TRIM Conference Hannover 2007

Online Trust: Survival in the E-Tourism Battlefield

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INTRODUCTION
(Conceptualising Online Trust in an E-Tourism Context)

Is This a Pipe*?

Ceci n'est pas une pipe.

"Do you trust this picture as a representation of a real pipe?"

"Had you never seen one, would you trust it still?"

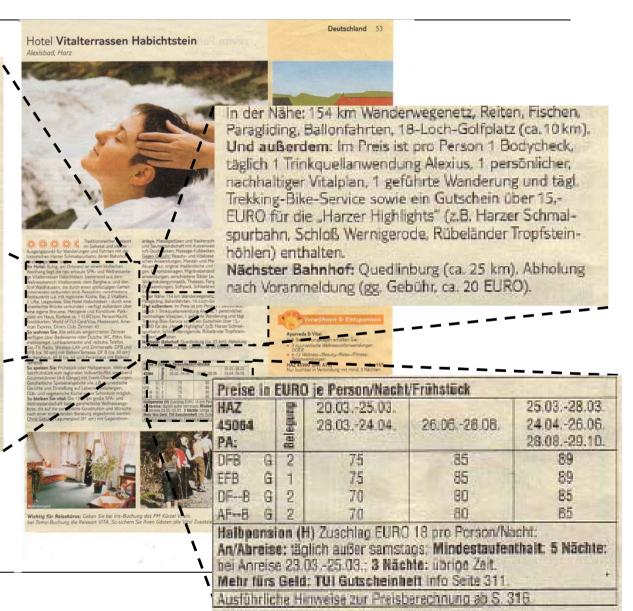*"Would this painting be sufficient for you to buy it?"*

NO... IT IS A PAINTING OF A PIPE!

"La Trahison des Images" or "Ceci n'est pas une pipe" (1928)
by *René Magritte (1898-1967) – Belgian Surrealist Painter*

Is This a Holiday?

NO… IT IS A DESCRIPTION OF A HOLIDAY!

"Do you trust this description?"

"Is this description sufficient for you to book it?"

"Do you think prior experience with this type of holiday or resort would affect your decision to book it?"
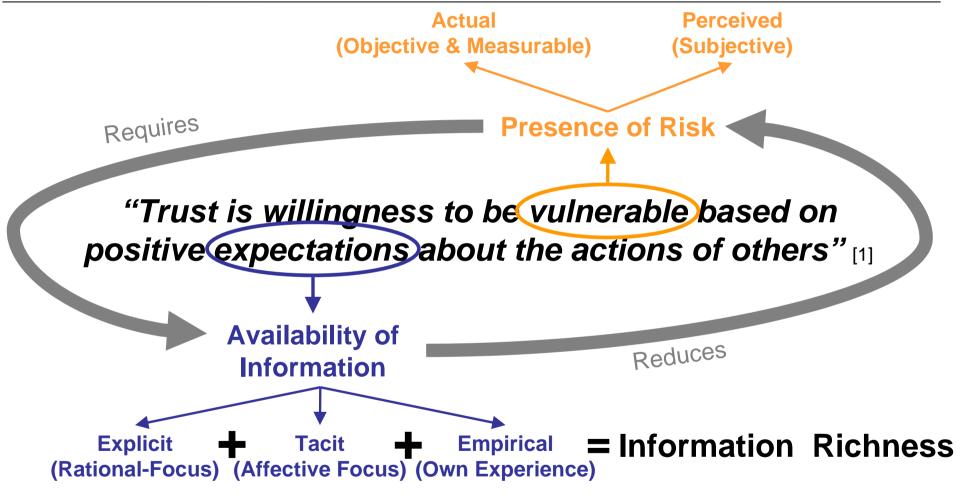
"Would you book this online or at the travel agent?"

