

***New Zealand Travel Agents in the Internet Era:
Impacts, Responses, and Relationships***

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***NEW ZEALAND TRAVEL AGENTS IN THE
INTERNET ERA: IMPACTS, RESPONSES, AND
RELATIONSHIPS***

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GLOSSARY OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANOVA	Analysis of variance
ASTA	American Society of Travel Agents
ATOL	Air Travel Organiser Licensing
B2B	Business-to-business
B2C	Business-to-consumer
CNET	CNET Networks, Inc
CRM	Consumer relationships management
CRS	Computerised reservation systems
DMO	Destination marketing and management organisations
GDS	Global distribution system
IATA	International Air Transport Association
ICT	Information and communication technology
LTO	Local tourism organisations
NewRTO	New Regional Tourism Organisation
NewTNZ	New Tourism New Zealand
NTO	National tourism organisations
NZTB	New Zealand Tourism Board
NZTD	New Zealand Tourism Department
NZTIA	New Zealand Tourism Industry Association
NZTP	New Zealand Tourism and Publicity Department
NZTRI	New Zealand Tourism Research Institute
OECD	Organization For Economic Cooperation And Development
OTOC	Overseas Tour Operators Council of New Zealand
RMA	Resource Management Act
RTO	Regional Tourism Organisations
SARS	Severe acute respiratory syndrome
SME	Small and medium enterprise
TA	Travel agent
TAANZ	Travel Agents Association of New Zealand

TIA	Travel Industry Association of America
TO	Tourism operator
TSG	Tourism Strategy Group
TSMG	Tourism Strategic and Marketing Group
UNDP	United Nations Development Programmes
VPN	Virtual private network
WTO	World Tourism Organisation
WTOBC	World Tourism Organisation Business Council
WWW	world wide web

DECLARATION OF AUTHORSHIP

“I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person, nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.”

Vladimir Garkavenko

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ABSTRACT

The impact of information and communication technologies (ICTs) is a significant issue in today's tourism industry. The development of the internet has made information easily accessible to consumers, and has therefore established a direct link between consumers and suppliers. As a result, traditional travel distribution channels are changing rapidly. A major feature of this change is "disintermediation", with principals such as airlines, hotels and rental car chains bypassing intermediaries and sell directly to consumers. Travel agents (TAs) are considered to be particularly vulnerable to this process. ICTs have the potential to replace their core competencies, which include transaction processing (ticketing and settlement) and information provision (raw product information provided by suppliers).

This thesis focuses on the impact of ICTs on the TA sector, and specifically on the New Zealand TA case. A theoretical approach based on regulation theory combined with a mixed method approach was used to investigate the main issues in New Zealand. The research included a case study to identify the principal issues and trends in the TA sector, in-depth interviews with TAs and industry specialists to refine the main issues and allow the formulation of some theoretical assumptions, in-depth interviews with consumers regarding the role of TAs in the internet era and the quality of service they provide, and a fully-structured, national on-line survey of TAs to verify the assumptions made in the earlier interviews and test the applicability of the post-Fordism model for the New Zealand TA sector.

Based on the findings, it is argued that disintermediation is particularly pronounced in the relationship between airlines and travel agents. To minimise the risk of disintermediation and improve business performance, TAs need to reposition themselves and review their core strategies to compete efficiently in the changing business environment. The thesis

reveals that consumers perceive TAs as mainly “transaction facilitators”. Nevertheless the thesis show that process of “reintermediation” is a reality for some New Zealand TAs.

An application of regulation theory to the New Zealand TA case reveals that in its traditional form, the regulation theory cannot explain the complexities found in the modern TA environment. The thesis reveals several distinct modes in TA perceptions of their business environment and their survival strategies, which indicates a heterogeneous, clustered population. A “formula for success” is developed for TAs in New Zealand. In this respect, TAs that perceive ICT as a strategic tool and are orientated towards consumers appear to have a business advantage.

1. INTRODUCTION

The impact of ICT, and the internet in particular, is a dominant issue in the tourism industry today. The growing accessibility of travel and tourism-related information on the internet is leading to a restructuring of traditional distribution channels (Buhalis, 2000b). Arguably, the most important change brought about by the internet is “disintermediation”, whereby principals such as airlines, hotels and rental car chains bypass intermediaries and sell directly to consumers. Travel agents (TAs) have long been identified as being vulnerable to the growth of the internet as a tool for e-business and information dissemination (Bloch & Segev, 1996).

