TITLE OF PROJECT PAPER :

INNOVATIVE IT APLICATION IN A MALAYSIAN TRAVEL COMPANY,

ETRAVEL SDN BHD

By

CANDIDATE NAME :

NG SIANG TEIK

(Matriculation No : G9815219/MBA)

This project paper is prepared as part of the above candidate fulfillment of

the conditions in partial fulfillment for the completion of the degree of Master

of Business Administration (MBA) at International Islamic University Malaysia.

Date : 12 July 2001

18/9/03 mbs

t
G
155
m4
N57W
2001

ABSTRACT

This paper attempts to examine the innovative implementation of the latest information technology in a travel company to gain sustaining competitive advantage in the dynamic changing tourism industry in Malaysia.

The present sluggish economy of the country, adverse macro environment threats and the internal weaknesses of the travel company impetus its management to radically rethink its current way of conducting business with the customers and its synergistic business partners. In view of the Eighth Malaysia Plan, the government economic strategy is to transform the country to participate in the new knowledge based economy by year 2005. In this macro economy plan, tourism industry is to play a major role in the economic growth of the country from year 2001 to 2005. Thus, it was timely for the travel company to acquire and adapt the latest information technology to revolutionize its customer relationship strategy to gain competitive advantage.

The study also aims to demonstrate that in the long term the adaptation of the electronic based customer relationship management system (eCRM) complements the conventional customer service centre and enhances the effectiveness of face to face customer service by salesperson.

The final stage of its implementation of the eCRM is the adoption of the internet interface CRM to allow the company to create a collaborative micro ecosystem between its employees and the customers as well as its strategic partners to create

new value added benefit in the value chain. In the long term vision of the company envisages not only to gain competitive advantage but also to achieve sustaining competitiveness to participate in the new knowledge based economy.

This has also attributed the company with new digital capabilities to explore vast opportunities in the e-commerce marketplace. Findings from research firm, International Data Corporation forecasted the total value of e-commerce in the country is about RM38 billion by year 2005. As one of the early adopter of the internet enabled CRM, the company is still at the initial learning curve to experiment and create innovative ways to service its customers and business partners satisfactorily.

In conclusion, this study also embarks to present an insight that hopefully achieves to lay the cornerstone for future in depth researches and empirical findings on this topic. There are numerous questions to ponder such as is the eCRM or internet technology going to be the leading edge technology or bleeding financial technology in the tourism industry? Examine the degree of transformation of the tourism industry by the adoption of information and communication technology in Malaysia? How successful is this revolutionary competitive tool applied in other service industry. To assess customer satisfaction in an empirical study of the service sector in Malaysia, before and post implementation of eCRM or internet driven CRM.

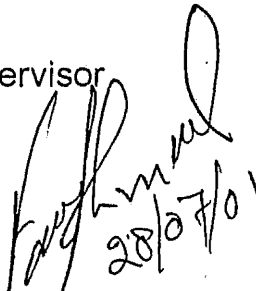# APPROVAL

CANDIDATE NAME :

NG SIANG TEIK (Matric No : G9815219/MBA)

TITLE OF PROJECT PAPER :

INNOVATIVE IT APLICATION IN A MALAYSIAN TRAVEL COMPANY,

ETRAVEL SDN BHD

The undersigned certifies that the above candidate has fulfilled the conditions of the project paper prepared in partial fulfillment of the requirement for the degree of Master of Business Administration (MBA)

Supervisor

DR FAROOQ AHMAD

Date : 12 July 2001

ACKNOWLEDGEMENT

I would like to take this opportunity to extend my sincere appreciation and gratitude to my supervisor, Dr Farooq Ahmad for his constructive guidance, invaluable advice, generous assistance, empathy and intellectual suggestions throughout the preparation and finally completion of this paper.

My sincere thanks also goes to all the other lecturers and staff at the Management Centre for their constructive comments, words of encouragement, sharing their knowledge and guidance in preparing the framework of this paper. My deepest appreciation to my learned brothers and sisters for their constant motivation and friendship that I shall honour it.

