

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Background Information**

The Internet is one of the more recent developments in communications and information transfer. It is considered a technology asset because of its ability to disseminate large volumes of information quickly and efficiently to all types of stakeholders including employees, customers, shareholders and suppliers. To date, the Internet is more accessible and less expensive than it was, and the number of Internet users is growing tremendously.

Various studies have shown the direct fit of the Internet and travel and tourism products (Buhalis and Licata, 2002; Christian, 2001; Poon, 2001). With the emergence of the Internet, the process of fast information transmission can be addressed effectively at a low cost. In other words, tourists can now receive comprehensive, timely and relevant information in a virtual environment to assist their decision-making process. This, in turn, necessitates the balancing of perishable tourism products and changeable tourist demand

As today's consumers are more focused on time saving and are more likely to access a greater proliferation of product information, the Internet appears to have several advantages over other media as an information-gathering tool (Schonland and Williams, 1996; Walle, 1996 ). Apart from information search, Internet users can also make booking or purchase products and services through this new channel.

Not surprisingly, the travel sector is rated among the top three product or service categories purchased via the Internet ( Heichler, 1997; Tweney,1997; Yoffie,1997). From the supplier's point of views the development of electronic commerce in the travel industry allows travel suppliers to reduce transaction costs (i.e. commission), since "disintermediation" is carried out which means that travelers are able to bypass retail Travel Agencies to deal directly with suppliers of travel products. On the other

hand, travelers are also able to enjoy the provision of extensive information, lower price, discounts, time saving and cost saving due to the emergence of the electronic market. With the adoption of electronic commerce and its benefits being gained by both travel suppliers and travelers, the travel industry has become one of strongest performing sectors of e-commerce.

The rapid growth of travel industry requires sophisticated information technologies (ITs) for managing the increasing volume and quality of tourism traffic. Prior studies have indicated that modern travelers demand more high quality travel services, products, information and value for their money (Christian, 2001; Lubetkin, 1999; Samemfink, 1999) the emergence of new tourism services and products, coupled with a rapid increase in tourism demand, have driven the wide-scale adoption of the Internet as an electronic intermediary. In other words, the Internet serves as a new communication and distribution channel for e-travelers and suppliers of travel services and products. This new channel also enables tourism businesses to improve their competitiveness and performance.

The role of Travel Agencies would consequently remain secure if their advice – offering capability were strengthened by the presence of the Internet, rather than if they functioned according to the more negative image of being simply a “booking agency”. While some tourism researchers have investigated the views of suppliers and Travel Agencies (Fong, 2001; law et al...,2001) and academics and consultants (Buhalis and Licata, 2002) on the issue of disintermediation, the views of travelers have largely not been investigated. In other words, it is generally unclear whether travelers judge Travel Agencies be less valuable with the presence of online travel web sites.

However, simply using the Internet as a means to establish presence or to become known to the Internet users is not enough. There has to be a deeper approach and Internet technology must be used to reconfigure traditional activities. Offering value-added services, improving the real world shopping experience, knowledge about consumers, the travel market and supplier offerings are the points that Travel Agents must refocus on. (Law et al..., 2001; Wynne et al..., 2000).

This research study will look at the Internet as a possible marketing tool for the Nepalese Tourism Agents to compete effectively with competitors, regain market share and capture new markets.

## **1.2 Statement of the Problem**

In this era of globalization, every business transaction needs to be performed very fast. The emergence of Internet technology has facilitated the means of doing the business in rapid pace. The time has come to evaluate whether they are familiar or not. In this context the research tries to attempt the following research questions:

1. What is the current state of Internet use among Travel Agents?
2. How does Nepalese Travel Agent perceive effectiveness of Internet marketing?
3. What is attitude of the Travel Agent towards Internet applications?
4. How should be the E-commerce plan for Travel agents?

## **1.3 Objectives of the Study**

### General Objective

This research study aims to investigate the current situation of the Tourism Agents towards Internet adoption and to identify better possible solutions. The general objective of this study is – **to investigate the use of internet as a marketing tool by travel agency.**

### Specific Objectives

Specifically, the study aims at investigating;

- ) The current state of Internet use among Travel Agents;
- ) The perception of effectiveness of Internet marketing by Nepalese Travel Agents ;
- ) Agents' attitudes towards Internet applications, and

- ) Develop an e-commerce plan that can be used as a benchmark by the Tourism Agents.

#### **1.4 Significance of the Study**

Internet use by Travel Agents could be seen these days. Every Travel Agent has the Internet access these days. They are using Internet for E-mailing or searching information. This study will help to know the state of our tourism enterprises towards Internet adoption. How far the marketing activities can be enhanced through the use of Internet and e- business will be seen by this study.

This research aims to present Tourism Agents with a new way of reaching customers. It also aims to show these Tourism Agents that having a presence in the Internet will be beneficial because they will be able to reach a wider audience all throughout the world. It should be noted that a few big travel companies in Nepal have already started displaying their products and providing information over the Internet but this is just a small drop in the ocean.

#### **1.5 Limitation of the Study**

This study incurred the following limitations:

- ) Lack of time and resources are the major limitations.
- ) Financial resources.
- ) Few number of respondents reported back
- ) No previous studies in similar kind of research problem.
- ) Insufficient literature review material.
- ) The research is conducted within Kathmandu City only.

Note: Tourism Agent in this research work means Travel Agencies in Nepal.

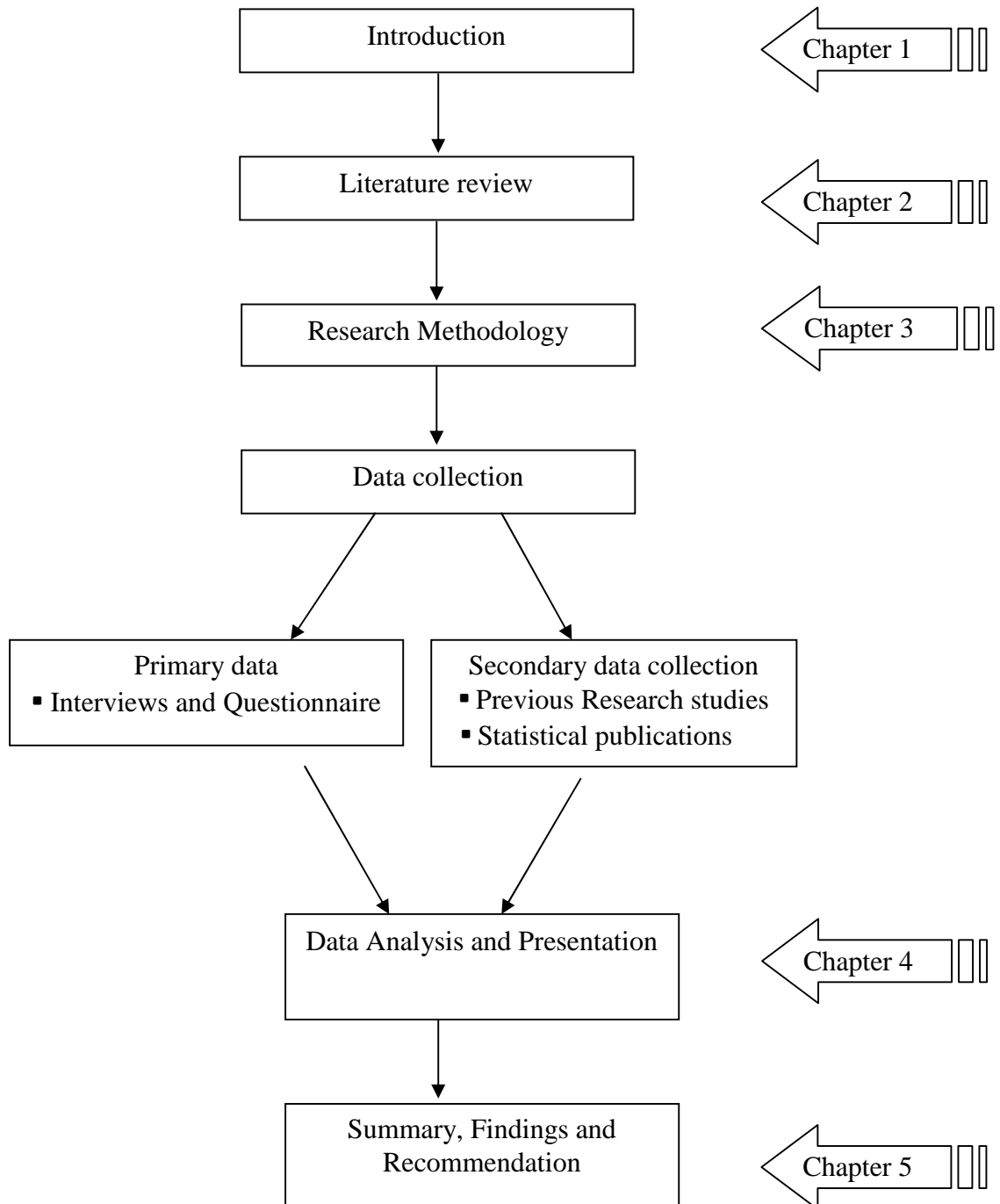
#### **1.6 Organization of the Study**

Thesis organization makes the report well managed, easy to read and well formatted. The study is organized into five chapters in order to clearly enlighten the research work as follows:

Some preliminary parts of the thesis report is dedicated to the sections like – list of tables, list of figures, list of abbreviations, and table of contents. The whole research study is divided into five major chapters. Chapter 1 of this study report is about the introduction of study. The chapter contains background of the study, statement of the problem, objective of the study, significance and focus of the study and limitation of the study. Chapter 2 is related to Review of Literature. It is designed for review of literature and previous study related with consumer buying behavior and decision making process to buy products by the consumers. Similarly, chapter 3 deals with Research Methodology related to this dissertation. This chapter explains about the applied research methodologies for the study. It contains research design, Population and sampling, methods of data collection and methods of data analysis tools. Chapter 4 is about Analysis and data presentation of the research work. This chapter is the major chapter of the research work which includes the presentation of data collected from the survey via questionnaires. Such collected data are presented using various tabular forms, graphical forms like bar diagrams and pie charts and interpreting them for analysis in order to obtain the objectives of the study. In the same manner, chapter v contributes about Summary, Conclusion and Recommendation after completion of the research work. It is an important chapter that summarizes the whole study, derives conclusions from the whole research work and put forward recommendations and further research direction. At the end of the study report, related bibliographies and appendices are given for extra information.

## 1.7 The Research Framework and Methodology

**Figure 1.1**  
**The Research Framework**



## **CHAPTER 2**

### **REVIEW OF LITERATURE**

A literature review is the overview of reviewing the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. It is also critical and in depth evaluation of previous research performed by prior researchers. This knowledge motivates further research on some topics which weren't researched by others. The various articles, books, research journals, unpublished thesis and internet have been used for this research work.

Thus, this chapter is classified into two major sections:

1. Theoretical review
2. Review of related studies

#### **2.1 Theoretical review**

##### **2.1.1 Internet and the Travel Industry**

According to the statistics of the Internet data centre (IDC), one of the world's leading providers of technology intelligence and industry analysis, it shows that the number of Internet users around the world is expected to reach 943 million by 2005, the daily traffic will constitute almost 2.3 million terabits every day, representing 93 times the volume of traffic in 2000 and a 147 percent annual growth in traffic (NUA Internet Surveys, 2002). As more Internet users choose to use the web for buying goods and services, the potential for business to conduct electronic commerce likewise increases. Nowadays, many business corporations use the Internet not only as a valuable marketing tool in providing a low cost medium for advertising and promotion, but also as a channel of communication to generate additional sales.

In the travel and tourism industry, travel products and services appear to be well suited to Internet marketing because of their distinctive high – priced, high-involvement, intangible, heterogeneous, high risk and well-differentiated

characteristics (Burger, 1997). Burger (1997) also notes that the hypertext feature of the Internet may have been specially designed for the tourism industry.

Machlis (1997) points out that travel has the single largest revenue generator among consumers on the Internet, totaling US\$ 800 million in 1997. Besides, two major travel sites, *epedia.com* and *Travelocity.com*, forecast that operating profit would grow from US\$18 billion in 2000 to US\$63 billion by 2006.

To the extent that the Internet enables E-travelers to easily arrange and purchase their own services/products, the future of Travel Agencies – the traditional intermediary - becomes uncertain. In the travel and tourism context, the topic of disintermediation, i.e. the elimination of the middleman by using the Internet in the traveler-agent-destination. Supplier networking the travel industry has been debated by different tourism researchers. To some researchers, the accessibility of online travel web sites reduces the importance of Travel Agencies, and might ultimately result in travelers bypassing Travel Agencies altogether (Buhalis, 1998; Barnett and standing, 2001). However, Palmer and Mc Cole (1999) and Walle (1996) argue that a key strength of Travel Agencies is their ability to provide personal information and advice to travelers continuously.

Smith and Jenner (1998) note that travel products and services are perfectly suited to online selling because they possess the necessary characteristics that can function in the electronic environment. According to Peterson et al..., (1997), three main characteristics of products and services are likely to influence Internet usage for both information seeking and making online purchases. These are: cost and frequency of purchase; value proposition; and degree of differentiation. Travel products (e.g. vacation packages), in general, engage a higher level of involvement, intangibility and higher level of differentiation than other tangible consumer goods and, therefore , are more easily sold through the Web (Bonn et al..., 1998). Frew and Dorren (1996) echo that the development in electronic communication is significant for tourism marketers who sell a perishable, intangible, heterogeneous and high-risk product. The ease of description and commodity-like nature of many travel products (i.e. airline seats or



hotel rooms) also favor the development of electronic commerce (Lewis and Semeijin, 1998).

Additionally, the structural elements of the Industry also support a shift towards a more electronic means of carrying out transaction. Lewis and Semeijin (1998) indicate that the structure is currently acquiring more decentralized market characteristics where each buyer has direct access to each seller. The lower the transportation costs, the more likely is it that the products will be sold over the Net. Marcussen (1999) suggests that services like travel and tourism are ideal for selling over the net since there are no transportation costs. As for the revenue earned in the travel online industry, empirical evidence has shown that the total revenue generated from the online purchase of travel products has been increasing. Marcussen (1999) also points out that the European no-frills (cheap ticket) airline sector and its Internet activities are among the most successful Internet sellers in Europe. One reason for the success of no-frills airlines is the non-payment of commission that arises from direct relationships with the customer. Indeed, many airlines offer discount fares that are available exclusively to online users and are promoting the use of electronic ticketing (Ramsay, 1997), thereby minimizing the number of intermediaries, reducing the amount of commission paid and being able to offer attractive prices to clients apart from the cost saving, Lewis and Semeijin (1998) also note that knowledge of consumer behavior, including buying profiles and purchasing habits for related products (such as rental cars), is important information that serves as the basis for developing marketing strategies. Apart from the airline industry, hotel sectors can also trim the cost of distribution. Processing reservations through the Internet can be cheaper than processing those booked through other channels, particularly when commission is involved. When using the Internet for reservations, it is necessary to consider not only the opportunity to reduce costs, but also the potential for incremental revenue. Results indicate that a growing trend in rooms booked via the Internet is not emerging from existing customer bases, thereby implying that the Internet is able to attract new market segments (Connolly et al., 1998). Yankelovich Partners has suggested that hotel reservations are among the most attractive items for online purchase, followed closely by computer software, airline tickets and CDs and videos (Weber, 1997).