Disintermediation is especially pronounced in the relationship between airlines and TAs. Airlines have quickly adapted to the potential opportunities associated with e-commerce (both business-to-business and business-to-consumers; B2B and B2C, respectively) (Buhalis, 2004). Since the mid-late 1990s, most airlines have offered web sites, which not only inform consumers about basic fares and schedules, but also enable itinerary building, fare construction and reservations. Airlines have used these sites to develop marketing strategies focused on building direct relationships with customers (French, 1998; Buhalis, 2000b, 2004).

The New Zealand tourism market is certainly not immune to these changes. The Travel Agents' Association of New Zealand (TAANZ) has stated that never before has the industry experienced a period of such turbulence and change (TAANZ, 2001b). Shifts in airline ownership, the disappearance of some carriers from the New Zealand market, commission cuts, the growth of internet use, and evolving consumer

demand and expectations are fundamentally altering the ways in which New Zealand TAs conduct business (TAANZ, 2001b).

For some time Air New Zealand has adopted 'paperless travel' throughout its domestic network (Kennedy, 1997). In July 2002, Air New Zealand reduced its fares for its one-class, no-meal Express service and created a lower price if booked over the internet. The airline also removed a 4% commission for each domestic ticket sale by TAs (Aronson, 2002a) and sold tickets on-line to save costs and reduce ticket prices. TAs responded by launching a campaign against the airlines commission cuts (Aronson, 2002b; The New Zealand Herald, 2002a). The Travel Agents' Association placed an open letter in the New Zealand Herald urging travellers to use TAs and warning them against booking on-line (TAANZ Open Letter, 2002). Since this time relationships between travel agents and airlines have continued to be characterised by periods of tension.

The threat of competition is reinforced by the introduction and expansion of global airline web sites. A new airline portal with significant implications for New Zealand TAs has recently been launched. Sixteen Asia-Pacific airlines invested more than US\$60 million in a web site (Zuji.com) that enables travellers to compare prices and book tickets, hotels and tour packages on-line (Van der Bergh, 2001; Griffin, 2002). In Australia, Zuji's launch met with strong opposition from TAs fearing price undercutting. The Australian Federation of Travel Agents submitted a complaint to the Australian Competition watchdog (AC) outlining its concerns (The New Zealand Herald, 2002a). In New Zealand, Zuji launched its web site in 2004, but by this time TAs realised there was little point in protesting.

The impact of these changes is not difficult to see. According to TAANZ, 60% of processing by New Zealand TAs in 2001 was airfare-related (TAANZ 2001a), and the bulk of this involved Air New Zealand. Over the past four years, the number of TAs in New Zealand has plummeted. The TAANZ has reported that the number of TAs within their organisation fell to 484 by 2006 from the 1999 figure of 626 (Nikiel, 2006).

To minimise the risk of disintermediation and improve business performance, TAs need to reposition their operations and to review their core strategies (O'Brien, 1999; Poon, 2001; Cheyne, Downes & Legg, 2006). While many agencies have their own on-line sites, several overseas commentators argue that the real keys to survival lie in the added value TAs can provide their customers (Brewton & Withiam, 1998; Hwang & Fesenmaier, 2003, 2004; Cai, Feng & Breiter, 2004).

Research into the travel agency sector by academics has largely focused on the need for TAs to adopt strategies that will enable them to compete in an ever-changing technological environment. These developments have been studied in Canada (Loverseed, 1999; Bedard, 2000), Australia (O'Brien & Dunn, 1998), the United States of America (Yesawich, 1996; Lewis, Semeijin, & Talalayevsky, 1998), and Europe (Marcussen, 1999; van der Pijl, 2000), amongst other nations and regions.

In New Zealand, there has been little academic research focusing on the TA sector (Oppermann, 1998; Garkavenko, Bremner & Milne, 2003; Garkavenko & Milne, 2007, in press; Pearce & Schott, 2005; Cheyene, Downes & Legg, 2006). It is not clear whether the trends and issues as portrayed in the international literature are totally relevant to the New Zealand context. It is also unclear what policy stance the New Zealand government should take in the face of lobbying by TAs over the problems associated with disintermediation.

