

**Online versus Offline Booking:  
A comparative Investigation of the Trustworthiness of  
Tourism Distribution Channels for Flights and Holiday Packages**

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# 1. Introduction

## 1.1. Motivation and Relevance

Today, tourism is one of the biggest economic trade sectors in the world and is responsible for 10 % of the global GDP.<sup>1</sup> In 2008, about 76 % of the German population was having a holiday which is making Germany still the world's major spender on tourism and is reflecting the economic importance of the tourism industry in this country.<sup>2</sup> Tourism is a very information-intensive industry and consequently the fast and effective exchange of information is crucial for efficient distribution, sales and customer service.<sup>3</sup> The immaterial character of the tourism product renders an evaluation prior to purchase impossible for the customer which is resulting into information asymmetries towards the supplier.<sup>4</sup> As a consequence, the purchase decision is often associated with high uncertainties for what reason the tourism product classes among the so called 'confidence goods'.<sup>5</sup> Therefore, the travel intermediaries are playing an important role in the value-added chain of the tourism industry as these are providing the customer with the relevant information. In Germany, the travel agency has ever been the number one place to go for booking the tourism product and the primary interface of the branch to the end customer.<sup>6</sup>

In the early 1990s, the information and communication technologies (ICTs) and most of all the emergence of the Internet has introduced a second industrial revolution which brought along rudimental changes not only for the business world but particularly also for the general public. This was especially becoming evident in the development of the Internet into a virtual market space which was allowing the connection of the global demand and supply 'at the touch of a button'.<sup>7</sup> Moreover, the Internet turned out to be the fastest growing medium of all time and today already 64 % of the German population is having access to the Internet.<sup>8</sup> These progresses had direct impacts on the whole tourism industry, opened up new possibilities of distributing tourism products and has found its expression as part of the new evolving concept of 'electronic tourism' which is an interdisciplinary synergy of tourism and ICTs and today one of the biggest segments of e-commerce.<sup>9</sup>

The Internet as a medium so easily disseminating information appeared to be an ideal new distribution channel by which means the immaterial and information-intensive tourism product can be pre-

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<sup>1</sup> cf. Egger, Buhalis (2008, p. 1); UNWTO (2008); WTTC (2008).

<sup>2</sup> cf. UNWTO (2008, p. 9); F.U.R. (2009, p. 2).

<sup>3</sup> cf. O'Brien (1998, p. 70).

<sup>4</sup> cf. Egger (2005a, p. 65); Tietz (2007, p. 151).

<sup>5</sup> cf. Glaeßer (2005, p. 44).

<sup>6</sup> cf. Buhalis (2003, pp. 270-271).

<sup>7</sup> cf. Buhalis (2003, pp. 3, 13-17); Buhalis (2008, p. 623); Werthner (2008, p. xxxvii).

<sup>8</sup> cf. Egger, Buhalis (2008, p. 1); IWS (2008); F.U.R. (2009, p. 6).

<sup>9</sup> cf. Gratzner et al. (2002, p.1); Buhalis (2003, pp. 76-77); Egger (2005a, p. 13); Buhalis, O'Connor (2006, p. 196).

sented and offered in an effective and efficient way.<sup>10</sup> As a result, a range of new market players were virtually invading the new establishing online travel market whereas so called 'online travel agencies' were representing the predominant form.<sup>11</sup> With the Internet at hand, the travel customer is not anymore bound to the business hours but can do the travel planning and booking 24/7 conveniently and location-independent without interfering with other in-store customers, for example from home.<sup>12</sup> Hence, the customer was now facing a new attractive booking alternative additionally to the traditional travel agency.

As a consequence, some authors were even already predicting the end of the traditional travel agency.<sup>13</sup> Centrally to these argumentations are usually the many benefits and advantages associated with the online channel, the offline channel is not supposed to be able to afford: The travel customer is able to directly access the product database and booking systems of the providers, carry out professional search processes and deal with the processing of transactions without the help of the travel agent.<sup>14</sup> By means of the online channel, the customer can compare products and prices and inform himself in an easy and transparent way in a fraction of the time, cost and inconvenience required by conventional methods. Furthermore, the online channel is coming up with a wealth of information including media-rich, animated and Web 2.0 contents greatly surpassing the possibilities of the single travel agency.<sup>15</sup> Thus, the online channel is representing a one-stop shop for the travel consumer which is moreover often associated with even lower prices.<sup>16</sup> One may come to the conclusion then that the online channel is enabling the customer to become his own travel agent.