### **2.1.2. Content of Web Sites**

The main reason customers will visit an agency's site is for information or content. The term "content" refers to the information features or services that are offered in the web site (Huizingh, 2000). For effective on-line selling, a Travel Agency should offer on-line catalogue and product search engine, tourism information, interactive communication, company information, electronic board, site link and membership registration (Beirne and Curry, 1999; Liu and Arnett, 2000). In addition to these, a brief introduction to the agency itself, marketing activities, safety protection in transaction, what is new, electronic media functions, on line products purchasing, questions and answers services, and frequent visitor programs tend to be preferable items for consumers according to Lu (1997) & Yung (1998). Opportunities for differentiation appear to rest with developments in electronic transactions, providing interactivity and rich data, and taking online reservation and itinerary planning to new heights of sophistication (Rayman-Bacchus and Molina, 2001).

### **2.1.3 Marketing on the Internet**

Another serious point that deserves attention is marketing on the Internet. For Travel Agencies, the emphasis is still on traditional marketing communication channels such as printed media and telephone (Ozturan and Roney, 2004) even though that the validity of the Internet as an advertising and marketing tool has been proven. As marketing on the Internet is a very different process from traditional marketing, how to construct and utilize the Internet as a marketing tool is becoming a crucial issue. Building a site and advertising it does not guarantee an audience, neither an effective revenue stream, nor a competitive advantage. Many web sites do not incorporate features that exploit promotional media and are rarely integrated with online marketing strategies. The major factors to be worked out in order to build the confidence of Travel Agencies in using the Internet as an effective marketing tool are: security developed, technology needed and cost effective concerns (Cai et al..., 2004; Chen and Yen, 2004; Wan, 2002, Yung, 1998).

Internet marketing is a new concept that is being implemented by almost every industry around the world. It does not dispense of older ways of doing business but

rather it brings together conventional approaches to marketing and new ways of doing business using newer technologies. Any industry or an organization with a product to sell must communicate with the target market and this is no different for the tourism industry. In the past this was either done through interactions or through telephones and fax machine. The objective of this communication is to create awareness of their product, provide decision making of other information or simply to answer general queries. An effective marketing communication should get attention, hold interest, create desire and cause action, regardless of the media used (Adam et al...,1998). Here again more emphasis is given to the consumer and less to the manufacturer. The Internet has created an entirely different marketing environment than what it was a few years ago.

Because the Internet presents a fundamentally different environment for marketing activities than traditional media conventional marketing activities are being transformed. The Internet as a marketplace has the potential to make markets more efficient. This is particularly so for the consumer because it offers not only the opportunity to provide full information to consumers about goods and services but lends itself to rich detail and specificity regarding such information, especially compared to traditional media. There is also greater probability of a well informed consumer, since the consumer has greater control over the search process. Such control is likely to facilitate a highly developed form of for example, price comparison – shopping. Thus, compared to conventional markets, the cost of information should be lower and the information quality should be higher (and closer to “perfect”), leading to a higher degree of market efficiency. Therefore the market represented by the Internet also has the potential to be a more efficient market than conventional markets (Hoffman and Novak, 1996)

E-mail is abbreviation from the words Electronic Mail. It “uses a series of protocols to enable messages containing text, images, sound, and video clips to be transferred from one Internet user to another” (Laudon & Traver 2002, 154). In today’s world e-mail has become a dominant business communication tool. It is easy, fast and cheap.

You can send long documents for people who are thousands of kilometres away from you. What used to take several days by mail does now transfer from New York to Peking or from Sydney to Helsinki in a blink of an eye.

Even though e-mail was designed for interpersonal messages, today it is a very powerful and effective marketing tool. Thesis by Sara Martinez Osés states that companies and organizations use e-mail to “communicate messages with different networks and to establish or maintain successful relationships” (Osés 2005, 40).

For the company cost-effectiveness is definitely the strongest advantage. Sending an e-mail is relatively cheap because it does not cost anything extra: it is enough that marketer has access to the internet. The possibility to contact and stay in touch with customers all around the world just adds value for the company. E-mail marketing has definitely facilitated international business communication. It is also beneficial to staying in touch and maintaining the customers, whether or not they are domestic or international. (Brennan et al. 2007, 206-207.)

People who are the most active in using Internet use it almost every day. Different people use it for several different purposes but the most common is sending and receiving e-mails. In a research done by Statistics Finland (2009), over 90% of all internet users operate with e-mails. Marketing in Internet can therefore have effective results if orienting the sources to e-mails. (Statistics Finland 2009).

### **2.1.3.1 Categories of Internet Marketing**

Marketing on the Internet can generally be broken down into two categories:

- i Business-to-Consumer: which is marketing products directly to consumers ( as in any shop in the real world). This is the side of marketing that one can see when one can order just a single product over the Internet.
- ii Business Marketing: sometimes called business – to – business marketing or industrial marketing, involves those marketing activities and functions that are

targeted towards organizational customers. This type of marketing involves selling goods (and services) to organizations (public and private) to be used directly or indirectly in their own production or service-delivery operations.

#### **2.1.4 The Consumer**

An effective marketing effort must achieve two goals: identify the wants and needs of consumers and satisfy them. Although these goals may seem simple, the ability to reach them may be difficult. Successful marketing requires strong research skills, thinking strategies and creativity.

Till few years ago, rarely were consumers given importance. Most marketing strategies were about a two way process. But today, many companies have acknowledged the critical importance of being customer oriented and customer-driven. Adam et al..., (1998) state that it is not just enough to be technology or product driven. Too many companies still design products without customer input only to find them rejected in the marketplace. This just points to the fact that success in today's world rests on a market and customer based view of business success: (Chatterjee and Narasimhan, 1994) observe that a distribution channel, the Internet possess: 1) extremely low entry and exit barriers for firms; 2) increasing irrelevance of distribution intermediaries and 3) the capability to not only keep pace with market change but accelerate it. Because the Internet increases the power of the consumer and decreases the power of the firm, compared to traditional channels of distribution, the consumer and the firm approach "symmetrical power" and the best communication efforts are likely to be "collaborative" rather than "autonomous" (Mohr and Nevin 1990)

Glazer (1990) notes that in the presence of higher information intensity, Channel power shifts in favor of consumers and a breakdown occurs in formal distinctions between producer and consumer. In the information intensive environment, the firm is no longer broadcasting a single communication to many consumers, but in effect tailoring its communications according to consumers' varied interests and needs. This

is currently implemented through the unique process of network navigation in which the consumer chooses what information (if any) to receive from the firm. Thus, marketers must begin to proceed. These shifts in channel power hold important implications for consumer participation in the marketing process. For example, consumers may collaborate not only in idea generation and product design, but also in the marketing communication effort itself. This is because interactivity in the web gives consumers much greater control of the message. Such control may manifest itself in starting new ways.

### **2.1.5 Electronic Commerce (E-commerce)**

Just marketing goods over the Internet is not the ultimate goal. A seller has to be able to sell products online too. Electronic commerce involves the use of information technology to enhance communications and transactions with all of organizations' stakeholders. Such stakeholders include customers, suppliers, government, financial institutions, managers, employees and the public at large. Electronic commerce is more than ordering goods from an online catalogue. It involves all aspect of organization's electronic interactions with its stakeholders, the people who determine the future of the organization.

Various organizations too have given their definitions of E-commerce. The European community directorate general defines E-commerce as any form of business transaction in which the parties interact electronically rather than by physical exchanges of direct physical contact. However, while accurate, such a definition hardly captures the spirit of E-commerce, which in practice is far better viewed as one of those rare cases where changing needs and new technologies come together to revolutionize the way in which business is conducted. The world trade organization (1998) defines E-commerce as the production, advertising, sale and distribution of products via telecommunication networks. It can be divided into three broad categories for the purpose of policy discussion. 1) the searching stage where producers and consumers, or buyer and sellers, first interact; 2) the ordering and payment stage once a transaction has been agreed upon; and 3) the delivery stage.

Electronic commerce is one of the most important and high profile aspects of the information economy. Electronic commerce is any form of business transaction in which the parties interact electronically rather than by physical exchange or contact. It can merely provide improved tools for doing business without transforming the business such as reducing paper flow and facilitating improved communications. It can transform the business by replacing paper systems, it creates business through software distribution by totally electronic companies and it includes both closed electronic networks and open Internet based systems, although the trend is towards the latter. Electronic commerce encompasses a wide range of economic activities such as just-in-time provision of food products for restaurants trade in tourism services, electronic customs clearance and government services provision. Large and small firms alike can use electronic commerce in their business, and consumers are increasingly using electronic commerce – for example, in banking and purchases of music and books. Globalization is making more resources available at lower costs to facilitate the spread of electronic commerce and electronic commerce facilitates access to global markets.

The benefits of electronic commerce appear to be limitless. Business users of electronic commerce benefit from reducing paper overheads, getting products to market quickly and reducing production, storage and transaction costs. Electronic commerce in many cases obviates the need for the so called middlemen in the production line, allowing the originating business to go directly to customer (and vice versa). It also allows business to learn more about their customers than in the past. Similarly, governments can expect to make efficiency gains through extended use of electronic commerce, especially by streamlining cumbersome paper-dominated regulatory arrangements, which in turn could greatly assist business.

### **2.1.6 Factors Influencing ICT and Internet Adoption**

Concerning E-commerce and Internet adoption, manager/owner, organizational and environmental characteristics play a significant role. Especially, the two decision-makers characteristics that impact on IT adoption are manager-owner innovativeness and IT knowledge. In this vein, lack of interest in E-commerce by the manager-

owners, prevent SMEs' from E-commerce adoption. Another important factor is employees' knowledge of the technological innovation and E-commerce; if they have, the businesses may be more willing to adopt E-commerce (Tiessen et al., 2001).

### **2.1.7 The Internet as a Communication, Transaction and Distribution Channel**

Internet research suggests that many people are attracted to using the web as information –gathering tool (Schonland and Williams, 1996; Walle, 1996) in comparison with other media. As the popularity of using the Internet increases, many companies use it for marketing activities and as distribution and communication channel. In terms of promotion, the Internet is undoubtedly faster and provides round the clock and global services when compared with conventional marketing communication channels (Ellsworth and Ellsworth, 1996). The Internet also allows bi-directional marketing and offers wider, deeper materials and richer advertisement content. Quelch and Klein (1996) define a firm marketing its products or services through the Internet as a global firm, because consumers world-wide can access it. The Internet provides a boundless platform for marketing and advertising, and even as a channel of distribution to generate additional sales. Kohli (1996) and Sullivan (1997) note that companies can save on transactional costs and test new products before market launch. The development of electronic commerce can allow business units to access new customers, access remote or niche markets and offer alternative access to traditional customers (kohli, 1996)

### **2.1.8 Reasons for and Barriers to using the Internet for Tourism Industry**

In the travel and tourism industry, few studies have been conducted to explore the reasons why consumers use online services. A recent study by Lewis and Semejin (1998) indicates that the environment has changed in two dimensions. First, there has been an increase in the awareness of the travel options available and second, the provision of user-friendly software that provides direct access to relevant information. Both factors are influential in attracting consumers to adopt online purchasing. Weber



and Roehl (1999) reveal some important online shopping features for online travel purchases. The most important feature is “Security of sensitive information”, followed by “Quality of information about purchase choices” and “Internet vendor’s reliability”. Today’s companies are also likely turn to electronic booking for their staffs business trips in order to reduce the indirect costs associated with travel. Apart from cost saving, the corporations are also able to negotiate rates that are not always available from other reservation channels ( Connolly et al..., 1998). Despite the fact that online services provide convenience to travelers for information search and purchasing, many consumers still prefer to use traditional purchase options that impede the growth on Internet shopping for travel products. Peterson et al..., (1997) find that consumers are able to gather information about products and services on the Internet; however, the actual distribution of goods and services is likely to be affected by the Internet, especially for those digital based goods (i.e. electronic tickets). Trust and social contact are the main concerns for many consumers, particularly when planning leisure travel (Lewis and Semejn, 1998). Bandwidth and network security, difficulties in navigating the Internet and limited offerings of individual sites, lack of price competitiveness and disappointment with customer services are also factors that limit Internet shopping (Jarvenpaa and Todd, 1997). Weber and Roehl (1999) find that the most frequently cited reasons for not purchasing travel products online are in order of precedence: “credit card security”, “No assessment of product quality,” “Privacy issues” and “Rather purchase locally”.

### **2.1.9 Tourism in Nepal**

Nepal was almost closed to the outside world. The Rana rulers of that time always thought of policy of isolation is better for its survival and so no foreigners were allowed to visit the country. A handful of daring traders and pilgrims from India, who traveled to a distance to visit a place for trade or religious shrines were only permitted to travel in the country. During the rule of oligarchy of Rana government and those appointed to specific mission were allowed to enter Nepal. During the British rule in India, some English dignitaries and special guests of honor were invited to visit the

country for shooting in the tropical forest of Nepal and observing its sublime and natural beauty. Nepal was not open to the international tourist till the early fifty's. The Rana regime collapsed and in February 1951 oligarchy gave away to democracy. It was only after 1951 that international tourist could easily enter on producing passport and visa to Nepal.

The first five year plan (1956 – 1961), launched for the first time in the history of Nepal, and provided a provision for development of tourism in the country. After this series of development steps took place for the development of tourism in the country, in different five year plan till today. Among different five years plans and policies related to tourism development “Nepal tourism master plan 1972” was one of the major work accomplished by the coordinated effort of the committee. Since then, this has been the basis for all further development of tourism in Nepal.

At present Nepal offers immense activities of tourism products for the tourist:

### **2.1.9.1 Major Tourist Attractions**

Few destinations in the world can match Nepal in the variety of world class experience: be it mountaineering, trekking, mountain biking, nature tours, culture tours, pilgrim tours, white-water rafting, canyoning (cascading), kayaking, canoeing, mountain flights, pony trekking, jungle safaris, bird watching, fishing, hang gliding, ultra light aircraft ride, bungee jumping, etc, In addition we have several special interest tours like Orchid tours, Culture trek, Honey hunting, Village tours, Fossil hunting, and Meditation courses and many more that take place throughout the year.

#### ▪ Ancient Holidays

***Ancient cities*** Patan, Bhaktapur, Kathmandu, Lumbini, Janakpur.

***Ancient Energy*** Ayurveda spas, naturopathy clinics, yoga centers, herbal steam, Mud baths, magical waterfall pools, Traditional massage, Faith healing, Mountain Meditation venues.

**Tantra journeys** Kamasutra Art, Bajrayana Buddhist Schools, Religious pilgrimages, Ritual Sacrifices, Hindu Temples, Buddhist Stupas, Bonpo monasteries, Holy Events, Shamanism, Holy city tours.

▪ Ultimate Adventures

**Raging Rivers** white water Rafting, Extreme Kayaking, Canoeing, River and lake sport fishing, Swimming rapids, Bungee Jumping, Canyon swings, Rock climbing, Caving, Riverside camps Boating/ Rowing, canoeing.

**Spectacular Mountains** Endurance Treks, Mountain biking, Mt Everest and other expeditions, Himalayan motorcycle tours, High altitude Training centers, Downhill cycling, Paragliding, Ultralite, Mountain Flight, Conservation areas, Hiking.