The investigation of the New Zealand TA market and the related impact associated with ICT introduction are the main foci of this study. The specific emphases of the thesis are on:

- Identification of the main factors impacting upon the modern TA business environment and the responses of TAs to these factors
- Investigation of the evolution of New Zealand TA relationships with airlines, ICT adoption and perceptions of ICT use by TA businesses
- Investigation of evolving TA relationships with customers.

To assist in developing an understanding of the New Zealand TA market, the thesis adopts regulation theory (Tolliday & Zeitlin 1986; Jessop & Sam, 2006). The main emphasis is on the production and consumption elements of the Fordist-post-Fordist model. It is also argued in the Thesis that the regulatory context for the travel agent sector should be analysed in a broader framework comprising industry, national economic and international regulations. Only within a broader context can the regulatory environment of the New Zealand travel agent sector be categorised according to the post-Fordist model.

The study focuses on whether a transition to a 'post-Fordist' model has occurred and, in particular, on the key force enabling such transition – new technology, notably the internet. The thesis focuses on how ICT has influenced New Zealand TA industry performance and structure. The research also provides an overview of the evolving demand for individualised travel products and the regulatory context of the New Zealand TA business environment.

Many tourism commentators argue that regulation theory and related concepts of new/old tourism are well placed to help us understand the changing nature of the tourism industry and its relationship to surrounding economic and societal structures (Poon, 1993; Ioannides & Debbage, 1998; Torres, 2002). However, others argue that there is considerable work to be done in establishing its applicability to the tourism industry (Ioannides & Debbage, 1998; Milne & Ateljevic, 2001). This thesis will add to this ongoing debate, and contribute new insights from a country (New Zealand) and sector (travel agents) that have not often been included in attempts to empirically test this theoretical framework.

Chapter 2 of the thesis reviews the relevant literature to identify the main issues and trends in the TA sector worldwide, particularly the impact of ICT on the sector. It also provides an overview of regulation theory and the role of ICT in enabling transition to a post-Fordist model.

Chapter 3 describes the methodological approach of the research. The thesis adopts a mixed methods approach based on a combination of qualitative and quantitative methods (Tashakkori & Teddlie, 2003). The study includes two stages of research: *exploratory* (identification of the main issues in the TA market evolution and identification based on the variables of interest), and *confirmatory* (testing of theoretical assumptions made via the exploratory study and field testing of the theoretical post-Fordist model).

The thesis starts analysis of the TA sector with a case study on New Zealand travel agents using secondary data from both academic and business literature. The case study identifies the main focuses and the strategy for the further study that includes in-depth interviews with travel agents and their consumers as well as an online national survey of the TA businesses.

The thesis analyses and interprets data originally collected by the New Zealand Tourism Research Institute (NZTRI) during in-depth interviews with industry specialists in 2000. These non-structured interviews with TAs and industry specialists were designed to identify the main issues in the New Zealand TA market at that time, and in particular the impact of evolving ICT. In 2003 the research continued with semi-structured interviews with travel agents to investigate the evolution of TA's perceptions, attitudes and relationships since 2000. Once the main issues and their evolution were identified and refined, a fully-structured on-line questionnaire was designed and implemented in 2003-2004 to verify the assumptions made on the basis of the in-depth interviews. The questionnaire was also designed to assist in verification of the applicability of regulation theory. The research also included interviews with consumers to provide a demand side perspective on the role of TAs in the information age.

Chapter 4 on the New Zealand travel agents case study analyses the impact of ICT on the New Zealand TA market and the relationships between TAs and airlines. In doing so, the main pressure factors on TA businesses are identified.

Chapter 5 (longitudinal study of the New Zealand TA sector) includes two sets of consecutive in-depth interviews with travel agents in 2000-2001 and 2003. This Chapter reveals the evolution of TA attitudes and perceptions, including perceptions about their consumers. It also refines the main issues related to the TA sector in New Zealand, especially the pressure factors influencing TA's businesses.