Dedicated to my beloved family, especially to my supportive wife, Natalie Wee for diligently helped with reviewing my draft and her patience throughout the MBA programme in IIUM and also for caring our two daughters, Rebecca and Veronica Ng.

For the many blessings that I have received and continue to enjoy, may I praise God with this :-

Psalm : You, Lord, are all I have, and you give me all I need: my future is in your hands.

Thank you.

Ng Siang Teik

July 2001

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

1) INTRODUCTION

1.1) Malaysia Pursue Knowledge Based Economy

The economy of Malaysia is projected to grow on average 7.5% per annum in the Eighth Malaysia Plan (from 2001 to 2005) according to the government. One of the macroeconomic strategies adopted by the government is to develop a knowledge based economy thereby contributing to enhance the total factor productivity and the long term growth potential of the macroeconomy. Malaysia recognizes the need to transform to a knowledge based economy to take advantage of the vast opportunities created by new information and communications technology (ICT). Vital sectors like manufacturing, agriculture and services are expected to attain positive growth. The services sector is estimated to grow by 7.7% with emphasis being placed on tourism.

By the end of 2005, it is forecasted that 14.3 million tourists will visit Malaysia and generate annual revenue of RM29.5 billion. Tourist arrivals are projected to increase at an average rate of 6.9% each year to reach the Eighth Malaysia Plan target. The tourism industry will be one of the major driving forces of the country's economic growth during the Eighth Malaysia Plan. For the tourism industry to achieve a sustainable growth, it is imperative to meet the needs and preferences of the tourists satisfactorily. The government had allocated RM1 billion to stimulate the tourism industry with joint effort from the private sector.

2) BACKGROUND OF THE STUDY AND LITERATURE REVIEW

2.1) Objective And Scope

The objectives of this study are to describe the innovative application of information technology in a travel company to attain a competitive advantage and the adaptation of information technology in revolutionizing the customer relationship management process. Thirdly, to identify the benefits of implementing electronic aided customer relationship management (eCRM) in a medium-size travel company in Malaysia. The scope of this discussion focused on the transitional stage of the company's customer relationship strategy, from conventional face to face selling to the more sophisticated electronic aided customer relationship management. Finally, to discuss the new business potentials that will emerge from the application of the collaborative internet networking system of information sharing between the travel company and its external customers and strategic business partners.

2.2) Literature Review

The impact of globalization in most sectors of the world economy enhances competition and business becomes more sophisticated in exploiting information and automation technology. The survival of some companies will depend on their ability to seize opportunities to use information technology (IT) as a competitive strategic tool. According to Yannis Bakos and Michael Treacy (1996), the two major sources of an organization's competitive advantage are bargaining power and comparative efficiency. Today, most efforts to use IT for competitive advantage have focused on the comparative efficiencies. IT supported organization have concentrated on improving internal efficiency and inter - organization efficiency.

Two examples of the American companies that have successfully applied IT as a competitive weapon are the American Hospital Supply and America Airline. The American Hospital Supply was one of the early pioneers in the use of computer terminals at customer locations to allow its customers to key in their orders of the company's products. In short, American Hospital Supply utilised IT to automate its daily order processing.

American Airlines began developing a computerized reservation system called Semi – Automated Business Research Environment (SABRE) in the early 1960s. By 1970, the company had installed numerous SABRE systems in its affiliated travel agencies across the United State of America to help its agents to make hotel reservations, car rentals, train schedules and theater tickets bookings in seconds.

In a US survey reported by Charles Schwab (New Straits Times Sep.6,2000) the costs to service and maintain a customer in four different communication methods are:-firstly the conventional face to face approach costs US$10 (RM38) each time. Through call centre, communication, it costs US$7.50 (about RM28.50), via voice response unit costs US$2.48 (about RM9.42) and lastly through the internet it costs US$0.18 or approximately RM0.68. From the report we gather that retaining a customer does not come cheap. Lewis Folb, chief executive officer of WorldGroup Consulting (New Straits Times Sep.6, 2000) stressed that customer service is the key differentiator in the business environment this present day

The literatures reviewed form the basis of the author's study of this project paper to examine and describe the exploit of information technology in a travel company in Malaysia to create a competitive advantage in the local business environment.