**Himalayan wildlife** sanctuaries, River beach hotels, White sand river beaches, Golden mahseer fishing and angling, National parks, Jungle resorts, Elephant showers, Tiger and Rhino safaris

**Professional Competitions** Himalayan marathon , Kite flying competitions, Mountain Bike championships paragliding competitions, Trans Himalayan Motor Tally, Triathlon, elephant polo

▪ Spiritual Yatras

**Ancient treks** Historical treks, Mythical treks, Fossil hunting treks, Pilgrim treks, Pony treks, Honey hunting treks, Glacier treks, Adventure treks, Yoga treks, Tea house treks, Village treks, Tribal treks

▪ Knowledge Breaks

**Buddhist studies** Thangka painting schools. Woodwork and Mask making centers, Traditional music and dance schools, Nepali ceramics and pottery classes, Bronze and metal workshops. Language learning centers. Mountain meditation schools

**Hindu sciences** Hindu astrology classes, Ayurveda courses, Yoga learning centers, Vedic institutions, Ashram stays.

*Eco treks* Nature walks, Bird watching trips, Wild flower and medicinal plant treks, Butterfly spotting walks, Adventure schools, Rural home stays, agro tourism, Responsible nature treks, children's treks

▪ Divine Cities

*Fun'tastic Entertainment* Cool discos, Full moon raves, Street Parties, Go Karting, Bon Fire Evenings, Lucky Casinos, Live Jazz, Rock concerts, Fusion jam sessions, Chill out lounges, Classical music concerts

*Mountain Golf* Pro-championship courses, Amateur tournaments, Professional competitions, Spectacular mountains, Ancient forests, Deer and other wildlife, After game Spas and massage, clubhouses

*Beautiful restaurants* Rooftop restaurants, Courtyard cafes, Traditional Nepali dining, Dohori restaurants, Sukuti and Sekuwa taverns, Intimate restaurants

*UNESCO World Heritage Sites* Ancient Temples, Buddhist Stupas, Durbar Squares,

• Heritage cities

*Handicraft Shopping* Wood work, Stone carvings. Nepali handmade paper products, Nepali antiques, Dhaka Textiles, Jewelry and semi precious stones, Tibetan rugs, Pashmina shawls, Thamel Street markets, Thangka paintings.

Government sector as well as private sector organization is working together to promote, develop the tourism of Nepal. There are several unit of accommodation available ranging from ordinary tourist class hotel to 5 star category hotel.

Similarly, many Travel Agents are opened which helps in selling the country's tourism product in the origin of tourist market. National flag carrier and other international airlines are operating their flight in Nepal.

### **2.1.10 Brief history of Travel Agents in Nepal**

The institution of Travel Agencies is a comparatively recent phenomenon for Nepal, which has developed since 1959 as a result of the expansion of tourism and travel in Nepal.

The institution of Travel Agencies was thought up and first Travel Agency was established in 1959 named Shah and Rai at the then hotel coronation. This was the first commercial organization, which functioned purely as a Travel Agent. It was registered under the company act of Nepal and it was an approved member of International Air Transport Association. Firstly, it was run as off suit of Shah and Rai co. of India. Later in 1965 it was taken over by Nepalese management and it was registered as third eye tours in 1965 and so on.

The “Tourism Act 2021” gives details about provision regarding to Travel Agent. The Nepal tourism master plan of 1972 has precisely presented the true picture of the Travel Agent in Nepal. The same Nepal tourism master plan gives a vivid picture of Travel Agency functioning in 1972 in Nepal as such.

The Travel Agency in Nepal is mainly concentrated in the city of Kathmandu with a few branch offices operating at Pokhara. It consisted of ten Travel Agency and tour operators. The most important are:

Yeti travels

Third eye travels

Everest travel service

Nepal Travel Agency

Kathmandu travels and tours

Gorkha travels

Himalayan travels and tours

Mountain travels

The role of Travel Agencies has long since been recognized by government of Nepal and all sort of incentives have been given specially for recommendation of foreign exchange facilities for equipments and promotional trips abroad. The then HMG has also allowed local Travel Agent to open offices abroad for promotional activities. In

keeping with the government policy i.e. the encouragement of private sector investment, Travel Agency are all privately owned and financed. The competition has been keen and rewarding. The training facility for the personals engaged in Travel Agency business has been provided in hotel management and tourism training center. Government of Nepal has also asked for all the related components of the tourism industry to jointly promotion of tourism of Nepal abroad by taking part collectively at international tourism conference, seminars, fairs and exhibition. But Travel Agencies must gear their activities to catch up traffic right from the tourist generating markets on Nepal.

There are now more than 400 licensed Travel Agencies in Nepal. They are trying to focus Nepal directly to the wholesalers. Nepal has large number of well established Travel Agents working together under the Nepal Association of Travel And Tour Agents (NATTA) established in the year 1966. It has been recognized by government of Nepal.

### **2.1.11 Internet History in Nepal**

The E-mail services provided by the then Royal Nepal Academy for Science and Technology (RONAST) can be regarded as the first instance of the use of Internet technology in Nepal. The credit of introducing Internet amongst Nepalese people however goes to the private sector. It was with the initiative of Mercantile Office Systems that commercial E-mail service was first provided in June 1994. A year later, Mercantile Communications, a branch of Mercantile Office Systems started Internet Services. Mercantile had, at that time, established connection to Singapore Telecom, Singapore via a 64 kbps leased line through Nepal Telecommunications Corporation (NTC), the only basic telecom service operator.

ISP, being a new concept in Nepal then, there was no provision for its regulation. Later, when two other ISPs, World Link Communications and Computer Land Communications System came forward with their proposal to start Internet services, the Ministry of Information and Communication decided to issue license to all three

of them. In September 1997, license to operate Internet Services was finally issued to the three ISPs by the Ministry. In 1998, Nepal Telecommunications Authority (NTA), a telecommunications regulatory body was formed as per Telecommunications Act, 1997. NTA holds the power to issue license to Internet Service Providers.

### 2.1.12 Present State

At present the telecommunication infrastructure has been developed satisfactorily and so does the Internet facilities. In Nepal Internet can be accessed via Dial up, cable network, wireless network and the latest technology in Internet is ADSL Technology launched by Nepal Telecom. Following table summarizes the telecommunication infrastructure available in Nepal.

Table 2.1: Telecommunications Services:

S. No.	Services	No.
(a)	Basic Telephone	2
(b)	Cellular Mobile Telephone	4
(c)	Internet (with E-mail)	45
(d)	Radio Paging	8
(e)	VSAT Network Providers	12
(f)	VSAT Service Users	124
(g)	Fax Mail	6
(h)	Video Conferencing	1
(i)	GMPCS	3
(j)	Rural Telecom Service	1
(k)	Local Data Network	1
(l)	Limited Mobility Service	8
	<b>Total</b>	<b>215</b>

[Source: Nepal Telecommunication Authority]

### 2.1.13 Government policy in Internet

In Nepal, there is no separate body for regulation of the Internet. Internet/E-mail Service has been categorized as a type of Value-Added Service which can be operated

after obtaining a license from Nepal Telecommunications Authority. Nepal Telecommunications Authority is a telecommunication regulatory body established in 1998 in accordance with the Telecommunications Act, 1997. It is the body responsible for issuing license to ISPs and for monitoring their activities.

### **2.1.13.1 License System:**

An Internet Service Provider License should be obtained from NTA in order to start Internet/Email Service. No limit has been imposed on the number of licenses that can be issued by NTA for this service. Therefore, any party intending to commence this service can submit an application to NTA in its prescribed format together with a proposal explicitly stating marketing, financial, management and technical aspects of the service.

NTA evaluates the proposal and issues the license if the proposal meets all the criteria required for an ISP. The license granted remains valid for a period of 5 years and the license fee amounts to NRS. 3,00,000/- (US\$4000). The license should be renewed prior to the termination of initial license duration to extend it for another 5 years. The license renewal fee is NRS. 270,000/- (US\$3600). If radio frequency is to be used, spectrum fee should be paid separately.

*Some of the important conditions an ISP should abide by are as follows:-*

- An ISP should submit 4% of its gross annual income as royalty to Government of Nepal and 2% of its gross annual income to Rural Telecommunications Development Fund as its Universal Service Obligation.
- An ISP should not operate Basic Voice Telephony Service and should not interconnect with the domestic or international PSTN.



- An ISP should conform to the Quality of Service conditions stipulated in the license. The conditions are:

- The service should be provided 24 hours daily and downtime should not be greater than 5% in a year.
- The ratio of telephone lines and customers should be maintained at 1 telephone line: 30 customers.

An ISP can connect to the Internet Backbone in one of the following ways:-

- Through direct international connectivity via
  - ) NTC's gateway
  - ) VSAT link. If an ISP opts for VSAT connectivity, it should obtain the VSAT user license.
- By leasing Internet Bandwidth of another licensed ISP in Nepal that has direct connectivity to the Internet Backbone. The two ISPs can be connected using radio modem or NTC's lease line.

### **2.1.13.2 IT Policy and the Internet:**

The IT Policy, 2000 is the most visible and commendable attempt made by the government to promote the Internet and Information Technology. Its vision is to create a niche for Nepal in the global IT map in the next five years. To achieve this goal, infrastructure development is a prerequisite and IT Policy expects private sector involvement in infrastructure building. In the working plan, it is stated "An Internet node shall be established in all development regions by fiscal year 2001/2002 A.D and in district headquarters by fiscal year 2003/2004 A.D with participation of the private sector in order to make Internet available throughout the Kingdom. In making telephone contact with such a node, the telephone charge shall be levied on a local-call basis; and telephone contact with a nearby node within the development region shall be deemed to be a local call, so long as the node in that district is not established.

The use of the Internet shall be gradually extended to rural areas as well. The charge for telephone calls to be used for the Internet shall be gradually reduced.” The IT Policy, if implemented timely, certainly gives a good reason to be optimistic about the future of Internet in Nepal.

The policy also states, “All ministries, departments and offices shall be linked to the Internet; and other agencies shall also be encouraged to be linked through the Internet.” and “Websites for all ministries and departments and district offices shall be created within one year.” Work is being done towards this goal, though it will be few years before it is accomplished.

The IT policy also promises to formulate necessary laws related to the development of information technology to protect the Intellectual property right. A draft of Cyber law has been prepared and it is under evaluation by a group of experts. It is possible that a bill on Cyber law will be introduced to the Parliament and if everything goes right, the law will come into force within a year.

#### **2.1.14 E-Commerce in Nepal**

The growth of E-commerce is associated with important economic potentials for developing countries. Specifically, it can enhance their trade competitiveness. A number of countries already benefit from new export opportunities in the field of data entry, software services, data processing (“teleporting”), accounting, and other professional services. These opportunities have a spiral effect on foreign and domestic investments. Developing countries may also benefit from the availability of information related to trade and commerce. E- Commerce has not penetrated all economic sectors equally. Sectors that were expected to grow by more than 50 percent include computer hardware and software, real estate, publishing and information services, financial services, and tourism.

The internet makes it easier for producers in Nepal to become part of an international supply process from which they were excluded in the past. Large companies in Nepal already use the Internet. The interesting matters to observe is that a growing number

of small and medium sized firms are also entering the user area. For the firms, Internet means improving productivity and enhancing marketing opportunities. With the help of the Internet, tourism product seller may be able to display the latest product online, and negotiate the better prices with consumers, sometimes bypassing middlemen completely.

## **2.2 Review of related studies**

This section concerns about the previous academic thesis and other research works related to internet, tourism and tourist agents. It is performed by various researchers which are supportive to understand and clear the conceptual part of research work.

Hirachan (2003) has presented the effectiveness of e-marketing used by travel agencies to promote tourism industry. In order to find the perception of travel agencies regarding e-marketing prospect practiced in tourism sectors. The writer has taken following objectives into the consideration.

- ) To survey the current market situation of travel agencies.
- ) To find out and examine travel agencies perception regarding e-marketing.
- ) To find out popularity of internet as marketing tools among travel agencies.
- ) To explore the problem and prospects of e-marketing and to suggest appropriate recommendation in order to promote intoxication beauty this country through internet.

In his study, to determine the objective of research Hirachan had conducted a field survey. In which 25 were complete out of 30 responses. The majority of the survey respondents reported that the current situation of travel and tourism is poor(80%), only 12% respondents seems satisfied with the current situation of travel and tourism industry in Nepal. There was comparative view about the region from where most tourists used to come. 56% respondents believed from Europe and 40% believed to be

from Asia. As regards to the promotion medium which the respondents' prefer, it seems, that 56% prefer personal contact for promotion whereas website, e-marketing and magazines are preferred by 28%, 24% and 4% respondents respectively. Similarly the study has presented that most travel agencies (84%) do have websites published on web, whereas only (16%) do not have websites and reason for having websites in for promotion (71.42%) responded but 28.57% responded kept websites for providing information.

In the same ground 71.42% respondent rated their website is performing below expectation where as 28.57% respondent's believe they got what they have expected from website out of total respondent's majority of respondents (72%) had an idea about e-marketing and 56.52% of respondents were using search engine submission and only 4.34% were using tourism related directories such as e-marketing promotional tools. About the contribution make by internet on tourism sector, majority of the respondents (88%) were satisfied by the contribution made by internet for promoting tourism in Nepal.

Finally he concludes that most of the travel agencies know the importance of internet as marketing tools, due to the face that most of them have a website and using e-mail on regular basic but due to lack of knowledge, fund and ignorance they are not utilizing e-marketing in professional way or seriously. If the correct methods of promotion are used on internet to popularize travel agencies sites definitely it will contribute to promote tourism sector in Nepal to the greater extent.

Bhandari (2009) has written that even though the tourism sector has not been able to receive higher share in the government spending due to certain other obligations in basic need areas, Nepal government attaches propriety to tourism. A major problem with the Nepalese private sector is that it is small, disorganized and is limited in its capacity to raise resources and invest in the form of equality.

The savings and investment rates are low. There is limited exposure to international trends. The culture of state intervention still prevails and is generally accepted.

Similarly, he has added that tourism considered a major component of the Nepalese economy, has so far, been concentrated in a few major locations, and confined to a few major products. We have not been able to add more places of interest to the tourism, so he has claimed for need of the future action. His suggestions are:

Despite our immense potentiality, we are unable to exploit the economic benefits proportionate to this, due to poor infrastructure, meager investment and irrational marketing. However, spreading tourism to new places with more activities is of utmost necessity, with the increase of competition among the South Asian countries. Various policy measures need to be initiated to attract investments in new areas with potentials. These policy measures can be introduced after detailed consultation with the entire travel trade sector and with the mobilization of newly formed Nepal Tourism Board. Also this helps the Board of plan marketing of these zones in those regions.

There needs to be various reforms carried out in the aviation policy so as to make favorable condition for the airlines to open up in new sectors. The various social and tourist routes need to be redefined. Distinction between commercial and remote routes within social routes is required.

Nepal Tourism Board should be very clear in its marketing strategies. Advertisements should be well connected with the events taking place in the country and efforts should be initiated to make documentaries and they should be telecast through various international channels. Finally, a very strong research base will certainly help in effective planning. Thus, various studies have been undertaken mostly however, confining to enquire the economic impact.

Although tourism is important for a developing country like Nepal, there is a dearth of literature relating to marketing and promotion of tourism. In view of the importance of marketing and need for Nepal to go for extensive promotion, the present study about the marketing strategies taken by NTB has been initiated.