Chapter 6 presents the results of the national on-line survey of TAs, including the major pressure factors influencing TAs, their views on strategies to enhance survival, and their perceptions of ICT, relationships with consumers, and the national regulatory framework. This Chapter also analyses the applicability of the post-Fordist model for the New Zealand TA market. It reveals the complexity and divergence of the sector, points to the dual role played by new technology in the evolution of the TA sector as both an enabling and a pressure factor, and examines the regulatory context of the travel agent sector.

Chapter 7 includes an analysis of double-sided interviews with TAs and consumers. It reveals considerable discrepancies between TA and consumer perceptions of the role of TAs, both now and in the future. The analysis also reveals the specificity of New Zealand travel market in that outbound travel largely comprises complex, multideestination, expensive long haul flights.

The concluding Chapter synthesises the range of arguments developed during the thesis. It summarises the impact of ICT on the TA sector

(focusing on the phenomenon of disintermediation and the relationships of TAs with airlines and consumers) and reveals the heterogeneity of TA experiences. The Chapter also suggests optimal strategies for enhancing TA survival and 're-intermediation', and a 'success mix' for TA businesses that can enable operators to function efficiently in the modern era. On the basis of the national characteristics of the New Zealand travel market, some recommendations for TA businesses are formulated. In addition, the Chapter synthesises the arguments regarding the application of the post-Fordist model in its traditional form, and examines whether it can embrace the complexity of the phenomenon identified in the thesis. The Chapter focuses particularly on the applicability of the model to the heterogeneous TA sector, taking into account the national characteristics and the regulatory context of the travel industry in New Zealand. It also presents thoughts on future studies that are invited by the findings presented here.

The theoretical outcome of the thesis is a contribution to our understanding of the applicability of regulation theory to the New Zealand TA sector, and new insights into the strengths and weaknesses of the theory itself. The research also provides information of value to the TA sector in New Zealand and those who have an interest in its future survival and performance in the age of the internet.

2. TOURISM: AN EVOLUTION TO A POST-FORDIST MODEL?

2.1 Theoretical framework – regulation theory

Regulation theory is focused on the social and institutional determinants of capitalist development, and represents a method of linking economic, political, technological and organisational factors in a dynamic, integrated framework (Teague, Pisano & Shuen, 1989; Barber, 1996). Since the early 1970s, capitalist society has witnessed major shifts in production, consumption and the regulatory role of the state. These changes have been labelled by some commentators as the shift from Fordism to post-Fordism or flexible specialisation (Harvey, 1989; Piore & Sabel, 1984).

Deriving its name from Henry Ford's automated assembly line, Fordism focuses on the mass production of standardised goods. The principal labour characteristic under Fordism is that each worker performs a single, highly specialised function along the assembly line.

Fordism is seen by the Regulationist School (Aglietta, 1979; de Vroey, 1984; Lipietz, 1986; Leborgne & Lipietz, 1988) as revolving around mass production and mass consumption. These features can be included in the overarching concept of the 'Fordist regime of accumulation' (Aglietta, 1979; Jessop, Bonnet, Bromley & Ling, 1987; Roobeek, 1987; Jessop & Sum, 2006). A regime of accumulation is defined as "A systematic

organisation of production, income distribution, and consumption“ (Dunford, 1990, p. 305).

And a mode of regulation is defined as:

A specific local and historical collection of structural forms or institutional arrangements within which individual and collective behaviour unfolds and a particular configuration of market adjustments through which privately made decisions are coordinated and give rise to elements of regulation in economic life (Dunford, 1990, p. 306).

In effect, the regime of accumulation is how production, distribution and consumption are organised in an attempt to sustain economic growth. Specific political, economic, and social institutions correspond to a particular regime of accumulation.

According to regulation theory, the success of the post-World War II Fordist “engine of growth” can be attributed to three related forces: production, consumption, and regulation (Glyn, Hughes, Lipietz & Singh, 1989). Regulation theory argues that the main feature of Fordism is its mode of production, grounded in the mass production of high-volume standardised goods. For mass production to succeed, a stable and increasing level of working-class consumption and spending is required (Bramble & Fieldes, 1990). At the same time, governmental intervention is critical to ensure sustained economic growth for the new working class. Shaw & Williams (2002, 2004) note that there are many foci of regulation, including the monetary system, wage relations and working conditions, competition, provision of collective services (health, education, housing, security), and international relations.