3) BACKGROUND ON ETRAVEL SDN BHD

The author's rationales for selecting ETRAVEL Sdn. Bhd. as the subject for his project paper were mainly attributed to the accessibility of primary source of information, as a member of the organization and the company was one of the pioneers to implement electronic aided customer relationship management system in Malaysia.

With this new Internet Economy challenges and opportunities in view, ETRAVEL Sdn Bhd is committed to deliver customer focused product development, promotion and customized services to its customers. Attention will be given to improve and expand its product range to include eco-tourism, education, student and agro-tourism. ETRAVEL Sdn Bhd was incorporated in 1979 with approximately half million Ringgit as paid up capital. ETRAVEL was acquired in 1989 by a multi-national conglomerate to gain a comprehensive regional travel and tourism business unit in Malaysia. The company achieved International Air Transportation accreditation in 1990. In 1997 to attain a rapid foothold in the fast growing inbound tourism business, ETRAVEL entered into a joint venture with a travel company in East Malaysia with a paid-up capital of RM0.5 million. The business strategic alliance with the foreign multi-national, had elevated ETRAVEL to become a major player in the tourism industry in South East Asia. The injection of new foreign capital along came with the introduction of new Information Technology and expertise in the operations of the company.

4) ETRAVEL CORE BUSINESSES

ETRAVEL is principally involved in corporate airline ticketing, inbound eco-tourism, seminar, event services, corporate incentive trip, leisure outbound tours, inbound leisure sport and student tours. To offer a comprehensive travel service, it had expanded into local eco-tourism venture to compliment its vast regional travel network in the South East Asia region.

The corporate travellers accounted for more than 70% of its annual turnover. The balance of it sources of revenue are contributed by European tourists inbound tours to Malaysia and outbound local travellers on overseas holiday package.

ETRAVEL's head office is located in Kuala Lumpur with branch offices in Penang, Johore Bharu, Kuching and Kota Kinabalu. Each office is supported by administrative, sales and marketing units. ETRAVEL's organizational structure is primarily decentralized administration with a structured hierarchy organization.

Before ETRAVEL adopted the Information Technology into its micro business environment it has identified some critical weaknesses in the present tourism industry.

5) KEY WEAKNESSES OF TOURISM INDUSTRY IN MALAYSIA

Basically, these key industry weaknesses are divided into two categories which are the external and internal adverse factors.

5.1) External Adverse Factors

These external adverse factors hinder the growth of the tourism industry in the country and cannot be avoided by ETRAVEL Sdn Bhd.

5.1.a) Post-1997 Financial Crisis

After the Asian financial crisis of 1997, the Malaysian GDP growth has been slowly creeping back to about 5.2% forecasted for Year 2001. However, the impact of 1997 economic downturn persisted into 2001. Partially, impacted by its key trading partner, USA economic slowdown and weakened Ringgit versus US dollar. This uncertain economic environment had resulted in many Malaysian companies downsized workforce and slashed their expenditure particularly corporate travelling and incentive trips. Furthermore, it meant Malaysian tourists have to pay more Ringgit to holiday overseas especially to USA, Europe, Australia or even to Singapore.

5.1.b) Political Instability in Certain Asian Countries

Internal civil unrest in Indonesia, South Korea, Philippines, Myanmar and Cambodia had deterred Malaysian tourists to visit these neighbouring Asian countries. Thus, it further reduced the number of alternative holiday destinations for Malaysian tourists to spend their leisure vacations.