However, a look at the statistics does not confirm the online channel's triumph at such a rate as one might have expected with regard to the above described advantages. Only 24 % of the German population yet already has ever gained experiences with online bookings and the travel agency is still representing the booking channel number one with a share of 51 %.<sup>17</sup> In contrast, 74 % of the German online users have already exploited the online channel to inform themselves for the travel planning.<sup>18</sup> Quite recently, the so called 'ROPO study' was attracting attention by reinforcing that an increasing number of customers of the typical holiday package are indeed utilizing the Internet for information research but instead of staying in the online channel these are completing the booking in the offline channel that is to say at the stationary travel agency which implies an inter channel buying

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<sup>10</sup> cf. Lang (2000, p. 369); Egger (2005a, pp. 29-30).

<sup>11</sup> cf. Rogl (2005a, p. 6); Graue (2005, p. 11); Kim et al. (2007, p. 592).

<sup>12</sup> cf. Bogdanovych et al. (2006, p. 418); Clemons et al. (1999, p. 3); Freyer (2007, p. 524).

<sup>13</sup> cf. Buhalis (2003, pp. 271, 329-330); Jüngert (2000, p. 36 et seq.); Lang (2000, pp. 368-369).

<sup>14</sup> cf. Egger, Buhalis (2008, p. 329).

<sup>15</sup> cf. Bogdanovych et al. (2006, p. 418); Buhalis (2008, p. 628).

<sup>16</sup> cf. Egger (2005a, p. 171); Kim et al. (2007, pp. 599-600).

<sup>17</sup> cf. F.U.R. (2008, p. 6); VIR (2009, p. 14).

<sup>18</sup> cf. F.U.R. (2009, p. 6).

decision process of 'research online, purchase offline' (i.e. ROPO). Thus, not only a majority of travel consumers appears to be still reluctant towards using the online channel for bookings but moreover the online channel seemed to strengthen the offline channel.<sup>19</sup> Now after all, does the Internet turn out to be not such an ideal medium for distributing the tourism product? And do the high expensive investments in the online channel not pay-off either? What is it that still discourages the travel customers from booking online?

Some authors were advocating that this is a question of 'human face' which the online channel is not able to afford.<sup>20</sup> Although this might possibly apply to the channel choice decision for the purchasers of the holiday package, this would not explain the situation of the flight product which is increasingly distributed by the online channel with currently about 55 % of the total online travel sales in contrast to the holiday package with yet only 15 %.<sup>21</sup>

So, quite apparently there can be observed differences of the predominating channel choices of travel customers between the purchase situations of the tourism products for flight and holiday package. The question quite urgently arising might be as follows:

*Which factors are affecting the travel customer's decision of online or offline booking when choosing the adequate tourism distribution channel for flights and holiday packages?*

## **1.2. Rationale and Methodology**

In the literature, research has agreed on a consistent understanding on the value of trust which is especially applying to situations of perceived risk, uncertainty and vulnerability due to potential opportunistic behavior. In accordance with that, researchers figured out the important role of trust playing in Business-to-Consumer (B2C) transactions which was further investigated and confirmed to apply likewise to the online and offline world. As the tourism product is characterized by a relatively high complexity and information intensity and is usually connected with a relatively high price and low frequency of purchase as well as cannot be assessed prior to its consumption, the travel customer may perceive a relatively high risk regarding the transaction. Consequently, trust and by logical implication trustworthiness seems to be a major issue when purchasing the tourism product.

Because there appeared to be little research on the trustworthiness of tourism distribution channels, the purpose of the present paper should be to comparatively investigate the online and offline channel in order to reveal indications to the role of trustworthiness playing in the channel choice decision of the travel customer. Therefore, the purchase situations for the tourism products of flight and holi-

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<sup>19</sup> cf. ROPO (2008).

<sup>20</sup> cf. Papathanassis, Breitner (2009, p. 142).

<sup>21</sup> cf. Marcussen (2009).

day package were compared in an exploratory approach by carrying out an empirical study by means of the qualitative research method of mystery shopping. For this purpose, the 'Online Trust Model' of Papathanassis, Breitner (2009) was utilized in order to establish a theoretical framework for the evaluation of the trustworthiness of selected travel agencies and travel websites. The proposed approach required the adaptation of the model to the offline channel as well as the operationalization of the research variables which can be understood as another goal of this paper.