Together, the three main elements of the Fordist engine of growth – its production methods, consumption patterns, and modes and institutions of regulation – converged in a “miracle of alignment” where economic, social, and technological variables combined to create a cycle of growth and stability for much of the Western world for nearly 70 years (Elam, 1990).

Regulationists argue that this alignment is now unravelling (Elam, 1990; Ioannides & Debbage, 1997; Lafferty & van Fossen, 1999).

By the late 1960s and early 1970s, the Fordist characteristic of dependence on a strict “division of labour” was stretched to its limits as workers began to resist the continued de-humanisation and mechanisation of “scientific management” (Boyer, 1983). The constant expansion of mass production and the simultaneous pursuit of greater and greater economies of scale have run up against saturated domestic markets and intense international competition. Shifting markets, differences in economic and financial rules, regulations, growth rates, and varying monetary conditions between countries made the management of growth increasingly difficult. In addition, growing collective costs, such as health care, education and housing also led to economic imbalance and destabilisation (Boyer, 1983; Wahab & Cooper, 2001; Jassop & Sum, 2006).

Boyer (1983) argues that consumption patterns have also changed. There is more demand for product diversity, service variety and personalisation – a demand that conventional mass production systems cannot meet efficiently. The Fordist engine has failed to adjust to a world in which key socioeconomic conditions no longer foster its growth or even existence. A paradigm that thrived on certainty, repeatability and mass production cannot come to terms with increasing demands for flexibility, personalised service and rapid change (Pine, Victor & Boynton, 1993; Boynton & Milazzo, 1996).

Boynton & Milazzo (1996) and Boynton, Victor and Pine (1993) have identified the core elements of the post-Fordist model. From a regulatory perspective, the renewal of sustained economic growth will come only through the emergence of a new regime of accumulation. Such a regime will need to be based on a new set of organisational, technological, economic and social norms. These norms, unlike their Fordist predecessors, must be based on the ability to cope flexibly with uncertainty and unpredictability. Such a model of development will arise

when production methods and consumption patterns find alignment. In the same way that Fordism required a 'technical system' for production, a post-Fordist model of economic growth requires a technical source of production transformation (Milne & Ateljevic, 2001).

Regulation theorists ascribe a special role to information technologies in the transition from the Fordist to post-Fordist model (Piore & Sabel, 1984; Ioannides & Debbage, 1998; Bowering, 2002). Boynton & Milazzo (1996) argue that regulation theorists recognise information technology – including advances in computers, microelectronics and telecommunications – as the basis for a new technical system of production. Such advances have given rise to a wide variety of flexible and programmable production technologies, including computer-aided design and manufacturing, flexible manufacturing systems, micromarketing driven by personalised information collection and management capabilities, telecommunication linkages, and intercompany networks. The benefits that regulationists see being provided by these new technologies include:

- *Process flexibility*: new technologies will make it possible to use process capabilities at full capacity, even under uncertain demand or in a changing environment
- *Product flexibility*: new flexible technologies will allow economies of scope to be secured using the same lines of production to create a set of differentiated goods according to market demands
- *Capital optimisation*: the cumulative investment in new flexible technologies will allow optimisation of the total amount of capital invested to produce the different products sold on the market at different stages in the products' respective life-cycles (Coriat, 1990).

Information technologies and robotics have enabled industries to shift from the rigidity of Fordist-production toward flexible production techniques and labour use. Rather than relying on large stocks of homogenous goods, post-Fordist industries have the flexibility to significantly change the production of goods and services in response to consumer demand

(Ioannides & Debbage, 1998). Boynton & Milazzo (1996) argue that post-Fordism is an alignment of not just three forces (production, consumption, and regulation) but rather of four, the fourth force being information technology.

If in fact the post-Fordist world is to enjoy a period of economic prosperity that will rival the prosperity achieved under the Fordism paradigm that prosperity will come only through the alignment of production, consumption, regulation, and information technology (Boynton & Milazzo, 1996, p. 171).

These authors also point out that not only are advances in flexible information technology critical to this new system of production, the way in which those advances are put to systematic use is also important (Boynton & Milazzo, 1996).

