Electronic Commerce Travel: A Case Study in Information Technology Use, Market Flexibility, Adaptability, and Diversification

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EXECUTIVE SUMMARY

Convenient Travel\(^1\) (CT) is an organization that conducts business with its customers primarily on the Internet. As such, CT is considered an Internet travel provider. CT competes with many of the most easily recognizable Internet travel providers including Expedia.com, Travelocity.com, Orbitz.com, and many others. Its niche market focus concentrates on Mexico and the Caribbean. Our case study focuses on (a) electronic commerce technologies that improve productivity, provide real-time data, and increase profits, (b) strategic corporate responses to unexpected events that caused market downturns in travel following the September 11, 2001 attacks on the U.S. as well as Hurricanes Emily and Wilma in the Yucatan Peninsula in 2005, (c) corporate ownership restructuring to provide employee incentives, (d) online marketing and promotion techniques, (e) market diversification and market adaptability to replace lost sales in key markets and grow sales in new markets, (f) cost control through adoption of open source enterprise-class technologies, (g) cost control through management of merchant account and vendor fees, and (h) customer relationship enhancement through technical development and employee training.

Keywords: adaptability; diversification; electronic commerce, flexibility; markets; strategy; technology; travel

ORGANIZATION BACKGROUND

Convenient Travel\(^2\) (CT) was incorporated in 1999 in the state of Utah as a subchapter S corporation. CT is an electronic commerce company focusing on specific travel markets in Mexico and the Caribbean. The organization has grown every year since its inception, except in 2001. Current year growth (2005) has exceeded 2004 with monthly increases over the prior year of up to 105%. Revenue growth rate for 2005 is estimated at 15% above 2004. CT was originally financed with $75,000 in cash and thousands of hours of sweat equity\(^3\). CT is currently free of
any debt. At present, the organization claims 7 employees, 8 shareholders who hold ownership and 5 shareholders who serve on the board of directors. Almost every employee is a shareholder (with the exception of some part-time employees). Moreover, all employees participate in profit sharing. Annual revenues are in the millions and profitability and productivity are high.

CT provides hotel booking services to Mexico and the Caribbean for its customers. It owns approximately 90 domain properties related to two targeted travel markets. CT primarily promotes online travel via opt-in direct e-mail, Internet search engines, and directory listings. Its main products are available online. CT sells its products (i.e., hotel booking arrangements, transfers, and tours) to travelers from the U.S., Europe, and Asia. U.S. customers comprise the organization’s largest market share with European travelers second. However, CT is increasing its sales to Japan and other Asian countries. Corporate offices are located in St. George, Utah; 125 miles north of Las Vegas, Nevada and 300 miles south of Salt Lake City, Utah.

**Type of Business**

CT is a pure play electronic commerce travel company. Pure play means that CT conducts all of its business online. CT has a variety of key Internet domain properties and hundreds of Web sites related to travel destinations in Mexico and the Caribbean. CT books hotel reservations, transfers, tours, and other travel services through secure Web sites, but will handle bookings over the phone if the customer so desires.

**Products/Services Provided**

CT believes that its services are superior because of its focused market niche, efficiently packaged customized tours, and well-trained and dedicated employees. Customized tours include adventure travel, transportation, and a wide variety of services on the Web. Employee dedication stems from ownership of the organization, interest in the business, and buy-in to the corporate mission. The CT corporate mission is to provide the best possible travel experience to its customers at a reasonable price. Concentrating on the Mexican and Caribbean markets allows CT to be more focused than its competitors. Moreover, a small, but dedicated workforce enables CT to promote customer satisfaction over any political or bureaucratic concerns that may hamper its competitors. Specific product offerings include (a) hotel booking services in Mexico and the Caribbean, (b) airport transfers and transportation services, (c) customized travel packages, and (d) tours and charter services.

**The CT Relationship with Product and Travel Vendors**

CT develops relationships with targeted hotels, transportation services companies, airlines, and tour and charter companies. It selects product vendors based on their reputation in the travel industry with regard to value, price, customer service, capacity to serve additional customers, strategic value to existing CT customers, and customer satisfaction. CT then negotiates long-term relationships with vendor organizations. To maintain quality control with its long-term vendor partners, CT provides a professional Web site for each vendor including a professional photo shoot and customized write-up on the property. CT also purchases a domain (or hosts the vendor’s Web site on an already established domain) and hosts the newly developed Web site. The hosting services CT provides to its clients includes promotion and marketing of Web sites through search engines, development of direct customer relationships via email, and other ad hoc services as deemed appropriate by CT management. CT thus ensures tight control of its travel Web site services to its customers by ensuring that they can make secure room reservations to all vendor products online in a seamless manner.
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