



**ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF MARKETING MANAGEMENT**

**DIGITAL TECHNOLOGY PRACTICES, CHALLENGES AND  
FINANCIAL IMPLICATIONS: EVIDENCE FROM TRAVEL  
AGENCIES IN ADDIS ABABA**

**BY**

**MEKDES NEGUSSIE**

**ID No SGS/0040/2015A**

**ADVISOR: EPHREM ASSEFA (Ph.D)**

**DECEMBER 2024**

**ADDIS ABABA, ETHIOPIA**

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF  
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**ADVISOR: EPHREM ASSEFA (Ph.D)**

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ADDIS ABABA, ETHIOPIA**

**ST. MARY’S UNIVERSITY  
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**APPROVED BY BOARD OF EXAMINERS**

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**Dean, Graduate Studies**

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**Signature**

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**Advisor**

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**Signature**

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**External Examiner**

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**Signature**

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**Internal Examiner**

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**Signature**

## DECLARATION

I, Mekdes Negussie, the undersigned person declare that the thesis entitled “*Digital Technology Practices, Challenges and Financial Implications: Evidence from Travel Agencies in Addis Ababa*” is my original and submitted for the award of Master of Art Degree in Marketing Management, St’ Mary University at Addis Ababa and it hasn’t been presented for the award of any other degree. Under this study, fellowship of other similar titles of any other university or institution of all sources of material used for the study has been appropriately acknowledged and notice.

Mekdes Negussie

Candidate

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Signature

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Date

## **CERTIFICATION**

This is to certify that the research thesis entitled: “*Digital Technology Practices, Challenges and Financial Implications: Evidence from Travel Agencies in Addis Ababa*” in partial fulfillment of the requirements for the degree of Masters of Marketing Management at the School of Studies, St Marry University is a record of original research thesis written by Mekdes Negussie under my supervision. The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend it to be accepted as fulfilling the thesis requirements.

Advisor

**Signature**

**Date**

Ephrem Assefa (Ph.D)

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## **TABLE OF CONTENTS**

CERTIFICATION	iii
ACKNOWLEDGMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABSTRACT	xi
<b>CHAPTER ONE</b>	<b>1</b>
<b>INTRODUCTION</b>	<b>1</b>
1.1 Background of the Study	1
1.2 Statement of The Problem	3
1.3 Research Questions	5
1.4 Objectives of the Study	5
1.5 Significance of the Study	6
1.6 Scope and Limitation of the Study	7
1.7 Limitations of the Study	8
1.8 Organization of the Study	8
1.9 Definition of Key Operational Terms	9
<b>CHAPTER TWO</b>	<b>11</b>
<b>REVIEW OF RELATED LITERATURE</b>	<b>11</b>
2.1 Introduction	11
2.2 Theoretical Literature Review	11
2.2.1 Concepts and Definitions	11
2.2.1.1 What is Tourism?	11
2.2.1.2 An overview of Tourism Industry	12
2.2.1.3 The Concept of Travel Agency	13
2.2.1.4 Understanding Travel Agencies	14
2.2.1.5 The Historical Development of Travel Agency	15
2.2.2 Internet and Travel Agencies' Business	15
2.2.2.1 Role of Internet in Tourism	15
2.2.2.2 Travel Agencies in the Digital Era	16
2.2.2.3 Online Travel Agency	20

2.2.2.4	Functions of Travel Agencies	21
2.2.3	Challenges and Strategies of Traditional Travel Agencies in the Digital Era	22
2.2.4	Sustainability and The Competitiveness of Travel Agencies	24
2.2.5	Theoretical Review (Related Theory)	25
2.2.5.1	Resource-Based View (RBV)	25
2.2.5.2	Michael Porter's Competitive Forces Theory	25
2.2.5.3	Dynamic Capabilities Theory	25
2.2.5.4	Service-Dominant Logic (SDL)	26
2.3	Empirical Literature Review	26
2.4	Research Gap	30
2.5	Conceptual Framework of the Study	31
<b>CHAPTER THREE</b>		<b>33</b>
<b>RESEARCH METHODOLOGY</b>		<b>33</b>
3.1	Description of the Study Area	33
3.2	Research Design	34
3.3	Research Approach	35
3.4	Units of Analysis	36
3.5	Data Type and Sources	36
3.6	Target Population and Sampling	36
3.7	Data Collection Methods	38
3.8	The Credibility of the Research	39
3.9	Method of Data Analysis	40
3.10	Ethical considerations	41
<b>CHAPTER FOUR</b>		<b>43</b>
<b>DATA PRESENTATION AND ANALYSIS</b>		<b>43</b>
4.1	Introduction	43
4.2	Response Rate	43
4.3	Case Study	44
4.3.1	Case Study Analysis: Traditional Travel Agencies in Addis Ababa	44
4.3.2	Case or Data Analysis	46
4.3.3	Case Study Analysis Based on Specific Objectives	47



4.4	Demographic Profile of Respondents	48
4.5	Digital Travel Practices of Travel Agencies	51
4.5.1	Challenges facing traditional travel agencies	52
4.5.2	Business Model Adaptation	53
4.5.3	Digital travel technologies	55
4.5.4	Operational Strategies for Online Booking	56
4.5.5	Financial Implications of Digital Transformation	58
4.5.6	Summary of Grand Mean	60
4.6	Discussions	61
	<b>CHAPTER FIVE</b>	64
	<b>SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS</b>	64
5.1	Introduction	64
5.2	Summary of Major Findings	64
5.3	Conclusions	65
5.4	Recommendations	66
5.5	Future Studies	67
	<b>REFERENCE</b>	69
	<b>APPENDIX</b>	74
	Annex 1 Questionnaire	74
	Annex 2 Interview Checklist	80

## LIST OF TABLES

<a href="#"><u>Table 1 Sample Size Determination</u></a>	38
<a href="#"><u>Table 2 Reliability Test Results</u></a>	40
<a href="#"><u>Table 3 Response Rate</u></a>	43
<a href="#"><u>Table 4 Respondents Profile</u></a>	49
<a href="#"><u>Table 5 Frequency Distribution and Mean Scores</u></a>	52
<a href="#"><u>Table 6 Business Model Adaptation</u></a>	53
<a href="#"><u>Table 7 Digital travel technologies</u></a>	55
<a href="#"><u>Table 8 Operational Strategies</u></a>	57
<a href="#"><u>Table 9 Financial Implications of Digital Transformation</u></a>	58

## **LIST OF FIGURES**

<a href="#"><u>Figure 1 Conceptual Framework of the Study</u></a>	31
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## **ACRIMONYS**

**AI** - Artificial Intelligence

**CC BY-NC-ND** - Creative Commons Attribution-NonCommercial-NoDerivatives

**CSR** - Corporate Social Responsibility

**E-commerce** - Electronic Commerce

**EU** - European Union

**GDP** - Gross Domestic Product

**GDS** - Global Distribution Systems

**ICT** - Information Communication Technology

**JTR** - Journal of Travel Research

**MICE** - Meetings, Incentives, Conferences, and Exhibitions

**OTAs** - Online Travel Agencies

**PhD** - Doctor of Philosophy

**SADC** - Southern African Development Community

**SEO** - Search Engine Optimization

**TQM** - Total Quality Management

**UN** - United Nations

**UNWTO** - United Nations World Tourism Organization

**USAID** - United States Agency for International Development

**WTO** - World Trade Organization

**WTTC** - World Travel & Tourism Council

## **ABSTRACT**

*This study assesses the digital technology practices, challenges and their financial implications in the case of traditional travel agencies in Addis Ababa. The study utilized a mixed research approach combining both descriptive methods and case studies. A total of 140 respondents out of a population of 144 participated in the study. Survey data were analysed using SPSS version 25, employing descriptive statistics (frequency, percentage, and mean) and qualitative data analysed using thematic analysis. Case studies of MEET, Yama Ethiopia Tours, and Ebyet Tour and Travel provide insights into how these agencies are leveraging technology to enhance operational efficiency, improve market competitiveness, and differentiate themselves through personalized services and sustainability. The case studies demonstrate how traditional travel agencies are adapting to the digital disruption posed by Online Travel Agencies (OTAs) and evolving consumer preferences. Through the use of technology, these agencies have enhanced operational efficiency, maintained market relevance, and differentiated themselves by focusing on personalized services and sustainability. The financial implications of digital transformation are significant, but these agencies are strategically leveraging digital tools and offering unique experiences to stay competitive. Findings highlight the need for further alignment with market demands and increased technological integration, particularly in data analytics. The study concludes that agencies that can balance traditional service quality with modern digital tools are likely to thrive. Recommendations include continued investment in technology, enhanced customer engagement strategies, and further adoption of sustainable practices.*

**Keywords:** *Sustainability, Traditional Travel Agencies, Digital, Online Travel Agencies (OTAs), Consumer Behaviour, Addis Ababa, Technology Adoption, Personalized Services, Case Study, Travel Industry.*

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

A travel agency is a specialist service provider that assists individuals, families, and businesses in planning, booking, and organizing travel-related activities. Acting as intermediaries, travel agencies connect travelers with various components of the travel industry, including airlines, hotels, cruise lines, and tour operators. Their primary objective is to simplify the complex process of trip planning while enhancing the overall travel experience through their expertise, networks, and industry knowledge (Buhalis & Law, 2008).

Travel agencies play a crucial role in helping clients select and arrange essential aspects of their journeys, such as transportation, lodging, and activities. Skilled travel agents manage the intricacies of the travel industry, stay updated on destinations, visa requirements, and other regulations, and provide valuable advice by creating personalized itineraries. Additionally, they often negotiate prices to present clients with the best possible travel options (Kwortnik & Thompson, 2009).

Historically, travel agencies operated as physical storefronts where customers could engage with agents in person. However, the rise of the internet has transformed the sector, leading to the emergence of online travel agencies (OTAs) that offer booking services through digital platforms. These online entities have redefined the dynamics of travel planning and booking, making it essential for traditional travel agencies to adapt to the digital landscape.

The internet has become a formidable competitor in the travel industry, offering consumers unprecedented access to information and booking options. A simple "click" can transport users anywhere in the world, providing insights into various tourism-related offerings, including travel, accommodations, and activities (Sigala, 2018). Online platforms enable consumers to make direct purchases from service providers, reducing reliance on intermediaries and consequently driving down costs associated with travel agency services.

The pandemic caused 2.7 billion fewer foreign visitors in 2020, 2021, and 2022. In actual terms, export earnings from international tourism (including receipts and passenger transportation) fell 62% in 2020 and 59% in 2021 compared to 2019. They then recovered in 2022, but they were still 23% below pre-pandemic levels. Over the course of those three years, there was a USD 2.5 trillion loss in tourism-related export earnings. In 2023 and January–July 2024, foreign visitor arrivals were 89% and 96% of pre-pandemic levels, respectively (The World Tourism Organization (UN Tourism), 2024). Updated data for 2023 indicates that export earnings from foreign travel reached USD 1.8 trillion, which is almost exactly the same as pre-pandemic levels (down 1% in real terms from 2019). Additionally, the tourism industry's direct GDP returned to pre-pandemic levels in 2023, reaching an estimated USD 3.4 trillion, or equivalent to 3% of global GDP (World Travel and Tourism Council, 2023).

In Africa, the digital transformation has been rapid. As of 2022, over 50% of the African population had access to the internet, fostering the growth of online travel services (Internet World Stats, 2022). In Ethiopia, the rise of mobile internet usage has particularly accelerated this trend, with a reported increase of over 25% in mobile internet penetration between 2020 and 2022 (Ethiopian Communications Authority, 2022). As travelers in Ethiopia increasingly turn to online platforms for booking, traditional agencies face challenges in maintaining their client base and relevance.

Moreover, the COVID-19 pandemic significantly altered consumer behavior, with a shift towards online booking and contactless services (McKinsey & Company, 2021). The African tourism sector is expected to grow significantly post-pandemic, with a projected annual growth rate of 5% from 2023 to 2028 (World Travel and Tourism Council, 2023). However, to capitalize on this growth, traditional travel agencies must adapt to the new digital landscape.

In light of these developments, the sustainability of traditional travel agencies in the digital era is a pressing concern. As the travel industry continues to evolve, it is imperative for agencies, particularly in rapidly growing markets like Addis Ababa, to adapt to changing consumer preferences and technological advancements. This study aims to explore the sustainability of travel agencies in Addis Ababa, considering the impact of digitalization on their operations and service offerings.

## **1.2 Statement of The Problem**

Traditionally, travel agencies operate as intermediaries, providing valuable expertise and personalized services to clients seeking travel arrangements. Ideally, travel agencies thrive by building long-term relationships with clients, facilitating seamless travel experiences, and leveraging their industry knowledge to add value beyond what online platforms can provide (Buhalis & Law, 2008). However, the rise of online travel agencies (OTAs) and direct booking platforms has disrupted this model. Consumers are increasingly opting for self-service options, leading to a significant decline in business for traditional travel agencies. This shift matters because it threatens the viability of these agencies, which are often small to medium-sized enterprises that contribute to local economies and provide employment opportunities. In Addis Ababa, where the tourism sector is crucial for economic development, the decline of traditional travel agencies could have wider implications for the local economy (World Travel and Tourism Council, 2023).

The traditional travel agency model in Addis Ababa, historically based on personalized services, expert guidance, and customized itineraries, is facing significant disruption due to the rise of online travel agencies (OTAs) and digital booking platforms. With the growing consumer preference for self-service online platforms, traditional agencies are experiencing a decline in business, which is particularly impactful in Addis Ababa, where the tourism industry plays a vital role in the local economy. This trend threatens not only the financial stability of these agencies but also their ability to adapt to changing consumer behaviors, particularly among younger, tech-savvy travelers.

To better understand how traditional travel agencies are navigating these challenges, this study focused on three case studies: Yama Ethiopia Tours, Ebyet Tour and Travel, and Merit Ethiopian Experience Tours. Yama Ethiopia Tours, established in 2009 with a focus on sustainable tourism, offers a perspective on how agencies with a long-standing commitment to eco-friendly practices are adjusting to digital competition. Ebyet Tour and Travel, a well-established agency since 2000, exemplifies a traditional agency with a strong customer service focus, grappling with the need to modernize its operations. Merit Ethiopian Experience Tours, a newer agency known



for its bespoke services and strong online presence, demonstrates the effectiveness of blending traditional tourism experiences with digital tools.

The financial implications of this trend are substantial. As agencies lose clients to digital platforms, they face reduced revenues and increased operating costs. A preliminary analysis indicates that many agencies in Addis Ababa have seen a revenue drop of up to 30% in recent years due to these changes (Addis Ababa Tourism Office, 2023). This decline not only affects their profitability but also impacts their ability to invest in technology, staff training, and marketing, further exacerbating their challenges.

Recent studies like World Travel and Tourism Council (2023) indicate that the global travel agency market is increasingly dominated by OTAs, with projections showing that online bookings will account for over 70% of the market by 2025 (Statista, 2023). In Ethiopia, the surge in mobile internet access—reportedly increasing by 25% from 2020 to 2022—has led consumers to prefer online bookings (Ethiopian Communications Authority, 2022). Interviews with local travel agents have confirmed these trends, revealing a collective concern regarding their future sustainability. Previous research, such as that by Munikrishnan and Mamun (2021) on the survival of traditional agencies in Malaysia, highlights similar challenges faced by agencies globally, indicating that these trends are not isolated to Ethiopia.

To address these challenges, traditional travel agencies in Addis Ababa must innovate their business models. This could include developing hybrid services that combine the benefits of personalized service with digital tools, such as mobile apps for client engagement, online booking options, and enhanced marketing strategies that highlight unique offerings. Agencies should also focus on niche markets and sustainable travel options to differentiate themselves from OTAs (Huang et al., 2020).

Implementing these solutions can enhance the competitiveness and sustainability of traditional travel agencies. By leveraging technology, agencies can improve operational efficiency and reach a broader audience. Emphasizing personalized service and sustainable practices will not only attract environmentally conscious travelers but also enhance the agency's brand reputation. Additionally, adapting to consumer preferences can lead to increased customer loyalty and higher profit margins.

The traditional travel agency model is under significant threat due to the rise of OTAs and changing consumer behaviors. This decline has serious financial implications for agencies and the local economy in Addis Ababa. By innovating their business models and adopting hybrid approaches, traditional travel agencies can remain relevant and competitive. Ultimately, these adaptations did not only support the survival of these agencies but also contribute positively to the broader tourism ecosystem in the region.