5.1.c) ASEAN Free Trade Agreement (AFTA)

Malaysia as a member country of AFTA and the ASEAN Investment Area, is expected to reduce its average tariff for the country to 2.6% by 2003 and to allow free movement of importation of goods and services among member countries, such as rice and automobiles from Thailand by 2005. The financial and insurance companies in the country are encouraged to merge by end of 2003. The tourism industry needs

to radically change and innovate to face greater competition domestically and from foreign countries like Thailand, Vietnam, Singapore and Indonesia by year 2005.

5.1.d) Malaysia Macroeconomy Is Heading For Technical Recession

The Malaysian Institute of Economic Research (MIER) has revised its gross domestic product growth estimate for Malaysia from 4% to 2.2% in year 2001(The STAR July 18, 2001). MIER lowered its GDP figure as result of declining conditions in the global economy. Recently, Singapore has slipped into technical recession following two consecutive quarters of negative GDP growth. According to MIER findings, Malaysia is heading for but is unlikely to slip into a technical recession.

The survey on consumer sentiments indicated low confidence and a tendency towards selective spending, with the consumer index falling below 100. Another adverse factor which discourages consumer spending is that the banking and insurance industry is in the progressive stage of restructuring. Bank mergers and acquisitions to consolidate these financial institutions had led to voluntary retrenchment and certain jobs had disappeared overnight. This has a negative social and psychological impact on the Malaysian households to preserve their financial wealth by spending only on essential consumable goods. Thus, family vacations have been postponed or compromised as they are regarded as luxuries in view of the current uncertain financial and employment outlook.

5.2) Internal Factors of ETRAVEL

With rising operational cost and negligible organic revenue growth, gradually the ETRAVEL profitability is eroded. The productivity of the company performed below industry average. Morale of the staff can be rated as mediocre and computer competency is the least acquired skill among its employees. Except for accounting

and airline ticketing, most of the daily marketing, sales and customer interaction functions are primarily conducted in simple and conventional time consuming practices. For example, in the past to provide quotation to its corporate customer was a time-consuming task for its salesperson. Traditionally, reservation of airline booking or hotel accommodation took numerous telephone calls and faxes to its customer service center resulted ETRAVEL's customers perceived its customer service quality as below their expectation.

6) ETRAVEL ACQUIRED INFORMATION TECHNOLOGY

With more intense competition and greater demand for better customer service, ETRAVEL took a corporate decision in 1999 to invest in state of the art Information Technology to enhance its business process efficiency and improve the quality of its customer service turnaround time. ETRAVEL recognised that in today business environment relying on product leadership and cost leadership is not sufficient. To stay ahead of its competition ETRAVEL mission is to attain superiority not only in product performance and cost efficiency but also leadership in customer service in the industry. Ultimate objective is to create new values for its customers with its leading edge Internet Customer Relationship Management (iCRM) technology.

In 1997, the multi-millions Ringgit investment in the state of the art mySAP business solution system led to nationally link up its outstation branches to a centralized databank in the head office in Kuala Lumpur. This had also led to standardization of its accounting, invoicing and billing to its corporate customers. Basic computer and telemarketing skill training were regularly conducted for its front line staff to manage external customers and prospects to achieve a consistent superior quality customer service.

Marketing and salespersons are provided with laptops and Wireless Application Protocol (WAP) equipment to communicate and access its centralized databank to satisfy its corporate clients needs.

7) ETRAVEL-Customer Relationship Management

The choice of the customer relationship competitive strategy is a mission-critical decision that will impact ETRAVEL competitiveness for years to come. Application of customer relationship management strategy is not new, it had pre-existed even at the dawn of barter trade community. Where a supplier/user of a good or service needs to identify and foster a trusting relationship with another person who can provide him goods or service to match his needs satisfactorily This mutually beneficial relationship prevailed to this Information Age, company today would like to prove that it has the unique capabilities to serve its customers over a long term.Most companies today such as ETRAVEL are shifting from mere transactional focused relationship to more customer oriented relationship management.