"Would it make a difference if I told you that this is a TUI Holiday?"
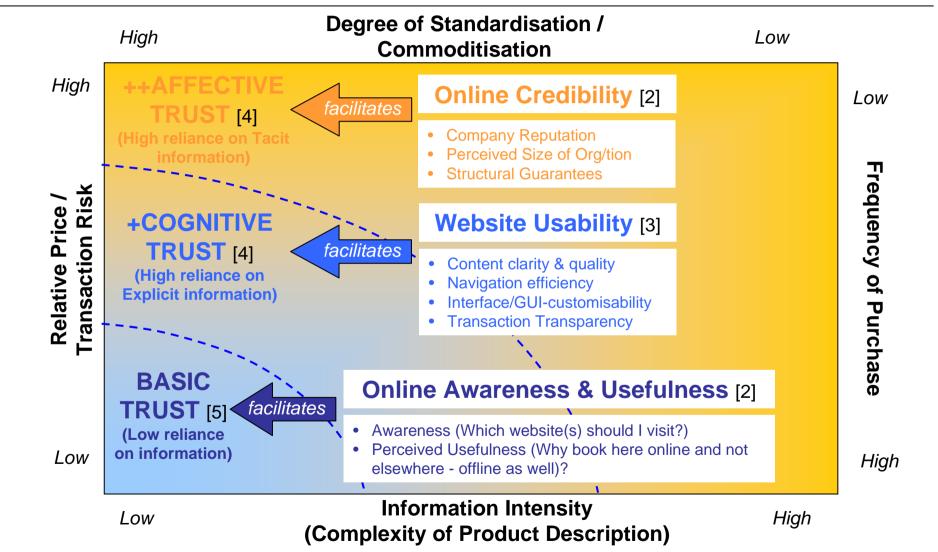
Human Risk Minimisation Strategy in the Face of Imperfect Information

Actual
(Objective & Measurable)

Perceived
(Subjective)

Presence of Risk

Requires

"Trust is willingness to be vulnerable based on positive expectations about the actions of others" [1]

Availability of Information

Reduces

Explicit
(Rational-Focus)

+

Tacit
(Affective Focus)

+

Empirical
(Own Experience)

= Information Richness
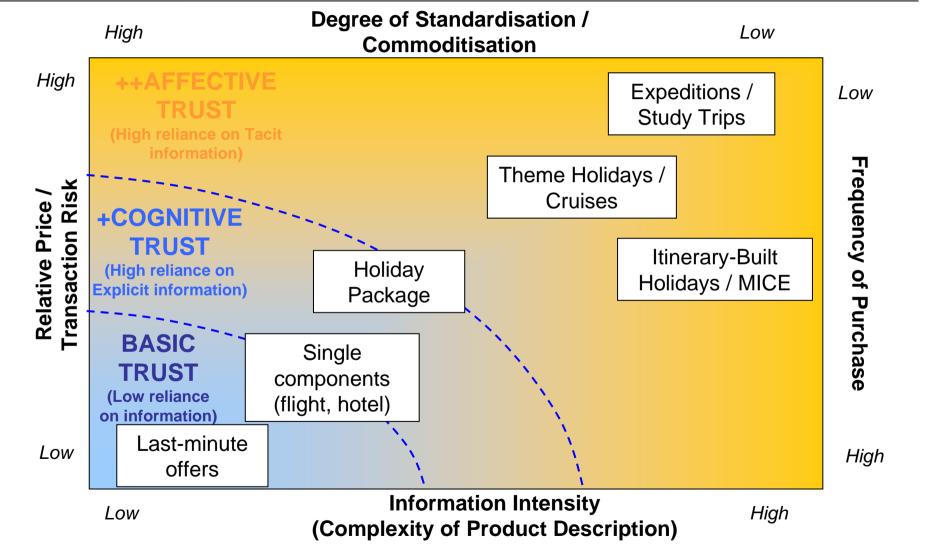
Online Trust Dimensions (abbr. ACU)
Cumulative Information Richness Requirements

Degree of Standardisation / Commoditisation

High ... *Low*

Relative Price / Transaction Risk

Frequency of Purchase

High

++AFFECTIVE TRUST [4]
(High reliance on Tacit information)

facilitates

Online Credibility [2]
- Company Reputation
- Perceived Size of Org/tion
- Structural Guarantees

Low

+COGNITIVE TRUST [4]
(High reliance on Explicit information)

facilitates

Website Usability [3]
- Content clarity & quality
- Navigation efficiency
- Interface/GUI-customisability
- Transaction Transparency

BASIC TRUST [5]
(Low reliance on information)

facilitates

Online Awareness & Usefulness [2]
- Awareness (Which website(s) should I visit?)
- Perceived Usefulness (Why book here online and not elsewhere - offline as well)?