### **1.3 Research Questions**

1. To what extent travel agencies in Addis Ababa adopt digital technologies to increase their competitiveness?
2. How do travel agencies in Addis Ababa adapt their business models in response to changing consumer behaviors and preferences in the digital era?
3. What are the challenges that traditional travel agencies in Addis Ababa face due to the rise of digital platforms and online travel agencies (OTAs)?
4. What operational strategies have traditional travel agencies in Addis Ababa implemented to align with consumer preferences for online booking and sustainable travel options?
5. What are the financial implications of the digital transformation for traditional travel agencies in Addis Ababa?

### **1.4 Objectives of the Study**

#### **1.4.1 General Objective**

To assess the digital technology practices in Addis Ababa, examining the challenges and their financial implications.

#### **1.4.2 Specific Objectives**

1. To examine the extent travel agencies in Addis Ababa adopt digital technologies to increase their competitiveness

2. To analyze the strategies employed by travel agencies in Addis Ababa to adapt their business models in response to changing consumer preferences and behaviours in the digital landscape.
3. To identify the challenges that traditional travel agencies in Addis Ababa encounter as a result of the rise of online travel agencies (OTAs) and digital booking platforms.
4. To describe the operational strategies employed by traditional travel agencies in Addis Ababa in response to consumer preferences for online booking and sustainable travel options
5. To assess the financial implications of digital transformation on the revenue and cost structures of traditional travel agencies in Addis Ababa.

## **1.5 Significance of the Study**

The significance of the study on travel agencies presents numerous benefits for various stakeholders, including travel agency owners, policy makers, and academicians. For travel agency owners, the study offers insights into current trends and consumer preferences, which can refine service offerings and marketing strategies to better align with client needs. Enhanced customer satisfaction is another key benefit, as the study's findings can inform training programs that elevate service quality, fostering client retention and attraction. Additionally, by identifying best practices and innovative approaches, travel agency owners can gain a competitive edge and improve their market position. The study also highlights effective management practices and technological advancements that streamline operations, reduce costs, and boost overall efficiency.

For policy makers, the study provides valuable data and insights that can guide the development of policies supporting the growth and digital technology practices of the travel industry. This includes addressing regulatory issues, safety standards, and tourism promotion, all of which contribute to a robust economic impact by boosting tourism, creating jobs, and stimulating local economies. Moreover, tailored policies can support small and medium-sized travel agencies, ensuring they have access to the necessary resources and opportunities to compete effectively in the market.

Academicians benefit from the study through its contribution to academic knowledge, filling gaps in existing literature on travel agency operations, consumer behavior, and industry trends. This enriches further research and teaching in related fields. The study also opens avenues for interdisciplinary research, connecting tourism, business management, technology, and cultural studies, thereby fostering a more comprehensive understanding of the travel industry. Insights from the study can be integrated into academic curricula, enhancing the education of students in hospitality, tourism, and business management programs. Furthermore, the study encourages research collaboration between universities, industry professionals, and governmental bodies, addressing real-world challenges and advancing the travel industry.

By emphasizing these benefits, the research underscores its practical significance and impact, providing valuable contributions to various stakeholders within the travel industry.

## **1.6 Scope and Limitation of the Study**

### **1.6.1 Conceptual Scope**

This study is delimited to examine the digital technology practices of traditional agencies in the digital era. More specifically, it examines the effect of OTAs on traditional travel agency models, analyzing consumer behavior and preferences in travel planning and booking. It also identifies emerging trends and innovations in the travel industry and discusses challenges and opportunities faced by travel agencies in adapting to the changing tourism landscape. The study explored strategies employed by travel agencies to remain competitive in the digital age, the role of technology in streamlining operations, and market dynamics. This study explored primary challenges that traditional travel agencies in Addis Ababa encounter as a result of the rise of online travel agencies (OTAs) and digital booking platforms. It examined the strategies employed by travel agencies to adapt their business models in response to changing consumer preferences and behaviors in the digital landscape. It assessed the role of technology in enhancing the operations and service offerings of traditional travel agencies and define the operational strategies employed by traditional travel agencies in Addis Ababa in response to consumer preferences for online booking and digital technology practices travel options. It finally assessed the financial implications of digital transformation on the revenue and cost structures of traditional travel agencies in Addis Ababa.

### **1.6.2 Methodological Scope**

To meet the research objectives, descriptive statistics was employed to analyze survey data. There were a variety of publications, books, and journal articles about the topic matter in relation to the secondary sources. The study's population consisted of Addis Ababa residents who would be older than 18, as well as other specialists.

### **1.6.3 Time and Geographic Scopes**

To meet the study's goals, a well-crafted questionnaire with closed-ended questions and a five-point Likert scale were created. The time frame for this study was August through October 2024 and it was conducted in Addis Ababa.

### **1.6.4 Unit of analysis**

This study was conducted at organizational level and pertinent data were gathered from managers of travel agencies based in Addis Ababa, Ethiopia. Hence, organization is the appropriate unit of analysis and findings are inferred to travel agencies in the city.

## **1.7 Limitations of the Study**

The study has limitations, such as not capturing all aspects of the complex relationship between traditional and online travel agencies, data availability and reliability varying between regions, cultural or regional differences in consumer behavior, and the scope being limited to specific time periods or geographical regions. External factors such as economic conditions, regulatory changes, or unforeseen events could also influence the findings. The study may rely on secondary data sources, which could introduce bias or limitations in analysis.

## **1.8 Organization of the Study**

This thesis is organized into five chapters, each addressing distinct aspects of the research on travel agencies. The first chapter provides an overview of the research topic, outlines the research problem, and states the objectives of the study.

The second chapter delves into existing research and theoretical frameworks relevant to the travel agency industry. It examines previous studies on the roles and functions of travel agencies, consumer behavior in travel planning, and the impact of technology on the industry, establishing the foundation for the research by identifying gaps in the existing literature that the current study aims to address. The third chapter details the research design and methodology used to conduct the study. It describes the data collection methods, including surveys, interviews, and secondary data sources, and outlines the sampling techniques, data analysis procedures, and ethical considerations taken into account during the research process.

The fourth chapter presents the analysis of the collected data, including both quantitative and qualitative insights into the current state of the travel agency industry, consumer preferences, and the effectiveness of various business strategies. This chapter discusses the implications of the findings for different stakeholders. Lastly, the final chapter summarizes the key findings of the study and discusses their implications for travel agency owners, policy makers, and academicians. It provides recommendations based on the research results and suggests areas for future research, concluding the thesis by highlighting the contributions of the study to the field of travel agency management and the broader travel industry.

## **1.9 Definition of Key Operational Terms**

This study encompasses several key concepts essential to understanding the travel agency industry.

- **Consumer Behavior** in the travel industry studies how individuals make decisions about spending their resources on travel-related activities, understanding factors influencing travel choices, preferences, and purchasing patterns.
- **Customer Service** in travel agencies involves assisting clients with their travel needs, resolving issues, and providing information and support before, during, and after their trips, aiming to enhance the overall travel experience and build customer loyalty.
- **Online Travel Agency (OTA)** is a web-based platform allowing consumers to book travel services such as flights, hotels, and car rentals from their computers or mobile devices, offering comparative pricing and reviews.

- **Planning** is the process of creating a detailed travel schedule outlining all activities, accommodations, transportation, and other travel-related arrangements for a trip, ensuring a seamless and enjoyable travel experience for clients.
- **Tourism Marketing** includes strategies and tactics used by travel agencies and destinations to attract tourists, involving market research, promotional campaigns, advertising, and public relations to highlight unique features and benefits of travel products and services.
- **Travel Agency** is defined as a business that assists individuals and groups in planning, booking, and managing travel arrangements, including flights, hotels, and tours, while providing advice and support on travel-related matters.
- **Travel Technology** encompasses tools and platforms used by travel agencies and consumers to facilitate travel planning and booking, including online booking systems, mobile apps, virtual reality tours, and other digital innovations that enhance the travel experience.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

This chapter presents theories collected from different sources that support the study purpose and question. The main concepts, namely sustainability of tourism performance, traditional travel agencies, online travel agency , digital tourism business, consumer behavior and social media with regard of their type explain in this section.

#### **2.2 Theoretical Literature Review**

##### **2.2.1 Concepts and Definitions**

###### **2.2.1.1 What is Tourism?**

Tourism is a broad term that encompasses both the demand and supply aspects of travel, varying widely across the globe. It primarily refers to the activities carried out by visitors, often termed the visitor economy. The tourism sector includes all actions related to tourists, such as lodging, dining, and sightseeing, as well as supporting activities like transportation and laundry services for hotels. Different forms of tourism exist, including mass, niche, and special interest tourism, as well as distinctions between domestic and international travel (Adewale, 2016).

Despite its global relevance, tourism lacks a universally accepted definition due to the diverse nature of travelers and their chosen activities. The World Trade Organization (WTO) and the United Nations Statistics Division (1994) offer a widely recognized definition: a tourist is someone who travels and stays outside their usual residence for less than a year for leisure, business, or other reasons. Hitesh (2019) argues that defining tourism is more complex, presenting three perspectives: the economic view, which treats tourism as a business; the technical view, which focuses on the tourist for data collection; and the holistic view, which seeks to capture the entire essence of tourism.



Tourism can simply be described as the provision of services—like transportation, accommodation, and entertainment—for those on holiday. While such definitions can be helpful, they often fall short when applied to specific tourism types. Tekabe (2016) notes that tourists have evolved into more sophisticated consumers reflecting a culture of tourism that has changed preferences and needs.

Recognizing the need for clarity, the United Nations World Tourism Organization (UNWTO) created a common tourism glossary between 2005 and 2007. It defines tourism as a social, cultural, and economic phenomenon involving the movement of people outside their usual environment for personal or professional purposes. This definition emphasizes that tourism encompasses more than just travel; it includes the activities and services that contribute to the overall tourist experience (UNWTO, 2021).

It is essential to distinguish between tourism, travel, and hospitality, as these terms are often conflated. While tourism is the overarching term for activities related to the tourist experience, travel refers to the act of moving between locations, often for leisure. Hospitality, meanwhile, focuses on creating a welcoming environment for guests and includes the accommodation and food sectors, making it a major segment of the tourism industry (Ashikodi, 2012).

### **2.2.1.2 An overview of Tourism Industry**

The tourism sector is a vibrant and complex industry that plays a crucial role in the global economy by offering a diverse array of services and activities tailored to the needs of travelers. Core elements of this industry include transportation, lodging, food and beverage services, recreation, and entertainment. Transportation options, such as air travel, rail services, cruise ships, and car rentals, have been transformed by technological advancements, making travel more efficient and accessible (UNWTO, 2021). Accommodation varies widely, including hotels, resorts, hostels, and vacation rentals, catering to different budgets and preferences, with the hospitality sector being a fundamental aspect of tourism (Baker, Bradley, & Huyton, 2000). Food and beverage services, ranging from restaurants and cafes to catering, provide essential nourishment and unique dining experiences, with an increasing interest in culinary tourism that highlights local cuisines (Hjalager & Richards, 2002).

Recreation and entertainment significantly contribute to the travel experience, offering activities such as sightseeing, adventure sports, cultural events, and theme parks, which are primary motivators for travelers (Smith, 2003). Furthermore, tourism services, including travel agencies and tour operators, aid in travel planning and coordination, enhancing the overall convenience and enjoyment for tourists (UNWTO, 2021). From an economic standpoint, the tourism industry is a key contributor to global revenue and job creation, stimulating growth through foreign exchange, employment opportunities, and infrastructure development. In 2018, tourism accounted for 10.4% of global GDP and supported approximately 319 million jobs, or 10% of total employment, as reported by the World Travel & Tourism Council (WTTC).

The sector is shaped by emerging trends such as eco-tourism and sustainable travel, with travelers increasingly seeking environmentally responsible and culturally respectful experiences, alongside technological innovations that improve travel planning and customer experiences (Buhalis & Law, 2008). However, challenges remain, including geopolitical instability, health crises like the COVID-19 pandemic, and environmental issues, highlighting the necessity of sustainable practices for long-term industry viability.

Looking forward, the tourism industry is expected to grow, driven by enhanced global connectivity and the rise of emerging markets. Innovations in technology and an increasing emphasis on sustainability will likely influence the sector's future development, creating new opportunities and enriching travel experiences for consumers (Gretzel, Sigala, Xiang, & Koo, 2015). Overall, tourism is an essential and dynamic industry with significant economic implications and a broad array of services that collectively enhance travel experiences.

### **2.2.1.3 The Concept of Travel Agency**

Travel agencies act as intermediaries between businesses that produce goods and services for the tourist sector and their customers. More specifically, they offer pre-planned trip packages that include the necessary goods and services, taking into account their relationships with the producers (airlines, accommodation, dining establishments, cultural institutions, event planners, etc.). Travel agencies' primary purpose is to provide its customers with all of the information they need to plan their journeys, such as travel locations, accommodation and transit reservations, and tourist attractions (Adewale, 2016). Mr. Bernardo Abreu founded the world's

first travel agency in Porto, Portugal, in 1840. Its primary goal was to assist people wanting to emigrate from Portugal to Brazil with passport and visa complications. Following World War II and the expansion of commercial aviation, this company began to reach out to overseas markets. It is currently the largest travel company in Portugal, having over 88 offices in important strategic locations across the country (Smith, 2003).

However, Mr. Thomas Cook is most commonly referred to in literature as the founder of the first travel agency (Gretzel et al., 2015). In 1841, he organized a train journey for 500 attendees at a congress against alcoholism in Leicester. Following the unexpected success of this trip, a Bible salesman began doing this type of job for a living and eventually founded a tour company named "Thomas Cook and Son." Currently, the organization operates over 100 travel agents across several nations (Smith, 2003).

#### **2.2.1.4 Understanding Travel Agencies**

This study focuses on several key concepts crucial to understanding travel agencies. A travel agency is a business that aids individuals and groups in planning, booking, and managing travel arrangements, acting as intermediaries between travelers and suppliers like airlines and hotels (Adewale, 2016). An online travel agency (OTA) is a digital platform allowing consumers to book travel services directly through the internet, providing options, pricing comparisons, and reviews. Sustainability in tourism refers to practices ensuring current tourism development does not compromise future generations' needs, minimizing environmental impact, supporting local economies, and preserving cultural heritage. Customer service involves assisting clients with travel needs, resolving issues, and enhancing the overall travel experience to build loyalty (Buhalis & Law, 2008).

Tourism marketing includes strategies to attract tourists, such as market research, promotional campaigns, and advertising. Itinerary planning is creating detailed travel schedules, ensuring a seamless experience for clients. Consumer behavior studies how individuals make travel-related decisions, influenced by cultural, social, and psychological factors. Lastly, travel technology includes tools and platforms facilitating travel planning and booking, such as online systems and mobile apps, transforming the industry by making it more efficient and accessible (Gretzel et al., 2015).

### **2.2.1.5 The Historical Development of Travel Agency**

The historical trajectory of travel agencies traces back to the 19th century when pioneers like Thomas Cook popularized organized package tours. Throughout the 20th century, the industry experienced significant growth, particularly post-World War II, buoyed by advancements in transportation like commercial aviation. Technological innovations, notably computer reservation systems, revolutionized booking processes in the latter half of the century. The advent of the internet ushered in a new era, with online travel agencies (OTAs) disrupting the traditional model. Modern literature explores how travel agencies have adapted to these challenges, emphasizing personalized service and niche markets to remain relevant in the digital age (Smith, 2003)..

## **2.2.2 Internet and Travel Agencies' Business**

### **2.2.2.1 Role of Internet in Tourism**

In actual fact, the internet has become more and more ingrained in every aspect of life. Its vast information base can be used for a variety of purposes, from social media communication to personal hobbies like music, movies, and games to business and professional development, education, and a wide range of financial transactions. The proportion of so-called "e-consumers," who buy most necessities (including travel-related items) online, is rising. In addition to the convenience of use and accessibility for everybody (who naturally have access to the Internet), another positive aspect is the fact that the fees that intermediary must pay producers have fallen in price (Huang et al, 2020).

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in price. Agents, however, possess the professionalism, knowledge, experience, and competence that the majority of e-consumers lack, though some do (Statista, 2023).

The percentage of so-called "e-consumers," who purchase the majority of necessities—including those connected to travel—online is increasing. Apart from the ease of use and accessibility for all (as everyone has access to the Internet by default), the fact that the costs those middlemen have to pay producers have decreased is another benefit. Even though some e-consumers have already achieved considerable success and experience through their own online transactions, the majority of them lack the professionalism, expertise, knowledge, and experience that agents possess (World Travel and Tourism Council, 2023).