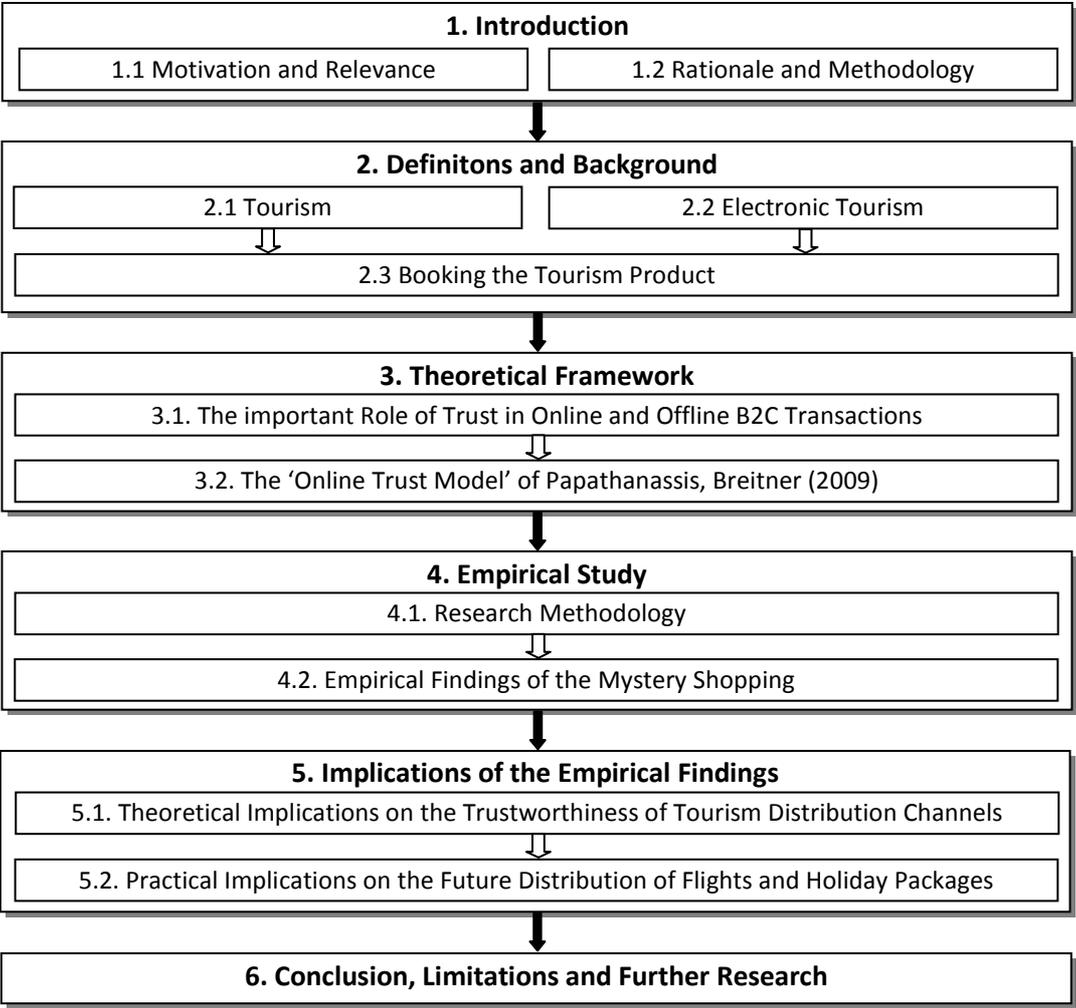
The present paper is composed of six sections (cf. fig. 1). Followed by this introduction, the definitions and background regarding the subject of this paper will be presented in the second section which is composed of three chapters. First, an introduction to the traditional tourism industry will be given. This includes an overview of the concept of 'tourism' and the specific characteristics of the tourism product, followed by the presentation of the tourism industry and the participants of the value-added chain of tourism. On account of this, the primary suppliers as well as the primary intermediaries of tourism will be described more closely whereas the special focus is put on the travel retailers in the form of the travel agency. In the second chapter, the impacts the ICTs had on the tourism industry will be described. In so doing, first an overview of the evolution of 'electronic tourism' and the development of the Internet into the new distribution channel of tourism will be given. This is followed by the presentation of the progresses and current situation of the online travel market in Germany as well as by the explanation of the changing information behavior of the travel consumers due to the rapidly increasing proliferation of the Internet. Finally, the third chapter deals with the booking of the tourism product whereas first the new situation for travel customers facing the booking channel choice between the online and offline channel will be discussed, followed by the illustration of the arising phenomenon of 'online looking, offline booking'.

In the third section, the theoretical framework for the present investigation will be established. Therefore, the first chapter clarifies the important role of trust playing in online and offline B2C-transactions and explains the concepts of channel trust and trustworthiness while the second chapter presents the utilized 'Online Trust Model' and the adaptation to the offline channel.

In the fourth section, the implementation and realization of the empirical study will be explained. The first chapter describes the research methodology whereas first the research method of mystery shopping was identified as a qualitative observation method, followed by the formulation of the study design which includes the preparation of the purchase situations, the selection of research objects as well as the operationalization of the research variables. In the second chapter, the empirical findings of the comparative investigation of the online and offline channel for the flight and holiday package purchase situation will be presented.

