Supply Chain Management in Tourism Industry

Bachelor’s thesis within Business Administration

Author: Tetyana Manshylina
        Ketevan Zhvania
        Gabunia Vladimer

Tutor: Johan Larsson

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The present study aims to analyse the Tourism Supply Chain Management based on the published articles, available statistical data and the conducted research among the participants of the Tourism Industry (service provider/tour operator, intermediaries, customers). The paper has a goal to present a deeper insight into the factors affecting the choice of the distribution channel proposing a model based on the accumulated information regarding the tourism services distribution. In the research we pay a special attention to the analysis of the factors motivating customers to choose traditional intermediaries at the time when all the operations can be done through the Internet. This problem would be analysed from both service provider and customers personal approach. The model also includes the future perspective of the development in the field of e-Tourism. The major contribution of this paper is the confrontation of the customers real preferences and company’s strategies with published earlier empirical research.
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I Introduction

1.1 Problem discussion

Efficiency and cost saving are two very important factors for every organization. Increasing the sales revenue, many companies tend to ignore the role of supply chain management as a major expenditure as well as a strong competitive advantage. Another common misbelieve is that supply chain costs are mostly relevant to the manufacturing operations and transportation, however, the terminology provided by the Council of Supply Chain Management Professionals (CSCMP), one of the major professional organizations for logistic personnel, demolishes this misconception noting that Supply Chain Management (SCM) “encompasses the planning and management of all activities involved in sourcing and procurement, conversation, and all Logistics Management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers.” (CSCMP, 2011).

According to David Jobber (2007), ‘the means by which products are moved from producer to ultimate consumer can be defined as channel of distribution’. In our paper we analyse the enterprises involving in the Tourism Industry and the specifics of their distribution channels in particular. Thus we make a research of the Tourism Supply Chain Management excluding the logistics\(^1\) part of the process. We will define two distribution channels: the Internet distribution and the distribution involving intermediaries. We will also suggest creation of the Future Distribution Channel. Supply Chain Management becomes a very important issue in the age of the innovations, sustainability and technology. When the most of the operations - and in our case purchases - are made online raises the question concerning the necessity of the expensive and highly dependent on human factor local distribution. This topic appears in numerous research papers, however none of the authors provides the direct solution to this particular issue.

Elery Jones and Claire Haven-Tang discuss interactivity and cross-cultural internet marketing, the authors arise the issue of the lack of consistency among tourism SMEs\(^2\) with regard to service and quality management process. Muhcină & Popovici closely examine the role of the tour-operator. Many other researchers recognize the issue and cost inefficiency of the existing systems of distribution within the tourist business. In this paper we analyse customers behaviour and attitude towards the Tourism Supply Chain. We distinguish between two groups of customers: those who use the services of travel agencies and those who do all their operations in the Internet.

\(^1\) Logistics – the part of Supply Chain Management that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin

\(^2\) SMEs states for small and medium enterprises, the company with this category, as defined by the European Union, include from 50 to 250 employees.
1.2 Consumer Behaviour

In order to understand whether there is a necessity in both of the distribution channels as well as to recognize the needs of the consumers we would examine the behaviour of the customers involved in the tourist operations. The questions we would like to clarify are why some customers give their preferences to local distributors when the other customers rather buy online; is there any information missing at the internet and whether the choice of the distribution channel is related to the quality of the website or is it just a need in personal interaction and social presence in the context of an agency which influences the choice. Do the customers of the intermediaries actually trust the Internet and use the opportunities provided by the WWW\(^3\) in their everyday life or they just protest against the technology. In order to answer these questions we will convey the survey among the consumers and we will examine how the profit of the tourist company depends on the behaviour of the customers.

1.3 Target groups

We will define two groups depending on the type of the distribution channels the customer preferred, thus we would have two target groups: those who consume online and those who consume from the distributors. As the profit of every company is highly dependent on the price the customers are willing to pay for their product, we will additionally divide every target group into two segments: customers why buy the products relegated as expansive products and those who buy initially cheap or reduced price products. Studying every group we would be able to identify the proportion of our customers in every segment and calculate the profit coming from every distribution channel, moreover we will see whether the choice of the distribution channel is connected to the price and the type of the tourism service.

To extend the research and to improve the Tourism Supply Chain Management, we will create a survey for the tourist companies as well as the surveys for the distributors and the customers.

1.4 Purpose

The purpose of our research is to create a qualitative analysis of the population priorities regarding the distribution channels in the Tourism Industry. We make a research regarding the Tourism Supply Chain Management in order define the most efficient way of distribution in the business in the context of extensive technological development. For the purpose of our research we will interview one of the biggest service provider in Sweden. In addition, we will conduct a survey among the consumers and the distribu-

\(^3\) WWW stands for the World Wide Web
tors and we will examine how the profit of the tourist company depends on the behaviour and preferences of the customers.

Research Questions:

1. What are the types of the distribution channels in the tourism business when it comes to the supplier – end-user relations?

2. How do the existing tourism distribution channels coincide?

3. What are the future prospective for the Tourism Supply Chain?

1.5 Structure of the Thesis

We start our research with the methodology in order to introduce the reader to the way we conduct our study. After defining the method we will review the related literature. Based on the previous research within Tourism Business, Tourism Supply Chain Management, e-Tourism and e-Commerce topics, Customers behaviour, 3D technology etc., we develop our propositions. In the findings section we test the propositions based on our primary research.

After the theoretical background we will discuss our empirical findings regarding the survey. In this chapter we will also make a partial analysis of the accumulated data.

We make a deeper analysis of all the collected data in the next chapter, we review statistical data, conducted interview with a major tourism business company in Sweden, discuss the interviews with 4 travel agencies and continue the analysis regarding customers of the traditional tourism intermediaries survey.

As a result of our research we create a model visualising Tourism Supply Chain Management in three time dimensions: Past, Present and Future.

We finish our research concluding all the results and discussing how our paper can be used in practice. We also summarise the suggestions for the future studies within our topic.
2 Methodology

2.1 Research philosophy

There are numerous ways to classify a research. Discussing the significance of the philosophical assumptions guiding the research Michael Mayers (2009) defines between positivist, interpretive and critical paradigms.

Orlikowski and Baroudi (1991) classified positivist research as those with evidence of formal propositions, quantifiable measures of variables, hypotheses testing and the drawing of infancies about a phenomenon from the sample to a stated population.

Interpretive studies attempt to understand the deeper structure of phenomena through accessing the meanings that participants assign to them (Orlikowski & Baroudi, 1991).

Critical approach provides evidence of a critical stance towards taken-for-granted assumptions about organizations and information systems, and a dialectical analysis which attempted to reveal the historical, ideological, and contradictory nature of existing social practices. (Orlikowski & Baroudi, 1991)

We design our research using the positivist approach. In order to increase the understanding of the tourism supply chain management we will start by testing the theory and then proceed with the practical analysis of the population sample.

2.2 Research strategy

The most common distinction in research methods is between qualitative and quantitative approaches (Myers, 2009).

Qualitative research is used to understand the meaning individuals or groups ascribe to a social or human situation (Creswell, 2007). The researcher focuses on discovering true inner meanings and new insights without depending on numerical measurements (Zikmund et al., 2010). A major disadvantage of qualitative research is difficulty when generalizing to a larger population (Myers, 2009). According to Creswell, the most viable ways to conduct qualitative study are:

- Ethnography
- Grounded theory
- Case studies
- Phenomenological research
- Narrative research and metaphor (Creswell, 2009)
Evert Gummersson argues that qualitative (informal) interviews and observation provide the best opportunities for the study of processes (Gummersson, 2000).

Quantitative research is an approach for testing objective theories by examining the relationship among variables. The data is numbered and typically analysed using statistical procedures (Creswell, 2007). A major disadvantage of quantitative research is that context is usually treated as ‘noise’ which leads to loss of the social and cultural aspects (Myers, 2009).

The examples of quantitative research provided by Myers are:

- Surveys
- Laboratory experiments
- Simulation
- Statistical analysis
- Mathematical modelling, etc (Myers, 2009)

To reach what Gummersson calls “the final truth” in our research we triangulate qualitative and quantitative data (Gummersson, 2000). Triangulation is the idea of combining qualitative and quantitative research methods in one study in order to avoid the limitations of every method and unbiased the research. This approach allows looking at the same topic from different angles (Myers, 2009). Vary often the results of one method can help to identify participants to study or questions to ask for the other method (Tashakkori & Teddlie, 1998). This was the case in our research, after interviewing the tourist company; we gained a better vision of our future tasks and the participants of our surveys.

To shape and specifically focus the purpose of the study research questions are used. In order to guide our future research addressing the related factors, we develop 6 propositions based on the literature review.

2.3 Research design.

To test our propositions we have conducted an interview with a tourist company. We will not reveal the name of the company in our research due to the confidentiality reasons. After the interview we have created two surveys, each covering a separate chain of the tourism service delivery: distributor and final customer.

We define tourist company as the one organizing a travel package (or a trip) as well as providing the components of a travel such as flights, hotels etc. For the research we interview a company specializing as a tour operator, however, also owning a few hotels. We will not give an accent to the initial providers of the services or the owners of the assets like lodgings and transports only, in spite of the fact that we agree with Johnston and Clark (2008) regarding the classification of tour operators as middlemen between
the service providers and the customers (see figure 3.1.2). Nevertheless, as tour operators add value to the service, in this paper we will not classify them as middlemen. Referring to the interviewed company, we will also use the term tour operator and service provider.

*Distributor* is defined as a local travel intermediary providing customers with a choice of travel packages as well as travel components from different companies. In our case, distribution agencies can be also classified as marketing channels influencing the choice and the image of the available destinations as well as providers of the tourists’ consultancy. We will also use the terms travel/tourist agents, intermediaries and retailer referring to the distributors of the tourist services.

In our research we define *final customers* as those using the services of travel agents in the destination selection process. The final customers might refer to the retailers of the tourist services either for consultation or to purchase a service or both. We will not conduct a survey among the tourists who use the Internet vendors only and never turn to the traditional travel agencies.

The study is mostly focused on the third group - final customers. The survey for the tourist company aims to provide the essential data and the insider information regarding the service delivery preferences of a company. The survey aiming distributors, covers all the travel intermediaries introduced in Jönköping, which are: Resia, Resehuset, Tripp and Ticket. This survey is performed in order to improve the understanding of the function and thus the value of the intermediaries, to define the target group if any and to evaluate advantages customers get when choosing the physical travel agency instead of an online provider of the service.