The increasing availability of a wide range of travel-related products and services on the Internet means that intermediaries must inevitably adapt to new trends in order to stay competitive in the tourism sector. This includes developing new development strategies, introducing innovations, and raising the standard of service. The majority of the time, the internet can and will be a useful tool for travel firms looking to grow their business. However, while it may help the firm, it may also put it in danger. Because they are the industries of the future—not just the travel and tourism sector, but all of the global economy as a whole—these businesses must continuously invest in new information and communication technology (Munikrishnan & Mamun, 2021).

#### **2.2.2.2 Travel Agencies in the Digital Era**

In the digital era, travel agencies have significantly transformed their operations by adopting various digital technologies. These technologies have streamlined the booking process, enhanced customer engagement, and enabled personalized services. Below are some key digital technology practices that have reshaped travel agencies:

##### **Online Booking Systems**

Online booking systems have become a cornerstone of the travel industry. They allow customers to book flights, hotels, car rentals, and even tours directly through a website or platform. These systems offer 24/7 access, enabling travelers to make reservations at their convenience. For travel agencies, online booking systems reduce manual errors, provide real-time updates, and improve operational efficiency. According to Buhalis and Law (2008), the integration of online

booking systems has made it easier for consumers to compare options, prices, and availability, increasing overall transparency and convenience in the travel process.

### **Computer Reservation Systems (CRS)**

Computer Reservation Systems (CRS) are crucial tools used by travel agencies for managing bookings and reservations in real-time. They provide access to a central database containing flight schedules, hotel room availability, and pricing. CRS platforms like Amadeus, Sabre, and Galileo allow agencies to manage multiple suppliers and provide up-to-date information to customers. CRS not only helps agencies manage operations but also enables them to offer more competitive prices by aggregating data from various sources (O'Connor, 2003). As a result, travel agencies can offer dynamic pricing and customized packages that meet customer needs, increasing their market competitiveness.

### **Mobile Apps**

With the increasing use of smartphones, mobile applications have become an essential tool for modern travel agencies. These apps provide travelers with a seamless experience, from booking tickets to receiving travel updates. According to Xu et al. (2017), mobile apps enhance customer engagement by offering features like booking management, itinerary tracking, and real-time notifications. Additionally, mobile apps can offer location-based services, such as finding nearby hotels or attractions, thereby enhancing the traveler's experience. The integration of mobile technology has become crucial for travel agencies aiming to cater to the growing demand for on-the-go services.

### **Big Data Analytics**

Big data analytics involves the analysis of large volumes of data to identify trends, preferences, and behaviors. For travel agencies, big data enables the development of personalized services, such as targeted promotions and customized travel packages. Travel agencies collect data from customer transactions, browsing behaviors, and social media interactions to analyze demand patterns and predict future trends (Li et al., 2018). With these insights, agencies can offer more tailored experiences, optimize pricing strategies, and enhance customer satisfaction. Big data

also helps in forecasting demand and managing inventory more efficiently, which is critical for travel agencies seeking to stay competitive in a fast-paced industry.

### **Digital Marketing Practices**

Digital marketing has become an indispensable tool for travel agencies looking to expand their reach and attract new customers. A well-designed website is crucial for travel agencies, serving as the first point of contact with potential customers. Websites that are user-friendly, mobile-optimized, and SEO-friendly can attract more visitors and improve customer conversion rates. According to Chaffey and Ellis-Chadwick (2019), travel agencies must ensure their websites are informative, provide clear calls to action, and are easy to navigate. Email marketing remains a powerful tool for maintaining customer engagement. Travel agencies use email campaigns to send personalized offers, newsletters, and travel tips. Effective segmentation of customer data allows agencies to target specific groups, increasing the chances of conversion (Sterne, 2010).

SEO involves optimizing a website to rank higher in search engine results, thereby increasing its visibility. For travel agencies, SEO strategies can help drive organic traffic to their website, making it easier for potential customers to find them when searching for travel options (Moz, 2020). Social media platforms like Facebook, Instagram, and Twitter are essential for travel agencies to connect with customers. Social media marketing allows agencies to promote destinations, share travel experiences, and engage with travelers in real time. Studies by Tuten and Solomon (2017) show that travel brands using social media effectively can build a loyal customer base and influence travel decisions. Content marketing involves creating valuable and informative content that attracts and retains customers. Travel agencies use blogs, videos, and guides to share travel tips, destination information, and customer stories. Content marketing helps agencies build brand authority, engage customers, and improve SEO rankings (Pulizzi, 2014).

The adoption of digital technologies has allowed travel agencies to enhance their operational efficiency, improve customer engagement, and provide personalized services. Online booking systems, computer reservation systems, mobile apps, big data analytics, and digital marketing practices like SEO, social media, and content marketing have become vital tools for staying competitive in the ever-evolving travel industry. As the digital landscape continues to evolve,

travel agencies must remain agile and embrace these technologies to meet the changing demands of consumers and enhance their market positioning.

The digital era has significantly transformed the operations and competitiveness of traditional travel agencies, driven by technological advancements that have introduced new tools and platforms reshaping how travel services are delivered and consumed. Traditionally reliant on face-to-face interactions and manual booking processes, travel agencies have adapted to a digital-first approach. The adoption of computer reservation systems (CRSs) and global distribution systems (GDSs) has streamlined operations by providing real-time access to travel information and booking capabilities, enhancing service efficiency (World Travel and Tourism Council, 2023). The rise of the internet and online booking platforms has further necessitated that traditional travel agencies integrate these digital tools, allowing them to provide online booking services and cater to consumers' growing preference for online transactions (Huang et al, 2020).

The competitiveness of traditional travel agencies has also been influenced by technological advancements. They face significant competition from online travel agencies (OTAs) such as Expedia and Booking.com, which offer extensive self-service options and often lower prices. To remain competitive, traditional travel agencies have focused on differentiating themselves through personalized services and niche markets. They leverage their expertise to cater to complex travel itineraries and high-end clients who prefer customized experiences (Cheyne, Downes, & Legg, 2006). Additionally, the use of social media and digital marketing strategies helps travel agencies engage with customers, build brand loyalty, and reach broader audiences (Buhalis & Law, 2008).

The integration of advanced technologies such as artificial intelligence (AI), machine learning, and big data analytics has further transformed traditional travel agencies. These technologies enable agencies to analyze vast amounts of data to predict travel trends, optimize pricing strategies, and personalize travel recommendations, providing insights into consumer behavior and preferences (Xiang, Magnini, & Fesenmaier, 2015). Mobile technology also plays a crucial role, with mobile apps offering convenient access to booking services, travel itineraries, and real-time updates, enhancing the overall customer experience (Wang, Park, & Fesenmaier, 2012).



In conclusion, the digital era has profoundly affected traditional travel agencies, compelling them to adopt new technologies and adapt their operations to remain competitive. By embracing ICTs, online platforms, social media, and advanced analytics, traditional travel agencies can enhance their service offerings, improve operational efficiency, and maintain their relevance in an increasingly digitalized market. While competition from OTAs poses significant challenges, the ability to provide personalized, expert-driven services remains a key differentiator for traditional travel agencies in the digital age (Buhalis, 2004; Cheyne, Downes, & Legg, 2006; Law, Leung, & Wong, 2004; Buhalis & Law, 2008; Xiang, Magnini, & Fesenmaier, 2015; Wang, Park, & Fesenmaier, 2012).

### **2.2.2.3 Online Travel Agency**

Online Travel Agencies (OTAs) have revolutionized the travel industry by providing a self-service, technology-driven booking process that stands in contrast to the personalized, expertise-focused approach of traditional travel agencies. OTAs are digital platforms that enable consumers to book a wide range of travel services, such as flights, hotels, car rentals, and vacation packages, directly through the internet. Unlike traditional travel agencies that rely on face-to-face interactions and manual booking processes, OTAs offer a self-service model where users can access information and make reservations independently. Law, Leung, and Wong (2004) highlight that OTAs leverage global distribution systems (GDSs) and other digital tools to aggregate and display vast amounts of travel data, allowing consumers to compare prices, read reviews, and make informed decisions. This accessibility and convenience have made OTAs increasingly popular, especially among tech-savvy and price-sensitive travelers.

In contrast, traditional travel agencies often emphasize personalized service and expertise. Cheyne, Downes, and Legg (2006) note that traditional agencies provide customized travel itineraries and detailed travel planning, which can be particularly valuable for complex or high-end travel arrangements. Traditional agents often build long-term relationships with clients, offering tailored advice and support that enhance the overall travel experience. The competitive landscape between OTAs and traditional travel agencies is shaped by their differing business models. OTAs typically operate on a commission-based model, earning revenue from bookings made through their platforms, allowing them to offer competitive pricing and special deals by

partnering with various travel service providers. On the other hand, traditional travel agencies may charge service fees for their personalized planning and consultancy services, positioning themselves as premium providers in the travel market (Buhalis & Law, 2008).

Moreover, the marketing strategies of OTAs and traditional travel agencies differ significantly. OTAs invest heavily in digital marketing, search engine optimization (SEO), and social media to attract a broad audience. Their online presence is a critical factor in their ability to reach and engage consumers. In contrast, traditional travel agencies often rely on reputation, word-of-mouth, and local advertising to build their client base. They may also use digital tools but often focus more on direct client interactions and bespoke service offerings (Xiang, Magnini, & Fesenmaier, 2015). Despite these differences, there is a convergence in the industry as traditional travel agencies increasingly adopt digital technologies to enhance their service offerings. Many traditional agencies have launched their own online platforms and integrated digital tools to provide a hybrid service model that combines the convenience of OTAs with the personalized service of traditional agencies (Buhalis, 2004).

In summary, OTAs have revolutionized the travel industry by providing a self-service, technology-driven booking process that contrasts with the personalized, expertise-focused approach of traditional travel agencies. While OTAs excel in convenience and competitive pricing, traditional agencies offer tailored travel planning and in-depth knowledge, creating a diverse landscape where both models coexist and adapt to the evolving needs of travelers (Law, Leung, & Wong, 2004; Cheyne, Downes, & Legg, 2006; Buhalis & Law, 2008; Xiang, Magnini, & Fesenmaier, 2015).

#### **2.2.2.4 Functions of Travel Agencies**

Traditional travel agencies have long served as indispensable intermediaries and facilitators within the travel industry, as highlighted by various scholarly sources. Buhalis and Law (2008) underscore their role as intermediaries, aggregating and packaging travel products and services from multiple suppliers to simplify the booking process for consumers. Additionally, Goeldner and Ritchie (2012) emphasize the expertise and personalized advice offered by travel agencies, catering to diverse travel preferences and providing specialized knowledge for complex itineraries and niche segments. McCabe and Johnson (2013) further stress the importance of

customer service and support, with travel agencies known for their personalized assistance and resolution of issues before, during, and after trips. Moreover, Gligor and Prayag (2019) highlight the role of travel agencies in risk management, offering travel insurance, advising on destination safety, and providing assistance during emergencies. These functions collectively underscore the enduring relevance and value of traditional travel agencies, as they continue to adapt and enhance their services to meet the evolving needs and preferences of travelers in the digital era.

### **2.2.3 Challenges and Strategies of Traditional Travel Agencies in the Digital Era**

The travel industry has undergone a seismic shift with the advent of digital technologies, significantly impacting traditional travel agencies. As intermediaries in the travel sector, these agencies have long provided essential services by aggregating and packaging travel products, such as flights, accommodations, and tours. However, they now face numerous challenges that threaten their market position. One of the most pressing challenges is the intense competition posed by Online Travel Agencies (OTAs) like Expedia and Booking.com. These platforms have revolutionized the booking process by offering a self-service model that allows consumers to compare prices and book travel arrangements independently. OTAs often provide lower prices due to their streamlined operations and larger customer bases, attracting tech-savvy and price-sensitive travelers (Buhalis & Law, 2008).

In addition to competition from OTAs, changing consumer preferences present a significant hurdle for traditional travel agencies. With the rise of the internet, travelers have become accustomed to the convenience of online booking and instant access to information. This trend has led to a marked decline in the reliance on traditional travel services, as consumers increasingly opt for direct booking methods that allow for more control over their travel plans (Xiang, Magnini, & Fesenmaier, 2015). Consequently, traditional agencies must adapt their business models to remain relevant. Furthermore, the rapid pace of technological advancement poses a challenge, as not all agencies possess the resources or expertise necessary to implement new digital tools effectively. Many agencies find it difficult to keep up with the evolving digital landscape, which can leave them at a competitive disadvantage.

To navigate these challenges, traditional travel agencies are employing various strategies to differentiate themselves in a crowded marketplace. One primary strategy is the emphasis on personalized service. Traditional agencies often focus on providing customized travel itineraries that cater to individual preferences, especially for complex or high-end travel arrangements. This personal touch can be a significant selling point for consumers who value expert advice and tailored experiences (Cheyne, Downes, & Legg, 2006). By fostering long-term relationships with clients, traditional agencies aim to build customer loyalty, positioning themselves as trusted advisors rather than mere booking facilitators.

Another strategy involves the exploration of niche markets. Many travel agencies are carving out specialized areas of expertise, such as adventure tourism, luxury travel, or eco-tourism. By catering to specific interests, these agencies can attract clientele seeking unique travel experiences that may not be adequately served by broader platforms like OTAs (McCabe & Johnson, 2013). Additionally, traditional agencies are increasingly integrating digital tools into their operations. Many have launched their online platforms and utilized social media and digital marketing strategies to enhance their visibility and reach broader audiences. This hybrid approach aims to combine the convenience of digital platforms with the personalized service that traditional agencies excel at, thereby creating a more comprehensive travel experience.

However, the digital transformation of the travel industry carries significant financial implications for traditional travel agencies. Transitioning to a digital model necessitates substantial investment in technology, staff training, and system upgrades. These costs can be particularly burdensome for smaller agencies that may lack the capital to make such investments (Gligor & Prayag, 2019). Moreover, as the competitive landscape evolves, traditional agencies must reassess their revenue models. Many may find it necessary to shift from a commission-based income structure to charging service fees for their personalized planning and consultancy services. This change can be challenging, as it may alienate price-sensitive customers who are accustomed to booking through lower-cost platforms (Buhalis & Law, 2008).

Traditional travel agencies face significant challenges in the current digital era, including fierce competition from OTAs, shifting consumer preferences, and the need for technological adaptation. To remain competitive, these agencies are emphasizing personalized services,

targeting niche markets, and integrating digital tools into their operations. However, the financial implications of these changes, including the costs of digital transformation and the potential need to revise revenue models, pose additional hurdles. As the travel industry continues to evolve, traditional agencies must adapt and innovate to meet the changing needs of travelers while maintaining their relevance in an increasingly digital marketplace.

#### **2.2.4 Sustainability and The Competitiveness of Travel Agencies**

The competitiveness of traditional travel agencies is influenced by a myriad of factors, as evidenced by scholarly research and industry analysis. Firstly, the rise of Online Travel Agencies (OTAs) has significantly impacted the competitive landscape of the travel industry. According to a study by Law et al. (2014), OTAs have gained prominence due to their convenience, extensive product offerings, and competitive pricing, posing a formidable challenge to traditional agencies. Additionally, advancements in technology play a pivotal role in shaping the competitiveness of travel agencies. As highlighted by Werthner and Klein (1999) in their book "Information Technology and Tourism: A Challenging Relationship," the adoption of innovative technologies such as online booking systems, mobile applications, and artificial intelligence enhances the efficiency, reach, and customer engagement of travel agencies, thereby influencing their competitive positioning in the market.

Moreover, the availability of skilled human resources is essential for the competitiveness of traditional travel agencies. According to research by Weaver and Lawton (2014) in the *International Journal of Tourism Research*, agencies with knowledgeable and customer-oriented staff possess a competitive advantage in delivering personalized service, expert advice, and tailored travel experiences to clients. Furthermore, shifting preferences and behaviors of buyers impact the competitiveness of travel agencies. As noted by Fuchs and Weiermair (2004) in the book "Destination Benchmarking," evolving consumer preferences towards experiential travel, sustainable tourism, and unique experiences necessitate adaptability and innovation among traditional agencies to remain competitive in a dynamic market environment.

In conclusion, the competitiveness of traditional travel agencies is influenced by factors such as the emergence of OTAs, technological advancements, skilled human resources, and changing buyer preferences. By understanding and effectively responding to these factors, travel agencies

can enhance their competitive position, differentiate their offerings, and sustain long-term success in the increasingly competitive travel industry landscape.

### **2.2.5 Theoretical Review (Related Theory)**

The competitiveness of travel agencies can be analyzed through several theoretical frameworks.