Electronic Customer Relationship Management (as eCRM) adopts an integrated, direct marketing approach through electronic communication channel to consistently creates, sustains and enhances meaningful value added benefit with its customers and other stakeholders in the value chain. ETRAVEL business model emphasized on maintaining profitable long term value chain relationship with its core customers and key stakeholders.

In the Industrial Age of mechanization of mass production, today's customers are overwhelmed with products/choices and becoming more demanding. The rapid development of information and communication technology has drastically leveled the competition playing field to allow all business entities no matter how big or small

to freely compete in the global marketplace with the same element of risks and opportunities. In today rapid changing business environment to paraphrase Dr P.Kotler (Principles of Marketing 9th Edition) "the sale is only the beginning of the customer relationship cycle. "

ETRAVEL decided to implement mySAP-Customer Relationship Management solution to streamline all its existing business processes and to integrate its entire electronic business ecosystem. MySAP-Customer Relationship Management is an electronic vehicle that eliminates the boundaries that stand between ETRAVEL and its external customers. It also drives efficiency into every area of its electronic business network. The choice of mySAP Customer Relationship Management solution is rationalize by the competency and decade of experience of mySAP as a business solution provider in diverse industries. Globally it is back up by a team of experienced experts and reliable after sales service.

Adaptation of eCRM is to enhance ETRAVEL ability to service and transact with its key customers. E-CRM can help ETRAVEL to increase sales by reducing rate of customer rejection and resulting higher profitability. It also helps the company to develop a collaborative trading network between its employees, customers and synergistic partners to create new sources of value in the value chain. At the same time, eCRM provides the company with an open, adaptable, and user-friendly web based interface that is easy for its employees and customers to learn and use.

8)   ETRAVEL ADAPTATION OF eCRM TO BECOME CUSTOMER CENTRIC

MySAP CRM provides a unique integrated applications that evolve ETRAVEL to become customer-centric and more efficient organization , such as:

8.1)   Operational CRM applications.

At the operational level , the eCRM applications empower its employees by providing role-based workplaces. In addition, they allow seamless real-time integration of front-office interaction and back-office fulfillment, and synchronize customer interactions across all communication channels.

8.2)   Analytical CRM applications.

Drawing on ETRAVEL data warehouse and other sources, these analytical applications help marketing staff to understand what its customers want and how they behave. E-CRM also supports the marketing and sales efforts to acquire and retain customers.

8.3)   Collaborative CRM applications.

These collaborative system applications help ETRAVEL to network more closely with its external customers, and synergistic business partners, creating new sources of value throughout its business ecosystem.

9)   ETRAVEL- CUSTOMER RELATIONSHIP MANAGEMENT

9.1)   ETRAVEL-CRM Benefits

ETRAVEL electronic based Customer Relationship Management (ETRAVEL-CRM) removes the boundaries that stand between ETRAVEL and its external customers. It also drives value into every area of its mission critical business processes. With the application of ETRAVEL-CRM, the company can:

9.1.a) Build stronger customer relationships:

- Improve customer satisfaction and retention rate.

- Maximize each customer's lifetime value.

- Segment its customer base more speedily and accurately.

- Make its sales, customer service centre, and marketing functions more productive and proactive

- Resolve customer complaint and prospect enquiry more quickly

- Enable online travel planning and automated airline ticketing from customer office.

9.1.b) Improve ETRAVEL competitive edge:

- Achieve more accurate market forecasting, industry trend analysis, and individual customer profitability analysis

- Commit resources in real-time at the front-end for more reliable delivery commitments

- Build up more customer focus sales and service capabilities throughout the organization

- Receive more consistent and faster information across all customer touch points -- including Internet, customer interaction center, and face to face contact

- Provide each staff member with a role-based interface featuring exactly the information he or she needs to get the task done well and effectively.

9.1.c) Increases ETRAVEL revenues and profits:

- Encourage cross-selling and up-selling of ETRAVEL multiple product ranges.

- Focus your sales people on the most profitable customers and potential prospects.

- Increase the accountability of sales and marketing in allocating resources.