To qualify for the sample the participants of the survey need to fulfil only one condition – that of having some experience with the travel intermediaries in the holiday selection process. The empirical study is mostly carried out in the 9th most populous city of Sweden, in Jönköping. Due to the fact that the study mainly covers Swedish speaking population, the questionnaire is translated into two languages, English and Swedish.

The sample contains 100 tourists, hence the confidence interval is 90% (Fowler and Floyd, 2002). As our survey aims to analyse the reasons for choosing traditional tourism intermediaries, our sample frame consists of people we met at the shopping streets close to the travel agencies, however, in order to increase the efficiency of the analysis and the probability of selection, we have also distributed our survey over the internet. All the participants were asked about their internet experience and whether they sought their trips at travel agencies only or both at the internet and travel agencies. The data is gathered during the spring 2011
2.4 Customer Survey Objectives

Customer oriented survey is created to analyse the motives of the customers giving their priority to a tourism intermediary (see figure 3.2.1). The customer interested in tourism service either goes to a travel agency or consults at the Internet. When the customers from the last group are not satisfied with the information at the web, they refer to travel agencies for further recommendations. At the end, both groups have a choice to buy either from the Internet or from an agency.

Figure 2.4.1 Customers’ priority of the distribution channel

The purpose of our survey is to generalize from a sample to a population so that inferences can be made about the population priorities regarding the distribution channels in the tourism business. The main way of the data collection is by asking the customers of the travel agencies and analyse their answers. We have chosen this type of information accumulation because due to Fowler and Floyd (2002) the only best way to collect the facts concerning behaviours and situations of people is by asking a sample of people about themselves.

Many variables can be discussed when analysing the reasons for favouring one or another distribution channel. When conducting the surveys we will start by asking which source of the information was chosen. We will proceed with the questions regarding the overall internet experience and asking whether the participants of the survey define the Internet as a trustworthy distribution in terms of both - information provided and money transactions - aspects.
2.4.1 Information source consulted

Customers choose a distribution channel guided by different motives. The choice can be well-weighed or completely random. In our research we identify three groups depending on the information source consulted, those are: (1) consulted the Internet only; (2) consulted a tourist agency only; (3) consulted both the Internet and a tourist agency. It is reasonable to assume that those customers who consult the Internet also buy online; however, some customers are unsatisfied after the information search over the internet. Such cases are very crucial for e-vendors, not only because the frustrated customers will favour traditional travel agencies in the future but also because of the negative word-of-mouth marketing. The members of the group number two consult and also make their purchases at the tourist agencies, where the members of the third group will consult an agency but still either buy online or from the agency. Our purpose is to distinguish the essential improvements within the Tourism Supply Chain Management. Nonetheless, as it is in the best interest of the tourist companies to downsize the distribution chain and thus cut the costs by dismissing traditional physical intermediaries (so called middleman) we will analyse the possible enhancements which will attract more customers to the online distribution channel.

2.4.2 Internet experience

The specific experience distinguishes customer behaviour as it plays a very important role in the choice of the distribution channel. The first question is whether a customer has any experience with the technology and specifically with the internet. According to D. M. Frías et al. (2008) an experienced Internet user, as opposed to inexperienced one, will carry out an efficient and satisfactory search online for needed information. Conversely, an online information search will be more exhaustible, more demanding and less effective for a customer with a low Internet experience and thus will lead to information overload, dissatisfaction and disorientation. Another subject of our analysis is the quality of the experience possessed by a customer. Previously obtained negative or positive experience will determine the choice of the distribution channel for any product, however we concede that a customer might buy other than tourist products online but favour traditional tourist agencies when it comes to the travel packages or even separate components of a travel.

2.4.3 Trust

Many researches criticize the reliability of the Internet. Privacy and security are two major issues which are always under concern. As suggested by McCole et al. (2009), “fears” surrounding the Internet as a place to do business still hinder the use of it for e-commerce purposes, but that the presence of a reputable agent might in some manner mitigate this risk.” In our research we study how the customers see those issues and whether the tourism business makes any progress in increasing the Internet reliability. Another question is information integrity. It is believed that in tourist agency customers get professional advice and unbiased knowledge when an open access to the internet
creates information overload with numerous worthless databases and spam. On the other hand, the Internet is a passive source where customers can separate the relevant information and get an overview, while consulting a travel agency a customer might become a victim of manipulation. These are the questions we need to clarify conducting the surveys.

2.5 Questionnaire Design

As have been noted above we have designed two types of the surveys for the customers – the Internet or self-administrated questionnaire and interviewer-administrated survey; interviewer-administrated survey for the travel agencies and conducted an interview with the tourism company/tour operator.

Designing the questions we followed the criteria summarized by Fowler & Floyd (2002):
- Adequate Wording
- Ensuring Consistent Meaning to All Respondents
- Avoiding Multiple Questions
- Avoiding “Don’t Know” Options
- Standardized Expectations for Type of Response

Schuman & Presser (1981) distinguish between two types of questions: closed and opened questions. Closed questions are those for which a list of acceptable responses is provided to the respondent. When the response alternatives are given, respondents can perform more reliably the task of answering the question, in addition, the interpretation process appears to be much easier for the researcher (Fowler & Floyd, 2002).

Open questions those for which the acceptable responses are not provided exactly to the respondent. In contrast to closed questions, open questions help the researcher to obtain the answers that were unanticipated and to get the real views of the respondents, moreover, respondents often like the opportunity to answer some questions in their own words. However, when open questions are used, many people give relatively rare answers that are very difficult to compare, and thus analytically useless (Fowler & Floyd, 2002).

In our research we used a few open questions in the interviewer-administrated survey for the customers and open questions only when interviewing the company and travel agencies.

As recommended by Fowler & Floyd (2002), we started by designing the interviewer-administrated survey version and then we adapted an interview to self-administration questionnaire by breaking down complex questions into a set of several simpler questions and editing some questions with possible answers, in order to make questions answerable. Nevertheless, even at the self-administration questionnaire we provided the
respondents with a possibility to answer every question with their own words by creation on option “other alternative”.
Comparing the responses from both questionnaires we observed that the mode of data collection did not defect the accumulated information. The rate of response in case of self-administrated survey is very close to 100%

2.6 Limitations
We would put an effort to make our analysis objective however there exist and important limitation which should be mentioned, our surveys would be limited not only to one small country but also to a comparatively small city in Sweden. Nevertheless we assume that the opinion regarding our analysis does not vary significantly among total Swedish population and will hold true for the EU countries as well.

There is no available statistical database providing the numerical evidence regarding the tourism intermediaries. Thus we base our findings on the facts and numbers mentioned by the tourism company during the interview. We also propose a model visualizing the trend concerning the choice between the local travel agencies and the Internet, the model does not contain any specific numerical measuring due to the fact that it is mostly based on the information accumulated during the interviews and partially on the literature review.

When it comes to the analysis of the Future Distribution Chain, we base our analysis on the empirical study conducted by the previously published researches, the observed demand of the 3D platform in the other then Tourism Industry fields and the psychological review of the young generation. The reason why we could not research the implementation of the 3D technology in the Tourism Industry and the feedback of the customers is that it has not yet been introduced to the customers of the tourism services, however, it is progressively becoming popular among managers in other business fields. For the future analysis we advise to perform a research within created focus groups in order to analyse the demand for the proposed Future Distribution Chain.

As the primary aim of our study is to analyse the demand the trend and the purpose of the traditional intermediaries at the age of constantly improving technology, we have mainly analysed the customers of travel agencies omitting the customers favouring online distribution. However, for the future study we also recommend to include the Internet customers in the analysis.

We believe that our research would be more comprehensive if the survey was conducted in different airports, ship terminals, hotels etc. instead of the shopping streets. This kind of approach would open more possibilities for our research as well as enable us to create a sample with higher confidence interval.
3 Frame of Reference

During the last decades tourism became a significant economic sector. According to the World Tourism Organization UNWTO (2008) in 2007 around USD 856 billion has been spent on tourism and this amount is growing every year. With such a trend, innovations within the Tourist Business cannot be ignored, thus a lot of theoretical works at the field of the tourism can be found. We will start our research with the concepts in tourism supply chain management (TSCM), however, we will only pay our attention to the findings concerning distribution channels. After that we will discuss the functions of the intermediaries and compare the physical value chain (PVC) and the virtual value chain (VVC) including e-Tourism, Information Communication Technologies (ITCs) in tourism, demand dimensions and the preferences of the customers.

3.1 Tourism Supply Chain Management

A highly competitive environment within the tourism business predisposes the companies to cut their costs and to enhance the quality of the tourism service to achieve the competitive advantage. According to Xinyan Zhang et al. when we consider tourism as an industry, we talk about the tourism supply chain management (TSCM) as the key to efficiency and success. The part of the TSCM responsible for the availability of the service to the customers is distribution channels. Stephen Russell (2000) defines the purpose of the distribution channels by means of seven Rs: “getting the right product, to the right customer, in the right quantity, in the right conditions, at the right place, at the right time, and at the right cost”. The functions of the distribution channels in tourism according to Buhalis (2001) are “information, combination and travel arrangement services. Most distribution channels therefore provide information for prospective tourists; bundle tourism products together; and also establish mechanisms that enable consumers to make, confirm and pay for reservations.” Bloch and Segev (1997) propose a visualization of the travel industry chain (see Figure 3.1.1) defining product suppliers as air-

![Figure 3.1.1 The travel industry chain](image)
lines, hotels, rental cars, cruise and countries, regions or cities; *distributors* – as travel agencies and distribution networks (e.g. call centres, kiosks) and process *facilitators* - as CRS\(^4\), credit card companies, insurance companies and software developers.

Thus, based on Bloch and Segev (1997), in the field of the tourism business we can distinguish between two types of the distribution: online distribution which requires virtual website and distribution through the local intermediaries or physical distribution. In their research, Johnston and Clark (2008) also add tour operator to the picture of Tourism Supply Chain as an additional middleman. The authors define two types of the distribution involving middlemen and one direct, through the Internet (See figure 3.1.1). The service providers, such as transport or accommodation owners have a choice to cooperate with a tour operator or sell to the customers directly through the Internet. In turn, the tour operator also has a choice to collaborate with a travel agency, involving the second middleman in the chain, or to sell directly to the customers via the website.