Low ... *High*

Information Intensity
(Complexity of Product Description)

There is More to E-Tourism Than Selling No-Frills Flights & Business Hotels Online…

Degree of Standardisation / Commoditisation

High — Low

Relative Price / Transaction Risk

High — Low

++AFFECTIVE TRUST
(High reliance on Tacit information)

+COGNITIVE TRUST
(High reliance on Explicit information)

BASIC TRUST
(Low reliance on information)

Low

Expeditions / Study Trips

Theme Holidays / Cruises

Itinerary-Built Holidays / MICE

Holiday Package

Single components (flight, hotel)

Last-minute offers

Frequency of Purchase

Low — High

Information Intensity (Complexity of Product Description)

Low — High

CASE STUDY
(Royal Caribbean)
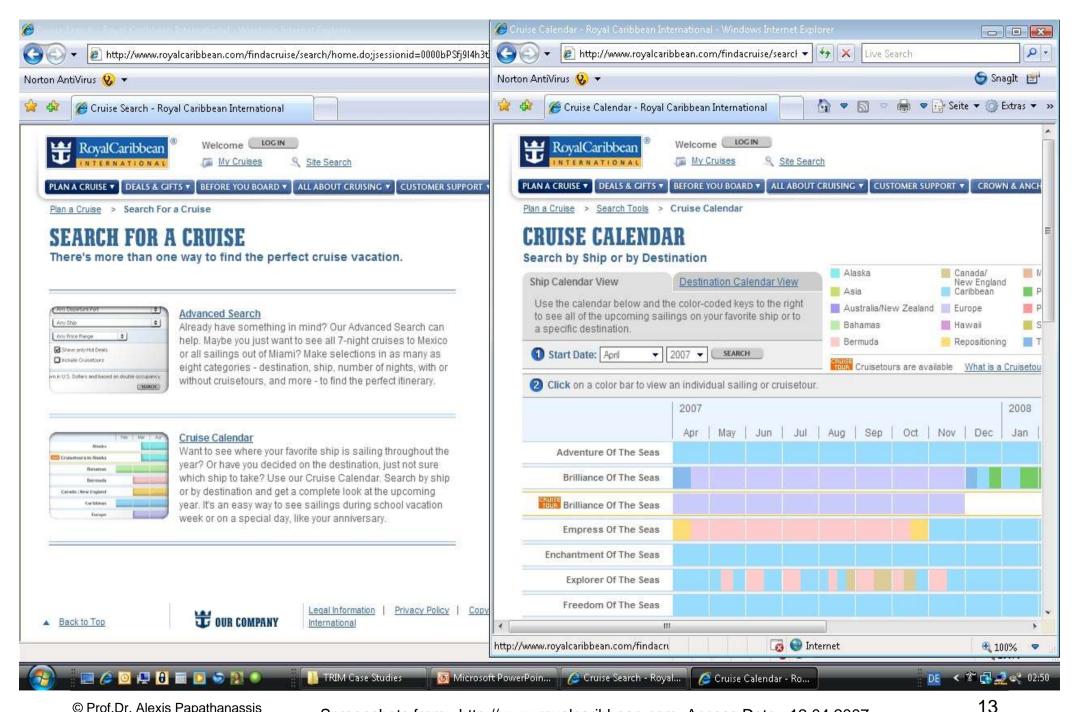
RCI - Freedom of the Seas (1)
Intuitive & Interactive Navigation

RCI - Freedom of the Seas (2)
Richness & Depth of Content

Screenshots from: http://www.royalcaribbean.com, Access Date: 12.04.2007
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■ Freedom of the Seas Website

- Richness & Depth of Content
- Intuitive & Interactive Navigation
- Flexible / Customisable Reservation Workflow (various ways of searching for and booking a cruise)