#### **2.2.5.1 Resource-Based View (RBV)**

The Resource-Based View (RBV) of the firm, proposed by Barney (1991), asserts that a firm's competitive advantage stems from its unique bundle of internal resources and capabilities. According to this theory, sustainable competitive advantage arises from resources that are valuable, rare, inimitable, and non-substitutable. In the context of travel agencies, key factors such as brand reputation, technological innovation, and skilled human capital are critical in shaping competitiveness. Agencies that effectively leverage these internal resources are better positioned to deliver exceptional customer experiences and maintain a competitive edge.

#### **2.2.5.2 Michael Porter's Competitive Forces Theory**

Michael Porter's Competitive Forces Theory highlights the impact of industry structure and competitive forces on firm performance. Porter identifies five forces that shape competitive dynamics: the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitutes, and rivalry among existing competitors. For travel agencies, these forces are particularly relevant as the rise of online travel agencies (OTAs) represents a significant threat of new entrants, while advancements in technology increase buyer bargaining power by providing consumers with more options and information.

#### **2.2.5.3 Dynamic Capabilities Theory**

The **Dynamic Capabilities Theory**, proposed by Teece, Pisano, and Shuen (1997), emphasizes the importance of a firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. In the travel industry, agencies that

develop dynamic capabilities—such as the ability to adapt to technological changes and shifts in consumer preferences—are more likely to succeed.

#### **2.2.5.4 Service-Dominant Logic (SDL)**

Another relevant theory is the **Service-Dominant Logic (SDL)** proposed by Vargo and Lusch (2004), which suggests that value is co-created through interactions between providers and customers. In the travel sector, agencies that foster strong relationships with clients and emphasize service quality can enhance customer satisfaction and loyalty, thus improving competitiveness.

By integrating insights from the Resource-Based View, Competitive Forces Theory, Dynamic Capabilities Theory, and Service-Dominant Logic, travel agencies can strategically leverage their internal resources while navigating external competitive forces. This multifaceted approach enables agencies to enhance their competitive position and achieve sustained success in the dynamic travel industry landscape.

### **2.3 Empirical Literature Review**

These empirical studies offer valuable insights into the competitiveness and sustainability of travel agencies across various contexts, providing useful comparisons and benchmarks for similar analyses in Ethiopia and abroad.

#### **2.3.1 Studies across the Globe**

Munikrishnan and Mamun's (2021) study on the survival and competitiveness of traditional travel agencies in Malaysia provides insights into the challenges and strategies relevant to agencies operating in emerging tourism destinations.

Hayes (2016) explored online marketing strategies that leaders of small traditional travel agencies have used to successfully obtain and retain customers. Technology disruption theory was the conceptual framework of this study. Results indicated that 66% of participants believed that Internet-based travel agencies were threats. All of the participants used a form of online marketing and believed that customer loyalty helped to compete with Internet-based travel

agencies. Positive social change may result when leaders of small traditional travel agencies increase their knowledge of online marketing strategies to obtain and retain customers, thereby leading to greater access to online travel opportunities for all, including physically challenged individuals often confined to their living areas.

Aguiar-Quintana, Moreno-Gil, S & Picazo-Pera (2017) aimed to provide greater insight into the trends affecting traditional travel agencies and propose strategies to improve their competitiveness. This research develops a qualitative study with three complementary steps: (1) focus groups were held with the main travel agency segments (corporate and holidays), to analyze their motivations and perceptions; (2) interviews were conducted with managers and experts to analyze customers' perceptions and emphasize some of the main trends affecting this industry; and finally, (3) interviewees were asked to propose strategies to overcome the future trends previously identified. With this objective in mind, this research integrates both perspectives: demand and supply, to propose actions and strategies for future scenarios, which is especially valuable due to the difficult situation of travel agencies in Spain. F

Aguiar-Quintana, Moreno-Gil, and Picazo-Peral's (2016) examination of traditional travel agencies' competitiveness in Spain offers insights into factors influencing agency survival and success in a mature tourism market, which could be relevant for countries with similar characteristics. Furthermore, Huang, Chang, and Yeh's (2020) investigation into creating sustainable competitive advantages for travel agencies provides practical strategies and recommendations that can inform efforts to enhance the long-term viability and resilience of agencies.

Jansen van Rensburg (2014) examined how business models in the travel industry have evolved and assesses the value that traditional retail travel agencies provide. The findings indicate that travel agents remain relevant by offering valuable services, even as digital advancements present new opportunities for leveraging information and communication technologies (ICT). To benefit fully from these technologies, agencies must improve their understanding and implementation of digital resources to achieve cost efficiencies. Additionally, the value propositions of travel agencies must adapt to align with the shifting purchasing behaviors of consumers. The paper advocates for an integrated marketing strategy that combines both online and traditional methods, emphasizing the need for effective customer segmentation based on specific needs.



Finally, Mihajlović's (2013) analysis of travel agency competitiveness in the European tourism market offers a broader perspective on the competitive dynamics shaping the industry across multiple countries, highlighting factors such as market trends, technological advancements, and regulatory challenges. Drawing on these studies and similar empirical research, future analyses of travel agency competitiveness in Ethiopia and other regions can benefit from comparative insights, best practices, and lessons learned to inform strategic decision-making, policy formulation, and industry development initiatives.

### **2.3.2 Studies in Africa including Ethiopia**

In recent years, the sustainability of traditional travel agencies in the digital era has gained significant attention, particularly within the African context. Research by Woldemariam and Teshome (2019) underscores the challenges and opportunities that travel agencies face in adapting to a rapidly changing tourism landscape influenced by digital platforms and Online Travel Agencies (OTAs). As these digital competitors continue to grow, traditional agencies must innovate to maintain their relevance.

Kassahun (2020) examines the impact of digital marketing on travel agencies in Addis Ababa, finding that agencies embracing online strategies can significantly enhance their visibility and market share. Similarly, Abebe (2021) emphasizes the necessity of e-commerce adoption, indicating that agencies integrating digital tools into their operations can improve efficiency and customer engagement, which are essential for long-term sustainability.

Furthermore, Mekonnen and Fekadu (2018) highlight the critical role that traditional travel agencies play in promoting sustainable tourism practices in Ethiopia. Their research suggests that these agencies can act as essential intermediaries, helping to foster responsible travel behaviors among consumers increasingly concerned with environmental impact. In a broader African context, a study by Chikanda (2018) on travel agencies in Zimbabwe explores how traditional agencies adapt to the digital transformation while maintaining personalized service. This research reveals that despite technological challenges, many travelers still prefer the reassurance and personalized assistance offered by human agents, which creates a niche for traditional agencies to thrive.

Another pertinent study is by Kwaramba and Mhlanga (2020), which investigates the impact of COVID-19 on travel agencies in Southern Africa. Their study found that agencies that invested in mobile-friendly platforms and apps improved customer engagement and loyalty, further demonstrating the necessity of integrating technology into traditional business models.

The landscape of traditional travel agencies in Africa is undergoing significant transformation as they navigate the complexities of the digital era. Research from various scholars highlights the challenges and opportunities faced by these agencies, emphasizing the importance of adaptation for survival. For instance, Tugume and Shyaka (2019) explore how Ugandan travel agencies are embracing digital tools, while Dube and Ndlovu (2020) examine the transformation of travel agencies in Zimbabwe amid digital advancements. Fakoya and Mbangula (2020) focus on the impact of digital marketing strategies on customer engagement and loyalty in Nigerian travel agencies. Similarly, Kambole (2021) highlights sustainable practices adopted by Zambian agencies and their effects on competitiveness, emphasizing the growing need for responsible tourism.

Adeleke and Kazeem (2018) address the hurdles Nigerian travel agencies face during digital transformation, pointing to the necessity of integrating technology to remain competitive. Ogunyemi (2019) discusses the role of travel agencies in promoting eco-tourism initiatives, showcasing their potential to lead in sustainability efforts. Furthermore, Mwanje (2020) investigates customer perceptions of service quality in Kenyan travel agencies, underscoring the importance of maintaining high standards to foster loyalty. Mpofu and Chitambo (2021) analyze adaptation strategies during the COVID-19 pandemic, revealing how Malawian travel agencies pivoted their approaches to cope with unprecedented challenges.

Nyariki and Karanja (2018) look at the impact of technology on traditional agencies in Kenya, illustrating how digital tools are reshaping operations. Lastly, Munyua and Nyamita (2020) explore the influence of online platforms on the competitiveness of traditional travel agencies in East Africa, further highlighting the need for innovation. Collectively, these studies underscore that traditional travel agencies must leverage technology while retaining the personalized service that remains essential for building lasting customer relationships. As the tourism landscape

continues to evolve, these agencies have the opportunity to not only enhance their competitive position but also contribute positively to the sustainability of the tourism sector in Africa.

## **2.4 Research Gap**

Identifying research gaps in the sustainability of traditional travel agencies in the digital era, particularly in Addis Ababa, reveals several critical areas for further exploration. Firstly, while existing studies like Mpofu and Chitambo (2021) provide insights into broader trends affecting travel agencies across Africa, there is a notable lack of research focused specifically on the unique challenges and opportunities faced by traditional agencies in Addis Ababa. Understanding the local context, including market dynamics and cultural factors, is essential for developing effective strategies. Additionally, although some studies like Nyariki and Karanja (2018) highlight the importance of digital marketing and e-commerce, there is a need for a more comprehensive examination of the specific digital strategies employed by these agencies in Addis Ababa, including which tools and platforms prove most effective.

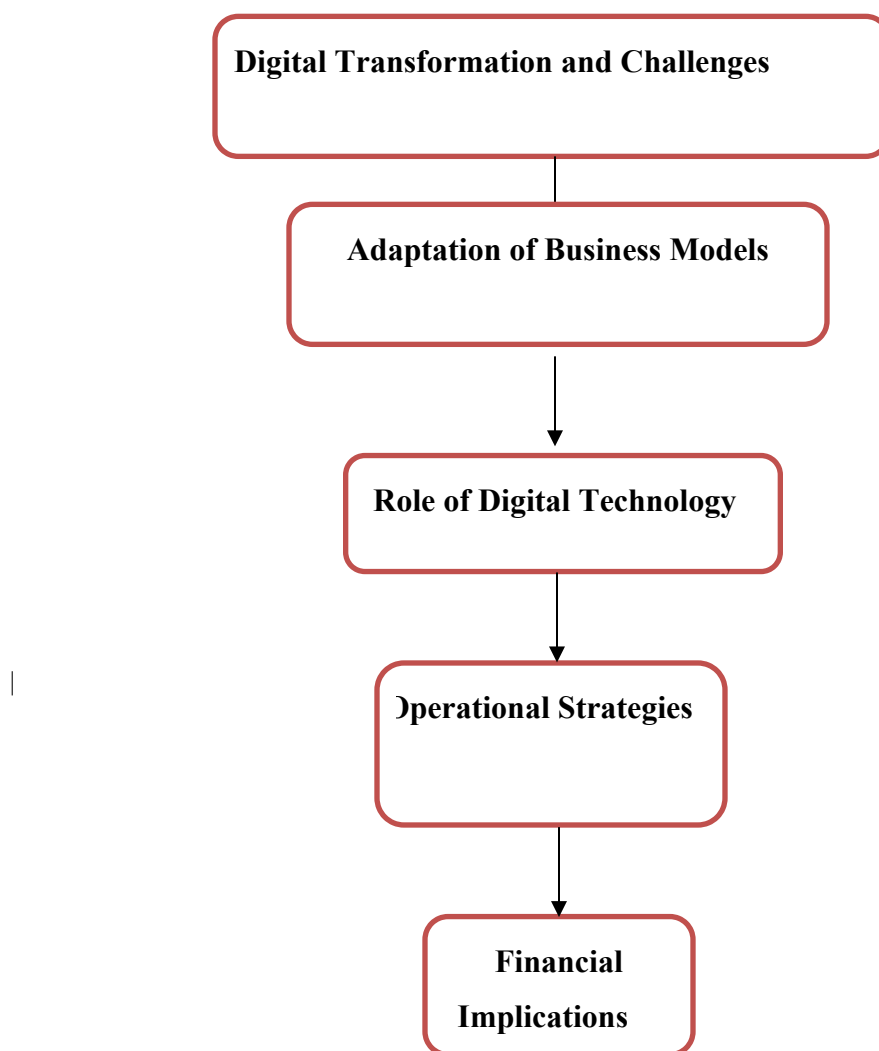
Furthermore, while existing literature like Mpofu and Chitambo (2021) touches on consumer preferences, it often lacks a detailed analysis of how local travelers perceive and interact with traditional agencies versus online platforms. Moreover, although some studies like Mwanje (2020) address the role of traditional agencies in promoting sustainable tourism, there is insufficient investigation into how these practices are integrated into the business models of agencies in Addis Ababa. Exploring the effectiveness of such initiatives can contribute to broader discussions on sustainable tourism in Ethiopia.

Additionally, while various studies (Kambole, 2021; Mwanje, 2020; Adeleke and Kazeem, 2018) highlight challenges posed by online travel agencies (OTAs) and technological advancements, there is limited empirical research on how traditional agencies in Addis Ababa are adapting to these changes. Investigating successful case studies within this local context could provide valuable insights for other agencies. Lastly, the effectiveness of customer relationship management (CRM) strategies in enhancing loyalty and satisfaction among traditional travel agencies in Addis Ababa remains underexplored, and research in this area could illuminate best practices for maintaining customer relationships in a digital age. By addressing these gaps, this study offered practical recommendations for agency operators and policymakers, fostering a

deeper understanding of how traditional travel agencies can thrive sustainably in an evolving travel landscape.

## 2.5 Conceptual Framework of the Study

To create a conceptual framework for the study titled "Assessing the Sustainability of Traditional Travel Agencies in the Digital Era: Evidence from Travel Agencies in Addis Ababa," this study structured it around the research questions provided. This framework clarifies the relationships between key concepts and guides the research process.



**Figure 1 Conceptual Framework of the Study**

Source from Woldemariam & Teshome (2019) and Kassahun (2020)

As this study more focused on Digital platforms, Online Travel Agencies (OTAs), traditional travel agencies, it explored how the rise of digital platforms and OTAs presents challenges to traditional travel agencies in Addis Ababa, such as competition, pricing pressures, and changing consumer expectations. It actually investigated how traditional travel agencies in Addis Ababa adapt their business models to meet the evolving needs of consumers who are increasingly leaning towards digital solutions and personalized experiences. It examined the role of technology in the operations of traditional travel agencies, including the integration of online booking systems, customer relationship management (CRM) tools, and digital marketing strategies. It also analyzed the specific operational strategies that travel agencies in Addis Ababa implement to align with consumer preferences for online booking and the increasing demand for sustainable travel options. It basically assessed the financial implications of digital transformation for traditional travel agencies, including how investments in technology affect cost structures and revenue streams.

To assess the Sustainability of Traditional Travel Agencies in the Digital Era: Evidence from Travel Agencies in Addis Ababa, this study adapted the conceptual framework from several sources and theories relevant to the travel industry and digital transformation. It mainly adapted from Barney (1991), this theory emphasizes how unique resources and capabilities can lead to competitive advantage. Based on Michael Porter's work, this framework can help analyze the competitive landscape. This helped to examine how the rise of OTAs affects the bargaining power of buyers and suppliers, as well as the threat of new entrants.

For this study on the sustainability of traditional travel agencies in the digital era, this study draw on several similar studies that have explored related concepts. t mainly adapted from Woldemariam & Teshome (2019) who explored the challenges and opportunities traditional travel agencies face in adapting to digital platforms. Their framework could include elements of the Resource-Based View and Porter's Five Forces to analyze both internal capabilities and external competitive pressures. Kassahun (2020) investigated the impact of digital marketing on travel agencies, this study emphasizes the importance of adopting digital strategies.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Description of the Study Area**

##### **3.1.1 Site Selection**

Addis Ababa, the capital city of Ethiopia, is a bustling metropolis with over 3.5 million residents. It is also a key player in the country's tourism sector, with attractions like the National Museum, Holy Trinity Cathedral, and Mercato market. The presence of Bole International Airport, a major hub for Ethiopian Airlines, further emphasizes its role as a gateway for international tourists. Ethiopia's capital, Addis Ababa, served as the study's location. In East Africa, it is a singular city. The city is situated on the foothills of Mount Entoto, about in the middle of the country, at an elevation of 2,500 meters (8,200 feet) above sea level. Ethiopia's capital and largest city is Addis Ababa, sometimes spelled Addis Abeba. It is situated in the country's geographic center on a plateau that receives plenty of water and is encircled by hills and mountains. Ethiopia's administrative and educational hub is Addis Ababa (Addis Ababa City Administration, 2024).

### 3.1.2 Selection of the Cases

Traditional travel agencies in Addis Ababa face challenges from the rise of online travel agencies (OTAs) but can leverage their local expertise and personalized services to remain competitive. This study assesses the sustainability of these agencies amidst digital transformation and evolving consumer preferences.