*Figure 3.1.2 Intermediaries in the holiday supply chain*

![Intermediaries in the holiday supply chain](image)

*Source: Johnston & Clark (2008)*

The work of the travel agent is to sell single services or travel packages created by tour operators to the final customers through shops in city centres or shopping malls. Tour operators negotiate independently with the providers of each service to create package holidays (Johnston and Clark, 2008). In order to reduce costs and to increase responsiveness many TSCs choose to remove these intermediaries, the action to which Johnston and Clark (2008) refer as disintermediation. Despite of the benefits, this approach may also increase management tasks and complexity for the final customers. For exam-

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\(^4\) CRS – Computer Reservation Systems which own databases where airlines, hotels and car rentals display their timetables as well as sell their services.
ple, tour operators need to make additional investments into call centres, websites, and their own selling offices in order to sell directly to the final customers. Disintermediation appears to be even more complex for the service providers (hotels, airlines etc.). From one side, providers themselves require to coordinate multiple supply networks, from the other side, very often end customers rather prefer to pay more, and to get a “ready to go” holiday package than to search for the flights, accommodations, entertainments etc. separately, even when the price is lower (Johnston and Clark, 2008).

Considering the fact that service providers as well as tour operators tend to decrease their costs by cutting out traditional intermediaries, we propose the following proposition:

**Proposition 1:** The Internet creates more efficient and, besides, direct delivery channel for the tourism industry, hence traditional intermediaries undergo loss of the clients.

### 3.2 The Functions of the Intermediaries.

Stern and El-Ansary (1988), determined three essential purposes of the intermediaries:

1. Intermediaries adjust the discrepancy of assortments raising economy of scope and thus, among the utilities of time and place, they also create possession utility.

2. Intermediaries perform all the routine transactions making the exchange relationship between buyers and sellers both effective and efficient.

3. Intermediaries facilitate the searching processes as well as reduce the uncertainty for both producers and customers by structuring the information essential to both parties.

It is clear from the list above that all of the functions can be covered by the virtually intermediary just as well as by the human. Baloglu and Mangalogglu (2001), however, distinguish a unique role of the travel intermediaries in promoting and creating images of the international destinations.

D. M. Frías et al. (2008) argues that the Internet might confuse and stress inexperienced customers with the information overload. Thus the travel agent improves the image of a destination by selecting and filtering and even evaluating useful information for a customer. Nevertheless, Frías et al. (2008) also point out the ways to avoid the vast amount of the information by “posting information that is relevant, precise, timely and up-to-date” as well as improving the functionality of the websites using relevant pictures rather than text. Hence:
Proposition 2: The potential customers of the local intermediaries are the individuals who either require essential Internet experience or consider online environment unreliable

Buhalís (1998) exemplifies the fact that the Internet influences the role of the tourism intermediaries, or even calls into doubt the future existence of the tourist agencies. Table 3.2.1 summarises the most important arguments for and against disintermediation of the tourism intermediaries.

Table 3.2.1 Arguments for and against the disintermediation of the tourism distribution channel

<table>
<thead>
<tr>
<th>Arguments for the disintermediation</th>
<th>Arguments against the disintermediation</th>
</tr>
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<tbody>
<tr>
<td>• Travel agencies add little value to the tourism product, as they primarily act as booking offices</td>
<td>• Travel agencies use expertise to save time for consumers</td>
</tr>
<tr>
<td>• Travel agencies are biased, in favour of principals who offer override commissions and in-house partners</td>
<td>• Travel agencies are professional travel advisers and they offer valuable services and advice</td>
</tr>
<tr>
<td>• Visiting travel agencies is inconvenient, time consuming and restricted to office hours</td>
<td>• Travel agencies offer free counselling services and add value by giving advice</td>
</tr>
<tr>
<td>• Commissions to travel agencies increase the total price of travel products ultimately</td>
<td>• Travel agencies can achieve better prices through the right channels and deals</td>
</tr>
<tr>
<td>• There is an increase of independent holidays and a decrease of package holidays</td>
<td>• Travel agencies offer a human touch and a human interface with the industry</td>
</tr>
<tr>
<td>• Technology enables consumers to undertake most functions from the convenience of their armchair</td>
<td>• Travel agencies reduce the insecurity of travel, as they are responsible for all arrangements</td>
</tr>
<tr>
<td>• Electronic travel intermediaries offer a great flexibility and more choice</td>
<td>• Complex computers need experts to use them</td>
</tr>
<tr>
<td>• The re-engineering of the tourism industry (e.g., electronic ticketing; now frills airlines) facilitates disintermediation</td>
<td>• Internet transactions are not secured and reliable yet</td>
</tr>
</tbody>
</table>

Source: Buhalís (1998)
Therefore, traditional travel agencies will need to define their target market and increase their customer’s satisfaction in order to achieve the competitiveness at the changing market. Based on these observations Buhalis (1998) identifies two strategic directions for travel agencies:

1. Differentiation Value, offering high quality personalised travel arrangements.
2. Cost Value, achieving lower prices through standardisation, high volume and consolidation.

3.3 Virtual Value Chain vs. Physical Value Chain

The tourism industry is naturally global and, according to Bloch (1996), tourism has historically been an early adopter of new technology. With the constantly raising demands of the customers the sufficiency of the supply can only be obtained with the help of the technology, particularly internet sales. Mainly, according to Buhalis (1998), IT reduces bureaucracy and paper work; provides new services, such as immediate confirmation, “last minute booking and speedy documentation; enables the customers to get more information and greater choice, access transparent and easy to compare information; establishes “one-to-one” marketing, independency and flexibility for a customer. Virtual distribution not only enables the tourism companies to satisfy the customers’ needs but also substantially cut the costs. To increase the profitability from the sales the companies are interested in shifting towards the virtual operations. In order to engage the customers to the online purchases the companies organize virtual communities, where travellers can discuss their experience as well as make suggestions regarding the service, which can be used in further improvement of the company and thus creating a stronger customer loyalty. Kozinets (1999) estimated that by the year 2000 over 40 million people worldwide participated in ‘virtual communities’ of one type or another. Another way making the virtual purchasing more appealing is by increasing the value of the online bought service with the additional benefits, such as cost benefits, time benefits (f. ex. online check-in allows the passengers to come to the airport minutes before the departure) and free products.

The key challenge for the companies operating online is to find a differentiating factor from the competition (Bloch and Segev, 1996). We believe that the competition within the virtual distribution is especially difficult for the small and medium tourism companies due to the shortage of the financial resources and the experience. However, it is always easier for a small company, compared to a big one, to adapt to changes, hence:

**Proposition 3:** The small and middle size tourism enterprises possessing sufficient amount of the financial resources might challenge the future of big tour operators due to the fact that they are more flexible to the technological changes.

Bloch and Segev (1996) contend that despite all the facts there are still customers unsatisfied with the online distribution who would rather prefer local intermediaries. Some of
the customers experience problems searching the destination sites, others do not want to waste their time booking different parts of their trip through different suppliers and prefer an intermediary to find the best possible deal for them. The research conducted by Philip Pearce (2005) reveals a number of negative Internet factors:

- Lack of access to the Internet;
- Unwillingness to make online money transition, absence of a credit card or corresponding payment issues;
- Desire for personal contact;
- Time-related factor (it can be quicker to call or go to a travel agency then seek the information online);
- Ease and simplicity while choosing a travel agent;
- Many properties do not provide an immediate online response and update (this can lead to the purchase of the already sold ticket or room etc.);
- The knowledge and reputation of a travel agent very often has a higher priority than information online with an ambiguous reliability.

Rayman-Bacchus and Molina state the similar observations saying that “new medium opens up new tensions and contradictions” and that many customers claim that “social innovation is detrimental to the development of society”.

Nevertheless, we can assume that in a few decades virtual intermediaries would be able to solve all the problems for the customers. More creative approach to the design of company’s websites will attract the travellers from the age of globalization and technology. In 1996, according to Bloch and Segev, only one factor which is experience of shopping, seemed to be difficult if not impossible to imitate. Gärtner et al. (2010) suggests a very interesting framework to meet the issue which assumed to be tricky even 4 years ago – creation of a 3D e-Tourism platform. According to the research 3D Virtual World will not only address the lack of social interaction in online channels but also ensure trust and security within Electronic Marketplaces (Gärtner et al, 2010). Based on these research:

**Proposition 4:** The Internet influences a lot the TSCM, intermediaries have a very low prospects for surviving in the world of technology unless they find a unique market niche.

Analysing the impact of electronic commerce on the tourism industry Bloch and Segev (1997) modified Porter’s framework (See Figure 3.3.1). The authors noted that the market leaders attract the customers providing cost advantage, product leadership (differentiation) and by means of customer focus. The new entrants suffer cost disadvantage, problems establishing the contacts with the distributors and difficulties based on the economies of scale, moreover, they require a strong financial base to master technology and learning curve; when the information regarding the customer’s preferences amassed, the switching costs of a new entrant increased, therefore raised the entry barriers for the potential new entrants. In order to decrease their costs, suppliers cut out the
middlemen and use technology to establish a direct contact with the customers, however, they constantly create information overload and this leads to the need of new, online (or information brokers), intermediaries, thus, the process of disintermediation and re-intermediation occurs (Bloch and Segev, 1997).

3.4 **Demand Dimensions and Customers’ Behaviour**

Suppliers of the tourist services have a power to choose the distribution channel. In order to make this choice more efficient and effective, understanding of the customer behaviour and customer preferences is crucial. Recognition of the extent to which visitors use particular channels for different types of travel activity and the factors that influence their selection and use will enable providers to serve their customers better (Pearce, 2005). Buhalis and Law argue that the demand for the packages tours is decreasing as tourists seek exceptional value for money and time, and thus give their preferences to independently organized individual schedules. The suppliers should acknowledge that every tourist is different, carrying a unique blend of experiences, motivations, and desires (Buhalis and Law, 2008).
Mills and Law (2004) stated that the Internet makes a serious impact on the behaviour of the customers and, conversely, as noted by Büyükozkan and Ergün (2010), these changes in tourists’ behaviour and the growing importance of Information and Communication Technologies mean that much more attention needs to be given to electronic (e)-tourism. Internet has empowered the modern tourist who is more cognizant with a range of tools to access a great amount of information as well as an opportunity to conduct almost all of the affairs with no need to leave the desktop (Rayman-Bacchus and Molina, 2001). In addition, internet enables customers to compare prices on different travel websites and track the special offers (Bakos, 1998).