High Online Usability… Which should facilitate cognitive trust… But how about RCI reservations in Europe?
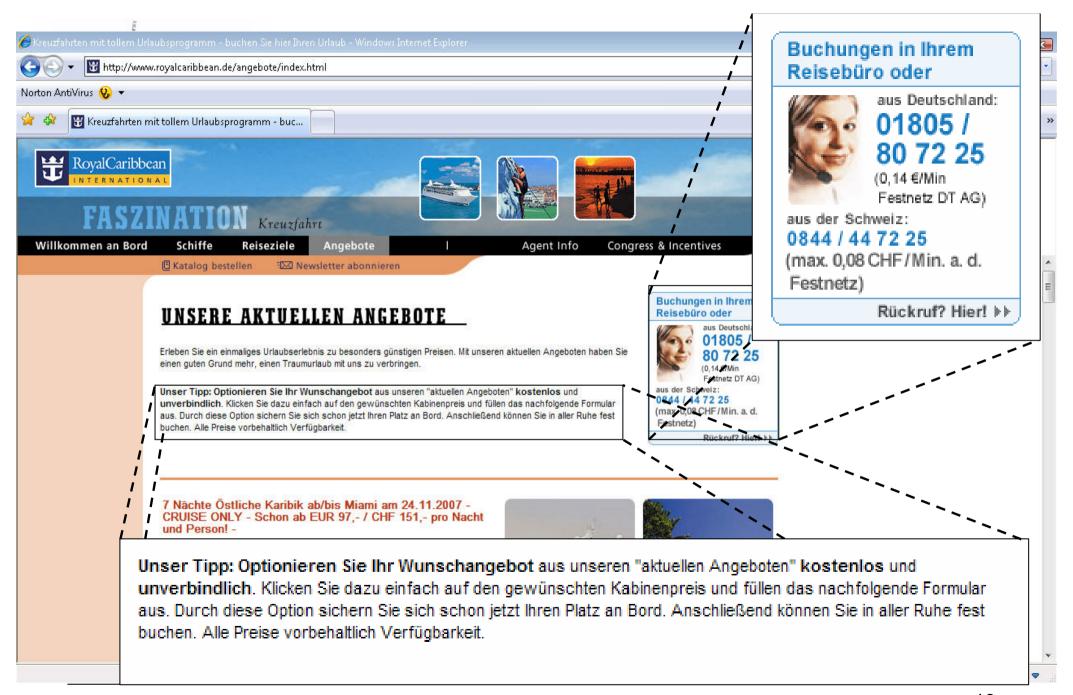
Usefulness?

- Cannot book online on the international website (if you are logging-in from Europe):
  - Re-directed to a travel agency in your country
  - One can make an optional booking (subject to fee and then must contact the travel agency for completion of the booking)
  - This requires the creation of an account and the provision of a credit-card number
- Why not contact the travel agency and book there?

Awareness?

- Why is the customer not redirected to the European website for the online booking?
- Is there a European website?
  - Why was the customer not redirected there automatically, before starting with the search and entering data?
- Even if they have heard of the Freedom-of-the-Seas, do the customers know what RCI is?
  - Would they visit the European website without having been subjected to the Freedom of the Seas publicity?

Buchungen in Ihrem Reisebüro oder

aus Deutschland:
01805 / 80 72 25
(0,14 €/Min Festnetz DT AG)

aus der Schweiz:
0844 / 44 72 25
(max. 0,08 CHF / Min. a. d. Festnetz)

Rückruf? Hier! ▶▶

Kreuzfahrten mit tollem Urlaubsprogramm - buchen Sie hier Ihren Urlaub - Windows Internet Explorer

http://www.royalcaribbean.de/angebote/index.html

Norton AntiVirus

Kreuzfahrten mit tollem Urlaubsprogramm - buc...

RoyalCaribbean INTERNATIONAL

FASZINATION Kreuzfahrt

Willkommen an Bord   Schiffe   Reiseziele   Angebote | Agent Info   Congress & Incentives

Katalog bestellen   Newsletter abonnieren

UNSERE AKTUELLEN ANGEBOTE

Erleben Sie ein einmaliges Urlaubserlebnis zu besonders günstigen Preisen. Mit unseren aktuellen Angeboten haben Sie einen guten Grund mehr, einen Traumurlaub mit uns zu verbringen.

Unser Tipp: Optionieren Sie Ihr Wunschangebot aus unseren "aktuellen Angeboten" kostenlos und unverbindlich. Klicken Sie dazu einfach auf den gewünschten Kabinenpreis und füllen das nachfolgende Formular aus. Durch diese Option sichern Sie sich schon jetzt Ihren Platz an Bord. Anschließend können Sie in aller Ruhe fest buchen. Alle Preise vorbehaltlich Verfügbarkeit.

7 Nächte Östliche Karibik ab/bis Miami am 24.11.2007 - CRUISE ONLY - Schon ab EUR 97,- / CHF 151,- pro Nacht und Person! -

Unser Tipp: Optionieren Sie Ihr Wunschangebot aus unseren "aktuellen Angeboten" **kostenlos** und **unverbindlich.** Klicken Sie dazu einfach auf den gewünschten Kabinenpreis und füllen das nachfolgende Formular aus. Durch diese Option sichern Sie sich schon jetzt Ihren Platz an Bord. Anschließend können Sie in aller Ruhe fest buchen. Alle Preise vorbehaltlich Verfügbarkeit.