In the fifth section, implications from the insights emerging from the empirical study will be derived. In the first chapter, the connection between the empirical findings and the assumptions of the 'On-

line Trust Model' will be established which will be concluded with the consequential evaluation of the trustworthiness as the decisive factor in the travel customer's channel choice decision. In the second chapter, a short outlook and some assumptions to the future distribution situation of flights and holiday packages considering the channel's ability to appear trustworthy will be made by taking account of the empirically observed strengths and weaknesses of the particular channel. In the sixth section, a conclusion of the paper by highlighting the central outcomes of the investigation will be made, followed by a short evaluation of the 'Online Trust Model'. Finally, the limitations of the investigation will be pointed out and there will be made some suggestions for further research.



**Figure 1:** Methodology  
**Source:** own illustration.

To sum up, it remains to be seen which of the tourism distribution channels or a combination of both will be able to establish the highest trustworthiness towards the travel customer in the future with regard to booking the holiday package.

## **6. Conclusion, Limitations and Further Research**

The purpose of this paper was to comparatively investigate the trustworthiness of the online and offline tourism distribution channel for the tourism products of flight and holiday package. The exploratory investigation and the consequential theoretical implications in due consideration of the 'Online Trust Model' of Papathanassis, Breitner (2009) were revealing the important role of the booking channel's trustworthiness within the channel choice decision of the travel customer. Furthermore, it was figured out that the channel's performances of the trust facilitators were playing the key role in the channel's ability to appear trustworthy in the perceptions of the travel consumers. With regard to the value of the model, the investigation of this paper reinforced the theoretical and applicability relevance of the model which served as a practicable and comprehensive framework for the comparative analysis of the trustworthiness of different tourism distribution channels and regarding different tourism products. Additionally, the model was able to give insights to the close relationships between the trustworthiness and trust-building. These found its expression in the varying significance of trust facilitators across different tourism products playing in the perceptions of the travel customers when facing the channel choice.

Additionally, the exploratory and qualitative research approach of this paper was not only allowing the evaluation of the model but was also able to validate its applicability to the offline world by illustrating the essential similarities of online and offline trust and adapting the model to the offline distribution channel. Furthermore, the operationalization of the trust facilitators for the comparative investigation of travel websites and travel agencies was contributing to a detailing of the proposed model variables of perceived awareness, usefulness and usability which may serve as a starting point for the quantitative validation of the model and the consequential generalization of the empirical findings of this paper.

Moreover, the present paper did not only contribute to the research in the field of online and offline trust but may also serve as a starting point for the derivation of practical implications. Understanding the channel choice behavior and knowing the mechanisms staying behind the channel choice decision of the travel customer could be considered as vital to the viability of current and future distribution strategies of tourism products. This may help to improve the business models of tourism distribution in order to get the consumer to make use of the channel. Furthermore, the empirical findings were able to give indications to the strengths and weaknesses of the online and offline channel

which may be regarded as starting points for the enhancement of the particular channel's trustworthiness, the implementation of effective distribution strategies as well as the derivation of 'best practices' which ultimately may increase the pay-off of the expensive investments in the particular distribution channel.

Nevertheless, attention should be paid to the limitations of the paper. Although trustworthiness was identified to be the decisive factor in the channel choice, it should be kept in mind that the decision to interact or transact is also influenced by a diversity of other factors and situation-specific conditions. Therefore, as already pointed out, the presence of the channel's trustworthiness does not necessarily have to result in trust-building, interaction or transaction. Furthermore, the qualitative research approach reflected in the relatively small sample size as well as the fact that the perceptions of the trust facilitators were only observed from the perspective of a single mystery shopper are restricting the generalization of the empirical findings. This should not decrease the value and insights provided by the research of this paper but simply point out its underlying limitations.

At the end, some suggestions for further research should be pointed out. First, it is advisable to validate the proposed criteria and sub-categories for the trust facilitators in a quantitative research approach. This is also applying to the validation of the raised findings of the empirical study which should be repeated with a sample size on a large scale. Finally, the investigations should be extended to the other components of the model meaning these should include other tourism products and the entire range of model variables in order to validate the applicability of the model to these cases as well. For example, the cruise product should be examined which would necessarily include the affective trust level and the operationalization of the corresponding trust facilitators.

The present paper emphasized that trustworthiness appears to be an important topic for the successful distribution of the immaterial and information-intensive tourism product and that understanding the channel choice behavior of the travel consumer seems to be crucial for the long-term business success. Thus, further exploration of the concepts of trust and by implication of trustworthiness turns out to be an issue of high value for the suppliers and intermediaries of tourism.