A lot of research has been examining tourist’s information search behaviour (Beatty and Smith (1987), Moore and Lehmann (1980), Bettman (1979), Newman (1977), Engel et al (1995)), all of which observe the systematic relationship among consumer search, the market environment, situational variables, potential payoff, knowledge and experience, individual differences and cost of search (Fodness & Murray, 1999). Dale Fodness and Brian Murray (1999) proposed a model which incorporates three forces driving the individual strategy of a tourist’s information search: contingencies, tourist characteristics and outcomes of search (See figure 2.4.1). The model also includes dimensionality of information search strategy, adopted from the earlier research by Fodness and Murray (1998). The model provides a theoretical and empirical basis for segmentation, product positioning, and promotional strategy development related to tourist information search behaviour (Fodness and Murray, 1998).

The authors noted that information search strategy will vary as a function of the purpose trip, the purpose of a trip will influence search outcomes and tourist characteristics (Fodness & Murray, 1999). The information search strategies proposed by Fodness and Murray (1998) are: spatial, temporal and operational. The spatial dimension reflects to the internal (accessing the contents of memory) and external (acquiring information from the environment) search activities. The temporal dimension represents the timing of search activity: ongoing (based on unspecified future purchase decision) and pre-purchase (responding to current purchase). The operational dimension focuses on the sources used (Fodness & Murray, 1999). Following Fodness and Murray, Gursoy and Mccleary (2003) paid more attention to the importance of the perceived cost. The authors state two main factors that intercede the costs: familiarity and expertise with the destination which are mediated by the external and internal search mentioned above (Gursoy and Mccleary, 2003). According to Beatty and Smith (1987) the external search is unnecessary when it is possible to obtain sufficient information by means of internal search. Due to the negative effect of perceived cost of eternal information e-vendors should make the external search as cheap as possible (Gursoy and Mccleary, 2003). The total cost associated with the information search as stated by Vogt and Fe senmaier(1998) consists of three components: time spent, financial cost, effort required.
Thus, based on the simple statement of economics, the customers will search for the information as long as their benefits are higher or equal to their costs (Stigler, 1961). Which leads to the conclusion that availability of the focused information (communication materials should clearly identify the unique selling propositions of the destination, to differentiate it from competitors, and to make its positioning easier for unfamiliar tourists) will increase tourist’s learning and decrease customer’s search costs and thus increase the profit of e-vendor (Gursoy and McCleary, 2003). However, it should be mentioned that some customers receive satisfaction or other benefits from the search itself (Marmorstein et al, 1992). In our research we will test a proposition that:

**Proposition 5:** Information search strategy varies depending on the purpose, price and type of a trip.


**3.5 The Aspect of e-Trust**

Trust is an important social lubricant for cooperative behaviour and thus emerges as a key element of success (Corritore et al., 2002). In the on-line environment, trust allows consumers to overcome perceptions or risk and uncertainty, and to engage in the realisation of a web-based vendor’s strategic objectives, such as: following advice offered by the web vendor, sharing personal information with the vendor, and purchasing from the vendor’s web site (Harrison McKnight et al., 2002). Lack of trust, on the other hand, is one of the most frequently cited reasons for consumers not purchasing from Internet vendors (Grabner-Kräuter & Kaluschka, 2002). There is a lot of reasons why participants of the internet operations may feel under risk and uncertainty. Following Luhmann (1979), Gefen and Straub (2004) noted that, typically, the Internet involves no actual social presence or, in other words, online business omits extensively ongoing interaction between a product vendor and customers, which is the base for reliable expectations and trust-built reliability. Hence:

**Proposition 6:** *Investments into the social presence on a website are necessary and will be inevitably recompensed.*

The other reasons of online customers’ uncertainty are: lack of trustworthiness of e-vendor, unfamiliarity with the product (no chance to touch the product and to inspect), suspicion over assurance, privacy violation issues, money transaction risks, fraud on the Internet etc. (Friedman et al., 2000; Hoffman et al., 1999; McKnight and Chervany, 2002, Palmer et al., 2000). According to Dellarocas (2001), the risks are growing proportionally to the distance of time and space between the participants of the transaction. Harrison McKnight et al. (2002) noted three factors to build customer trust in the Internet vendor: *structural assurance* (perceptions of the safety of the web environment), *perceived web vendor reputation*, and *perceived web site quality*. The model proposed by Harrison McKnight et al. (2002) considers the user’s perceptions of the general web environment (institutional factors), vendor-specific trust building levels, inter-related dimension of trust (trusting beliefs and willingness to depend) and specific consumer behavioural intentions as trust outcomes (see figure 3.5.1). The Trust Building model focuses at the trust in an unfamiliar web vendor, one with whom the customer has no prior experience. Potential e-customers make judgments about the vendor and determine whether or not to use the site in the future. Initial trust is critical to the success of an e-vendor as the behaviour of the customers in response to their first experience influences directly the future reputation of the vendor (Harrison McKnight et al., 2002).
Changfeng Chen (2006) defines five major sources of trust which are very similar to those, listed in Trust Building Model by Harrison McKnight et al.:

- **Consumer Characteristics** (disposition to trust, attitude, perceived risk, general online experience, prior experience, personal values, gender, age, education)
- **Website Characteristics** (functionality, usability, efficiency, reliability, likeability)
- **Calculus-based Trust** (reputation)
- **Institution-Based Trust** (tangible cues: situational normality & structural assurances)
- **Knowledge-based Trust** (frequency of interactions with a site, service quality, overall satisfaction)

To embed social presence on a website Gefen and Staub (2004) recommend to display a sense of personal, sociable, and sensitive human contract by uploading the pictures of smiling people, adding “social touch” by welcoming the customer by name and avoiding “cold shoulder” messages. The established trust will be compensated by loyalty and
commitment from the customers’ side (Bowen & Shoemaker, 1998). Following Schurr & Ozanne (1995), Chen (2006) stated that trust encourages cooperation and agreement while having the ability to increase the persuasive power of a company in a transaction, since a trusting consumer is less price-sensitive. Moreover, according to Hawes et al. (1989): “No amount of detail in a formal written contract, no abundance of legal staff to fight for recompense, no form of recourse can provide the buyer with such a high expectation of a satisfying exchange relationship as a simple, basic trust of the salesperson and the company that he or she represents”. Based on the delineated roles of trust, e-vendor should focus on the significance of each aspect of trust in the domain of e-commerce (Harrison McKnight et al., 2002).
4 Empirical Findings

In order to analyse the data collected during the customer surveys we will look at each set of questions separately. In addition, we divide the customers in three groups and then compare the answers of every group to develop some patterns and classification. In order to assist the reader of our paper, we visualize the most of our results. In order to make our differentiation between the three customer groups more intuitive we will pick the same colour for the same group in every other diagram. We will start by introducing the sample, then we analyse the frequency of travelling, after what we proceed with the factors influencing customers loyalty, and at the end we analyse the Internet distribution channel from the perspective of the customers coming to the traditional intermediaries for different reasons (for the questionnaire statistics, see Appendixv4).

We will not present the data accumulated during our interviews with the tourism company and the travel agencies in this chapter, but use it directly in our analysis in the next chapter.

4.1 The Sample

As mentioned above, our sample contains 100 observations (see figure 4.1.1). Out of which 18 respondents go to the travel agencies to buy a trip and do not need any consultation. 38 respondents, mainly, visit intermediaries to get consultation, to check the offers and to seek for the new destinations, most often, these customers either have not yet decided which distribution channel they favour the most (the Internet or the travel agency) and will base their choice on the best offer, or they are not planning to travel in the near future at all. The representatives of the biggest group containing 44 respondents come to the travel agencies for both, consultation and purchase.

4.2 The Frequency of Travelling

An important determinant is that we do not count a short (within one country) bus/train mobility for the business or similar purposes as tourism travelling. Nevertheless, the long term business trips within one country as well as the short-term trips from one country to another are considered to be travelling.

As the next step of our research we compared the frequency of travelling of every group
The survey shows that the loyalty of the customers coming to travel agencies is very high, with 70% reporting that they would come back to the same agency, 30% to another agency, and 10% to neither agency.

### 4.3 Customers Loyalty

The survey shows that the loyalty of the customers coming to travel agencies is very high, with 70% reporting that they would come back to the same agency, 30% to another agency, and 10% to neither agency.

(see figure 4.2.1). The customers, who come to the agencies for consultation tend to travel, in average, most often compared to the customers of the other two groups – 1.75 times per year, what corresponds to 1-3 times per year, those who do not need consultation, but come to purchase the service travel on average 1-2 times per year, and the customers who come for both consultation and purchasing travel once or even less than that. This observation demonstrates which group contains the most frequent travellers, nevertheless, it does not show which group is the most profitable either for a service provider or for an intermediary as, first of all, based on our research the most frequent travellers (those who come to a travel agency for consultation) not always buy trips from travel agencies and, second, they often follow the offers and try to take the best advantage out of them. However this observation shows who are the most frequent customers of the Tourism Industry.

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**Figure 4.3.1 Factors motivating the customers to favor a tourism company**

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low. Out of the members of the group who come to the agencies for the consultation, only 33% have a favourite company. When analysing the customers who come for both consultation and purchase, 29% favour one company. As for the customers coming to the intermediaries for purchasing an do not require consultation, the number of people giving their preferences to a particular company is even lower – 20%. Figure 4.3.1 demonstrates the main factors motivating the customers of every group to favour one company.

The customers who come to the intermediaries for consultancy choose the favourite company based on either their own experience or the advice of the friends. None of the respondents chooses the favourite company based on an advertisement, location or randomly. In addition these customers trust their own experience more than the advice of their friends. The customers who refer to travel agencies when purchasing the service have approximately the same as the representatives of the previous group distribution of only two factors. And the customers who come to the middlemen of Tourism Industry in order to consult and buy, mention all the listed five factors while defining how they have chosen a particular favourite company. 11% of the respondents pick the company randomly and then if satisfied with the service give the preference to the same provider next time. The same amount of customers chose their favourite company following an attractive advertisement. 22% noted that a friend’s advice motivated them to travel with a particular company. Nevertheless, most of the respondents pick the company based on their own experience cover. This observation proves the statement made by Harrison McKnight et al (2002) that the first experience with an e-vender is crucial as it defines the future attitude of the customer and the whole network around that customer (recall figure 3.5.1).

### 4.4 Satisfaction With the Website

With the accessibility of the internet it is becoming very hard to find people whose everyday life is not connected to the Internet. Even the tourism customers who give their preference to the traditional intermediaries noted that they have visited the website of the favourite company or the travel agency, before going to the agency (see figure 4.4.1). Our survey shows that almost 60% of the customers referring to the travel agency for the consultancy, have previously familiarised themselves with the information provided online.

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5 The statement “one’s own experience” in this case means that a customer has either travelled a lot and can compare one company to another or have made a deep research regarding the company, hence has chosen a particular service provider or just feels that the choice was rationally overthought.