- Shorten sales cycles by simplifying process for customer to transact with ETRAVEL.

12

- Reduce cost per sale call with multi – transactional channels for its customers.

- Reduce transaction costs per customer.

9.2) ETRAVEL-CRM Key Capabilities

ETRAVEL Customer Relationship Management (ETRAVEL-CRM) facilitates closed-loop customer interactions through all phases of the customer relationship life cycle, including:

9.2.a) Enhances Employees and Customer Partnership

At the marketing, sales and customer service level, ETRAVEL-CRM empowered its employees by providing them real time customized information they need to execute targeted customers marketing campaigns, synchronize all sales activities and deliver prompt , timely superior quality customer service. It assists to build partnership with customers whether by phone, fax, internet , web enabled cell phone or by traditional face to face customer service.

9.2.b) Customisation and Timeliness in Order Fulfillment

At the planning and executing level, ETRAVEL–CRM helps to plan, analyse, and customised promotional campaigns, coordinate budgets, perform customer segmentation, identify decision makers, track sales, response rapidly to market trends and manage contracts to maximize the utility of its limited resources.

At the corporate management level, ETRAVEL–CRM supports better planning by providing real time management reports, timely senior management information feedback and to facilitate management to build a customer – driven culture throughout its company hierarchy.

In the long term ETRAVEL-CRM helps the company to build up a eCRM networking with its business partners. The application of ETRAVEL-CRM facilitates the company to selectively share critical information with its external customers, suppliers and strategic business partners to create new sources of value towards the goal of reaching total customer satisfaction.

Table 1)   SUMMARY OF ETRAVEL-CRM CAPABILITIES

1. Customer Engagement	2. Business Transaction
• Marketing Planning and Campaign Management	• Order Acquisition
• Telemarketing and Lead Generation	• Internet Pricing and Configuration
• Opportunity Management	• E-Selling
• Sales Activity and Contact Management	• Telesales
• Customer Segmentation, Product and Service Profiling	• Field Sales
• Collaborative Content Management	• Profitability Analysis
	• One Step Buying and Selling
3. Order Fulfillment	4. Customer Service
• Complete Order Life Cycle Process	• Interaction Center
• Real-Time Availability Checks	• Internet Customer Self-Service
• Contract, Billing, and Financials Management	• Service Management
• Fulfillment Visibility and Order Tracking	• Claims Management
	• Field Service – Mobile Service
	• Field Service – Dispatch
	• Integration of Marketplace Services

10) ETRAVEL–CRM MARKETING, SALES & CUSTOMERS SUPPORTS

With ETRAVEL–CRM, marketing professionals are put at the centre of company's internal and external data resources. This give them the digital tools to plan, execute and monitor more effectively their marketing programs. This state of the art electronic capabilities helps marketing to promote products and customized travel services more effectively to persuade its prospects and turn them into customers.

10.1) Capabilities of ETRAVEL–CRM Customer Engagement

In the customer engagement phase of the relationship life cycle, ETRAVEL-CRM support the following key functional areas:

- **Marketing Planning and Campaign Management** -- Enables complete marketing campaigns, including content development, audience definition, market segmentation, and integrated multiple channel of communications. It offers rapid data mining to analyse customer profile, tailor made of product and incentive offers to its targeted clients. Eliminate silos information and coordinate marketing activities with other key departments, such as sales, customer contact center operation, finance and external strategic business partners.

- **Telemarketing and Lead Generation** -- Facilitates customer segmentation, lead qualification, call list management, and monitoring of campaign progress by using integrated analytical CRM functionality. Build telephone and email contact lists for execution of promotional campaign. Create telemarketing scripts to guide non sales experience telemarketeers to communicate with prospects. Monitor success rate and profitability of marketing campaign.

- **Opportunity Management** -- Provides sales tracking and sales forecasting; helps plan sales approaches, identify key decision makers, and estimate potential-to-buy and potential closing dates. Gather, qualify and deliver prospect leads to sales team.