Chapter IV

The Transformation of the Distribution Process in the Airline Industry Empowered by Information and Communication Technology

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Abstract

This chapter reviews the historical evolution of the airline market and its first-generation airline reservation and distribution systems. The development and diffusion of computer reservation systems (CRS) and global distribution systems (GDS) is discussed extensively in order to provide a comprehensive overview of the state of business in the 2000s. Based on this evaluation, the influence of modern information and communication technology (ICT) on the airline distribution system environment is discussed. The traditional distribution chain has been transformed into an electronic multi-channel distribution environment. This (r)evolution of the airline market is analysed for the different market participant groups, as the competitive and cooperative situation increases in this cross-influence network industry.
Introduction

The information revolution has dramatically reshaped global society and is pushing the world ever more towards an information-based economy. Tourism is one of the industries which is able to generate enormous synergy effects from the use of the Internet. This technology is a potential instrument to implement change in the structure and processes of the entire sector. In particular, the airline market environment has experienced significant changes in the recent decades, induced by the different generations of information and communication technology (ICT). Consequently, this chapter deals with the fundamental transformation of the airline industry—with a focus on the technologies in the distribution process.

Since its emergence, the tourism industry has experienced continuous and sustainable growth, not only in terms of increasing customer numbers, but also in the acquisition of new markets. These developments have been coupled with the expansion of travel intermediaries in response to an increasing demand for travel. While airlines first sold their products separately and on their own, they soon became an integral part of the tourism industry, which in turn gained complexity in terms of distribution. Therefore, and not surprisingly, the airline industry is one of the first business sectors that introduced and relied on information and communication technology to cope with the challenges of rising complexity, notably in distribution. Accordingly, the first main part of this chapter reviews the historical evolution of the airline market and its first-generation airline reservation and distribution systems. This provides a comprehensive overview of the state of business in the latter part of the 1990s.

The following and key part of this chapter focuses in particular on the current reshaping of distribution processes, caused by and based on the development of new information and communication technology. The exponential growth of online platforms and Internet usage has led to the appearance of numerous alternative distribution channels and new intermediaries. Having already established their positions on the market, the new electronic distribution channels now co-exist alongside traditional channels. As a result, the market structure and balance of power between airlines, distributors and customers is rapidly changing. To understand this multi-channel distribution environment, an in-depth analysis of today’s airline market is required. Therefore, in the second part of this chapter, the (r)evolution of the airline market is examined from diverse perspectives, that is, those of the different market participants. Furthermore, the evolution towards second-generation airline core environments is investigated, in order to understand the forces behind the emerging paradigm shift.

Figure 1 gives an introductory overview of this chapter’s structure.
Marketing Communication of SMEs Acting in Creative Tourism
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www.igi-global.com/chapter/marketing-communication-of-smes-acting-in-creative-tourism/174518?camid=4v1a