Screenshots from: http://www.royalcaribbean.de, Access Date: 12.04.2007

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- European RCI Website:
  - Very basic content
  - No possibility for online reservation
  - Just optional booking… For Free this time!
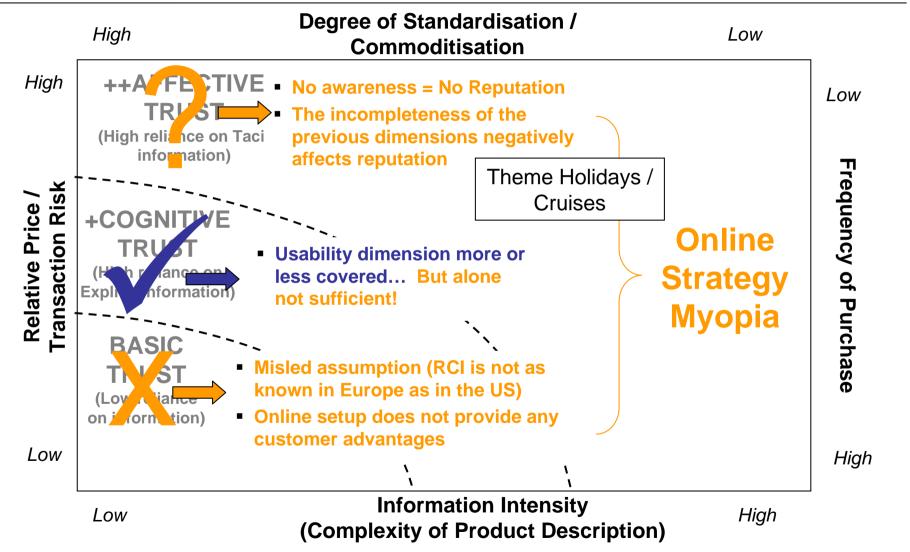 - Hotline does not work on weekends

How does this experience affect online credibility? Will the potential customer go to the travel agency? Even if they do will they end up booking RCL?

Degree of Standardisation / Commoditisation

High — Low

Relative Price / Transaction Risk

High — Low

Frequency of Purchase

Low — High

++AFFECTIVE TRUST
(High reliance on Taci information)

- No awareness = No Reputation
- The incompleteness of the previous dimensions negatively affects reputation

Theme Holidays / Cruises

Online Strategy Myopia

+COGNITIVE TRUST
(High reliance on Explicit Information)

- Usability dimension more or less covered… But alone not sufficient!

BASIC TRUST
(Low reliance on information)

- Misled assumption (RCI is not as known in Europe as in the US)
- Online setup does not provide any customer advantages

**Information Intensity
(Complexity of Product Description)**

Low — High

RCI Case & Conclusions
European Cruise Market is Different…

Cruises

- More commodity than luxury
- Booked fairly often
- Relatively cheaper
- Focus is on ship (less on itinerary)

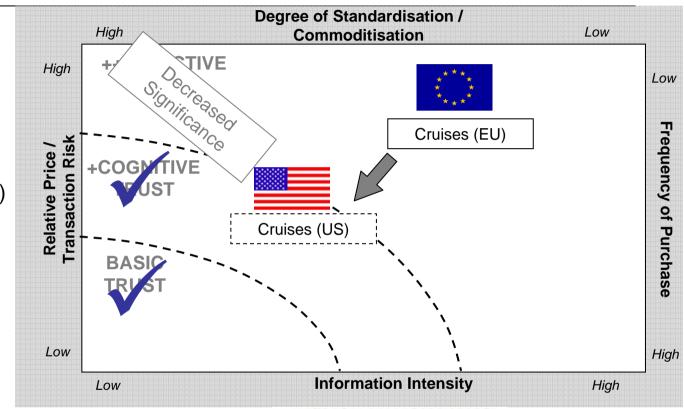**BASIC & COGNITIVE TRUST ARE THE DECISIVE DIMENSIONS**