Based on the provided descriptions of the travel agencies, the most suitable choice for a case study in this research would be Yama Ethiopia Tours, primarily due to its history, leadership, and focus on sustainable tourism. This agency represents a well-established yet adaptable business model, which makes it an ideal example to explore how traditional agencies are navigating the challenges brought by the digital era. The founder's extensive experience, starting from a local guide to establishing a tour company, also suggests a deep understanding of the evolving tourism sector and provides valuable insights into traditional agency strategies for adapting to modern trends.

- Yama Ethiopia Tours: Founded in 2009 by Tariku W. Yadete, this agency is committed to sustainable tourism and aims to expand its business by integrating eco-friendly practices. Yama Ethiopia Tours offers valuable insight into how an established agency with a focus on sustainability responds to digital challenges while maintaining personalized services (Yama Ethiopia Tours, 2004).
- Ebyet Tour and Travel: A reliable and well-established agency since 2000, Ebyet Tour offers a broad range of services and focuses on quality management, ensuring customer satisfaction. Their strategy in dealing with online platforms and adapting their offerings are critical in understanding how traditional agencies compete with OTAs (Ebyet Tour and Travel, 2004).
- Merit Ethiopian Experience Tours (MEET): A newer agency that has gained recognition for its client-focused, bespoke tour experiences, Merit Ethiopian Experience Tours is an example of how a modern, tech-savvy agency combines traditional personal service with digital tools, offering a unique perspective on the digital transition (Merit Ethiopian Experience Tours, 2004).

### **3.2 Research Design**

The purpose of research designs is to enable researchers to respond to research questions in the most valid, impartial, precise, and economical manner feasible. The entire study has a strong foundation thanks to the research design. It is necessary because it makes the numerous research procedures run more smoothly. By providing as much information as possible with the least amount of time, money, and effort, it maximizes the efficiency of the investigation. Based on existing knowledge, descriptive research aims to describe particular events; it is a tool rather than a goal in and of itself because it promotes further explanation (Woldemariam & Teshome, 2019).

The present research study adopts a descriptive methodology and examines the various aspects of sustainability and operational challenges faced by traditional travel agencies in Addis Ababa. This study provides a comprehensive overview of the strategies employed by these agencies to adapt to the digital era, including their business models, technology integration, and customer engagement practices. By analyzing the current landscape of travel agencies in Addis Ababa, the research aims to highlight the key challenges they encounter and the promotional activities they undertake within a changing tourism market. A descriptive research design is employed to gather and analyze relevant data systematically.

Further, the research employed a case study approach, focusing on three travel agencies in Addis Ababa to assess their adaptation strategies to the digital transformation in the tourism sector. By analyzing these three cases, the study highlighted varying responses to the rise of OTAs, from established players focused on quality management and sustainable tourism to newer agencies leveraging technology for customer engagement and personalized experiences.

### **3.3 Research Approach**

This study employed a mixed-methods research design, integrating both qualitative and quantitative approaches to evaluate the sustainability of traditional travel agencies in Addis Ababa in the digital era. The quantitative aspect involved structured surveys with a representative sample of travel agency customers and managers, collecting numerical data on customer preferences, digital tool usage, and the impact of online travel agencies on traditional



businesses. This data was statistically analyzed to identify patterns and correlations, providing a broad understanding of the market dynamics.

Concurrently, the qualitative approach comprises semi-structured interviews with key stakeholders, including travel agency owners, managers, and industry experts. These interviews were delved into the challenges and opportunities faced by traditional travel agencies, offering in-depth insights that quantitative data alone might not reveal. The qualitative data was analyzed thematically to uncover recurring themes and deeper contextual understanding.

By integrating these methods, the study achieves triangulation, enhancing the validity and reliability of the findings. This mixed-methods approach ensures a comprehensive assessment of how traditional travel agencies in Addis Ababa can sustain and thrive amidst digital disruption, capturing both the breadth and depth of the issues at hand.

### **3.4 Data Type and Sources**

Both primary and secondary data were used by the researcher. The inquiry used both primary and secondary data sources. A questionnaire administered to staff members of actors and organizations involved in tourism was used to gather the primary data. Primary data was gathered from journals, publications, and an interview checklist in addition to the questionnaire. Primary data is said to be the knowledge a researcher learns about a certain subject. This type of data's primary advantage was that it was intended to be gathered with the goal of the study in mind. It suggests that the data it produced was more in line with the goals and questions of the study.

One sort of data that the researcher collects for their own objectives is called primary data. It was employed to gather quantitative primary data from lodging establishments and travel operators. Additionally, the Addis Ababa Culture, Arts and Tourism Bureau, Ethiopian Airlines, Tourism Ethiopia, and the Ministry of Tourism provided qualitative data. The researcher is the secondary beneficiary of secondary data, even though it was collected or assembled by others.

### 3.5 Target Population and Sampling

#### 3.5.1 Target Population

The researcher used the target population to generalize the results of the study. Therefore, the total target population of the study was 225 employees of traditional travel agencies in Addis Ababa can vary, but it is estimated that there are 225 registered travel agencies operating in the city (Addis Ababa City Administration Culture, Arts and Tourism Bureau, 2024).

#### 3.5.2 Sample Size Determination

In this study, the sample size was calculated using Yamane's formula, a widely recognized method for determining sample size. The total population considered was  $N=225$ , with a precision of  $\pm 5\%$ . With a 95% confidence level, the sample size was derived as follows:

$$n = \frac{N}{1 + N(e)^2} \quad \text{Equation 1}$$

$$= 144$$

Where  $n$  = number of sample size and  $N$  = Total number of study population  $e$  = level of confidence to have in the data or degree of freedom which is 95% apply for this study with 5% error. The sample size was 144 respondents.

#### 3.5.3 Sampling Techniques

In this study, a stratified random sampling method was employed to ensure that various subgroups within the population of traditional travel agencies in Addis Ababa were adequately represented. This approach was chosen to reflect the diversity of the agencies based on different characteristics such as size, type of services offered, and market focus.

The population of travel agencies was divided into distinct strata based on relevant criteria: size of agency: small, medium, and large agencies; type of services: leisure travel, business travel, and niche markets and market focus: domestic vs. international travel. A proportional allocation method was used to determine the sample size from each stratum. This means that the number of

respondents selected from each subgroup was proportional to the size of that subgroup in the overall population. Within each stratum, respondents were randomly selected to participate in the study. This ensured that every agency within the stratum had an equal chance of being included in the sample.

**Table 1 Sample Size Determination**

<b>Stratum</b>	<b>Total Agencies (N)</b>	<b>Sample Size (n)</b>	<b>Proportional Allocation (%)</b>
Small Agencies	100	64	64%
Medium Agencies	75	48	32%
Large Agencies	50	32	4%
<b>Total</b>	<b>225</b>	<b>144</b>	<b>100%</b>

Source: Addis Ababa City Administration, 2024

By using stratified random sampling with proportional allocation, this study aimed to ensure a representativeness sample of traditional travel agencies in Addis Ababa. This method enhances the reliability of the findings by accounting for the diversity within the population, allowing for more nuanced insights into the sustainability of these agencies in the digital era.

### **3.6 Data Collection Methods**

In this study, data was collected through a combination of questionnaires, interviews, and document analysis to assess the sustainability of traditional travel agencies in the digital era in Addis Ababa.

#### **3.6.1 Questionnaire**

A structured questionnaire was used for quantitative data collection, allowing for a wide range of responses from participants. The questionnaire was adapted from Woldemariam & Teshome (2019) who studied challenges and opportunities for travel agencies in the digital era in Ethiopia and Tekabe (2016) from challenges and prospectus of Ethiopian tourism industry. It included both closed and open-ended questions, emphasizing a five-point Likert scale to measure perceptions of sustainability practices and challenges faced by traditional travel agencies. This

approach is beneficial for quantifying attitudes, as a Likert scale is commonly recognized for its clarity and ease of understanding for respondents.

### **3.6.2 Interview**

Qualitative data was obtained through interviews aimed at exploring the practices and challenges of traditional travel agencies in Addis Ababa. The study utilized both face-to-face and phone interviews to ensure accessibility as the respondents' busy schedules. Interviews (ten, 10) were conducted with up to fifteen individuals, including officers, employees, and managers from various travel agencies, to gather diverse insights on adaptation strategies and sustainability efforts in response to digital transformation.

### **3.6.3 Document Analysis**

To enhance the data collection process, document analysis was performed, following Babbie's (2010) definition of studying recorded human communications. This method involved reviewing both published and unpublished documents related to tourism practices in Addis Ababa. Annual reports from the Addis Ababa Tourism and Culture Office (2021-2024) and relevant websites were analyzed to complement the findings from the questionnaires and interviews, providing a comprehensive view of the current landscape.

## **3.7 The Credibility of the Research**

Ensuring the credibility of this research focused on both reliability and validity.

### **3.7.1 Validity**

Validity was assessed to confirm that the instruments accurately addressed the research questions. The questionnaire was reviewed by a supervisor and two tourism and marketing experts to ensure alignment with the study's objectives. Feedback from these experts, along with insights from ten tourism promotion specialists, helped refine the instrument, confirming its relevance and appropriateness for examining traditional travel agencies in Addis Ababa.

### **3.7.2 Pretesting**

A pre-test was conducted with ten active employees from the tourism sector to evaluate the effectiveness of the questionnaire. This process was critical to determine whether the instrument

could effectively capture the necessary data to achieve the study's objectives. Feedback from the pre-test led to adjustments that improved the clarity and relevance of the questions.

### 3.7.3 Reliability

The reliability of the instruments was measured using Cronbach's alpha, which assesses the consistency of the items within the scale. A Cronbach's alpha value above 0.75 indicates good reliability (Abebaw, 2020). The results, presented in Table 2, demonstrate that all variables related to the sustainability practices and challenges of traditional travel agencies exhibited strong internal consistency.

**Table 2 Reliability Test Results**

S.No	Variable	Reliability coefficient	Number of Likert scale items
1	Digital travel technologies	.843	7
2	Business models in the digital era	.825	7
3	Operational Strategies for Online Booking	.808	7
4	Financial implications of adopting digital technologies by travel agencies	.821	7
5	Challenges facing traditional travel agencies	.820	7

*Source: Survey Result, 2024*

These findings confirm the reliability of the data collection instruments, indicating that they effectively measured the variables relevant to assessing the sustainability of traditional travel agencies in the digital era in Addis Ababa.

## 3.8 Method of Data Analysis

The method of data analysis employed in this study was designed to effectively interpret the gathered information and derive meaningful insights into the sustainability of traditional travel agencies in the digital era.

### **3.8.1 Quantitative Data Analysis**

The data collected through the questionnaire was recorded, edited, organized, analyzed, interpreted and presented based on research questions through descriptive statistical tools such as tables, figures, percentages, and standard deviation. Descriptive statistics included the mean and standard deviation used to capture the characteristics of the variables under study. It was displayed in a meaningful and understandable manner to assist in describing and interpreting the results of the research. Descriptive statistics were computed to describe the socio-demographic characteristics of participants and to summarize the respondents' perception on challenges on project management practices.

### **3.8.2 Qualitatively Data Analysis**

The data was also collected qualitatively have been first transcribed into text, next organized based on the objective of the study and then analyzed by coding, giving meaning, categorization, editing and through thematic organization and descriptive narration. As mentioned, interviews were all recorded with the approval of respondents. Thus, transcription is based on the recordings and data analysis is based on the transcription. analysis is firmly grounded in the collected data and it is done by transcription reading and data interpretation. To code the transcripts, the analysis process follows the steps of sorting, finding patterns, categorize, abstract and theorize. These are called thematic analysis (Bryman, 2016).

Accordingly, the main practices were sorting data by reading materials closely, distinguishing repeated wording said by interviewee which then lead to the categories and themes extracted (e.g. time saving, money saving, restrictions, human aspect and store environment,). Further, with the theoretical knowledge in head, themes are theorized based on its relevance to the theory (e.g. the value of outcome, value of tangibility, and value of human touch). However, it is noteworthy that analysis starts earlier than the accomplishment of all transcriptions and its interpretation. Literature review was parallel to the research question operationalized, which is

also a part of the analysis process as it provides theoretical backup to ask relevant interview questions and to anticipate responds. Also, while conducting interview, the analysis work has already started because this study come up with ideas about thematizing things at the moment of hearing answers given by interviewees.

### **3.9 Ethical considerations**

Ethical principles in social research include potential harm to participants; informed consent; privacy and deception. The present research follows these ethical principles and details were presented next. Firstly, potential harm entails physical harm and psychological harm. Considering the topic of this study is less sensitive, this study did pay attention to the first ethical principle but it was not the foremost concern. Specifically, interviewees were all informed that they have the right to reject answering certain questions if they don't feel comfortable to, though questions were designed to be relevant only to the research and it proves that all interviews have been conducted successfully. Secondly, the lack of informed consent is hotly debated that focuses on what is disguised or covert observation.

As mentioned, this study was not able to conduct any form of observation. Further, by interviewing participants, this study is an absolute non-covert research. To clarify, all interviewees are voluntary participants. Before every interview, introduction of the research, including its purpose, intended use and its methods are given to the interviewee. Additionally, interviewees are informed about the modalities of data collection and they are further inquired whether they agree to be sound recorded during the interview. Also, considering the ethical principle of privacy respect, interviewees were then promised that recording were deleted once the thesis is completed. Besides, recordings were protected and not to share with any other, unless it is asked by the thesis examiner. In addition, interviewee remained completely anonymous for their private information, such as their name, will not be shown in the thesis. To better protect the privacy of interviewee, during the recording of interview, participants were not asked about their name and especially any specific company information.

## **CHAPTER FOUR**

## DATA PRESENTATION AND ANALYSIS

### 4.1 Introduction

This chapter presents the data, analysis and discussion of the research findings including response rate, descriptive statics, and independent test analysis.

This chapter presents the data, analysis, and discussion of the research findings, including response rates, descriptive statistics, and results from independent tests.

### 4.2 Response Rate

The targeted questionnaires were distributed to a strategically selected sample of travel agencies based in Addis Ababa, and employees working at the FDRE ministry of tourism. The response rate for the questionnaires is summarized in the table below:

**Table 3 Response Rate**

Targeted Areas	Questionnaires Distributed	Returned Questionnaires	Response Rate (%)
Small Agencies	64	60	94%
Medium Agencies	48	48	100%
Large Agencies	32	32	100%
Total	140	140	97.22%

*Source: Survey Results, 2024*

The above table shows that 140 questionnaires were successfully returned out of 144 distributed, representing a 97.22% response rate ( $140/144 * 100$ ). This suggests that the study achieved a strong level of engagement from the participants. The interviews also demonstrated a solid



response rate, indicating a high level of participant. Consequently, the response rate is considered satisfactory and provides a robust foundation for the subsequent analysis.

### 4.3 Profile of the sampled travel agencies

#### Demographic Profile of Respondents

The demographic characteristics of the respondents include gender, age, and educational background, and working experience for employees and tour operators. The below table displays respondents profile based on the questionnaire survey results.

**Table Profile of the sampled travel agencies**

Items		Count
Gender	Female	51
	Male	89
1. Age of the travel agency (in years)	Young adults (ages 18-35 years) Please specify the age range here	40
	Middle-aged adults (ages 36-55 years)	56
	Older adults (aged older than 55 years)	44
Education level	Diploma and below	46
	First Degree	78
	Masters and above	16
Work experience in travel agency related activities	Below 5 years	27
	6 to 10 years	38
	11 to 15 years	48
	Above 16 years	27
Travelled per year	1 - 3 times	0
	4-6 times	60
	7-10	80
	11 - 14	0
	15 and above	0
2. What is your	Travel consultant	19
	Sales and marketing	17

primary role in the agency?	Operations management	33
	Customer service	63
	Others	8
3. Scale of operation of the travel agency	Small agency	0
	Medium agency	1
	Large agency	1
	Total	2
4. How does the travel agency communicate with its clients?	Face-to-face meetings	0
	Phone calls	19
	Email	40
	Social media	52
	Other	29
5. How do you see the future of traditional travel agencies in the digital age?	Very optimistic	25
	Somewhat optimistic	59
	Neutral	39
	Somewhat pessimistic	12
	Very pessimistic	5

*Source: Survey Results, 2024*

The data collected reveals key insights into the profile of the respondents and their perspectives on the travel agency industry. The sample consists of a higher proportion of male participants (63.6%) compared to female participants (36.4%), which could indicate a male-dominated workforce in the travel agency industry within this sample. The majority of respondents fall within the middle-aged adults category (36-55 years) at 40.0%, followed by older adults (over 55 years) at 31.4%, and young adults (18-35 years) at 28.6%. This suggests that the travel agency workforce tends to be more mature, with a substantial portion of experienced workers.