6 Compared to the choice made based on one’s own experience, the random choice does not require any previous research or experience connected to a particular company.
Analysing the level of the satisfaction with the website (see figure 4.4.2), we have determined, that only 14% of the visitors were not satisfied and had difficulties with the information search. Another 14% liked the page, but had some additional questions. Most of the respondents, 57%, actually liked the webpage but felt a lack of social presence, hence they decided to go to the agency compensate their experience by talking to a physical person.

41% of the customers coming to the agencies with the purpose to buy a service have already visited the website (figure 4.4.1), however, these are the customers who had been defined as the ones not requiring any consultation from the side of an agent. As proved by our empirical study, the representatives of this group feel comfortable finding the required information by their own.

Analysing the satisfaction with the webpage of the 35.5% of the customers who come to an agency for both: consultation and purchase purpose, we observed a pattern very similar, to the one discussed in the case of the customers who come for consultation only (see figure 4.4.3). Like the respondents discussed earlier, the participants of this group – 64% - come to an agency seeking for a high social presence, much less respondents – 18% - come because they could not find all the answers.
on the page and 9% have difficulties finding the information needed. Thus, we can determine three main factors motivating the customers to go to the agency: the lack of the social presence on the website; the need in contact with a real person; the willingness to pay extra amount for the insurance that all the details and problems regarding the chosen destination, if they should appear, would be handled.

4.5 Other Motivations for Choosing Travel Agencies.

The important motivation for the choice of the traditional intermediary, - given online distribution channel as an option, mentioned by the previous researches and the one we did not want to miss from our study - is the security of the money transactions over the Internet. In order to cover this issue we have added it as a separate question into our survey. 50% of all the respondents consider the Internet transactions to be insecure. Nevertheless, when we asked what products they normally buy online, only 23% of the customers, who do not trust the Internet in terms of money transaction, buy nothing online (see figure 4.5.1). We have created a short list of the possible bought online goods, those are: bus/train/airplane tickets, cloth, groceries, cosmetics, “almost everything” and “other, please specify”. We have chosen these particular goods based on the most popular advertisements appearing on non-commercial webpages. The most popular goods added by the respondents under the “other” option were electronics and books.

30% of the customers who consider the Internet money transactions to be insecure buy only tickets and mainly bus tickets online. The rest 47% of the respondents are ready to take the risk and buy almost everything, including tickets from the internet regardless their worries 30% out of those 47% are the customers who come to travel agencies for the consultation only. Based on this observation we can conclude that as the security of the online money transactions is improving, more customers would be ready to reconsider their choice of the tourism distribution channel.

Another factor motivating customers to pay extra money for the services of the middlemen is the quality of the information published at the Internet. Despite of the huge quantity of the information published within the WWW, the customers cannot find all the answers, moreover, they get tired of the information overload and disappointed over the ambiguity of the found information. One of the solutions to this problem, as noted
by Kozinets (1999), is creation of the virtual communities where the customers can discuss new destinations and exchange their experience. In our survey we asked the customers whether they participate in any kind of tourism forums and, if yes, whom do they trust more, agents at the intermediaries or the feedback of the customers published at the forums. Again, the customers who come to the agencies in order to buy a service only will not be presented at this experiment as they do not really consult with agents, thus they do not have any base for trusting them or not. Nevertheless we did not omit this set of questions when discovering that the respondent belongs to this group. The analysis of the answers revealed that only 11% of the customers from the group participate at forums and in a hypothetical situation choosing whom they trust more, they all named the customers’ experience at the forums. Comparing the remaining two groups, we came to the conclusion that the customers who come to travel agencies mostly for a consultation are more active forums participants (see figure 4.5.2) than the representatives of the other group (see figure 4.5.3). Moreover, the representatives of the group coming for consultation and participating at forums trust much more to the published online experience of the customers than they do to professional agents.

The customers of travel agencies who consult and buy at the agencies have a significantly different pattern. They do not use the forums that much and even among those respondents who do only half trusts the forums more and the other half still gives a higher value to the professional advice at intermediaries.

This observation can be very useful for the tourism companies which try to increase their sales online and to decrease the amount of the intermediaries they are cooperating with. In order to attract more customers to their websites and to simplify the information search for the customers, the companies can include a feedback option to their Internet shop, to enable the customers who have already used the service of the company to publish their experience. Of cause it will lead to the presence of some negative information right on the page of the company, nevertheless, the critiques would help the company to
meet their customers’ expectations. In order to avoid bad commercial at the webpage, companies might also publish the feedback summarising how they have solved the addressed issue and how they have lately improved their overall performance.
5 Analysis

In order to test the propositions introduced earlier in this paper, we analyse the secondary statistical data, as well as analyse the information accumulated by the surveys and the interview. We start by comparing the available statistics to the answers of the customers participated in our research and we proceed with a model describing the evolution of the Tourism Supply Chain Management.

5.1 The Preferences of the Distribution Channels Over Time

Tourist services and products are considered to be elastic, meaning that an increase of the disposable income will lead to a rise in the demand. The rise in demand enables tourist companies to invest in tourism development and to open new destinations what leads to creation of new jobs and infrastructure development. This observation is consistent with the statistics, provided by the UNWTO. Figure 5.1.1 illustrates the steady growth of the tourists all over the world from 25 million in 1950 to 1 billion in 2010 and to the estimated 1.6 billion in 2020 (UNWTO, 2010). According to UNWTO, in 2009 tourism has been ranked fourth in the export category after fuels, chemicals and automobile products. The income, generated by tourism, exceeded US$1 trillion (UNWTO, 2010).

Figure 5.1.1 International Tourists Arrivals by Region (million)

In order to test our first proposition and for the further analysis, we slightly modify the data provided by UNWTO statistics. To begin with, we distinguish between three time
Dimensions: past, present and future; hereafter we discuss this classification in more details. We also divide the statistics into 11 periods: 5 for the past period, 5 for the present and one future (see fig. 5.1.2). Every past period covers 10 years, every present – 3 years and the future period shows the estimated amount of tourists, which is 1.6 billion.

Figure 5.1.2 International Tourists Arrivals; With Time Dimensions and Periods

According to the OECD’s (Organisation for Economic Co-operation and Development) 2008 statistics, 84.4% of the households in Sweden have access to the internet. Our research showed that even the customers who favour traditional intermediaries are making a lot of their purchases online (recall figure 4.4.1). Based on statistics as well as our observation we assume that a high percentage of the population is either already using or familiarizing with online shopping and specifically with purchasing tourist’s services from e-vendors.

In order to analyse the role and the relevance of the traditional intermediaries in the contemporary tourism given the alternative of the Internet purchasing, we have conducted an interview with one of the leading tourist company. Among others, the interview results will test the first proposition stating that the Internet creates much more efficient and besides direct delivery channel for the tourism service providers, hence traditional intermediaries undergo loss of the clients.

The sales manager approved that the company aims to shift their sales from the middlemen to the Internet: “We invested heavily in technical development of our web, smart search functions, more films and pictures and customer generated content (like quality survey of all hotels, customers own stories and so on. At the same time we started dismantling our chain of shop which in the early 2000 was 54 shops in Sweden.”
In 2004 the company decided to become primarily an online tour operator setting the goal to reach 50% sales on the web in 3 years period. After gaining this target the company continued to expand online. As a result, today they cover 15% of their sales by 3 shops and 1 in-house call centre, the online sales have reached 65% of the services and the rest 20% of their products are distributed through the tourist agencies like Resia and Ticket. 80% decrease of the intermediaries’ sales prove that our first proposition holds true.

As stated by the sales manager: “The downsizing of our shop chain became possible due to two factor: the Internet and commercial television. The first gave us a virtual shop always opened and always available. The latter enabled us to communicate with the whole population at the same time, instead of traditional newspaper advertisement in every city.” Based on the observations listed above we have visualized the preferences of the distribution channels over time (see figure 5.1.3).

Figure 5.1.3 Preferences of the distribution channels over time

Source: The author (Tetyana Manshyлина)

Figure 5.1.3 proves our fourth proposition stating that the Internet influences a lot the TSCM, thus traditional intermediaries have a very low prospects for surviving in the
world of technology unless they find a unique market niche. Based on our interview with the intermediaries, so far, there is no unique services provided by travel agencies only: “we do not have any particular target group, hence we do not focus the range of our services on any particular customers”. Nevertheless, customers who come to the agencies, not only get an advice from a person who has experience regarding the chosen destination, but a professional who can provide a customer with analytical comparison. And, of course, travel agencies fulfill the mentioned in our empirical findings “lack of the social presence on the website; the need in contact with a real person and the demand for the insurance that all the details and problems regarding the chosen destination, if they should appear, would be handled”.

Despite all the listed advantages of the travel agencies, during our interview the sale manager mentioned that the company considers a quite bleak future for the traditional tourist intermediaries. The owners of the inventory try to establish sales directly to the end customers, mainly through the internet in order to save the expenses of the middlemen’s commissions. And tour operators, beside the distribution through the Internet, rather invest into their own sales offices and call centres. As revealed during our research, companies tend to point to their websites as their main selling channel during the marketing communication (like TV commercials). Moreover, they exclusively use online discounts in order to attract customers and to move them from other sales points.

The existing trend creates a challenge for traditional intermediaries. In order to survive they would need to provide their customers as well as their suppliers with undeniable benefits, no doubts that the service should be on a very high level. It might be a strategically useful concept, which has not yet been explored, to specialize on small segments of the market.

5.2 Proposed Model and Discussion.

We propose a model visualizing the tourism internal distribution chain. Unlike Bloch & Segev (1997) and Johnston & Clark (2008), we will distinguish between 3 time dimensions: Past, Present and Future. The reason for such classification is a quick development of the technology forcing the change in the Tourism Supply Chain Management. In addition, in our model, unlike Johnston & Clark (2008), we assume that not only providers of single services (like hotels, airlines, bus tickets etc.) but also tour operators are the initial tourism business members. As for the tourist agencies, we would classify them as intermediaries, thus when talking about disintermediation, most often that is tourist agencies we classify as the middlemen. We identify three important factors for the Tourism Industry when choosing between the distribution channels, those are: effectiveness, demand, efficiency. And three important factors influencing the choice of the distribution by the customer, those are: benefit/cost ratio, trust and previous experience.
In the following analysis we test propositions 2, 5 and 6. In order to make our model more intuitive, we begin by analysing and visualizing the different components of the model.