FOCUSING ON USABILITY IS JUSTIFIED

BASIC TRUST IS COVERED

Degree of Standardisation / Commoditisation

High — Low

Relative Price / Transaction Risk

Frequency of Purchase

+AFFECTIVE

Decreased Significance

+COGNITIVE TRUST

BASIC TRUST

Cruises (EU)

Cruises (US)

Low — High

Information Intensity

Low — High

RoyalCaribbean INTERNATIONAL

- Well-known brand in the US
- Focuses on Caribbean cruises
- Offers direct online booking options
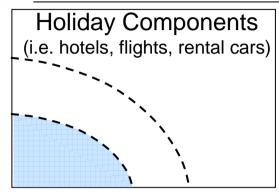
IMPLICATIONS & CONCLUSIONS
(E-Tourism & the 'Online Challenges')

Hochschule **Bremerhaven**
University of Applied Sciences

Holiday Components (i.e. hotels, flights, rental cars)	Holiday Packages	Holiday Experiences (e.g. theme holidays, cruises, expeditions)

■ Awareness Battles:

- Online suppliers of tourism components enjoy a relatively high Look2Book ratio – approx. 34% [7] [8]
- Large investments on online branding

■ Usefulness Question:

- Price sensitivity
- E-Convenience: Preference for 'one stop' online services [6]

■ Content Democratisation

- Online suppliers of packaged holidays, city tours have a low L2B ratio - approx. 13% [7]
- Emancipated E-Tourists & UGC (User-generated-content) [9] GNEs (Global New Entrants)

■ Usability Question:

- DIY Packaging vs. Tour Operator Packaging
- Online offer standardisation
- Pricing transparency

■ Direct Selling Dilemma

- Complexity of product description & relatively high prices
- Mostly bookable offline & dependence on travel agencies

■ Credibility Question:

- Brand awareness & reputation
- Offer customisability / exclusivity
- Price parity (x-consistency)

E-Tourism Success & Online Trust (1):
Holiday Portals

Online Strategy Guidelines

- Online Brand Dev. & Protection
  - Expedia vs. Expado [10]
  - Aidu vs. Aida [11]
- Dynamic packaging functionality
- Inclusion of pre-packaged holidays in the online offering
- Maintain portal-character / model
  - Minimise capacity risk
  - Maintain lean cost structures

Attracting 'Online Lookers'

Basic Trust Development

E-Tourism Success & Online Trust (2):
Online Tour Operators

Online Strategy Guidelines

- Investment in content enrichment for:
  - High-margin, information-intensive products
  - Exclusivity packages and / or components
  - … which are capable of financing such an investment!
- Pricing transparency and content standardisation for mass-market holiday packages:
  - Highlight the advantages of a tour operator package vs. a DIY holiday

Transforming 'Online Lookers' to 'Bookers' [12]

Cognitive Trust Development

E-Tourism Success & Online Trust (3):
Online Specialists

Online Strategy Guidelines

- Multimedia-enabled & interactive content
- Reduction of transaction risk through structural guarantees:
  - Option booking
  - Free re-bookings
- Price parity across channels and over time:
  - Do not punish online customer
  - Avoid sabotaging offline distribution channels

Utilisation of online presence to increase customer base (both offline & online)
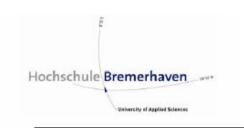
Affective Trust Development

- **Online Trust**…
  - Risk minimisation mechanism
  - Online trust-levels depend on: The <u>availability of information Both explicit and tacit)</u>, combined with the <u>ease and ability to access</u> it

- Within the **E-Tourism Context**, online trust…
  - … has migrated from a focus on <u>internet adoption to a competitiveness issue</u>
  - ... poses different requirements, depending on the scope and type of holiday services offered
  - … cannot be separated from the <u>overall marketing strategy</u> of tourism companies

Success in E-Tourism is not just about increasing the trustworthiness of websites, but also about utilising web presence to facilitate trust towards the organisation!

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End Notes

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3. Flavian, C. et al (2006)
4. Lewis & Weigert (1985:963)
5. Giddens (1991:39-40)
6. Eggers (2005:169)
7. Fittkau & Mass (2002:75)
8. See for example: Mueck, R. (2007:124)
9. See for example: Hildebrandt, K. (2007:54)
10. See for example: Juers, M. (2007:21)
11. See for example: Teggatz, T. (2007a:44)
12. See for example: Teggatz, T. (2007b:87)

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