Basnet (2010), states that education regarding internet and computer plays a vital role to determine every change in world. This study says that education about E-marketing is must for travel agencies in order to promote its services through internet or consult with internet marketing consultancy like [www.mountdigit.com](http://www.mountdigit.com) for promoting its services through internet.

Website is must to display travel agencies profile, services it offers and information about places they can be visit. For that website should be made interactively way where viewers can negotiate. Prices of packages travel agencies can offer can also be displayed. Generally E-mail marketing can be implemented with their three objectives in mind.

- ) Sending directing promotional emails to try and acquire new customers or pursue existing customers to visit again.
- ) Sending emails design to encourage customer loyalty and enhance customer relationship
- ) Placing your marketing messages or advertisement in your emails send by other people.

Travel agencies can also use tourism related services, directory or websites that link or feature your details of your tourism service on their website. She recommends [www.safarinow.com](http://www.safarinow.com) for better services. They also charge annually few hundred dollars for their services.

Shakya (2011), explained that Nepal needs to offer multiple package programs to attract more tourists in the country. While designing packages, different combination can be included to suit different purpose visitors as well as different age and sex group of visitors. Alternation in packages may be made on the basis of products or by including products and services.

The analysis clearly shows that Nepal has not given due attention towards the promotion to tourism. It does not seem to have been able to market tourism properly. Despite proving to be a market leader in many areas in the South Asia, its market share is limited. Professional approach should be incorporated in marketing Nepal and its products.

Nepal must target its markets according to strengths and prospects. The leading market segments for Nepal may be India, Western Europe, Japan, USA and Australia. The SAARC, ASEAN and East Asia also may be promising segments for future. So, all marketing and promotional efforts must be done on the basis of these identified

target markets. All marketing efforts must be done by prioritizing on the basis of the existing and potential market strengths.

In Nepal, the government has been giving attention to develop the tourism sector. But, in view of the importance of the sector, the allocation of development and promotional budget is very low. Due to the lack of budget, tourism promotion is not being done properly. Greater allocation of development as well as promotional budget is needed in this sector. In order to gear up promotion of tourism, the private sector also should spend more allocating separate budget for its marketing.

None of the above studies has done in the topic use of internet as a marketing tool by travel agency in Nepal. So, this study could be helpful for Planner, Researcher and Students in future.

# CHAPTER 3

## RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps adopted by a researcher in studying a problem with certain objectives in view.

Nepalese Tourism Agent, being one of the important sectors to build countries economic capacity, should be studied extensively for its promotion. This study is based on primary as well as secondary data. The detail research methodology used in this research is discussed under the following headings:

Research design, Population and sample, Data collection procedure, variables and measure, sample characteristics and data analysis.

### **3.1 Research Design**

This research study attempts to analyze the state of Internet usages by the Tourism Agencies and their attitude towards Internet in Nepal. Exploratory research design was used in order to explore the current status of Internet adoption by Tourism Agencies.

### **3.2 Population and Sample**

The population for this study comprised all the operating Travel Agents registered with the government of Nepal. There are about 400 registered Travel Agents with the government of Nepal.

A list of Travel Agents was obtained from among the operative in Nepal. Out of 400 Travel Agencies 41 Travel Agents was selected by random sampling method.

### **3.3 Data Collection Procedure**

For this research primary data were collected by the survey conducted with the Travel Agents in Kathmandu. Secondary data collected from previous studies were also referred in the study. The source of primary data and secondary data are discussed in following sections:



### **3.3.1 Primary Data collection**

In order to investigate Travel Agent's attitude on use of internet as a marketing tool, Interview and questionnaire survey was conducted by visiting the respondents' premises directly. NATTA (Nepal association of Tour and Travel Agent) is considered to be the most comprehensive directory of Travel Agents, so the Tourism Agents were selected with respect to the directory provided by NATTA . The existing practices among the Tourism Agents is observed by this researcher work.

### **3.3.2 Secondary Data collection**

Past research studies are very helpful in giving an insight into the area to be studied. One can refer to past researches and studies and compare with past methodologies used. Secondary data was collected from various sources. Past research studies by different researcher were studied at the Tribhuvan University Central Library. The data relating to the Internet infrastructure in Nepal was obtained from various websites of Nepal and publications of Nepal Telecommunication Authority (NTA).

### **3.4 Variables and Measures**

The questionnaire includes five sections. The first section was used for reporting the managerial characteristics (Attribute of Travel Agencies). The second section reported the computerization status of the companies. The third section reported perception about Internet marketing by Travel Agencies, the forth section reported disadvantages of Internet distribution for travel companies and last section reported reasons for investment in e-business. Questions were obtained from the research paper conducted by Vasiliki Vrana and Costas Zafiropoulos, department of business Administration, Technological education institute of Serres, ,Greece.

The responses on questionnaire were measured through multiple items on a five point Likert – type scale.

### **3.5 Sample Characteristics**

The samples were comprised of Travel Agents operating in Kathmandu city. Random sampling method is used to select the samples. In total 41 Travel Agent were selected for the study.

### **3.6 Data Analysis**

The collected primary data have been rearranged using statistical and analysis tools to facilitate the purpose of study necessarily. Rearranged and collected data also been tabulated systematically in the study. During the study presentation and classification also have been made meaningfully to give clear image of the study.

The responses were categorized, tabulated, processed and analyzed using percentage and arithmetic means in MS- EXCEL. 1 to 5 point likert scale was used to calculate the mean of the primary data.

## CHAPTER 4

### DATA PRESENTATION AND ANALYSIS

This chapter discusses the results of the survey carried out among the Tourism Agents in Kathmandu city. Though there are about 400 Tourism Agents the survey was conducted among 41 Tourism Agents. The survey was intended to find out the attribute of Tourism Agents, the current state of Internet use among Travel Agents, and attitude such as - perception of effectiveness of Internet marketing, disadvantages of Internet as perceived by travel companies, and reason for investing in E-business. The data was collected in June in Kathmandu where 90 % of Tourism Agents are located.

#### 4.1 The Attribute of Travel Agency

In this section, it is intended to find out the general attribute of Travel Agency such as respondents designation, gender, highest level of education present in the company, and experience in this field.

**Table**

**4.1**

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
<b>RESPONDENT'S DESIGNATION</b>		
Entrepreneur / Owner/Managing Director	7	17
Manager	25	61
Other	<u>9</u>	<u>22</u>
<b>GENDER</b>		
Male	38	93

#### Attribute of Travel Agency

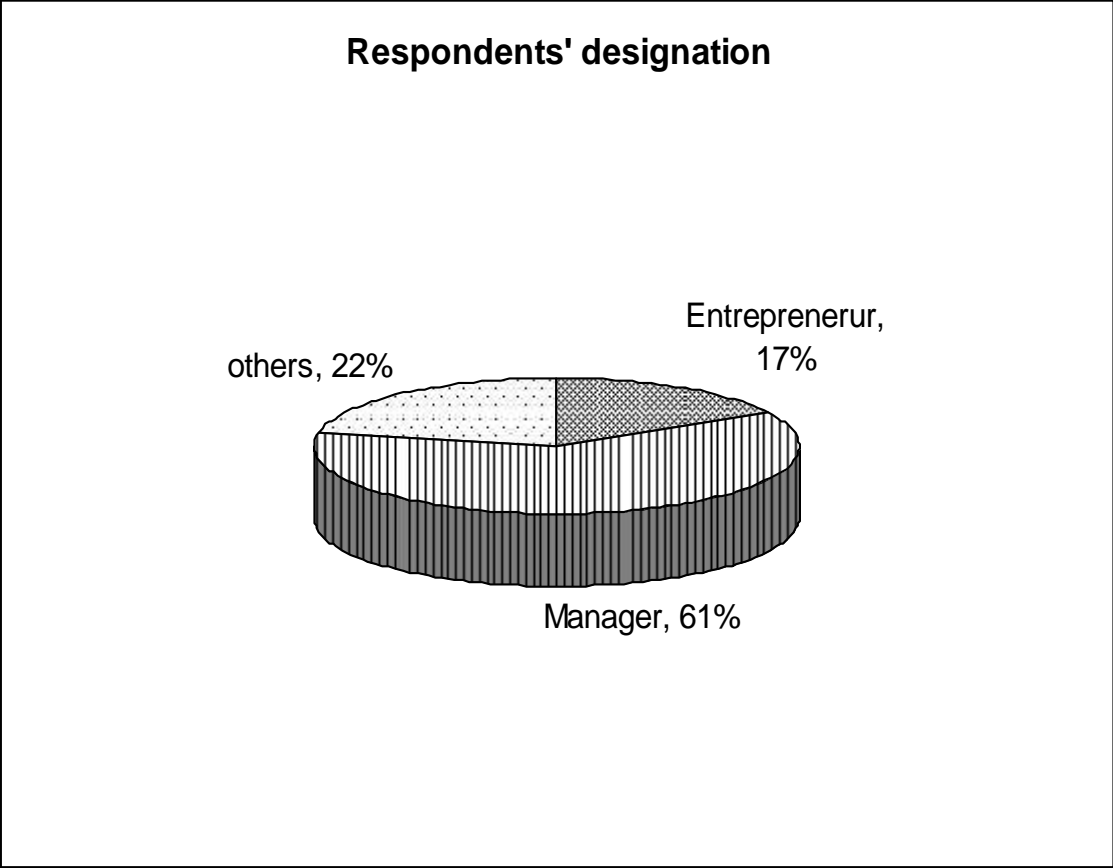
Female	<u>3</u>	<u>7</u>
<b>EDUCATION</b>		
Elementary Graduate	3	7
High school Graduate	3	7
University Graduate	20	49
Masters/ Doctor Degree	<u>15</u>	<u>37</u>
<b>EXPERIENCE IN TOURISM INDUSTRY</b>		
1 – 5 years	12	29
6 – 10 years	9	22
11 – 15 years	5	12
16 – 20 years	5	12
21 – 25 years	2	5
Above 25 years	<u>8</u>	<u>20</u>

(Source: Field Survey)

Table 4.1 describes attribute of the Travel Agents. Further, each attribute are presented in the following figures:

#### 4.1.1 Respondents' Designation

**Figure 4.1**  
**Respondents' Designation**

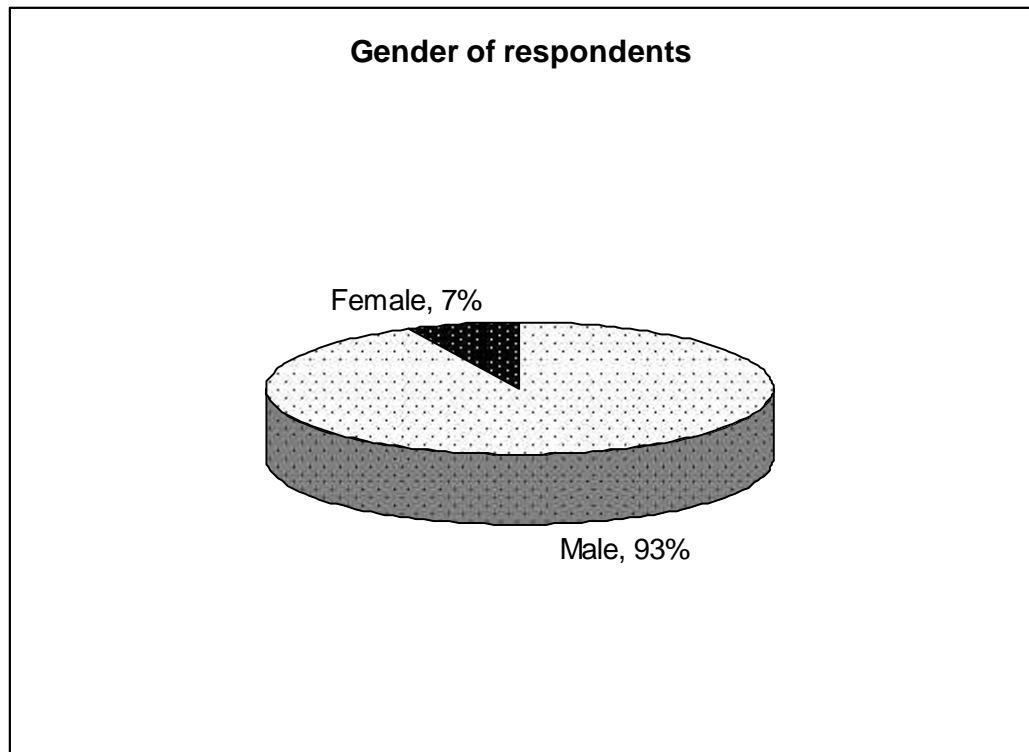


*(Source: Field Survey)*

Figure 4.1 shows designation of the respondents who have participated in the survey for this thesis. Out of 41 Tourism Agents those who were surveyed, 61% of the respondents were managers, 17% were entrepreneurs or owner or managing directors and rest 22 % were other officers of the company. This shows that higher level staffs of the organizations cannot be interviewed because of their busy schedule. However, most of the staffs interviewed were from decision making level and represent their organization for this survey.

**4.1.2 Gender of Respondents**

**Figure 4.2**  
**Gender of Respondents**



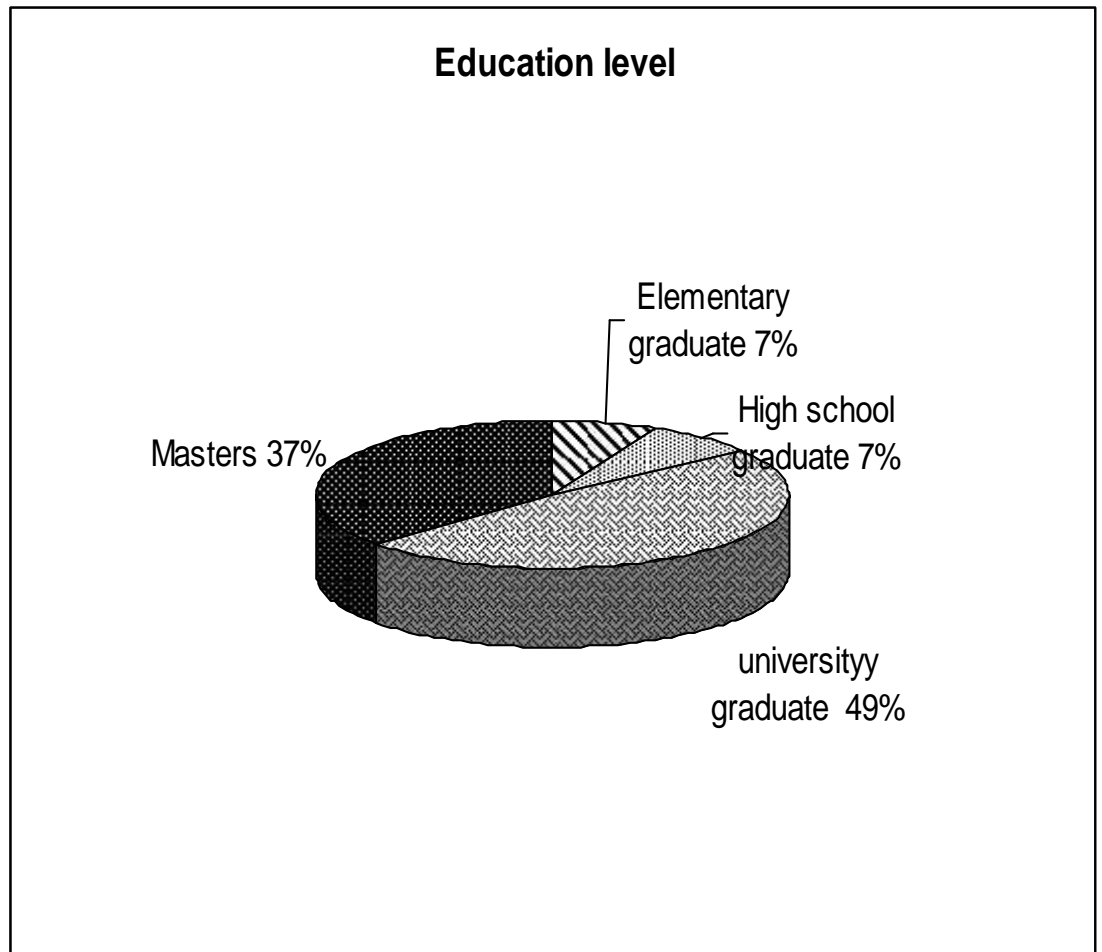
*(Source: Field Survey)*

Figure 4.2 shows that very little amount of respondents are female i.e. 7 % and most of the respondents are male i.e. 93%. We can see from this result that as in other organizations, higher level positions are occupied by male staff.