The majority of participants hold a first degree (55.7%), followed by those with a diploma and below (32.9%). A smaller proportion of respondents have a master's degree or higher (11.4%). This indicates a highly educated workforce, with most holding at least a bachelor's degree. A significant portion of respondents (34.3%) have 11-15 years of experience in travel agency-related activities, followed by those with 6-10 years of experience (27.1%). This suggests a workforce with substantial industry experience, contributing to their expertise in the sector. The majority of respondents travel 7-10 times per year (57.1%), with another 42.9% traveling 4-6

times. This shows that most respondents are quite active in travel, which aligns with their profession in the travel industry.

A substantial portion of respondents works for private limited companies (PLC) or private agencies (34.3%), followed by online travel agencies (30.0%) and independent agencies (25.0%). The least common type of agency represented is franchise-based, with only 10.7%. Most respondents hold customer service positions (45.0%), followed by those working in operations management (23.6%) and travel consulting (13.6%). Sales and marketing (12.1%) and other roles (5.7%) make up the remaining responses. This highlights a focus on customer service and operational roles within the industry. The majority of respondents primarily communicate with clients via social media (37.1%), followed by email (28.6%). A smaller portion of respondents rely on phone calls (13.6%) and other methods (20.7%), while none reported face-to-face meetings as their primary communication method. This shows a clear trend toward digital communication channels.

The majority of respondents are somewhat optimistic (42.1%) or very optimistic (17.9%) about the future of traditional travel agencies in the digital age. Only a small portion (12.1%) expressed pessimism, indicating a generally positive outlook for traditional agencies despite the digital transformation.

The results highlight several key trends and areas of focus for the travel industry. Firstly, the data suggests that the travel agency workforce is largely experienced and well-educated, which may contribute to the industry's ability to adapt and innovate in a rapidly changing digital environment. The fact that most respondents are optimistic about the future of traditional travel agencies, despite the rise of digital alternatives, reflects confidence in the value that traditional agencies still offer, such as personalized service and expertise. The data also reveals a strong shift toward digital communication channels, with social media and email being the most common ways that agencies interact with clients. This indicates that, while traditional agencies remain optimistic, they are increasingly integrating digital tools to maintain relevance in the modern travel market.

In summary, the survey results provide a clear profile of the travel agency workforce, revealing a highly educated and experienced group, with a majority in customer service and operations roles.

The industry is undergoing a digital transformation, as evidenced by the widespread use of social media and email for client communication. Despite the rise of digital alternatives, the optimism toward the future of traditional travel agencies is notable, indicating that respondents believe these agencies can still thrive in the digital age by leveraging their strengths and adapting to new technologies.

#### 4.4 Descriptive statistics about study variables

To answer the research questions, this study further analyzes the responses using frequency percentages, mean, and standard deviation. Descriptive statistics in this research are used to present the data in a more meaningful manner, facilitating easier interpretation. Similar studies in this area have used mean scores with the following scale: 4.51-5.00 represents excellent or very good, 3.51-4.50 is good, 2.51-3.50 is average or moderate, 1.51-2.50 is fair, and 1.00-1.50 is poor, as outlined by Aguiar-Quintana et al. (2017) in their research on enhancing the competitiveness and survival of traditional travel agencies. Therefore, this study used the above ranges to interpret mean values. The interviewees' responses and opinions are also incorporated alongside the descriptive analysis.

#### 4.5 Digital Travel Practices of Travel Agencies

##### 4.5.1 Challenges facing traditional travel agencies

To analyze the responses and understand the impact of Online Travel Agencies (OTAs) on traditional agencies, the following table includes the frequency distribution of responses for each statement, along with the calculated mean score. The table presents the breakdown of the respondents' views on various aspects of the influence of OTAs on their agencies. A **Grand Mean** will also be provided for the overall assessment of these statements.

**Table 5 Descriptive statistics for challenges facing TAs**

Statement	SD	DA	N	AG	SA	Mean
The rise of OTAs has significantly impacted our agency's market share.	2 (1.4%)	12 (8.6%)	33 (23.6 %)	54 (38.6% )	39 (27.9 %)	3.82
Competing with OTAs is a	8	10 (7.1%)	20	71	31	4.02

major challenge for our agency.	(5.7%)		(14.3 %)	(50.7% )	(22.1 %)	
Clients prefer using OTAs over traditional agencies for their travel needs.	2 (1.4%)	20 (14.3%)	23 (16.4 %)	60 (42.9% )	35 (25.0 %)	3.86
Our agency struggles to match the pricing offered by OTAs.	6 (4.3%)	14 (10.0%)	27 (19.3 %)	62 (44.3% )	31 (22.1 %)	3.86
The marketing strategies of OTAs create significant pressure on our agency.	4 (2.9%)	4 (2.9%)	25 (17.9 %)	69 (49.3% )	38 (27.1 %)	4.07
The lack of visibility compared to OTAs is a challenge for our agency.	10 (7.1%)	10 (7.1%)	38 (27.1 %)	57 (40.7% )	25 (17.9 %)	3.57
Our agency has experienced a decline in repeat customers due to the rise of OTAs.	4 (2.9%)	11 (7.9%)	33 (23.6 %)	75 (53.6% )	17 (12.1 %)	3.67
<b>Grand Mean</b>						3.85

*Note: Mean is calculated based on the following scale: 1=Strongly Disagree (SD), 2=Disagree (DA), 3=Neutral (N), 4=Agree (AG), 5=Strongly Agree (SA), SD= Strongly Agree*

*Source: Survey Results, 2024*

The Grand Mean for all statements is 3.85, which falls between "Agree" and "Neutral" on the Likert scale, indicating that respondents generally perceive OTAs as presenting a significant challenge to traditional travel agencies. This score suggests that respondents believe OTAs have a notable impact on market share, competition, customer preferences, and the pricing strategies of traditional agencies. Specifically, the highest mean score of 4.07 was found in response to the statement "The marketing strategies of OTAs create significant pressure on our agency," indicating strong agreement that OTAs' marketing tactics are placing considerable pressure on traditional agencies. In contrast, the lowest mean score of 3.57 was associated with the statement "The lack of visibility compared to OTAs is a challenge for our agency," indicating a more moderate concern about visibility in comparison to OTAs.

From the interview analysis, it was evident that many participants felt strongly that OTAs had significantly impacted their agency's market share. Some interviewees emphasized the pressure of competing with the vast marketing budgets and widespread online presence of OTAs, which often overshadow smaller traditional agencies. Several respondents noted that while OTAs offer

competitive pricing and convenience for customers, they struggle to match these factors, leading to challenges in client retention. Despite these challenges, a few interviewees expressed optimism about leveraging personalized services and expertise as key differentiators that could help traditional agencies maintain their relevance.

## 4.5.2 Business Model Adaptation

**Table 6 Business Model Adaptation**

Statement	SD	DA	N	AG	SA	Mean
Our agency has successfully adapted our business model to meet changing consumer preferences.	3 (2.1%)	8 (5.7%)	65 (46.4%)	47 (33.6%)	17 (12.1%)	3.53
We regularly analyze consumer behavior to inform our business strategies.	3 (2.1%)	15 (10.7%)	35 (25.0%)	52 (37.1%)	35 (25.0%)	3.78
Our agency has developed new services to cater to online booking preferences.	8 (5.7%)	17 (12.1%)	30 (21.4%)	64 (45.7%)	21 (15.0%)	3.75
We have integrated social media marketing to reach more customers.	5 (3.6%)	22 (15.7%)	30 (21.4%)	53 (37.9%)	30 (21.4%)	3.78
Our agency collaborates with technology partners to enhance our service offerings.	8 (5.7%)	16 (11.4%)	37 (26.4%)	54 (38.6%)	25 (17.9%)	3.69
Customer feedback is actively sought to refine our service offerings.	9 (6.4%)	12 (8.6%)	47 (33.6%)	39 (27.9%)	33 (23.6%)	3.75
Our agency conducts regular training for staff to adapt to digital tools and platforms.	11 (7.9%)	16 (11.4%)	25 (17.9%)	43 (30.7%)	45 (32.1%)	3.84
<b>Grand Mean</b>						3.74

*Note: Mean is calculated based on the following scale: 1=Strongly Disagree (SD), 2=Disagree (DA), 3=Neutral (N), 4=Agree (AG), 5=Strongly Agree (SA), SD= Strongly Agree*

*Source: Survey Results, 2024*

The Grand Mean for these statements is 3.74, which is close to "Agree" on the Likert scale, indicating that, overall, respondents believe their agencies are taking positive steps to adapt to the changing digital environment and consumer preferences. The highest mean score of 3.84 was recorded for the statement "Our agency conducts regular training for staff to adapt to digital tools and platforms," suggesting that training and digital adoption are seen as a priority within the agencies. On the other hand, the lowest mean score of 3.53 was for the statement "Our agency has successfully adapted our business model to meet changing consumer preferences," indicating that while there is some agreement, there may still be room for improvement in fully aligning business models with changing market demands.

From the interview analysis, several key themes emerged regarding agencies' adaptation strategies. Most respondents expressed that their agencies have been making efforts to integrate digital tools and platforms, with a strong emphasis on training staff to ensure they are equipped to handle new technologies. However, some interviewees mentioned that while they have developed new services to cater to online booking preferences, there is still a significant gap in fully meeting all consumer expectations, particularly in comparison to more agile online competitors. A few respondents emphasized the need for more targeted and data-driven marketing strategies, as they felt that consumer behavior analysis and feedback mechanisms were not consistently applied to inform strategic decisions.

### 4.5.3 Digital travel technologies

To assess the impact of technology on the operations, customer engagement, and efficiency of traditional travel agencies, the following table presents the frequency distribution of responses for each statement, along with the calculated mean scores. Additionally, a Grand Mean is included to summarize the overall trends

**Table 7 Adoption of digital travel technologies**

Statement	SD	DA	N	AG	SA	Mean

Technology has improved the efficiency of our agency's operations.	9 (6.4%)	24 (17.1%)	30 (21.4%)	42 (30.0%)	35 (25.0%)	3.7
We utilize digital tools to enhance customer engagement and service offerings.	12 (8.6%)	9 (6.4%)	44 (31.4%)	39 (27.9%)	36 (25.7%)	3.77
Technology has made it easier for our agency to reach potential customers.	2 (1.4%)	21 (15.0%)	33 (23.6%)	37 (26.4%)	47 (33.6%)	4.02
Our agency uses data analytics to understand customer preferences better.	8 (5.7%)	10 (7.1%)	27 (19.3%)	52 (37.1%)	43 (30.7%)	3.85
Online booking systems have streamlined our reservation process.	4 (2.9%)	24 (17.1%)	29 (20.7%)	46 (32.9%)	37 (26.4%)	3.76
Our agency's website is user-friendly and effectively showcases our services.	7 (5.0%)	18 (12.9%)	32 (22.9%)	48 (34.3%)	35 (25.0%)	3.75
We actively use email marketing to keep our customers informed and engaged.	3 (2.1%)	12 (8.6%)	22 (15.7%)	70 (50.0%)	33 (23.6%)	3.91
<b>Grand Mean</b>						3.8

*Note: Mean is calculated based on the following scale: 1=Strongly Disagree (SD), 2=Disagree (DA), 3=Neutral (N), 4=Agree (AG), 5=Strongly Agree (SA), SD= Strongly Agree*

*Source: Survey Results, 2024*

The Grand Mean for these statements is 3.80, which falls between "Agree" and "Neutral" on the Likert scale. This suggests that, overall, respondents perceive technology as playing a significant and positive role in improving their agency's operations and customer engagement. The highest mean score of 4.02 was recorded for the statement "Technology has made it easier for our agency to reach potential customers," indicating strong agreement that technology has facilitated broader customer outreach. The lowest mean score of 3.70 was found for the statement "Technology has improved the efficiency of our agency's operations," suggesting that while there



is general agreement, some respondents may feel there is still room for improvement in operational efficiency through technology.

From the interview analysis, most respondents noted that technology has significantly contributed to enhancing customer outreach and engagement. Many agencies have adopted digital tools such as social media, email marketing, and data analytics to better understand and connect with their clients. Additionally, several agencies highlighted the positive impact of online booking systems, which have streamlined their reservation processes. However, some interviewees expressed concerns about the need for continuous updates to their technology infrastructure to maintain efficiency. While some agencies reported success in integrating data analytics and improving operational efficiency, others acknowledged challenges in fully leveraging these tools to maximize their potential.

#### 4.5.4 Operational Strategies for Online Booking

To further analyze how traditional travel agencies have adapted to meet changing consumer preferences and enhance their online presence, the following table presents the frequency distribution of responses for each statement, as well as the mean scores. Additionally, the Grand Mean is calculated to provide a summary of the overall trends.

**Table 8 Operational Strategies**

Statement	SD	DA	N	AG	SA	Mean
Our agency has implemented operational changes to facilitate online booking.	0 (0.0%)	0 (0.0%)	46 (32.9%)	81 (57.9%)	13 (9.3%)	3.74
We offer sustainable travel options that align with current consumer preferences.	0 (0.0%)	0 (0.0%)	46 (32.9%)	76 (54.3%)	18 (12.9%)	3.8
Our marketing strategies effectively communicate our online booking capabilities.	0 (0.0%)	0 (0.0%)	47 (33.6%)	84 (60.0%)	9 (6.4%)	3.73

We have established partnerships with online payment platforms to ease transactions.	0 (0.0%)	0 (0.0%)	48 (34.3%)	78 (55.7%)	14 (10.0%)	3.76
Customer service is available online to assist with booking inquiries.	0 (0.0%)	0 (0.0%)	49 (35.0%)	77 (55.0%)	14 (10.0%)	3.75
Our agency provides detailed information on travel options to enhance the booking experience.	0 (0.0%)	0 (0.0%)	48 (34.3%)	82 (58.6%)	10 (7.1%)	3.74
We promote eco-friendly travel packages through our online platforms.	4 (2.9%)	5 (3.6%)	48 (34.3%)	53 (37.9%)	30 (21.4%)	3.7
Grand Mean						3.75

*Note: Mean is calculated based on the following scale: 1=Strongly Disagree (SD), 2=Disagree (DA), 3=Neutral (N), 4=Agree (AG), 5=Strongly Agree (SA), SD= Strongly Agree*

*Source: Survey Results, 2024*

The Grand Mean for these statements is 3.75, which falls between "Agree" and "Neutral" on the Likert scale. This suggests that over all, respondents believe their agencies are actively adapting to meet consumer preferences in areas such as online booking, customer service, and sustainability. The highest mean score of 3.80 was recorded for the statement "We offer sustainable travel options that align with current consumer preferences," indicating strong agreement that sustainability is a key consideration in their offerings. The lowest mean score of 3.70 was for "We promote eco-friendly travel packages through our online platforms," which indicates that while eco-friendly options are offered, there is less emphasis on promoting them through digital platforms.

Interview responses indicate that while agencies are making significant strides in adapting their services to consumer demands, there are still areas where improvements could be made. Many respondents highlighted that operational changes to facilitate online booking have been implemented successfully, with streamlined booking processes and the availability of online customer service. However, some noted that while sustainable travel options are being offered, the promotion of these packages through online platforms could be enhanced. Moreover, several

interviewees mentioned that while their agencies have established partnerships with online payment platforms, there is still work to be done to fully integrate these platforms across all their services.

#### 4.5.5 Financial Implications of Digital Transformation

To further analyze the impact of digital transformation on the financial performance of traditional travel agencies, the following table presents the frequency distribution of responses for each statement, along with their calculated Mean scores. This helps to assess how digital tools, technology investments, and marketing strategies are perceived to affect the agency's revenue and profitability.