5.2.1 Past Dimension

The Past dimension of the model covers the pre-Internet era, during which tourism suppliers had no other choice but to use intermediaries, such as travel agents and tour operators, for the distribution functions (Buhalis and Law, 2008). The studying of this dimension is based on previous research papers regarding tourism as well as on analysis of the intermediaries existing today (Figure 5.2.1).

Figure 5.2.1 Distribution Options at the Past Dimension

Figure 5.2.1 shows that a middleman in the distribution chain costs extra money for both: tourism providers and tourism customers. In general, intermediaries are considered to be effective introducing and distributing the products to the customers, the consultancy travel agencies provided created sufficient demand and thus this supply chain used to be efficient for the tourism industry at the circumstances of the past epoch. The customers, having no other choice, believed the intermediaries to be suitable in terms of benefit/cost ratio and reliability; they mostly favour tourist agencies based on their previous experience. As has been already noted at our Empirical Findings section, personal experience is still one of the most powerful factors influencing the choice of the service provider/tour operator/travel agency.

5.2.2 Present Dimension

The Present dimension introduces new possibilities for the Tourism Industry, intermediaries and customers. A huge re-engineering of the entire distribution chain is associated with the invention of the Internet. This dimension is studied based on our interviews, surveys and secondary research.

As the number of the customers actively using technology in their everyday routine is increasing, the Tourism Supply Chain Management cannot stay unchanged. With the invention of the Internet the companies implement a new distribution channel to their Supply Chain Management, moreover, the intermediaries also start to distribute tourism products online (see figure 5.2.2).
An essential advantage of the online or Internet distribution is reduction of costs, tourism companies can save on commission, in addition, they can offer better price for the customers, as they do not need to pay extra for the consultancy with an agent. The information provided by the company: “Our year around average package price is around 7,500 SEK per customer. Retailers get a commission of 5-7% of the turnover, which means that we pay around 500 SEK per customer in commission. Online sales have a cost of sale around 200 SEK (mostly due to online discounts), and when we sell directly to customer in our shops or by phone our cost of sale is around 300 SEK per customer.” Nevertheless service providers need to make additional investments into implementation of the new distribution channel, quality of the information uploaded and, of cause personnel training, as noted by the sales manager of the company: “...there is no mathematical correlation between increased online sales and cost cutting in the sales organization. Even online customers need advice and support from salespeople.” As proved by our empirical findings, the customers most often refer to the agency, not only because they need an advice or additional information, but mainly because they prefer to get this information, advice and the professional point of view in a real life conversation (see figure 4.4.2, 4.4.3). The interview reveals that the customers mostly refer to tour operators when it comes to the holiday packages, however, when buying a single service end customers favour purchases through the CRS directly from the service providers. The example provided by the sales manager of the interviewed company: “the Swedish charter business sends around 2 million customers abroad every year, but still tour operators together with travel agencies cover only 40% of the tourist market abroad by airlines (ferries and own transportation is excluded). The rest 60% are travelling by schedule airlines and low-cost airlines, the tickets for which they buy online. But it can be a rather time consuming process doing all the research yourself and pick together a holiday experience for the whole family. And the final cost normally gets quite high comparing to than one should expect at the first glance. So many of our customers do not want to spend all that time, and turn to operators like us for a fixed package”. This observation is consistent with our findings and with the research by Fodness and Murray (1999) stating that the behaviour of the customers is directly related to the purpose and type of their travel (Recall figure 3.4.1).
Even when the investment is done, service providers cannot stop the distribution through the intermediaries overnight without a visible damage to the tourism industry. In addition, there are still customers who prefer travel agencies to the Internet distributions, and in order not to lose those customers, their choice should be respected: “We constantly invest into the research of customers’ preferences and we pay a special attention when it comes to the choice of the sales channel. To be sure that we were not stepping wrong and losing our customers locally when closing down our shops and partially stopping supply to travel agencies (what has not happened after all), we have conducted both surveys and also interviews with selected customers. During this research we discovered that customers who were visiting traditional intermediaries were the less profitable for us. Young people and the elderly were overrepresented, mainly, price runners who were looking for bargains and discounts.” In order to meet the demand for advice and to save the costs at the same time, companies also choose to invest into call centres: “One shall make a distinction between transportation or accommodation search and a package holiday, the letter is far more complex product and people often call to our centre to get an advice regarding package holidays when booking online”.

As for the profitability of the tourism industry, according to our research, traditional local intermediaries manage to sell twice more add-on sales (like insurance, flight meals, car rent etc.) when compared to those bought by the customers online, and they tend to maximize all discounts offered by a tour operator. Nevertheless, company’s own staff sells the add-on sells more effectively and efficiently then travel agencies, thus, when tour operators as well as service providers (the owners of the inventory like hotels, buses or airplanes) face the choice of the distribution channel, as the interview reveals, they will rather prefer the Internet or their own officers and call canters. However, Johnston and Clark (2008) note that some service organizations would also prefer intermediaries in order to inculcate confidence in customer’s mind that they being given an independent advise. The problem with this approach is that there is often a confusion regarding the real customer - the intermediary or the end customers, and achieving the satisfaction for both groups creates an additional issue (Johnston and Clark, 2008).

As for the customers, 95% of the respondents consider the benefit/cost ratio more appealing in case of the Internet distribution when talking about simple and less expensive category of the tourism products, however, discussing more complex travel packages 85% of the respondents are sure that extra charge for the consultation and money transaction security is very reasonable and does not result in a high amount of money. But when it comes to the payment of this extra amount, 70% of our respondents come for free consultation to the travel agencies without actually buying the product there, 20% of them consider to come back later for the purchase and 50% would rather buy online from the websites offering higher discount or more appealing price. As for the trustworthiness of the Internet, 30% of our respondents evaluate the Internet as unsecure, 39% think that it is perfectly secure, 11% have never thought about it, and 20% consider the Internet secure enough for low transactions but insecure for the high ones. Discussing the final model we will talk more about the results of the survey. Nevertheless, even the
customers who consider the internet to be very insecure, make some of their purchases online (see figure 4.5.1)

5.2.3 Future dimension

In order to analyse the Future dimension we would mostly rely on estimations. First estimation is made by UNWTO regarding the future growth of the tourists. It is believed that the number of the tourists will reach 1.6 billion in 2020 (http://www.unwto.org/facts/menu.html). Analysing the technological trends we assumed that tourist business would be very interested in implementation of the 3D distribution platform. The use of such a platform is no longer theoretical, however is not yet implemented by tourism business. The tourist company agreed with our assumption and confirmed that they were planning to introduce the customers to an additional distribution channel. So far they have noticed that the probability of purchase is much higher for the customers who watch the provided on company’s resort/hotel films and read customers’ generated information. This observation is consistent with the sixth proposition stating that investments into the social presence on a website are necessary and will be inevitably recompensed.

Let us evaluate the proposed future distribution channel considering the factors influencing the choices of tourism companies and the customers. The 3D platform would require additional investments in both design and technology, however, the estimated effectiveness outbalances the costs. Besides, every other young generation is more engaged and technologically fluent (E.A Witt et al., 2011), thus we assume it would be more natural for them to go shopping in a virtual world then in a real one, which makes 3D platform very demanded. In addition, a 3D platform will cover the need for talking to an agent, the only assumption is that people who like chatting to an agent in a real life will fulfil their need and enjoy the conversation in the virtual life. It is rather difficult at the moment to estimate the benefit/cost ratio for the consumers as the technology is not yet implemented. We do not know whether it would cost any extra amount for the customers or would be provided for free. Thus we will base our analysis on the pure economic evaluation. Let’s assume that the demand for 3D shopping exceeds the demand for both, available at the moment Internet distribution and the distribution through travel agencies. In such a case, providers of the tourism services will stop cooperating with local intermediaries and shift to 3D supply. Let us recall the disintermediation and reintermediation process describe by Bloch and Segev (1997) (figure 3.3.1). As they will require constant technological update, meaning they will have permanent spending pattern they might as well introduce a permanent charge for the use of 3D. If the charge exceeds the benefit/cost ratio of the customers, they will easily switch to the free internet distribution and e-vendor of the service will lose the invested into 3D money. Nevertheless if the charge for 3D service is small, the users will not have any motives to switch. Thus, we can conclude that implementation of 3D distribution channel is in any case desirable for the customers in terms of benefit/cost ratio. The entire meaning of 3D
platform implementation is to make it more intuitive (thus not requiring experience) and more reliable than the Internet distribution available at the present dimension, what again makes the implementation of the 3D platform profitable for the customers. It is hard to say what other opportunities would be explored in the future, however, the future distribution will definitely open new alternatives for the customers.

5.2.4 The Model

Combining all three dimensions together, we come up with the model (see figure 5.2.3). To make a comparative analysis of the distribution channels we define four categories which were identified as important by the respondents to our survey as well as by previous researchers. The categories are: customer coverage, shopping experience, contentment and reliability.

Figure 5.2.3 Tourism Supply Chain: Past, Present and Future

Analysing intermediaries as a distribution channel in the light of the past dimension, our research reveals that local travel agencies have a limited to their location customer cov-
verage. Thus for some customers the location of a tourist agency could be unknown, for
the others it could be inconvenient or too expensive to get there. A contract with an in-
termediary implies that an agent conducts all the necessary operations for a customer,
who, in addition, obtains shopping experience and does not require possession of any
specific skills. Choosing a physical intermediary as a distribution channel, Tourism In-
dustry relies a lot on a human factor. On one side, human interaction creates a trustwor-
thy relationship with a customer (Gefen & Straub, 2004), but on the other side, arises a
question of reliability of the service and manipulation. An agent might provide a cus-
tomer with wrong information or simply, unintentionally, lead to the wrong expecta-
tions regarding the destination. At the end, customer’s disappointment is always associ-
ated with the tour operator, not the middleman who had created a wrong illusion. The
security of the money transaction is, however, rather high unless the tourism agency it-
self is unreliable.