### **4.1.3 Education Level of Travel Agency Operators**

**Figure 4.3**

## Education Level

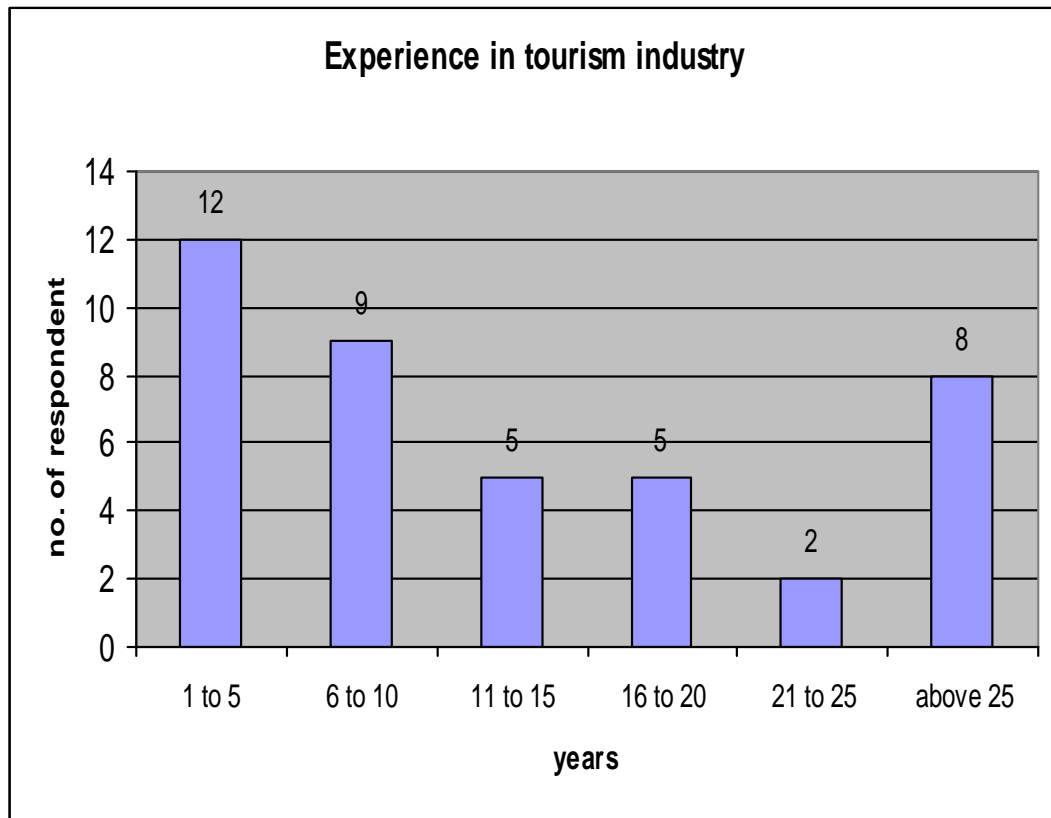


(Source: Field Survey)

Figure 4.3 shows that the educational level of the Tourism Agency operator is satisfactory. Most of them are University Graduate or above. According to the figure 49% out of 41 are University Graduate, 37% are having Masters Degree, 7% are High School Graduate and 7% are Elementary Graduate.

### 4.1.4 Experience in Tourism Industr4.4

#### Experience in Tourism Industry



(Source: Field Survey)

Figure 4.4 shows that there are newer entrants to the tourism industry as well as highly experienced personnel in the tourism field. Due to the peace processes going on in the country many entrepreneurs are willing to invest in tourism industry. Slowly the incoming tourist flow is also increasing. Due to this newer entrants in this business can be seen. Since Nepal has enormous tourism potential, many people are willing to enter this field provided our country restores its peace.

## 4.2 Current state of Internet use among Travel Agents



In this section it is tried to find out the current state of Internet use among Travel Agents by studying the elements like standard of computerization, whether the company has website and email, number of email received and whether the online payment system is in practice.

**Table 4.2**  
**Current state of Internet use among Travel Agents**

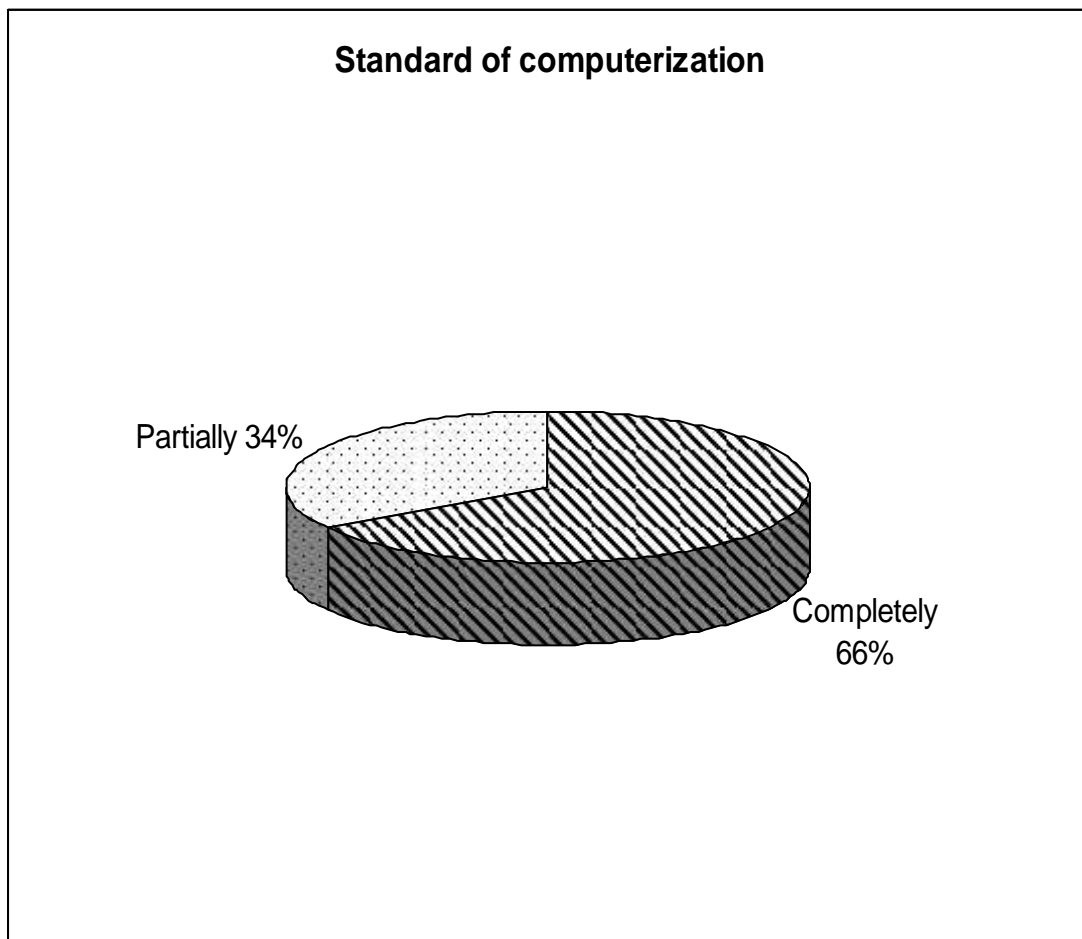
Particulars	Frequency	Percentage
<b>Standard of computerization</b>		
Completely	27	66
Partially	14	34
Not yet started	0	
<b>Company have Web Site</b>		
Yes	30	73
No	11	27
<b>Own Email</b>		
Yes	41	100
No	0	0
<b>Numbers of Emails received Monthly</b>		
Less than 50	6	15
51 – 150	12	29
151 – 250	10	24
251 – 350	4	10
above 350	9	22
<b>Online Payment System</b>		
Yes	4	10
No	37	90
<b>Total</b>	<b>41</b>	<b>100</b>
<b>Online transaction per year</b>		
Less than 50	3	75
51 – 150	1	25
Not reported		

(Source: Field Survey)

Table 4.2 describes about the use of computer and Internet by Travel Agents. Each of the particulars under this heading is described by the following figures:

## 4.2.1 Standard of Computerization

**Figure 4.5**  
**Standard of Computerization**



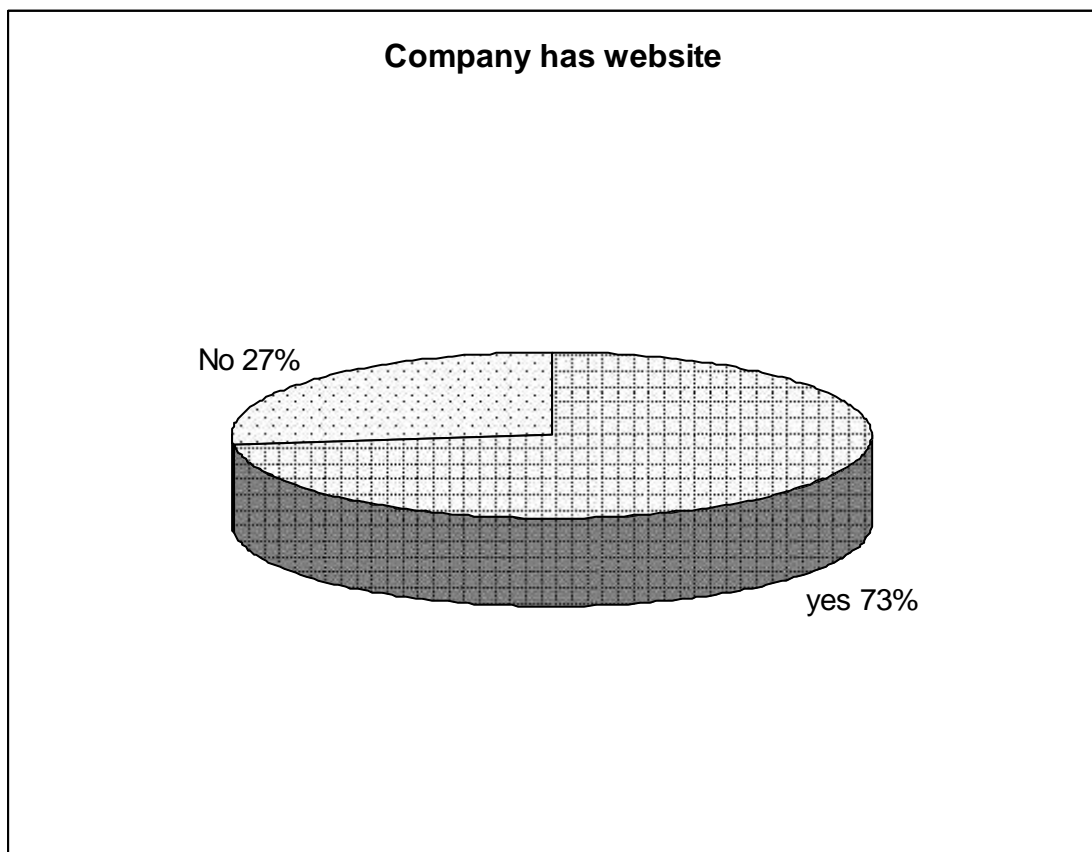
*(Source: Field Survey)*

Figure 4.5 we can see that most of the Tourism Agents have computerized systems in their company. Among the Tourism Agencies surveyed 66 % of them have completely computerized systems and 34 % have partially adopted the computer system. Now-a-days E-ticketing is in practice. So Travel Agencies are changing its practice from manual to computerized systems. Moreover, there are variety of accounting software available in the market which can keep record more efficiently

than the manual accounting system, due to this also Travel Agencies are changing from manual to computerized practices.

#### 4.2.2 If the company has Website

**Figure 4.6**  
**If the company has Website**



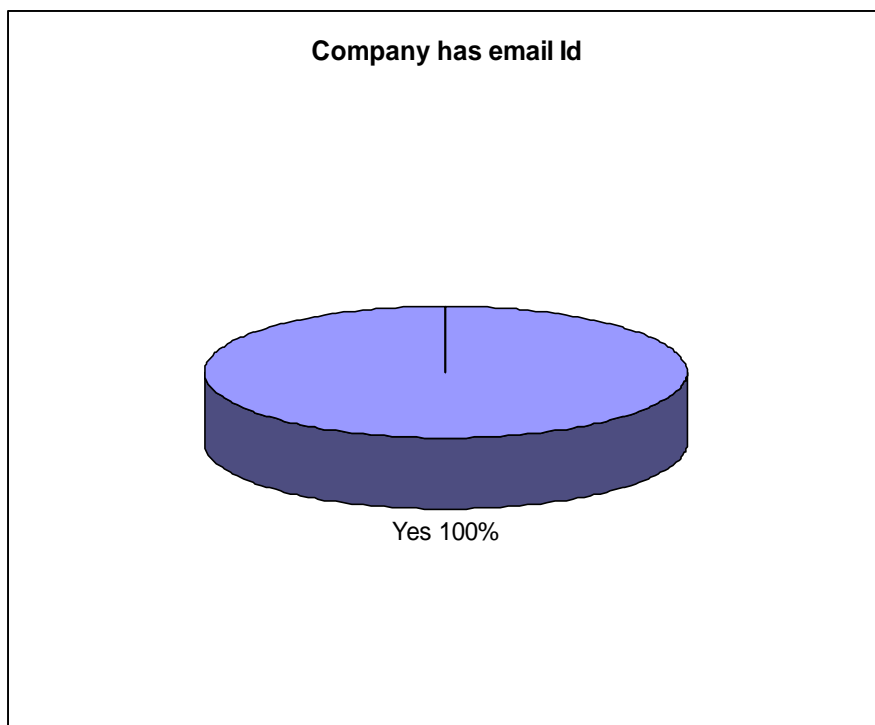
*(Source: Field Survey)*

Most of the companies surveyed have website. Out of 41 Tourism Agencies 73% has their website and 27% don't have website. Website of a company has become a fashion in today's world. In most of the organizations website plays an important role. However, the website has to be user friendly and informative to visit repeatedly by the

customer. So, those who involved in tourism should have website to strengthen their business. Although most of the companies state that they have websites, most of the websites are not accessible. This could be because of delay in renewal of domain or lack of updates. In real practice Tourism Agents are not found to be serious about the Internet marketing.