**Table 9 Financial Implications of Digital Transformation**

Statement	SD	DA	N	AG	SA	Mean
Digital transformation has positively impacted our agency's revenue streams.	11 (7.9%)	11 (7.9%)	20 (14.3%)	54 (38.6%)	44 (31.4%)	3.76
The costs associated with adopting new technologies are justifiable in terms of revenue growth.	3 (2.1%)	32 (22.9%)	22 (15.7%)	48 (34.3%)	35 (25.0%)	3.53
Our agency has seen an increase in customer inquiries due to our digital marketing efforts.	5 (3.6%)	26 (18.6%)	30 (21.4%)	43 (30.7%)	36 (25.7%)	3.76
The investment in technology has led to improved profitability for our agency.	3 (2.1%)	16 (11.4%)	26 (18.6%)	49 (35.0%)	46 (32.9%)	3.88
Our agency has successfully reduced operational costs through digital tools.	7 (5.0%)	12 (8.6%)	44 (31.4%)	52 (37.1%)	25 (17.9%)	3.63
We track the financial performance of our digital marketing	6 (4.3%)	10 (7.1%)	38 (27.1%)	69 (49.3%)	17 (12.1%)	3.59

campaigns to ensure ROI.						
Our agency allocates a significant portion of its budget to technology and digital marketing initiatives.	1 (0.7%)	9 (6.4%)	66 (47.1%)	47 (33.6%)	17 (12.1%)	3.51
<b>Grand Mean</b>						3.69

*Note: Mean is calculated based on the following scale: 1=Strongly Disagree (SD), 2=Disagree (DA), 3=Neutral (N), 4=Agree (AG), 5=Strongly Agree (SA), SD= Strongly Agree*

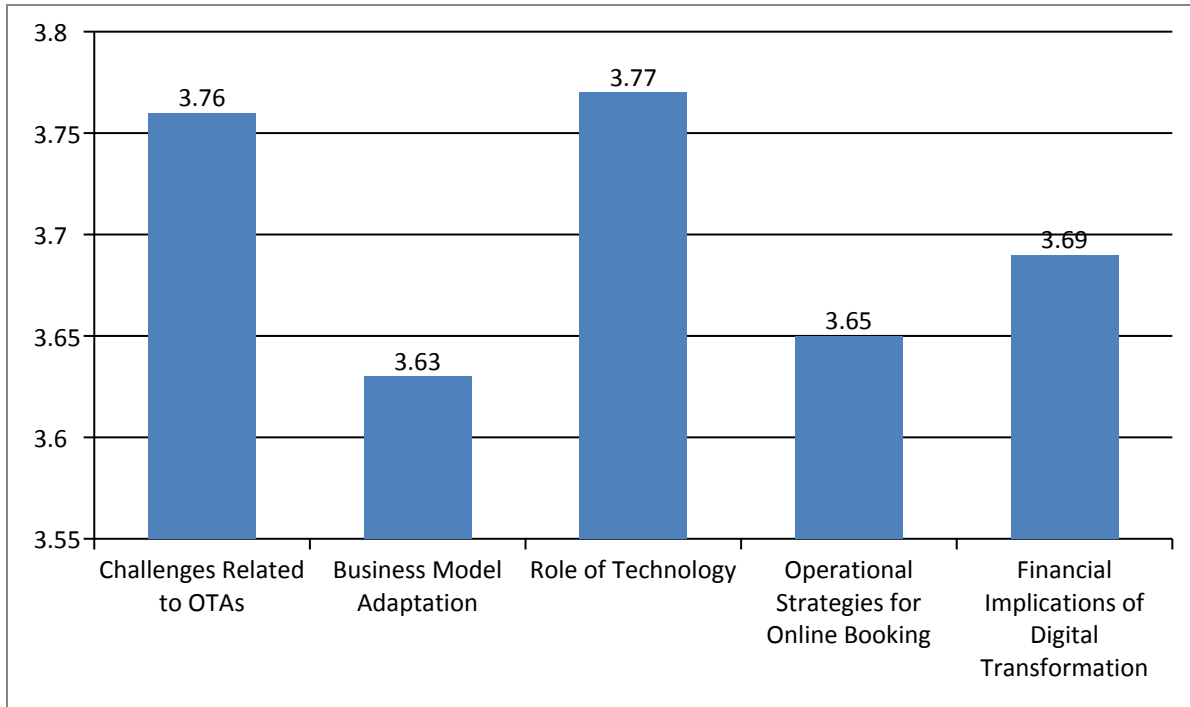
*Source: Survey Results, 2024*

The Grand Mean for the statements related to the financial implication of adopting digital technologies is 3.69, which indicates a generally positive perception of the impact of digital transformation on revenue streams, profitability, and customer engagement. This suggests that respondents agree that digital tools and technologies have had a positive influence on financial terms, but the degree of transformation varies across agencies.

The statement "The investment in technology has led to improved profitability for our agency" scored the highest mean of 3.88, indicating strong agreement that technology investments have positively impacted profitability. Conversely, "Our agency allocates a significant portion of its budget to technology and digital marketing initiatives" scored the lowest mean of 3.51, suggesting that while agencies are investing in technology, the allocation of resources could still be improved.

Interview responses echoed the survey findings, with many interviewees emphasizing that digital transformation has contributed positively to their agencies' financial performance. Agencies reported that investments in technology, such as online booking systems and digital marketing, have led to an increase in customer inquiries and improved profitability. However, some interviewees mentioned that the costs associated with adopting new technologies were a challenge, and not all agencies are fully allocating their budgets toward digital tools, which could impact their ability to remain competitive in the long term.

#### **4.5.6 Summary of Grand Mean**



**Figure 2 Grand Mean Summary**

The Grand Mean for all the statements regarding the impact of digital transformation on the travel agencies is 3.69, suggesting a generally positive perception of how digital tools and technologies have influenced the agencies' operations, revenue, and profitability. This score indicates that respondents agree that digital transformation has had a favourable impact, though the degree of this impact varies across agencies. The highest mean score was recorded for the statement, "The investment in technology has led to improved profitability for our agency," with a value of 3.88, reflecting strong agreement among respondents that technology investments have positively affected profitability. The lowest mean score was for the statement, "Our agency allocates a significant portion of its budget to technology and digital marketing initiatives," with a mean of 3.51, suggesting that while agencies are generally supportive of digital transformation, they may not be fully committing their resources to it. Overall, the data reflects a positive, but cautious, approach to adopting digital tools within travel agencies, with room for more investment and strategic focus in this area.

## **4.6 Case Study**

### **4.6.1 Case Study Analysis: Traditional Travel Agencies in Addis Ababa**

#### **Case 1: Merit Ethiopian Experience Tours (MEET)**

Merit Ethiopian Experience Tours (MEET) has been operating since 2008, offering personalized, private tours across Ethiopia, especially focusing on day trips in and around Addis Ababa. The company prides itself on providing customized itineraries tailored to the specific interests of individual travelers or small groups. They aim to offer authentic Ethiopian experiences with expert local guides and flexible tour schedules. MEET has adapted to the digital age by offering online bookings through platforms like TripAdvisor and Viator, enhancing customer engagement through social media, and using customer reviews to promote their services.

Challenges included MEET faces increasing competition from OTAs like Viator and Expedia, where travelers can book standardized tours at competitive prices. With a rise in online self-service booking platforms, there is less demand for traditional face-to-face bookings and personalized service. The challenge lies in balancing the efficiency and accessibility of online platforms while maintaining the personalized experiences MEET is known for. Its strategies indicated that MEET has invested in a user-friendly website and online booking system to facilitate ease of access for customers booking from anywhere in the world. MEET maintains active social media accounts to build brand awareness, promote tours, and interact directly with clients. MEET focuses on offering deeply personalized tours, emphasizing the authenticity and cultural richness of Ethiopia, which online platforms cannot easily replicate.

#### **Case 2: Yama Ethiopia Tours**

Founded in 2009 by Tariku W. Yadete, Yama Ethiopia Tours is a locally owned travel agencies based in Addis Ababa. The company is dedicated to promoting sustainable tourism in Ethiopia, with a focus on providing quality tours across the country. Yama Ethiopia Tours aims to showcase the rich biodiversity and cultural heritage of Ethiopia while also promoting eco-friendly travel.

Yama Ethiopia Tours faces competition from OTAs offering standard tours at lower prices, affecting its market share. While the company has embraced digital marketing to promote eco-tourism, it struggles to keep up with the evolving digital tools and customer expectations for seamless online booking. Balancing eco-friendly practices with the growing demand for convenience and online booking systems has been a challenge. Yama emphasizes sustainable travel, which appeals to environmentally conscious travellers. They promote eco-friendly tours and activities that align with global sustainability goals. The company has adapted by enhancing its online presence, showcasing tours on websites and social media platforms to attract international customers. Yama partners with local communities and international travel agencies to expand their reach and promote eco-tourism.

### **Case 3: Ebyet Tour and Travel**

Ebyet Tour and Travel has been a leading travel agency in Ethiopia since the year 2000. Based in Addis Ababa, the company specializes in a wide range of travel services, including cultural tours, wildlife safaris, and adventure tours. Ebyet is recognized for its exceptional customer service, which has earned it a strong reputation among both local and international tourists.

Ebyet faces pressure from OTAs that offer competitive pricing on tours, which impacts their ability to maintain a competitive edge. The need to adapt to digital booking platforms and online customer engagement is a significant challenge, as traditional agencies often lack the digital infrastructure that OTAs possess. Travelers today expect quick, easy online booking processes, and Ebyet has to adapt to meet these expectations while maintaining high-quality personalized services.

Ebyet prioritizes customer satisfaction through a comprehensive Total Quality Management approach. This includes ensuring that all tours meet high service standards and that customers receive personalized experiences. The company uses digital marketing strategies to reach both international and local tourists, including social media and partnerships with online platforms. Despite the rise of online booking, Ebyet continues to offer bespoke tour packages that focus on unique experiences and high-quality service.

## **4.6.2 Case or Data Analysis**

In analysing the data collected from interviews and company strategies, several key themes emerged across all three agencies:

### **Impact of OTAs**

All three companies—Merit Ethiopian Experience Tours, Yama Ethiopia Tours, and Ebyet Tour and Travel—recognize the competitive pressure from OTAs. Customers are increasingly turning to digital platforms to compare prices and book tours, making it challenging for traditional agencies that rely on face-to-face interactions or direct bookings. The ability to offer competitive pricing without compromising service quality has been a key issue.

### **Digital Transformation**

Each company has taken steps to embrace the digital landscape. MEET has integrated platforms like Viator and Trip Advisor for seamless booking experiences. Yama Ethiopia Tours has made efforts to market itself as a sustainable travel agency, using digital platforms to appeal to a growing market of eco-conscious travelers. Ebyet Tour has focused on maintaining its reputation for quality and customer service while expanding its online visibility.

### **Customer Expectations and Adaptation**

All three agencies understand that customers expect greater flexibility, ease of booking, and personalized service. While OTAs provide convenience and often lower prices, traditional agencies are leveraging their expertise in creating personalized, memorable experiences, which cannot be easily replicated online. However, the shift toward digital platforms means these companies must find a way to offer the best of both worlds: personalized service and digital convenience.

### **Sustainability and Unique Offerings**

Yama Ethiopia Tours stands out in terms of promoting sustainable travel options, responding to consumer trends for eco-friendly travel experiences. Both MEET and Ebyet also emphasize authentic, unique cultural experiences, which differentiate them from standardized OTA offerings.



### **4.6.3 Case Study Analysis Based on Specific Objectives**

#### **Challenges Faced by Traditional Travel Agencies in Addis Ababa Due to OTAs and Digital Booking Platforms:**

Merit Ethiopian Experience Tours (MEET) faces significant challenges from online travel agencies (OTAs) and digital platforms, which have disrupted the traditional travel business model. As more travelers book their tours online, the competition with OTAs offering convenient, self-service options at competitive prices becomes intense. This is particularly true in Addis Ababa, where international tourists increasingly prefer to book tours through global platforms like Booking.com or Expedia. Traditional agencies like MEET, which have built their reputation on personalized service and unique experiences, must find ways to maintain their competitive edge. Other agencies like Yama Ethiopia Tours and Ebyet Tour and Travel also face similar pressures, as more travelers demand seamless, digital-first experiences.

#### **Strategies Employed by Travel Agencies to Adapt to Digital Trends:**

To remain competitive, MEET has embraced digital platforms to connect with a global audience. The company offers online booking through its website and platforms like Trip Advisor and Viator, which allow for easier access to their services. Furthermore, MEET capitalizes on its unique selling proposition—offering personalized, private, and insightful tours that cater to niche customer needs. Yama Ethiopia Tours and Ebyet Tour and Travel have similarly adapted by enhancing their online presence and incorporating digital tools for seamless booking and customer communication. Ebyet, for instance, offers a high-quality service guarantee, while Yama emphasizes sustainable tourism as a differentiator.

#### **Role of Technology in Enhancing Operations and Services:**

Technology plays a pivotal role in improving both the operational efficiency and customer experience of traditional travel agencies. MEET has integrated technology by offering online booking systems and maintaining an active presence on travel review sites. The use of social media platforms like Facebook and Instagram allows MEET to engage with travelers and promote its bespoke tour offerings. Similarly, Yama Ethiopia Tours uses digital marketing to highlight its eco-tourism initiatives and expand its reach. Ebyet Tour, with its long-standing

reputation, also uses technology to track customer feedback and improve the quality of its services. This allows them to align their offerings with modern consumer expectations.

### **Operational Strategies in Response to Consumer Preferences for Online Booking and Sustainable Travel:**

To address the shift toward online booking, all three companies—Merit, Yama, and Ebyet—have employed operational strategies such as integrating online booking platforms, offering flexible tour packages, and promoting sustainability in their services. For example, MEET focuses on offering highly personalized experiences that cannot be easily replicated by online platforms, catering to those who value authenticity. Yama Ethiopia Tours focuses on promoting eco-friendly and sustainable travel practices, aligning with the growing global demand for responsible tourism. Ebyet Tour similarly emphasizes quality service and customer satisfaction, which they assure through their extensive experience in the industry.

### **Financial Implications of Digital Transformation on Revenue and Cost Structures:**

The digital transformation has had significant financial implications for traditional travel agencies. For MEET, while the integration of online booking platforms has broadened its customer base, it also incurs commission fees and operational costs for maintaining a digital presence. The cost of staying competitive in digital marketing is another factor that impacts profitability. Yama Ethiopia Tours and Ebyet Tour face similar financial challenges, as they need to invest in technology and marketing strategies while competing with the often lower-cost offerings of OTAs. Despite these challenges, the digital transformation has also opened up opportunities for revenue growth by attracting international tourists who would not have otherwise discovered these companies.

## **4.7 Discussions**

The findings of this study align with and extend the existing body of literature on the impact of digital transformation on traditional travel agencies. By examining the challenges, adaptations, technological roles, and financial implications for travel agencies in Addis Ababa, this study contributes to a deeper understanding of how digital platforms, particularly OTAs, are reshaping the landscape for traditional travel agencies.

### **4.7.1 Challenges Related to OTAs**

The results from this study show that traditional travel agencies in Addis Ababa face significant challenges due to the rise of OTAs, with a Grand Mean of 3.76. This finding aligns with the observations of previous studies, such as those by Law, Leung, & Wong (2004), who noted that OTAs have disrupted the competitive dynamics in the travel industry. Similarly, Adeleke & Kazeem (2018) discussed how Nigerian travel agencies face heightened competition from OTAs, affecting their profitability and market share. However, this study also emphasizes that while OTAs present a threat, traditional agencies can differentiate themselves by focusing on personalized services, an argument that is consistent with findings by Cheyne, Downes, & Legg (2006) and McCabe & Johnson (2013), who emphasized the importance of service quality and tailored experiences in retaining customers in the digital age.

### **4.7.2 Business Model Adaptation**

The study highlights that traditional agencies are making efforts to adapt their business models to the digital environment, with a Grand Mean of 3.63. This observation mirrors findings from Aguiar-Quintana et al. (2017), who explored how traditional travel agencies in Spain had to adopt new business strategies to survive in the competitive digital environment. Woldemariam & Teshome (2019) also found that Ethiopian agencies have begun integrating digital marketing and technology to stay competitive. However, similar to the challenges noted in the current study, agencies still face difficulties in fully aligning their models with evolving market demands, as discussed by Buhalis & Law (2008), who found that agencies often struggle with adapting fast enough to meet the needs of digitally savvy consumers.

### **4.7.3 Role of Technology**

The study identifies a strong positive view of technology's role in agency operations, with a Grand Mean of 3.77. This finding is consistent with Gretzel et al. (2015) and Sigala (2018), who emphasize that technology is critical for customer engagement and operational efficiency. Buhalis (2004) and Werthner & Klein (1999) also argued that the integration of technology, including online booking systems and customer relationship management tools, is essential for the survival and competitiveness of traditional agencies. However, the current study reveals that

while technology adoption has enhanced customer engagement, the integration of data analytics is still lacking. This gap is also noted in the work of Huang, Chang, & Yeh (2020), who suggest that many travel agencies are still in the early stages of utilizing data-driven insights to enhance their offerings.