Most of our research is based on the present dimension. With constant technological
improvements the internet is becoming more and more affordable and accessible 24
hours 7 days per week, so that nowadays we can call it omnipresent. Besides, at this
point, tourism vendors have a direct connection to the clients through the internet, thus
they save their costs and, lowering the price, they can create more appealing image and
attract more customers to their service. With the Internet, tourist companies are able to
follow the preferences of their clients and thus continuously improve their service get-
ting an immediate feedback from the websites and analysing the customers’ profiles and
requests, as well as handling complains, by introducing simple surveys in the web di-
rectly. After conducting a survey among the customers we have come to the conclusion
that the benefit/cost ratio depends a lot on personal characteristics of every customer.
Although the number of the customers preferring internet to local distributors is con-
tantly growing, we still observe that tourist intermediaries are demanded and profit-
able. Our research shows that most of the customers who choose to go to local tourist
agents appear to be internet users; however, there are number of reasons for their choice
of the distribution channel. Based on our survey we have divided the customers of the
traditional intermediaries into three groups discussed earlier in the Empirical Findings.
Here we will provide a deeper insight into every group. The first group includes those
customers who seek for the shopping experience which they cannot achieve over the
internet. Those are the people who feel a lack of interaction with the seller at the Inter-
et, at tourist agency they enjoy browsing through the catalogues, discuss new destina-
tions talking to agents etc., and may have no intentions to travel in the near future. Nev-
evertheless, 56% of the customers from this group also visit the tourism forums online,
moreover, 86% of them trust the opinion of the forum participants more than the agents
at traditional travel agencies. Our survey reveals that most of the customers from the
first group are using tourist distributors for consultation. The second group covers the
customers who define the internet information search process as too difficult and/or
time consuming. These customers buy simple things from the internet, like bus tickets,
cloth, books etc., as well as the tour packages when the discounts at the internet exceed
those at the travel agencies. Hence, they do not object to internet searching and online payments, in addition, they often do not have problems finding suitable destinations. 32% of this customers visit tourism forums and only a half of those rely on the former customers’ opinion. However, when it comes to the choice of a hotel, the customers of the second group prefer to pay extra amount to consult tourist agent who possess efficient knowledge. This observation confirms our fifth proposition stating that Information search strategy varies depending on the purpose, price and type of a trip. One of the most common questions when discussing the choice of a hotel is: “Is this particular hotel really the best choice for our family?” A customer investing a lot of money in a holiday prefers to validate his or her choice by talking to a professional who has experience and can understand what the customer really needs. The customers of the second group are going to tourism intermediaries for both: consultation and trip purchase. Based on the results of our research we can say that the need for advice from sales staff is slowly going down as the information search functions are constantly improving. Moreover, as mentioned above, people tend to travel more often, this leads to the higher level of experience and knowledge. Under the circumstances the participants of the second group will most likely shift towards internet purchasing. The customers of the third group claim the internet has an ambiguous security system and thus they keep avoiding high money transactions, searching for more secure channels. Like the customers of the second group, the ones from the third group buy simple, and thus cheap, things online, but they will go to the intermediaries for an expensive tourism product (f. ex. a holiday package for a family with kids). They do not need surfing the internet for the new destinations and they hardly participate at any tourism forums, normally the customers of the third group are confident in their preferences. They choose the destination, transportation, hotels etc. either based on their previous experience or from the experience of their friends. Normally they possess enough internal information and are skilled in a quick and efficient Internet information search. They do not spend much time at an agency chatting and choosing the best suitable destination. With constantly improving internet security system the number of the customers in the third group is rapidly increasing.

Customers survey proves that our second proposition is not entirely true - the potential customers of the local intermediaries are rarely individuals who require essential Internet experience, most of the time, travellers already possess necessary skills for the Internet search, however, it is true that the customers of travel agencies do not rely on the Internet security and they prefer traditional intermediaries when it comes to the payments of high amounts.

Studying the future dimension, we would like to specify that 3D is still internet based distribution channel, but with a huge amount of yet uncovered possibilities. Based on a number of empirical research (Gärtner et al, 2010, Bourke, 2009) we can argue that the shopping experience would be totally fulfilled by a virtual world, the program would be absolutely intuitive and, moreover, exhilarated. Within the platform people would exchange their experience and information just like they do in a real life, however one would not need to search for the people who have already visited some particular infor-
mation or for a professional opinion the feedback would be automatically updated and edited. A great deal of effort has already been put into internet security, thus we have a reason to believe that 3D platform would be even more protected.

5.3 Competition analysis

Stating that in order to meet customers’ expectations the companies within the Tourism Industry should be constantly updated following the technological trend, Bloch and Segev (1996) emphasised that the competition is especially difficult for the small and medium tourism companies. The main reason proposed by the authors was the shortage of the financial resources and the experience (Bloch and Segev, 1996). However, normally, SMEs are much more flexible, thus they can adopt to changes easier and with less demerges compared to big companies with complicated infrastructure. Hence we developed the third proposition stated that the small and middle size tourism enterprises possessing sufficient amount of the financial resources might challenge the future of big tour operators due to the fact that they are more flexible to the technological changes. To test the proposition, we asked the company for the professional opinion. As noted by the sales manager: “under the circumstances of the technological development, tourism SMEs very often reorganise themselves into online travel agencies and, of course, create a certain competition force. But so far online traders like hotel.com, expedia.com etc., have not made big impact on our business. It takes long time and heavy market investments to establish a brand on the market and to get the customers confidence. The brand of our company has been on the Swedish travel market for 54 years. Many customers feel more secure by letting a traditional tour operator like us to handle their vacation. We have a working service & support organization both here and at our destinations, and we help our customers if something goes wrong. For example, during the ash cloud disturbances in April 2010, many travellers were stranded around the world getting no assistance, however, we managed the transportation of every our customer back to Sweden.” This observation is consistent with the study by Harrison McKnight et al (2002) distinguishing the reputation of an e-vendor as one of the major factors when building trustful relationships with a customer (Recall figure 3.5.1). Continuing the discussion, the sales manager added that “in a long run, winners will be the companies who control the most attractive hotels at the most popular destinations and offers good prices. That means taking big financial risk but is also very financial rewarding when business is going well.” The last statement proves our proposition, thus eligible investments is the key for the success.
6 Conclusions

Our research demonstrates a certain polarization on the market: easy products with low complexity and low cost are bought from the websites, but more complex and more expensive ones require additional consultation coming in the package. At the same time, providers of the tourism services tend to downsize the distribution chain by means of dis-intermediation and involve in the process of re-intermediation seeking for more efficient and effective supply chain. And the customers achieve higher Internet skills, travelling experience and rely more at the WWW systems. All this factors create a very undesirable circumstances for traditional.

Our analysis shows that the customers show a very high demand towards the personal advice for travel agencies’ personal. However this need can be met by several, cheaper for the providers of the service, means especially due to technological development. Hence the Internet, rated by both customers and companies within the Tourism Industry as the most effective in terms of benefit/cost ratio, achieves a lot of attention. Due to the fact that not everything can yet be authorized and computerized, e-vendors invest a lot in social presence of their websites and open call-centres to meet customers’ needs. In addition, to survive the competition and to differentiate their services tourism companies cooperate with CRSs. Due to the lack of financial resources the competition becomes even harder for the small and medium tourism enterprises. However, those who manage to overcome financial difficulties can challenge the future of big companies if the lasts are not sensitive to the technologic progress at the market.

Our research proves that despite of the complexity of the behaviour of every customer and the difference of the motivations, the customers can still be classified as groups which are easier to analyse. Thus, the information search behaviour varies depending on the purpose, price and type of a trip. The customers favouring traditional intermediaries can be approximately divided into three groups: those interested in consultancy, those who consult and buy at the tourism agencies and those who buy and mostly do not require any consultation. However, as demonstrated by our survey, the groups do not outweigh each other. In turns tourism companies calculate which customers are the most profitable and define the agencies valuable in terms of benefit/costs ratio and stop cooperating with the agencies who mainly serve as a free consultancy office. Despite all the changes, trustworthy relationship between the service provider and the customer remains a defining success factor in tourism business. The customers rely on their own experience more than on any other factor. Fulfilment of customer’s need is always rewarded with appreciation and loyalty. When the customers are satisfied with the service, they not only ready to pay more in order to avoid the risk, but they also bring more customers creating a strong consumption market for a company.

Tourism Industry as well as any other should be always updated regarding the technological development and make constant investments in the research of the market and
development of the new destinations. There are still unsolved problems when it comes to the Internet distribution channel. Those problems when associating with a particular company directly create a very undesirable image and very often lead to the loss of the customers. It should be mentioned that the negative reputation of a company destroys a company much quicker than the positive public image empowers a company.

A careful study of the technological trends in the rest business world and technological tastes of the younger generation led us to the conclusion that the future distribution of the tourism services will take place inside the virtual 3D world. At this point it is very hard, if not impossible to define the exact time when the era of the new distribution channel begins, however our estimations lead us to the conclusion that it will happen in a near future. We are confident enough in our suggestion regarding the development of the tourism distribution, hence in our paper we have emphasized only one option.
7 Discussion

As determined by our study as well as by the previous research, it is very convenient for the service providers within the Tourism Industry to cut out the middleman and to cooperate directly with the customers through the Internet. As a result of the quick technological development the online reality became very easy to log in to for both, companies and consumers. However, it appeared to be rather difficult for the tourism companies to attract all their customers to online purchasing. Our research shows that the most important factor which should be observed by the providers of the tourism services willing to shift the distribution of their services online is the quality of their websites. A few important details missing from the websites, named by the responders to our survey are:

- *accessibility and usability of the information*, meaning that the information should be easy to find and it should not create an overload, hence the provided information should be focused, this will save customers time for information search and lead to customers appreciation and loyalty;
- *social presence* – effort to make the information more personal in order to show care and respect to every customer, a lot of the customers who prefer travel agencies to online distribution claim that the Internet lacks social presence. This should also include information visualization.
- *information visualization* - the customers are more attracted to the information transformed into images and videos than to the text;
- *reliability of the information provided* – pros and cons of every destination keeping in mind different preferences of the single travellers and the families will create correct expectations from the customers’ side;
- *security of the money transactions* – compared to the observations of the earlier published research, the security aspect has been improved significantly, however due to our survey, some customers still address this issue.
- *quick respond to the questions if they appear* – our survey showed that even the customers, who felt comfortable searching for the information online had additional questions and thus sought for the answers at the local agencies, hence tourism companies involving in the disintermediation should provide their customers with accelerated answers for the arising questions. This problem can be solved embedding an interactive chat with an agent or a phone number of the company’s call center to the website. The effect would be even more rewarding if the response is available 24 hours 7 days per week.
- *previous customers’ experience* – as shown by our research, the customers rely a lot on the experience of the previous customers, in order to make the information provided on the website more reliable, the companies might create a feedback option right on their website. This will not only assist customers, but also simplify the research for the company.
As for the outlook of the existing traditional intermediaries, in order to keep their clients and to overcome the process of disintermediation they need to find a unique market niche an to define their target market.