### 4.2.3 If the company has Email Id

**Figure 4.7**  
**If the company has Email Id**

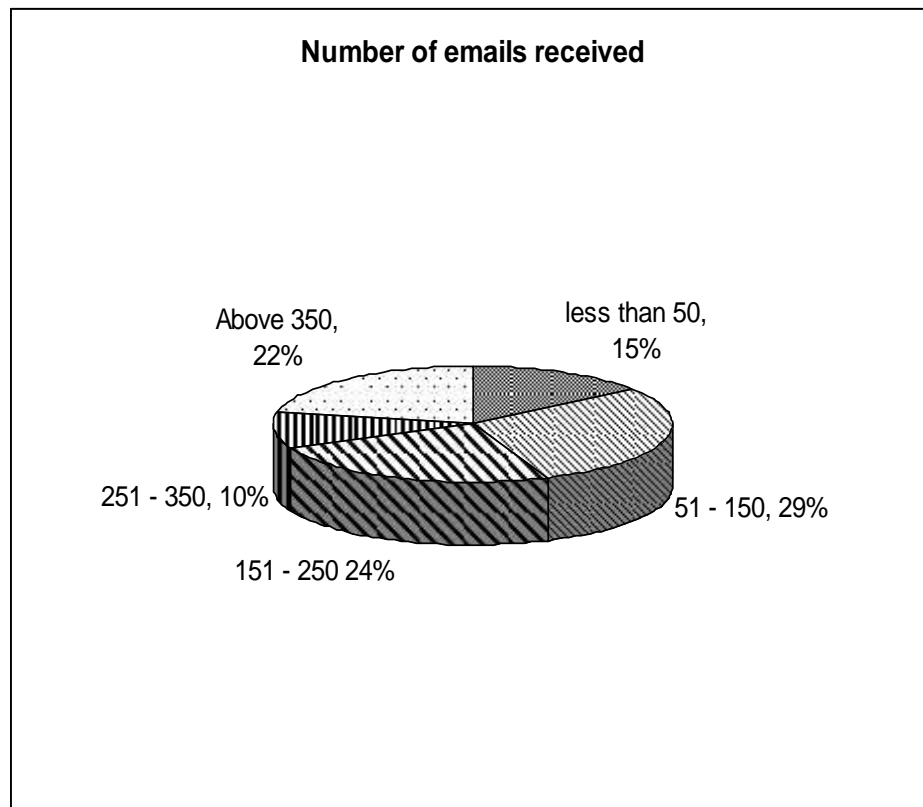


*(Source: Field Survey)*

Figure 4.7 shows all the Tourism Agencies have an email address. Email facility has changed the way of communication in today's era. It is cheap and easy to use. Since travel business is mostly related with foreigners, it is convenient to communicate through Email, wherever may be the client.

#### 4.2.4 Number of E-mails received monthly

**Figure 4.8**  
**No. of E-mails received monthly**

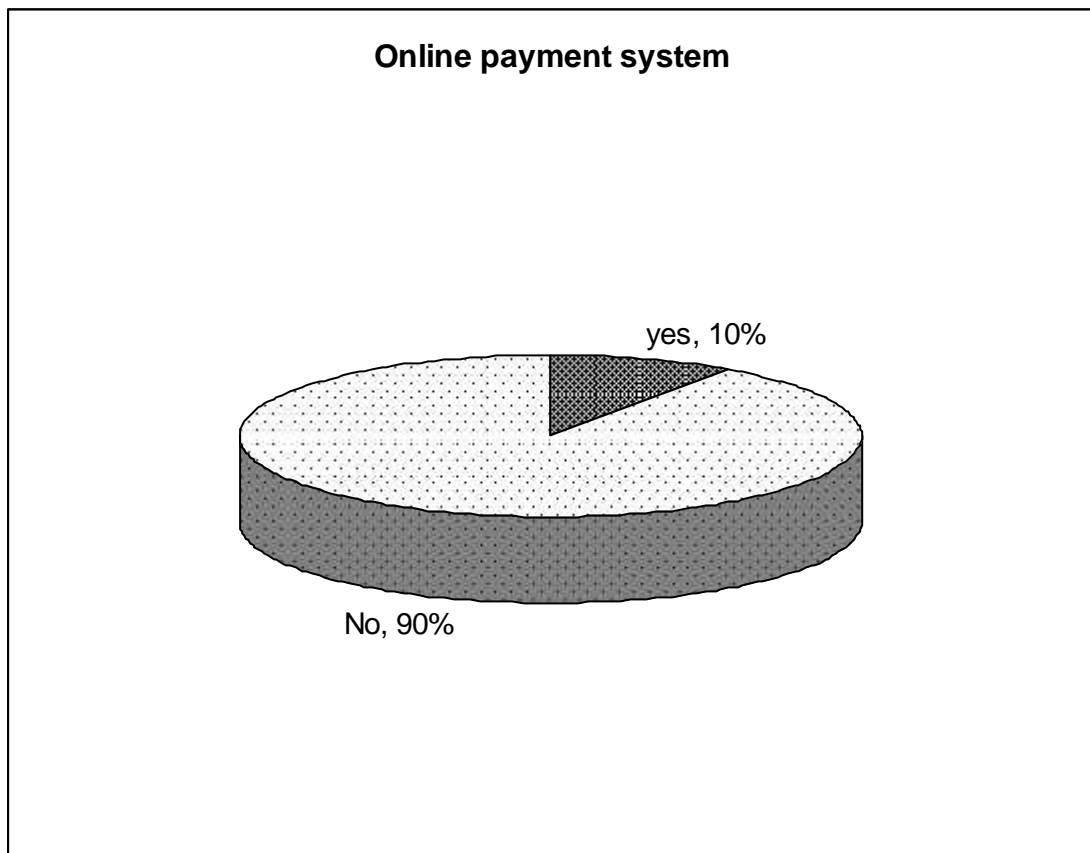


*(Source: Field Survey)*

Figure 4.8 shows that most of the Tourism Agencies receive email between 51-150 per month which is 29% of 41 Tourism Agencies. 24 % of them receive 151-250 emails per month, 22% of them receive above 350 emails per month 10% receive 251-350 emails per month and 15% of them receive less than 50 emails. Due to the facility of email and Internet many client can now inquire through emails. Even if the inquiry is of simple nature the client are not hesitated to ask once.

#### 4.2.5 If the company has Online Payment System

**Figure 4.9**  
**If the company has Online Payment System**



*(Source: Field Survey)*

Figure 4.9 we can see that very few companies have online payment system. Only 10% of the Tourism Agents have online payment system in their website and 90% don't have. Those companies which have online payment system also don't transact through the online payment system. It is found that very little number of transactions is done through online payment system. Most of the companies prefer bank transfer system.

### 4.3 Perception of effectiveness of Internet Marketing

In this section perception of the Tourism Agents towards Internet marketing is tried to find out by studying their perception about effectiveness and disadvantages towards Internet marketing.

**Table 4.3**  
**Perception of effectiveness of Internet Marketing**

	<b>Mean</b>
Facilitate global marketing	4.2
Build up the publicity of company	4.2
Market travel product freely	4.1
Obtain personal data from individual consumers and build up direct marketing	4
Lower cost due to labor saving	3.5

*(Source: Field Survey)*

**Notes:** 1 to 5 likert scale used: 1= completely disagree, 5 = completely agree

Table 4.3 shows all the proposed perceptions of effectiveness of Internet marketing are ranked high since no issue presents a mean score less than the midpoint (3). Most of the Tourism Agents have the homogeneous perceptions about the effectiveness of the Internet marketing such as they think that Internet marketing can – facilitate global marketing, build up the publicity of company, market travel product freely, obtain personal data from individual consumers and build up direct marketing and lower cost due to labor saving. This result shows that personnel involved in this field are aware of the advantages of Internet marketing.



#### 4.4 Disadvantages of Internet as perceived by Travel companies

**Table 4.4**

**Disadvantages of Internet as perceived by Travel Companies**

	<b>Mean</b>
Insufficient return in investment	3.8
Lack of face-to-face up sell/cross sell opportunities	3.5
Lack of in house technological expertise	3.4
Lack of human contact during the transactions	3.4
Lack of required trust to transact online	3.3
High initial development costs	3.3
Security issues	3.2
Difficulty of keeping records up to date	3
Consumers are not ready for E-business	3
suppliers are not ready for E-business	2.9

*(Source: Field Survey)*

**Notes:** 1 to 5 likert scale used: 1= completely disagree, 5 = completely agree

Table 4.4 shows perception about disadvantages of Internet adoption by Travel Agents. Insufficient return in investment, lack of face to face up sell opportunities, lack of in house technological expertise, lack of human contact during the transactions, lack of required trust to transact online, high initial development costs and security issues are the main disadvantages, as perceived by travel companies. On the other hand issues such as - difficulty of keeping records up to date, consumers are not ready for E- business and suppliers are not ready for E-business are considered less important disadvantages.

## 4.5 Reason for investing in E-business

**Table 4.5**  
**Reason for investing in E-business**

	<b>Mean</b>
Develop new markets	4.2
Communications links to customers	4.1
More effective promotions of the business	4
Keep up with/ ahead of competitors	4
Communications links to suppliers	3.7

*(Source: Field Survey)*

**Notes:** 1 to 5 likert scale used: 1= completely disagree, 5 = completely agree

Table 4.5 find out reason for investing in E-business. The respondents were asked to express their views for investing in E-business. All the proposed reasons for investing in E-business, in table 4.5 are ranked high since no issue presents a mean score less than the midpoint (3) of the five points scale. The development of new markets, communications links to customers and suppliers, more effective promotions of the business and keep up with/ ahead of competitors are main issues of the Tourism Agents' attitude towards Internet application.

## 4.6 E-Commerce in Nepalese Tourism Agents

The Internet has changed the way in which business is being carried out. Companies that have recognized the enormous opportunities have moved on to establish effective E-commerce plans and have enjoyed many benefits including increase revenue from new and repeat customers, new and innovative ways to add value and a competitive

edge. However, all this has taken place only in the developed world. Though Asian companies too are establishing their positions in the world of E-commerce, Nepalese still have a long way to go before they reap the full benefits that the Internet offers.

The tourism industry, one of the largest foreign exchange earners of Nepal, stands to gain a lot from implementing E-commerce. E-commerce will not only allow companies to reach potential customers; it will also allow companies to augment an already existing distribution network.

#### **4.6.1 The Conceptual Framework**

Based on the literature review, the following framework for Internet marketing for the Nepalese Tourism Agents has been developed. The framework has been adopted from an earlier one developed by Deighton and Balatberg in 1995. This framework takes a look at how information – driven marketing is remaking traditional business practices.

**Table 4.6**  
**The Conceptual Framework**

	<b>Traditional marketing</b>	<b>Internet marketing</b>
Segmentation	Uses segments based on demographic and psychographic profiles of current customers or likely converts. Treats individuals with similar profiles as identical	Uses data about actual behavior to identify actual customers and prospects and uses statistical models to assess their individual profit potential and value.
Promotions	Promotions are broadcast via lists or geographically defined home delivery.	Promotions are tailored based on an individual's past behavior.
Advertising	Communications are designed for the average or typical member of the target group	Communications are individualized – based on detailed consumer information
Pricing	Price discriminations depends on customer self selection	Price discrimination utilizes information about an individual's price sensitivity and is delivered specifically to that individual.
Sales management	Customer data tend to reside with sales people, who use them to achieve their own goals	Sales management has access to customer files and can use them to achieve organizational goals.
Distribution channels	Depends on intermediaries or direct selling from the sales force	Direct links to intermediaries (e.g. retailers) are used; leads and customer relationships are jointly managed.
New products	R & D driven by firm's technology and production system.	New products and services ordered on the basis of company affinity with the customer. Serves loyal customer base by selling outsourced products from third parties.
Monitoring	Focus in on tracking market share, sales volume and profit.	Great focus is on customer retention. Cost of new customer acquisition and lifetime value of customer base. Monitoring is generally continuous.

(Source: John Deighton, Marketing's Electronic Revolution, Harvard business school and Robert Blatberg, Northwestern University Kellogg School of management. In Advertising Age, 10/25/95)

#### **4.6.2 Estimated Investment for building Webpage**

1. Travel web development

*features:*

- Payment gateway integration (2co, authorize.net, protx.com, paypal.com)
- guestbook
- booking form and flash photo gallery, banners
- 1 year of maintenance and support
- 100 mb web space
- unlimited email accounts
- domain registration

**Price: Nrs. 60,000.00**

2. Hosting and domain registration fees will be re-occurred yearly.

3. The Internet access charge can be paid monthly or yearly.

#### **4.6.3 The Business Design**

The greatest challenge of any E-business design is to link emerging technologies to the new business design. Since technology is constantly evolving, this is often a delicate process. In today's world, competition is not so much as a product versus product, but traditional business designs versus E-business designs. Success depends on how quickly companies can formulate novel business designs therefore, in order to be successful; companies should use business designs that leverage emerging trends before the rest of the world catches on. Since information technology and E-commerce has changed the ways in which business is carried out, it is one of the main factors responsible for the changing business designs of companies.

Kolkata et. al. (1999) states that there are various principles upon which the success of operational excellence depends on. These are efficient leveraging of assets, management of efficient transactions, management of sales intelligence, dedication to measurement systems and management of customer expectations. To execute any

design well, focus of management time and resources is required. Realistically, a company can only choose one of the three in which to specialize. But most companies do not focus on one and try to use all three disciplines. The result is that they realize only mediocre or average levels of achievement in each area.

#### **4.6.4 Augmenting In-House Capabilities**

Most Travel Agents do not have in-house expertise in the three required disciplines for E-commerce: Strategy, technology and creativity. Developing them internally may delay E-commerce activities and allow competitors to gain an advantage. That is why there is a need to partner with Internet professionals in order to create an effective website. To gain a first more advantage in E-commerce, Tourism Agents should turn to partners to help them set up an E-commerce initiative. There are a number of companies that specialize in providing Internet related solutions in Nepal. These are Yomari Inc, unlimited software Inc., Mercantile office systems and Worldlink communication systems. Choosing a firm that will take care of all aspects can be difficult since the Tourism Agents would have to work together with the service provider to come up with an effective website. In searching for a partner, Tourism Agents should look for a firm that can demonstrate extensive experience in all three disciplines. The firm should be capable of taking the E-commerce project through its entire life cycle, from the strategic planning to deployment and ongoing operation. By choosing a firm with proven abilities, Tourism Agents can move quickly into the Internet space and achieve greater result, which provides a competitive edge and a faster return on investment.

#### **4.6.5 Putting the Plan into Action**

After realizing the above matters the Tourism Agents have to implement their plans into action. While applying the plans into action the agents have to initiate the following actions:

### **a. The Website Design:**

A website should be attractive and at the same time easy to use. The most important fact is to make the customer comfortable with the website. Often, companies concentrate on creating complicated websites with a lot of graphical interfaces that make it difficult to download. Only if customer is satisfied with the website, will he/she make a purchase. Another important factor is the language used for the website. Most sites that conduct business worldwide provide two or three language options. This would largely depend on the targeted market. In this case, it is recommended that English and French be used because these are the languages spoken by the target market, English is the language used in the United States, the United Kingdom and parts of Europe. Since the European market is considered tourist generating market for Nepal the site should have a section in French language.

