel + car combination in 15 seconds. It gives also other service alternatives such as theme parks, tours and activities, other services etc.

Three web sites give information about security to their customers. Expedia.com uses Transportation Security Administration (TSA) system. It's a system which U. S. government requires information for travel. Travelocity.com uses MasterCard Secure Code and Verified by USA for security. Customers can have information about these secure systems. Orbitz.com uses Norton Secured powered by VeriSign and TRUSTe Certified Privacy systems for security. Customers can also have information about these systems.

And finally, three web sites give answers about changing of their customers in real time and this time takes very short. Expedia.com provides flight changes in 18 seconds. Travelocity.com provides flight changes in 10 seconds. Orbitz.com provides flight changes in 15 seconds.

4. Conclusion and Discussion

These technological developments and changing consumer demands have brought several innovations in the travel industry. One of these innovations is dynamic packaging application. By means of dynamic packaging application, travel agencies can offer real-time, customized, flexible and secure travel alternatives. On the other side, consumers are able to plan their travels and to make reservation through dynamic packaging applications. Heterogenous data regarding holiday can be gathered through dynamic packaging application so the consumers' private needs can be meet.

Worldwide, it is possible to talk about existence of travel agencies which apply dynamic packaging system. In this study, Expedia.com, Travelocity.com and Orbitz.com travel agencies’ dynamic packaging applications were investigated. In dynamic packaging applications, choice, customization, flexiblity, security and real time features must be found. These characteristics are the main specifications of the dynamic packaging applications distinct from traditional travel packages.

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