7.1 Suggestions for the Future Studies

This paper aims to focus the analysis on the customers using the services of the traditional tourism intermediaries with or without the use of the online distribution channel, we believe that in order to have a better insight, the future research should also cover those customers of the Travel Industry, who use the Internet distribution channel only. In order to expand the sample and to avoid the limitations listed in this paper, the information can be accumulated in hotels, ports, train stations and airports of different countries. The survey can be also conducted over the phone. In addition, a few tour operators and service providers could be interviewed and their answers could be compared.

Analysing the issue of the insecure money transactions over the Internet it might be more effective to include the possible amounts into the multiple choice questionnaire. Our research shows that the respondents have an ambiguous point of view regarding this problem, when the amount for a transaction is rising.

When it comes to the question regarding the future options for the development of the Tourism Supply Chain Management, the discussion can be held within the focus groups. The groups can mix the representatives of different age or every other focus group might contain the members of the same age group (f. ex. one group containing 15 years old only, another – 30 years old, another – 45 etc.). The first approach will lead to the compound universal solution and the last approach would enable the researcher to compare the answers and to define the priorities of every generation. The members of the focus groups might also be given the opportunity to test different types of the future distribution channels in order to understand which one feels the most comfortable and appealing.

Another focus group can be created to analyse the effectiveness of the information provided on the existing websites of the different tourism companies. As an option to the focus group, the survey among the users of different companies can be conducted. The advantage of the “focus group” approach, in this case, is that the same people would investigate the same websites using the same criteria, thus the answers would be very easy and efficient to analyse. The main disadvantage of this approach is that the members of the focus groups are not the actual customers experiencing the real problems with the websites and they only analyse the websites according to the given criteria. Thus, the main advantage of the interview conducted among the customers is that the researcher gets the answers from either frustrated or satisfied customers and can collect unanticipated, however very important for the research, criteria and experiences. The re-
searcher choosing the interview should expect that at the end the answer might be difficult to code and to analyse.


Witt, E. A., Massman, A, J., Jackson, L, A., (2011) Trends in youth’s videogame playing, overall computer use, and communication technology use: The impact of self-

Appendix 1. Interview With the Company

1. What is the profit of the company from the online purchases?
2. What is the profit of the company from the physical distribution?
3. Are you aiming at increasing online sales?
   If yes: What exactly do you do?
   If no: Why not?
4. What is your target market at the internet?
5. What is your target market at the level of the local retailers?
6. What is the company’s policy regarding the traditional tourism intermediaries?
7. Have you made any research alike the one we are conducting before?
8. Do you consider internet a strong competitor?
   If yes, how do you handle this competition?
9. Your company keeps pace with constantly updating technology, how do you plan to improve your distribution channels at the future? Do you consider implementation the 3D platform?
Appendix 2. Customer Oriented Surveys

Interviewer-administrated survey:

1. Are you here to buy a trip/ticket or to get consultation? Have you ever used the services provided by travel agencies?
2. Do you know this distributor personally?
3. How often do you travel?
   - 1 time in a year or less
   - 2-3 times per year
   - 4 or more times per year
4. Do you have any favourite tourism company?
   If yes: Why this company? How do you know about this company?
5. Have you visited the website of the company?
   If yes: Was it easy/time consuming to search for answers at the website?
   What are the reasons for your choice of the local reseller?
6. Are you a member of any tourists forums at the Internet?
   If yes: Whom do you trust more:
   - An agent at a travel agency
   - Customers review at the Internet
7. Do you make any purchases online?
   If yes: What kind of products is that?
8. Do you consider online money transactions insecure?
9. Does the price of the trip influence your choice of the distribution channel?
   If yes: Would you reconsider your purchasing habit if the trip is cheaper online?
   If yes: How much cheaper should it be?

Self-administrated survey:

1. Hur ofta reser du?
   a) mindre än 1 gång per år
   b) 2-3 gånger per år
   c) 4 gånger per år eller mer än det

2. Varför besöker du resebyråer?
   a)För rådgivning
   b)För att boka en resa
   c)Både A och B stämmer
   d)Annat (specificera gärna)

3. Är det svårt att hitta all nödvändig information för din resa på internet?
   a)Nej, men det tar för mycket tid
Appendix

b) Ja, och det tar mycket tid
c) Nej, men jag tycker om att prata med resebyrå personalen
d) Nej, men jag föredrar att någon specialist gör det åt mig
e) Ja, och jag vet inte exakt vart jag ska leta
f) Annat

a) av egen erfarenhet
b) resebyrån hade en inbjudande miljö
c) via vänner
d) av reklam
e) annat
f) specificera gärna resebyrån:

5. Tycker du att internetbetalningar är trygga?
a) ja
b) nej
c) inget jag har funderat över

6. Vilka produkter köper du online?
a) inga
b) biljetter (hur ofta? _____________)
c) kläder
d) mat
e) kosmetika
f) det mesta
g) annat (specificera gärna)

7. Skulle du kunna köpa en resa online istället för hos en resebyrå om resan är billigare via internet? I så fall, hur mycket billigare bör den vara?
a) Det har ingen betydelse, jag väljer att resebyråer.
b) jag köper dyra resor hos resebyråer och billiga resor via webben
c) bara om resan är mycket billigare på webben, små prisskillnader har där-emot ingen betydelse
d) jag kollar aldrig resor på internetsidor
c) annat (specificera gärna)
Appendix 3. Intermediary Oriented Survey

1. Hur gör byråer vinst?
   - Blir betald varje såld resa
   - Rese byråer får bättre priser på resar
2. Kan vi få en exemplar av en typisk avtal med eras kund?
3. Om två resor är nästan lika vad prioritiserar rådgivaren och vilka kriterier gäller för kundens val?
4. Om en kund är tveksam av att välja mellan att handla på internet eller i butiken, vad är fördelarna av att köpa en resa genom er?
5. Vem är din target grupp (ålder, pris, inkomst)?
6. Om kunder har ovanliga frågor vad hittar dem svar?
   - På eran webbsida
   - Särskild webbsida som kunderna inte har tillgång till
### Appendix 4. Questionaire Statistics

<table>
<thead>
<tr>
<th>The content of the sample</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers using travel agencies for consultation</td>
<td>38</td>
</tr>
<tr>
<td>Customers using travel agencies for purchases</td>
<td>18</td>
</tr>
<tr>
<td>Customers who consult and buy at the agencies</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The frequency of travelling</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers consulting at a travel agency</td>
<td>1,75</td>
</tr>
<tr>
<td>Customers purchasing at a travel agency</td>
<td>1</td>
</tr>
<tr>
<td>Customers consulting and purchasing at a travel agency</td>
<td>0,642105263</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Favours one tourism company company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers consulting at a travel agency</td>
<td>0,33</td>
</tr>
<tr>
<td>Customers purchasing at a travel agency</td>
<td>0,11</td>
</tr>
<tr>
<td>Customers consulting and purchasing at a travel agency</td>
<td>0,09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Base for the favoring the company given that people come for consultancy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Experience</td>
<td>0,63</td>
</tr>
<tr>
<td>Friend's advice</td>
<td>0,38</td>
</tr>
<tr>
<td>Agency location</td>
<td>0,00</td>
</tr>
<tr>
<td>Advertisement</td>
<td>0,00</td>
</tr>
<tr>
<td>Randomly chosen</td>
<td>0,00</td>
</tr>
</tbody>
</table>
### Appendix

<table>
<thead>
<tr>
<th>Base for the favoring the company given that people come for purchasing</th>
<th>0,20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Experience</td>
<td>0,70</td>
</tr>
<tr>
<td>Friend's advice</td>
<td>0,30</td>
</tr>
<tr>
<td>Agency location</td>
<td>0,00</td>
</tr>
<tr>
<td>Advertisement</td>
<td>0,00</td>
</tr>
<tr>
<td>Randomly chosen</td>
<td>0,00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Base for the favoring the company given that people come for both: consultation and purchase</th>
<th>0,29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Experience</td>
<td>0,44</td>
</tr>
<tr>
<td>Agency location</td>
<td>0,22</td>
</tr>
<tr>
<td>Friend's advice</td>
<td>0,11</td>
</tr>
<tr>
<td>Advertisement</td>
<td>0,11</td>
</tr>
<tr>
<td>Randomly chosen</td>
<td>0,11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Satisfaction with the webpage</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Given that the person went for a consult, as well as attending the webpage</td>
<td>0,58</td>
</tr>
<tr>
<td>Hard to find information on the page</td>
<td>0,14</td>
</tr>
<tr>
<td>Need more information on the webpage</td>
<td>0,14</td>
</tr>
<tr>
<td>Need in personal assistance (liked the webpage)</td>
<td>0,57</td>
</tr>
<tr>
<td>Given that the person went for a consult and to purchase at the agency, as well as attending the webpage</td>
<td>0,35</td>
</tr>
<tr>
<td>Hard to find information on the page</td>
<td>0,09</td>
</tr>
<tr>
<td>Need more information on the webpage</td>
<td>0,18</td>
</tr>
<tr>
<td>Need in personal assistance (liked the webpage)</td>
<td>0,64</td>
</tr>
<tr>
<td>Given that the person thinks that online purchases are dangerous, the person purchases online</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Tickets</td>
<td>0,30</td>
</tr>
<tr>
<td>Any items (incl. tickets)</td>
<td>0,47</td>
</tr>
<tr>
<td>Nothing</td>
<td>0,23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust for the forum</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Given that the person went for a consult,</td>
<td></td>
</tr>
<tr>
<td>Trust the forum more:</td>
<td>0,48</td>
</tr>
<tr>
<td>Trust the agent more:</td>
<td>0,08</td>
</tr>
<tr>
<td>Never been to forum:</td>
<td>0,44</td>
</tr>
<tr>
<td>Given that the person went for a consult AND went to forum,</td>
<td></td>
</tr>
<tr>
<td>Trust the forum more:</td>
<td>0,86</td>
</tr>
<tr>
<td>Trust Consult more:</td>
<td>0,14</td>
</tr>
<tr>
<td>Given that the person went for a consult and to purchase at the agency,</td>
<td></td>
</tr>
<tr>
<td>Trust the forum more:</td>
<td>0,16</td>
</tr>
<tr>
<td>Trust the agent more:</td>
<td>0,16</td>
</tr>
<tr>
<td>Never been to forum:</td>
<td>0,68</td>
</tr>
<tr>
<td>Given that the person went for a consult and to purchase AND went to forum,</td>
<td></td>
</tr>
<tr>
<td>Trust the forum more:</td>
<td>0,50</td>
</tr>
<tr>
<td>Trust Consult more:</td>
<td>0,50</td>
</tr>
</tbody>
</table>