The site should not be customized for each country but should be designed in such a way that customers from all over the world will feel comfortable while using the site.

Another important task in having a website, which can often prove to be intimidating, is keeping the website information up to date. References that may seem clever or up to date in one week, such as future trade shows, become useless and often embarrassing when they refer to long gone events. In a recent consumer survey, 26 percent said that outdated content was likely to cause them to take their business elsewhere (Asian Wall Street Journal, 1999)

Another major factor would be to build web capacity to beyond the expected number of visitors for the next 12 months. Increased visitor traffic, which at first may seem like a boon make turn out to have its own problems as well. Customer would expect to browse through all the programs before choosing one and attractive looking websites that do not connect flawlessly to a company's inventory system and supply chain would be considered as failures.

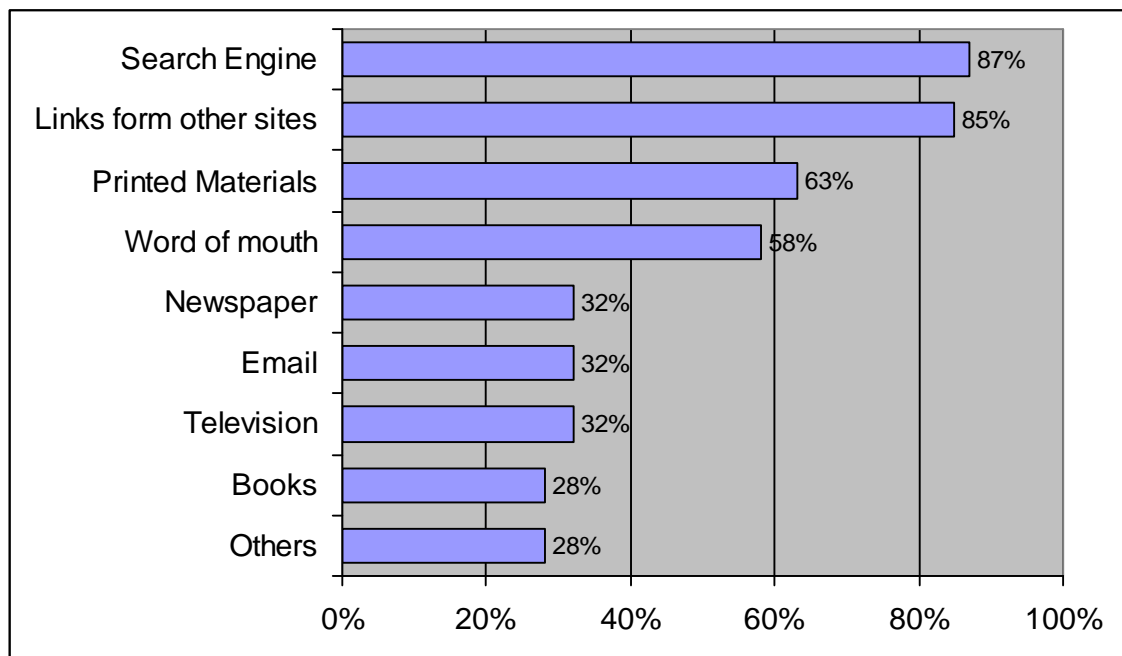
## b. Strategies to attract Customer:

After choosing a firm that can help the company to create a website, the next thing that Tourism Agents should think about is how customers can be attracted to the website. According to Korper et al..., (2000), there are two basic questions that the sellers could ask themselves:

1. How can customers be attracted to the website?
2. How can customers be kept at the website?

According to a survey conducted by the Georgia Tech University, most customers discovered websites through search engines and through links from other sites. In order to gauge the popularity of various media, both traditional and online, the survey allowed participants to respond with multiple answers.

**Figure 4.10**  
**How people discover Websites**



*(Source: Google)*



The graph shows that search engines and online directories, prove most popular as marketing opportunities. The Search Engines and online directories catalog and list website information so that when someone using the Internet searches for information, the potential customers locate the websites.

Though the Tourism Agents have websites, they have yet to list the contents with several popular Search Engines. Tourism Agents should list their contents with major Search Engines and directories that are specific to the industry all over the world. Some of the major Search Engine includes yahoo!, Lycos, Excite, Profusion, etc. though Nepalese Search Engines are becoming popular, Tourism agents should remember that the customers are in Europe and the United States. If they were to search for a site selling Nepalese travel product they would use the more popular Search Engines like yahoo! and Excite. Research indicates that almost half of all Internet traffic Search Engines and directories are a byproduct of Yahoo! Excite accounts for about 20 percent of traffic generation and AltaVista accounts for 10 percent (Korper et al...,200). Since these three Search Engines comprise about three quarters of the web's traffic generated by Search Engines and directories, these three sites should be used.

**Table 4.7**  
**Search engines and directories (Global)**

Name	Address
Yahoo	<a href="http://www.Yahoo.com">www.Yahoo.com</a>
Altavista	<a href="http://www.altavista.com">www.altavista.com</a>
Excite	<a href="http://www.exite.com">www.exite.com</a>
Goto	<a href="http://www.goto.com">www.goto.com</a>
Hotbot	<a href="http://www.hotbot.com">www.hotbot.com</a>
Infoseek.com	<a href="http://www.infoseek.com">www.infoseek.com</a>
Lycos	<a href="http://www.lycos.com">www.lycos.com</a>
MSN	<a href="http://www.msn.com">www.msn.com</a>
Search	<a href="http://www.search.com">www.search.com</a>
WebCrawler	<a href="http://www.webcrawler.com">www.webcrawler.com</a>
Profusion	<a href="http://www.profussion.com">www.profussion.com</a>
Google	<a href="http://www.google.com">www.google.com</a>

*(Source: Internet)*

**Table 4.8**

### Search engines and directories (Nepal)

Name	Address
Yomari	<a href="http://www.yomari.com">www.yomari.com</a>
Infonepal	<a href="http://www.info-nepal.com">www.info-nepal.com</a>
Nepalsearch	<a href="http://www.nepalsearch.com">www.nepalsearch.com</a>
Southasia	<a href="http://www.southasia.com">www.southasia.com</a>
Catmando	<a href="http://www.catmando.com">www.catmando.com</a>
Visitnepal	<a href="http://www.visitnepal.com">www.visitnepal.com</a>
Nepal	<a href="http://www.nepal.com">www.nepal.com</a>
Explore Nepal	<a href="http://www.explorenepal.com/">www.explorenepal.com/</a>
Google	<a href="http://www.google.com.np/intl/ne/">www.google.com.np/intl/ne/</a>
Nepal Crawler	<a href="http://www.nepalcrawler.com/">www.nepalcrawler.com/</a>
Nepal Vista	<a href="http://www.nepalvista.com">www.nepalvista.com</a>
Nepal Forum	<a href="http://www.nepalforum.com">www.nepalforum.com</a>
Web Lali	<a href="http://www.weblali.com/">www.weblali.com/</a>

*(Source: Internet)*

#### **c. Links to other Sites:**

Tourism agents should first decide which sites should be used in order to place links. Thinking in terms of the needs of the customers will be helpful to determine which sites should be used. For example, people who buy Travel packages are most likely to look for tourism of the country. Certain websites also have to be compensated for placing links on their sites. Links to the websites can be made in various different ways. In this section, the more popular mediums are discussed.

#### **▪ Banner Advertisements:**

Banner advertisements can be placed on any site that the seller thinks will attract more customers. For example, in the case of travel industry banner advertisements can be placed in tourism related sites. It is important to find out the target customer and their buying habits. Once the Tourism Agent has decided where to put the banner ads, they should also take their advertising budget into consideration. Some major sites charge a substantial fee to place banner ads while some charge only a small fee.

#### **▪ Online Classified Advertisements:**

There are several sites that allow companies to place classified advertisements for free or for a minimal fee. Major search engines provide this service. Classified advertisements cost very little money and are an effective way of reaching customers.

▪ **Message Board:**

Special interest boards also serve as listing areas for product or service providers. Besides these message boards, special interest mails created by multiple vendors to target the same special interest group would be another way to reach potential customers.

▪ **Email Messages:**

Email advertising can play a vital role in updating customers with the latest designs and products. A well designed website should have a database of customers' who visit the website. This list of customers is a valuable data base because these data will give the companies about the people who visit the website. These addresses can be used to send email to site visitors. Email advertising is also much more effective than other methods because the seller can be sure that the email messages are going to right audience. Even though some customers may get irritated once in a while, the most that customers can do is delete the email message.

While email advertising is an effective method of reaching potential customers, it may also have negative sides. Many companies tend to sell email addresses and customers often find themselves at the receiving end of many messages that they don't need. This process of sending incessant emails is often called "spamming". To avoid sending email messages to customers that are not interested, companies should ask the customers whether they would wish to receive regular updates of latest tourism programmes.

▪ **Traditional Media:**

While there is lot of new ways of advertising, the traditional ways should not be forgotten. As a starting point, the URL should be placed on business and customer

mailings, letter heads, email messages, yellow page advertisements and other medium that is currently being used for marketing purposes.

#### **d. Strategies to keep Customers**

If the first step works and customers visit the site, it again fails on the company to develop a plan to keep them at the site and persuade them to buy the tourism packages on the website. Below are five steps that tourism product sellers could use in order to compel visitors to become customers.

##### **▪ Site Design:**

A site should be designed to be user friendly. Often too much information on the first page makes it difficult for a visitor to access the site which turns customers away. If customers have difficulty accessing a site, they tend to jump to the next site. Even after accessing a site, the site should not be complicated. The site should feature a simple and efficient design.

##### **▪ Push Technology:**

With push technology, the Tourism Agents can push price lists, sale information, discounts, new designs, product updates and more towards the customers through their websites. Customers would be able to receive information about prices, designs, etc, without even having to search for it.

##### **▪ Personalization:**

In several business-to-business E-commerce solutions, companies have set up sites so that when a buyer sets up a site, based on their user name and password, they are immediately directed to products and services of interest. Tourism package sellers can create separate areas which belong to a customer alone. Though it would be difficult to implement this concept in the beginning, it would pay off in the long run because all Tourism Agents are doing business-to-business transactions as well as business-to-customer transactions at present.

It is much more efficient to keep an existing customer than to attract a new customer. After a purchase is made, companies should generate an email message that offers thanks and asks for feedback. Companies will have more opportunities learn about their mistakes and will be able to correct the mistakes in the future. Newer elements should be added to the website frequently so that customers can return to the site and see what new features have been added to the site. Information to attract customers should be added to the website like product updates, promotions, sales etc.

Sales are direct results of marketing efforts. The goal is always to get as many customer to the website as possible. But it is not enough to direct the customers to the site. Once the customers are there in the site, efforts should be made in order to keep the potential buyers at the store. This means that the potential buyers should find the website easy to use. Only then will they look at what the website offers. If the potential customer likes the designs and is comfortable with the prices, he will make a purchase. But the process does not stop here. As stated above it is often easier to keep an older client than to find a new one so efforts should be made to persuade the customer to come back to the store again.

#### **4.6.6 Buying Process**

After a customer has been persuaded to make a purchase, the process doesn't stop here. The buying process is the most important process of E-commerce. One of the main requirements for E-commerce is online purchase. However, before online purchases can occur, the infrastructure must be built. The current difficulty transmitting sensitive data such as credit card numbers and the like, securely over the Internet is transforming traditional payment processes. Until secure systems are widely implemented on the web, the lack of such represents a significant barrier to adoption of the web for commercial transaction. Thus, new systems must be developed to permit virtual transactions directly over the network. These may take the

form of “digital cash” or credit card number encryption, allowing commercial transaction to take place directly rather than through parallel traditional channels.

It should be noted that Nepalese banks don't have online credit card verification facilities. Merchant accounts are also not allowed in Nepalese banks. In cases like this where local banks don't allow customers to take credit card information over the Internet, the only solution would be to go to a broker. There are many brokers who would help to set up an account for a fee. A company should be careful while selecting one. These brokers can set the customer up with a bank and step out of the picture. The banks usually contract out-processing the credit card transactions to a transaction clearinghouse. When a purchase is made in the online store, the people in the transaction clearing house tell the Tourism Agent whether the credit card number is valid or not. Transaction clearing house are usually not paid directly (the bank deducts the fees). Some examples of transaction clearing houses are First Data Corp. and First USA. While desktop software allows companies to check the validity of credit cards, the results cannot be seen instantaneously. Today, there are some real-time websites gateways that allow companies to check credit cards while the customers are still online.

Lately, there have been various instances of credit card theft and customers are often wary about giving credit card numbers on-line. An important way to support the sale would be Internet security. Other techniques to make customers feel secure would be to incorporate a privacy policy statement in the site and to specify that the site is verified by a certificate authority like Verisign and Etrust.

#### **4.6.7 Delivery Process**

Unlike the physical products, tourism products are intangible in nature. It cannot be transported to the customer's premises. So to consume the tourism product the consumer has to be at the place of service generation. While the customer comes to the country they should be treated very well. This will create a sense of loyalty in their mind and they will recommend our services to the other people in their country

too. Tourist sends certain percent of amount of whole package in advance in the belief that the host agent will treat them well. So while delivering the services Tourism Agents should be more careful.

#### **4.6.8 Competition**

The tourism industry has been facing stiff competition from Travel Agents in the countries like India, Srilanka, Malaysia, Singapore, etc. Tourism Agents from these countries are already offer online purchasing facilities. Therefore, Nepalese Tourism Agents should also bear in mind that they could be left behind by the competition if they do not start doing the same.

#### **4.6.9 The Problems and Prospects of E- Commerce**

This section discusses the problems and prospects that the tourism industry might face while implementing E-commerce in the Nepalese Tourism industry.

**Figure 4.11**  
**Problems and Prospects of E-Commerce**

<p>Problems:</p> <ul style="list-style-type: none"> <li>- Behavioral patterns</li> <li>- Fear of technology</li> <li>- High initial development cost</li> <li>- Security issues</li> <li>- Lack of in-house technical expertise</li> </ul>	<p>Prospects:</p> <ul style="list-style-type: none"> <li>- Lower cost due to labour saving</li> <li>- Disintermediation potential</li> <li>- Facilitate global marketing</li> <li>- Reduce search costs</li> <li>- Ability to tailor and add value to existing products</li> </ul>
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*(Source: Field Survey)*

## **a. Problems**

### **▪ Behavioral Patterns:**

An assumption that has been made in this proposal is that since the Internet has changed the way business is done in the western countries, it will naturally be the same in Nepal. But in reality this might not be the case. Though the people of Kathmandu are relatively more open to new ideas, a lot still prefer to follow the old ways. So initially introducing new ideas will be quite slow. Most of the Tourism Agents are owned by people set in their own traditional ways. Trying to get them to change their minds would take time.

### **▪ Fear of Technology:**

Many Tourism Agents still believe that the new technology involved will be expensive and that they will not be able to afford the new technology. Although most agents can afford to try the latest software as well as hard ware, they are still reluctant to purchase the new technology fearing that they will not be able to handle new technology.