#### **4.7.4 Operational Strategies for Digital Booking**

With a Grand Mean of 3.65, this study indicates that travel agencies are increasingly adopting digital booking strategies but still have room for improvement. Previous research, such as Dube & Ndlovu (2020) and Chikanda (2018), found that travel agencies in Zimbabwe and other African countries are also adapting to digital booking systems, though there are still challenges in optimizing these platforms for better customer experience. Law et al. (2014) emphasize that agencies must continuously innovate their operational strategies to remain competitive in the face of digital disruption. In the case of Addis Ababa, agencies are focusing on improving booking capabilities and sustainability features, a trend also seen in Gligor & Prayag (2019), who highlighted the role of sustainability in shaping future travel industry strategies.

#### **4.7.5 Financial Implications of Digital Transformation**

The financial implications of digital transformation, with a Grand Mean of 3.69, indicate that while many agencies recognize the financial benefits of technology, challenges related to costs and ROI remain. This finding is in line with Kambole (2021), who pointed out that the financial cost of digital adoption is a significant hurdle for many travel agencies in Africa. Tugume & Shyaka (2019) and Tekabe (2016) similarly emphasized the balance between investing in technology and maintaining profitability. However, the study also reveals that agencies are increasingly able to justify these costs through better customer engagement and enhanced revenue streams, as supported by Barney (1991) and Porter (1980), who discussed the long-term strategic benefits of technology adoption for competitive advantage.

## **CHAPTER FIVE**

# **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

## **5.1 Introduction**

This is the final part of the study, which presents conclusions, remarks, and present and future recommendations.

## **5.2 Summary of Major Findings**

### **Challenges Related to OTAs**

The rise of Online Travel Agencies (OTAs) and digital booking platforms has created significant challenges for traditional travel agencies. A Grand Mean of 3.76 highlights strong agreement that OTAs increase competition and influence customer preferences, making it harder for traditional agencies to maintain market share. Despite these challenges, agencies recognize the value they provide through personalized service and tailored experiences. Agencies must differentiate themselves by focusing on customer service, authenticity, and specialized offerings to stay competitive in the digital landscape.

### **Business Model Adaptation**

With a Grand Mean of 3.63, there is evidence that traditional agencies are adapting their business models to the digital age, with a focus on digital marketing and staff training. However, there is still room for improvement in aligning their models with rapidly changing market demands. While many agencies have embraced digital tools and new services, the responses suggest variability in how effectively these strategies are implemented. Successful adaptation is crucial for agencies to stay relevant in the face of evolving consumer expectations.

### **Role of Technology**

Technology's role in enhancing operations is strongly acknowledged, with a Grand Mean of 3.77. Agencies recognize the benefits of digital tools such as online booking systems, email marketing, and data analytics for customer engagement and efficiency. While technology has

improved operations, some agencies still face challenges in fully integrating these tools, particularly in utilizing data analytics to understand customer behavior. Agencies will need to continue investing in technological upgrades and training to maintain competitiveness.

### **Operational Strategies for Digital Booking**

The analysis reveals that agencies are actively adapting their operations for online booking, with a Grand Mean of 3.65. Agencies have made operational changes like integrating online booking systems and collaborating with online payment platforms. While many agencies have successfully implemented these changes, there is still room for improvement, especially in promoting sustainable travel options and aligning with consumer preferences. Continued efforts to enhance online presence and streamline booking processes will be essential to meet evolving expectations.

### **Financial Implications of Digital Transformation**

With a Grand Mean of 3.69, the analysis indicates that digital transformation has had a positive financial impact, improving revenue and profitability for many agencies. While most agencies report benefits from adopting digital tools, some challenges remain, particularly regarding the costs associated with technology adoption. Agencies need to invest strategically in technology and digital marketing to fully capitalize on these benefits and sustain growth in an increasingly competitive market.

## **5.3 Conclusions**

The case studies of MEET, Yama Ethiopia Tours, and Ebyet Tour and Travel highlight how traditional travel agencies in Addis Ababa are adapting to the digital disruption brought about by OTAs and changing consumer preferences. These agencies have embraced technology to enhance operational efficiency and maintain their market position while focusing on personalized services and sustainability as key differentiators. The financial impact of digital transformation is significant, but these agencies are strategically leveraging digital tools and unique experiences to stay competitive in an increasingly digital world.

This study concluded that OTAs pose significant challenges by increasing competition and influencing customer preferences. Traditional agencies must focus on offering personalized

services to differentiate. Agencies are adapting to digital demands with digital marketing and staff training. However, further alignment with changing market needs is necessary. Technology enhances operations, customer engagement, and efficiency. However, further integration, especially in data analytics, is needed to fully capitalize on its potential. Agencies are improving online booking capabilities and aligning with consumer trends like sustainability. However, further optimization is needed to stay competitive. Digital transformation positively impacts revenue and profitability. However, the costs of technology adoption remain a challenge, requiring more strategic investment to ensure growth.

The findings from this study echo the broader trends in global research, particularly in the context of digital transformation in the travel industry. Traditional travel agencies in Addis Ababa, like their counterparts across Africa and globally, face significant challenges from OTAs but are adapting through technology adoption, enhanced customer service, and sustainable practices. While there are gaps in technology integration and business model alignment, agencies that can balance traditional service quality with modern digital tools are likely to thrive. This study's findings provide practical insights for travel agencies in Addis Ababa and offer a valuable contribution to the growing body of research on digital transformation in the tourism sector.

## **5.4 Recommendations**

Based on the conclusions drawn from the study, the following recommendations are made for traditional travel agencies in Addis Ababa to effectively navigate the challenges posed by OTAs and digital disruption:

1. This study suggests that travel agencies should invest in advanced digital tools and data analytics to better understand customer behavior, preferences, and booking patterns. This will allow them to offer personalized services and improve operational efficiency. By integrating data analytics, agencies can also optimize their marketing strategies, pricing, and inventory management. While technology adoption has been acknowledged, the integration of data analytics remains underdeveloped. Agencies that effectively harness data to anticipate customer needs will gain a competitive advantage.
2. This study recommends that agencies should prioritize continuous training programs for

their staff to ensure they are well-versed in digital marketing, online booking systems, and customer relationship management tools. This will empower employees to use technology effectively and enhance customer service. Staff training is a crucial aspect of adapting to the digital age. By equipping staff with digital expertise, agencies can improve customer engagement and service delivery.

3. Agencies should continuously refine and optimize their online booking platforms to ensure they are user-friendly, efficient, and mobile-optimized. This could involve offering diverse payment options, real-time booking confirmations, and personalized recommendations based on customer data. As the study found, while agencies are improving online booking capabilities, there is still room for optimization.
4. Travel agencies should further integrate sustainability into their business models and communicate these efforts effectively to customers. This could involve promoting eco-friendly travel options, supporting local communities, and adopting sustainable tourism practices. Sustainability has become a key differentiator for travel agencies, as consumers increasingly prioritize eco-conscious choices.
5. While digital transformation brings financial challenges, agencies should consider long-term investments in technology to enhance revenue generation and ensure future growth. This includes exploring cost-effective technologies, forming partnerships with technology providers, and seeking financial support for digital upgrades. The financial cost of adopting new technology is a significant concern, as noted in the study.

## **5.5 Future Studies**

Future research could focus on exploring the long-term effects of digital transformation on traditional travel agencies, particularly in regions like Addis Ababa. Investigating how agencies balance digital tools with personalized services over time will provide valuable insights into their sustained competitiveness. Another avenue for future studies is examining the role of emerging technologies such as machine learning, and virtual reality in reshaping the travel industry. Comparative studies across different African countries or global regions would offer a broader perspective on how agencies are adapting to OTAs and digital disruption. Furthermore, there is potential to investigate the financial strategies of travel agencies during digital transformation to



better understand the cost-benefit balance. Finally, exploring the impact of sustainability practices on consumer loyalty and revenue generation would provide deeper insights into the future of eco-tourism and responsible travel.

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## **APPENDIX**

### **Annex 1 Questionnaire for travel agency managers**

#### **Marketing Management Department**

#### **Postgraduate Program**

Dear Respondents:

My name is Mekdes Negussie. I am currently a graduate student pursuing a bachelor's degree in the field of Marketing Management. I am conducting a study as part of my postgraduate program thesis. Therefore, I respectfully request your participation and cooperation in filling out this questionnaire. I sincerely appreciate your time and effort in advance.

Purpose of the Study:

The general objective of the study is to assess Digital technology practices of travel agencies, challenges and financial implications: Evidence from travel agencies in Addis Ababa.

Confidentiality Assurance:

The responses you provide will remain confidential and will only be used for the purpose of this thesis. Your privacy is of utmost importance, and your participation will remain anonymous. Personal information, such as your name, will not be included in the thesis. Additionally, your responses will not be shared with anyone except the thesis examiner. Interview recordings, if any, will be deleted once the thesis is completed.

Please try to answer all the questions. Writing your name is not mandatory.

Thank you very much.

Mekdes Negussie

[mekdesnegussie7@gmail.com](mailto:mekdesnegussie7@gmail.com)

## **Section I: General Information**

Instruction: For the questions listed below, please mark the option that best represents your opinion with a tick (✓).

### **6. What type of travel agency do you work for?**

1	Age (in years)	Young adults (ages 18-35 years)	<input type="checkbox"/>
		Middle-aged adults (ages 36-55 years)	<input type="checkbox"/>
		Older adults (aged older than 55 years)	<input type="checkbox"/>
2	Sex	Male	<input type="checkbox"/>
		Female	<input type="checkbox"/>
3	Education Background	Diploma and below	<input type="checkbox"/>
		First Degree	<input type="checkbox"/>
		Master and above	<input type="checkbox"/>
4	Please provide your work experience in travel agency related activities	Below 5 years	<input type="checkbox"/>
		6 to 10 years	<input type="checkbox"/>
		11 to 15 years	<input type="checkbox"/>
		16 to 20 years	<input type="checkbox"/>
		Above 26 years	<input type="checkbox"/>
5	How many times have you traveled per year?	1 - 3 times	<input type="checkbox"/>
		4-6 times	<input type="checkbox"/>
		7-10	<input type="checkbox"/>
		11 - 14	<input type="checkbox"/>
		15 and above	<input type="checkbox"/>
		<ul style="list-style-type: none"><li>• Independent agency <input type="checkbox"/></li><li>• Franchise <input type="checkbox"/></li><li>• Online travel agency <input type="checkbox"/></li></ul>	



- Other (please specify): \_\_\_\_\_

**7. What is your primary role in the agency?**

- Travel consultant [ ]
- Sales and marketing [ ]
- Operations management [ ]
- Customer service [ ]
- Other (please specify): \_\_\_\_\_

**8. In what ways the travel agency communicate with its clients?**

- Face-to-face meetings [ ]
- Phone calls [ ]
- Email [ ]
- Social media [ ]
- Other (please specify): \_\_\_\_\_

**10. Does the travel agency have an official website?**

- Yes
- No

**11. How do you see the future of traditional travel agencies in the digital age?**

- Very optimistic [ ]
- Somewhat optimistic [ ]
- Neutral [ ]
- Somewhat pessimistic [ ]
- Very pessimistic [ ]

**Section II: Digital technology practices of travel agencies, challenges and financial implications: Evidence from travel agencies in Addis Ababa**

**Instruction:**

Please respond to each item by placing a tick ("✓") in the box that reflects your level of agreement:

(1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree)

**Instructions:**

1. Read each statement carefully.
2. Consider your personal experiences and perspectives as a travel agency worker.
3. Indicate your level of agreement with each statement by marking the appropriate box.
4. Your responses will be kept confidential and used solely for research purposes.

Code	Statement	1	2	3	4	5
<b>C1</b>	<b>Challenges facing traditional travel agencies</b>					
C1.1	The rise of OTAs has significantly impacted our agency's market share.					
C1.2	Competing with OTAs is a major challenge for our agency.					
C1.3	Clients prefer using OTAs over traditional agencies for their travel needs.					
C1.4	Our agency struggles to match the pricing offered by OTAs.					
C1.5	The marketing strategies of OTAs create significant pressure on our agency.					
C1.6	The lack of visibility compared to OTAs is a challenge for our agency.					
C1.7	Our agency has experienced a decline in repeat customers due to the rise of OTAs.					
<b>B1</b>	<b>Business Model Adaptation</b>					
B1.1	Our agency has successfully adapted a business model to meet changing consumer preferences.					
B1.2	We regularly analyze consumer behavior to inform our business strategies.					
B1.3	Our agency has developed new services to cater to online booking preferences.					
B1.4	We have integrated social media marketing to reach more customers.					

B1.5	Our agency collaborates with technology partners to enhance our service offerings.					
B1.6	Customer feedback is actively sought to refine our service offerings.					
B1.7	Our agency conducts regular training for staff to adapt to digital tools and platforms.					
<b>T1</b>	<b>Digital technology practices</b>					
T1.1	Technology has improved the efficiency of our agency's operations.					
T1.2	We utilize digital tools to enhance customer engagement and service offerings.					
T1.3	Technology has made it easier for our agency to reach potential customers.					
T1.4	Our agency uses data analytics to understand customer preferences better.					
T1.5	We use online booking systems that have streamlined our reservation process.					
T1.6	Our agency's website is user-friendly and effectively showcases our services.					
T1.7	We actively use email marketing to keep our customers informed and engaged.					
<b>O1</b>	<b>Operational Strategies for Online Booking</b>					
O1.1	Our agency has implemented operational changes to facilitate online booking.					
O1.2	We offer sustainable travel options that align with current consumer preferences.					
O1.3	Our marketing strategies effectively communicate our online booking capabilities.					
O1.4	We have established partnerships with online payment platforms to ease transactions.					
O1.5	Customer service is available online to assist with booking inquiries.					
O1.6	Our agency provides detailed information on travel options to enhance the booking experience.					

O1.7	We promote eco-friendly travel packages through our online platforms.					
<b>F1</b>	<b>Financial Implications of adopting Digital Technologies</b>					
F1.1	Digital technology has positively impacted our agency's revenue streams.					
F1.2	The costs associated with adopting new technologies are justifiable in terms of revenue growth.					
F1.3	Our agency has seen an increase in customer inquiries due to our digital marketing efforts.					
F1.4	The investment in technology has led to improved profitability for our agency.					
F1.5	Our agency has successfully reduced operational costs through digital tools.					
F1.6	We track the financial performance of our digital marketing campaigns to ensure ROI.					
F1.7	Our agency allocates a significant portion of its budget to technology and digital marketing initiatives.					

Thank you for your participation! Your insights are valuable to this study.

## **Annex 2 Interview Checklist**

### **Interview Checklist for Assessing the Sustainability of Traditional Travel Agencies in Addis Ababa**

#### **General Objective**

- **Assess the sustainability of traditional travel agencies in the digital era, focusing on challenges and opportunities arising from technological advancements and changing consumer behaviors.**

### **Introduction**

Thank you for your participation in this study! Your contribution will significantly enhance my understanding of how traditional travel agencies can thrive in an increasingly digital landscape.

Can I proceed?

Thank You!

### **General Questions**

- How long has your agency been in operation?
- What is your target market (e.g., local vs. international clients)?
- What are your main services offered (e.g., flight bookings, hotel reservations, tours)?
- How do you differentiate your agency from OTAs?

### **Specific Objectives and Corresponding Questions**

#### **1. Challenges from Online Travel Agencies (OTAs)**

- **What are the primary challenges you face from the rise of OTAs?**
- **How have these challenges impacted your business operations and customer base?**
- **In what ways do you think OTAs have changed consumer expectations?**

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#### **2. Strategies for Adapting Business Models in digital era**

- **What strategies have you implemented to adapt to the digital landscape?**
- **Can you provide examples of changes in your service offerings or customer engagement practices?**

- **How do you assess the effectiveness of these strategies?**

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### **3. Role of Technology in Operations**

- **What technologies have you adopted to enhance your operations?**
- **How has technology improved your service offerings?**
- **What specific tools or platforms do you find most beneficial for your agency?**

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### **4. To describe the operational strategies employed by traditional travel agencies in Addis Ababa in response to consumer preferences for online booking and sustainable travel options**

- **How have you observed changes in consumer preferences regarding online booking in recent years?**
- **What specific sustainable travel options have clients shown interest in, and how has this influenced your services?**
- **What operational changes has your agency implemented to accommodate online booking preferences?**
- **Can you describe any strategies your agency has adopted to promote sustainable travel options?**

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### **5. Financial Implications of Digital Transformation**

- **How has digital transformation affected your revenue streams?**
- **What changes have you observed in your cost structure due to technological adoption?**
- **Do you believe that investing in technology has been financially beneficial for your agency?  
Why or why not?**

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### **Closing Questions**

- **What do you see as the future of traditional travel agencies in the digital era?**
- **What support or resources would help your agency thrive in this changing environment?**

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Thank you for your participation! Your insights are valuable to this study.