### **▪ High initial Development Cost:**

There are different web service providers in the market. They can build the webpage for the Tourism Agent cheaply but merely building a webpage is not enough for the promotion of business. This needs very matured and attractive webpage of the company and further more it needs to be registered with different search engines, which is not cheap.

### **▪ Security Issues:**



These days different issues related to the security in the web can be heard. One's web page could be hacked by the hackers and publish wrong information. The credit card number frauds are another serious issue regarding security of the E-business.

▪ **Lack of In-House Technical Expertise:**

Marketing in the Internet is not easy job as it is seen. It needs lots of techniques and ideas to reach the potential customer. Only a technical expert can perform this job well. Most of the Travel Agents don't have the web experts in-house. This could be problem for the Tourism Agent in E-business.

**b. Prospects**

The E-commerce plan would benefit both the tourism service providers and the tourist in the long run. The tourism service provider will find the Internet, a powerful tool to expand their markets.

▪ **Lower cost due to Labour Saving:**

Due to the high reach of the Internet, the marketing staffs need not personally visit to the potential customer. Large number of customer can be reached with a very few time and a single staff.

▪ **Disintermediation Potential:**

The enhanced ability to capture information about the end customers directly on-line, the Tourism Agent will be in a better position to deal directly with their end customers without the assistance of traditional intermediaries (retailers, wholesalers and products)

▪ **Facilitate Global Marketing:**

Since Internet reaches to the people world wide, they can be persuaded regarding the programmes the Tourism Agents have. In this way E-commerce facilitate global marketing.

▪ **Reduce search Costs:**

Tourism agents and tourist can find each other more easily because the Internet provides an environment for aggregating relevant participants and information about those participants.

▪ **Greater Ability to Tailor and add value to Existing Products:**

Access to integrated transaction histories and the ability to interact with customers improve the seller's ability to understand individual buyer needs. By aggressively using this information to tailor products and to create itineraries to the needs of the customers, the Tourism Agent can expand the potential customer base and generate more revenue from each customer.

Together all these add up to considerable opportunities for tourism product sellers. The Internet is likely to change the way that the Tourism Agents sell their products.

## **4.7 Major Findings**

According to the survey conducted with the Travel Agents in Kathmandu valley, the findings are as follows:

1. As in other organizations, higher level positions are occupied by male staff. Female staffs are not seen in higher posts.
2. It can be seen that the education level of the Tourism Agency operator is satisfactory. Mostly, educated personnel are found running Travel Agencies.
3. There are newer entrants to the tourism industry as well as highly experienced personnel in the tourism field. Due to the peace process going on in the country many entrepreneurs are willing to invest in tourism industry. Slowly the incoming tourist flow is also increasing, due to which newer entrants in this business can be seen. Since Nepal has enormous tourism potential, many people are willing to enter this field provided our country restores its peace.

4. Travel Agencies are changing its practice from manual to computerized systems. Initiation of E-ticketing and varieties of accounting software available in the market which can keep record more efficiently than the manual accounting system, so Travel Agencies are changing from manual to computerized practices.
5. Most of the companies surveyed have website and email for their correspondence with client abroad.
6. We can see that most of the Tourism Agencies receive email between 51-150 per month.
7. We can see that very few companies have online payment system. Those companies which have online payment system also don't transact through the online payment system. It is found that very little number of transactions is done through online payment system. Most of the companies prefer bank transfer system.
8. Most of the Tourism Agents have the homogeneous perceptions about the effectiveness of the Internet marketing such as they think that Internet marketing can – facilitate global marketing, build up the publicity of company, market travel product freely, obtain personal data from individual consumers and build up direct marketing and lower cost due to labour saving. This result shows that personnel involved in this field are aware of the advantages of Internet marketing.
9. Insufficient return in investment, lack of face to face up sell opportunities, lack of in house technological expertise, lack of human contact during the transactions, lack of required trust to transact online, high initial development costs and security issues are the main disadvantages, as perceived by travel companies. On the other hand issues such as - difficulty of keeping records up to date, consumers are not ready for E- business and suppliers are not ready for E-business are considered less important disadvantages.

10. The development of new markets, communications links to customers and suppliers, more effective promotions of the business and keep up with/ ahead of competitors are main issues of the Tourism Agents' attitude towards Internet application.

# CHAPTER 5

## SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Summary

The internet is one of the more recent developments in communications and information transfer. The internet is more accessible and less expensive than it was, and the number of internet users is growing tremendously. We can find the direct fit of the internet and travel and tourism products. With the emergence of the Internet, the process of fast information transmission can be addressed effectively at a low cost. In other words, tourists can now receive comprehensive, timely and relevant information in a virtual environment to assist their decision-making process. This, in turn, necessitates the balancing of perishable tourism products and changeable tourist demand.

The internet serves as a new communication and distribution channel for E-travelers and suppliers of travel services and products. This new channel also enables tourism businesses to improve their competitiveness and performance. The role of Travel Agencies would consequently remain secure if their advice – offering capability were strengthened by the presence of the internet, rather than if they functioned according to the more negative image of being simply a “booking agency”.

Facilitation of global marketing and building the publicity of company are the most important reasons for using internet practices according to Tourism Agents. However, Travel Agencies generally do not use internet practices effectively as a relatively very small number of transactions are completed online. It seems that for the moment the web pages are merely used as another means to exhibit static information about the company. Insufficient return on investment, lack of face to face opportunities, and lack of in house technological expertise are the main barriers to marketing over the internet. Although internet use presents some advantages and opportunities for Travel Agencies for doing 24 hours global marketing, it is - security issues, lack of interpersonal communication and lack of experience among consumers that prevent

internet marketing growth in Nepal. The development of new markets, communications links to customers and suppliers, more effective promotions of the business and keep up with/ ahead of competitors are main reasons of the Tourism Agents' attitude towards internet application.

## **5.2 Conclusion**

The internet provides different marketing and business opportunities for Travel Agencies; however, the range of travel products and services available on the internet is confusing to customers. In response, Travel Agencies should display their information in a consumer friendly way and their products/ services should be delivered on well-designed web sites. Well planned sites will help clients easily find their ways through the internet and promote the image of the company. In particular, Travel Agents should pay particular attention to the efficiency and promotion of their site, efficient structure of web pages, the suitability of content, the provision of advanced services and information offered (such as online reservations and interactive features). In support, user training is essential, together with the adoption in international protocols relating to the security of transaction and the confidentiality of customer information.

Travel agencies should not treat the internet as threat. Instead, Travel Agencies should take advantage of the internet as a new opportunity for offering additional value-added services that could not be done in the past. For example, Travel Agencies should show their presence on the internet and integrate to form large networks to extend their market penetration. Another example to show such a positive movement is to develop new proprietary applications and partnering with internet based businesses to secure more sophisticated booking systems. Eventually, all Travel Agencies should make a commitment to online marketing and information distribution.

In spite of all the problems, the research suggests that the industry will gain a lot from an Internet Marketing and E-commerce. Internet marketing as described earlier does not dispense older ways of doing business but rather complements the older ways

simply by bringing together conventional approaches to marketing and new ways of doing business using newer technologies. From this research we learn that Nepalese Tourism Agents need to diversify to newer markets for their survival in this competitive world and the internet can be a very useful means of marketing. Travel companies can use the globally accessible platform of the internet to market their products, establish links with their customers and business partners and access the international market. This can greatly increase the market coverage of the product.

### **5.3 Recommendations**

This is where internet marketing can play a vital role. It is therefore recommended that the Nepalese Tourism Agents exploit the vast opportunities that the internet offers. Marketing travel products over the internet would not mean that companies would have to give up traditional ways of meeting customer, because internet marketing does not dispense of older ways of doing business, it only augments them. Having an internet presence would mean that the Tourism Agent would be sure to reach a wider range of customers.

Specifically, recommendations for Nepalese Tourism Agents are as follows:

- Service provider in Tourism Industry are adopting highly sophisticated websites and booking systems. So, if the Travel Agents don't adopt the internet, there could be fear of bypassing the travelers directly to the service providers. This in turn will paralyze the role of Travel Agent. So, Travel Agent should bring in practice more sophisticated E-commerce practice.
- Political situation of Nepal is now being stable. This will encourage newer generation to enter in this field. The newer generations are more aware of internet and communication technologies. So this is also one of the fears for the existing companies. To compete with the newer entrants, the existing company should adopt newer technologies.

- Most Travel Agents do not have in-house expertise in E-commerce for Strategy, technology and creativity. Developing them internally may delay E-commerce activities and allow competitors to gain an advantage. That is why it is recommended that these companies should partner with internet professionals in order to create an effective website. There are a number of companies that specialize in providing internet related solutions in Nepal.
- Most of the Travel Agencies have their website. However they have very limited connection with target groups. So Travel Agency should try to start link exchange with foreign agencies.
- Online payment systems are not found to be in practice among the Travel Agents. They prefer bank transactions for their transactions. Online payment system is very much faster than bank transactions. Scenario of business world is changing very fast. In this context travel companies should also adopt fast way of doing business such as through online payment. This will enhance the transactions in fast pace to cope with the fast changing world.
- The Travel companies know the advantages of internet marketing and E-commerce. The only thing is - they have not yet started the application of it. This is the time for travel companies to apply their views in practice. Internet marketing is a new concept that is being implemented by almost every industry around the world. It does not dispense of older ways of doing business but rather it brings together conventional approaches to marketing and new ways of doing business using newer technologies.

This research study concentrated on implementing a relatively new concept in one of Nepal's major industries. It has been felt that E-commerce and internet marketing will make an impact in the tourism industry when it is implemented. However, the process should not stop here. This is just the first step and the Tourism Agents will definitely face hurdles while implementing these new strategies. Therefore, further studies should follow the implementation of E-commerce in this industry.



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# APPENDIX-I

## QUESTIONNAIRE

Dear Sir / Madam,

This questionnaire is a part of primary data collection for the thesis on “**USE OF INTERNET AS A MARKETING TOOL BY TRAVEL AGENCY IN NEPAL**”. This thesis is being prepared for the partial fulfillment of the requirement of the degree of Masters in Business Studies (M.B.S). It is humbly requested to provide the following information.

Please mark ( ) your opinion.

### I. THE ATTRIBUTE OF TRAVEL AGENCY

1. Name of the company .....

2. Address .....

3. Phone .....

4. Respondent's designation

- Entrepreneur / owner / Managing director
- Manager
- other

5. Gender

- Male
- Female

6. Education (Highest level present with the company)

- Elementary graduate
- High school graduate
- University graduate
- Masters/doctors

7. Experience in this field ..... (Years)

### II. CURRENT STATE OF INTERNET USE AMONG TRAVEL AGENTS

8. Standard of computerization

- Completely
- Partially
- Not yet started

9. Company has email

- Yes
- No



If yes, please mention .....

10. Numbers of emails received Monthly

- Less than 50
- 51 – 150
- 151 – 250
- 251 – 350
- Above 350

11. Company has web site

- Yes
- No

If yes, please mention www.....

12. Online payment system

- Yes
- No

If yes, online transaction per year

- Less than 50
- 51 – 150
- Not reported

### III. ATTITUDE

#### *Perception of effectiveness of internet marketing*

13. Build up the publicity of company.

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

14. Facilitate global marketing

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

15. Obtain personal data from individual consumers and build up direct marketing

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

16. Lower cost due to labour saving

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

17. market travel product freely

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

#### *Disadvantages of internet as perceived by travel companies*

18. Security issues

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

19. Lack of face-to-face up sell/cross sell opportunities

- Completely disagree
- Disagree
- Neutral
- Agree
- Completely agree

20. Lack of human contact during the transactions

- Completely disagree     Disagree     Neutral     Agree     Completely agree
21. Lack of required trust to transact online
- Completely disagree     Disagree     Neutral     Agree     Completely agree
22. Consumers are not ready for e-business
- Completely disagree     Disagree     Neutral     Agree     Completely agree
23. High initial development costs
- Completely disagree     Disagree     Neutral     Agree     Completely agree
24. Suppliers are not ready for e-business
- Completely disagree     Disagree     Neutral     Agree     Completely agree
25. Insufficient return on investment
- Completely disagree     Disagree     Neutral     Agree     Completely agree
26. Difficulty of keeping records up to date
- Completely disagree     Disagree     Neutral     Agree     Completely agree
27. Lack of in house technological expertise
- Completely disagree     Disagree     Neutral     Agree     Completely agree

***Reason for investment in e-business***

28. Develop new markets
- Completely disagree     Disagree     Neutral     Agree     Completely agree
29. Communications links to customers
- Completely disagree     Disagree     Neutral     Agree     Completely agree
30. Communications links to suppliers
- Completely disagree     Disagree     Neutral     Agree     Completely agree
31. Keep up with/ ahead of competitors
- Completely disagree     Disagree     Neutral     Agree     Completely agree
32. More effective promotions of the business
- Completely disagree     Disagree     Neutral     Agree     Completely agree

Thank you !

## Appendix – II

### List of Travel Agencies

S.N.	Name of Company	Address
1.	Aastha Intl' Tour and Travels	Nagpokhari
2.	Amazon Travel	Kantipath
3.	Atithi Tours (P) Ltd	Thamel
4.	AUS Travels and Tours	Thamel
5.	Baudha Travels and Tours	Nagpokhari
6.	Classic Nepal travel	Kantipath,
7.	D.K. Travels and tours	Kantipath
8.	Darbar Travels and Tours	Thamel
9.	Fewa Tours and Travels (P) Ltd.	Basantapur
10.	Flight Zone Tours and Travels	Thamel
11.	Gorkha Travels	Hattisar
12.	Greenhill Tours, Tracks & Expedition	Thamel
13.	Himalaya Kailash Travels and Tours	Thamel
14.	Himalayan Travels and Tours	Durbarmarg
15.	Incentive Tours and Travels (P) Ltd	Lazimpat
16.	Koshi Tours and Travels (p) Ltd.	Nagpokhari
17.	Kumari Tours and Travels	Durbarmarg
18.	Lalit Mandap Travels and Tours	Hariharbhawan
19.	Loyal Travels and Tours (P) Ltd.	Jyatha, thamel
20.	Lucky Travels and Tours	Hattisar
21.	Lukla Travels and Tours (P) Ltd.	Lazimpat
22.	MarcoPolo Travels	Kamaladi
23.	Natraj tOurs and Travels (P) Ltd	Kamaladi
24.	Nebuti Travels (P) Ltd.	Bijuli bazaar
25.	Nepal Kaze Travels (P) Ltd.	Jyatha, thamel.
26.	New York Travel and Tours (P) Ltd	Thamel
27.	Omi Express Travels and tOurs	Kamaladi,
28.	Peace Travel and Tour (P) Ltd	Kantipath
29.	President travel and tours	Darbar marg
30.	Rainbow Travels and Tours	Kantipath
31.	Sangrila Tours (P) Ltd	Kantipat
32.	Shiva Holidays	Balwutar
33.	Snowland Travels and Tours	Kantipath
34.	Star Tours and Travels	Thamel
35.	Sungava Intl' Tours and Travels	Jyatha,
36.	Suruchi Travels	Jamal
37.	Visa Travels and Tours	Thamel
38.	Worldwide Travels and Tours	Kantipath,
39.	Yale Travel service	Gairidhara
40.	Yatri Tours (P) Ltd	Kantipath
41.	Yeti Travels Pvt. Ltd.	Durbarmarg