Others (Roobeek, 1987) have argued that the 'inherent control problems of Fordism' have slowed economic growth. Among the limiting factors related to new technologies are control problems such as the divergence between rising wages and declining productivity growth, divergence between productive and non-productive sectors, overcapacity and market saturation, diversified consumer demands, and poor quality control. Roobeek (1987) argues that three main technologies – microelectronic, biotechnology, and new materials – offer solutions to some of the bottlenecks in the Fordist model. It is a characteristic of these new technologies that they all contribute to energy, material, and employment-saving innovations. New technologies, especially information technology, also give an added impulse to the informal economy, because they offer large groups of the population the possibility of buying new, cheap and sophisticated capital goods (Jessop, Bonnett, Bromley & Ling, 1987).

At the same time, the domestic household is developing into more of a capital and technology-intensive productive sector, rather than just a centre of consumption. New technologies become important in establishing new services, with domestic technologies leading to a 'self-

servicing' society as an alternative to private services and to the state's direct provision of welfare services (Roobeek, 1987).

Information technology serves as a vital source of industrial flexibility within the post-Fordist model. New technologies allow for both increased process and product flexibility, as well as new avenues of efficiency. Boynton & Milazzo (1996) argue that information technology is a paradigm changing force that is driving changes in organisational form and competitive conditions. The type of information technology used by a complex organisation is an indicator of the structure of that organisation. Thus, corporations can be characterised as Fordist and post-Fordist, as can information technology. If mainframe technology is the hallmark of the Fordist corporation, client/server technology is the technology of the post-Fordist era (Boynton & Milazzo, 1996).

According to regulation theorists, industrial production and its related elements are deeply intertwined within a social and organisational context (Du Gay, 1997, Mair, 2006). Technology is viewed not as an independent element, but as both a product of developing social relations and a force that shapes existing social relations.

Both Fordism and post-Fordism denote broad social, economic and political processes, as well as organisational strategies (Lafferty & van Fossen, 2001; Fuentelsaz, Maicas-Lopez & Polo, 2002). The principal characteristics of the Fordist era are:

- Mass production for mainly national markets
- State regulation of finance, economic activity and labour markets
- Manufacturing-based economies
- Permanent, predominantly male, full-time workforces
- Hierarchical management structures
- Highly structured, centralised corporations
- Political-economic predominance of nation states.

Post-Fordism is characterised as:

- Customer-focused production for global markets
- Deregulation of finance, economic activity and labour markets
- Rapid growth in service industries
- Increasingly short-term, particularly female, part-time workforces
- 'Flatter' management structures
- 'Flexible' organisation
- Declining political-economic power of nation states (Laferty & van Fossen, 2001).

At any one time, and in any one country, there tends to be a dominant political, economic and institutional structure (Shaw & Williams, 2004). Strictly speaking there are not two dichotomous economic types, but varying composites of regimes of production (Belussi & Garibaldo, 1996; Farrel, 2003; Jassop & Sum, 2006). There are also significant differences among countries in terms of the hegemonic mode of regulation. For example, Esping-Andersen (1990) has identified three distinctive types of capitalism in Western Europe: the so-called Scandinavian type, the liberal Anglo-Saxon type, and the corporate Bismarkian or Rhineland type. Each involves different levels and types of state regulation and relationships between the state, capital and labour.

2.2 Regulation theory and tourism

It has been argued by regulation theorists that the travel industry reflects general trends in societal reorganisation – i.e. the transition from mass production and consumption to individualised production and consumption, or from Fordism to post-Fordism (Poon, 1994, 2001; Ioannides & Debbage, 1998; Shaw & Williams, 2004). Thus, mass market-orientated tour packages can be seen as analogous to the Fordist practice

of an assembly line (Poon, 1993). More flexible travel forms emphasising individuality and autonomy will replace this.

A number of tourism researchers have applied regulation theory approaches (Krippendorf, 1982; Poon, 1993; Ioannides & Debbage, 1998; Ateljevic & Milne, 1998; Milne & Ateljevic, 2001; Fayos-Sola, 1996; Ateljevic, 2000; Meethan, 2001; Torres, 2002; Williams, 2004; Conti & Perelli, 2005).

Shaw & Williams (2004) have pointed out that regulation theory provides a useful abstraction about production and consumption and how these are regulated. Rather than being a deterministic framework, they argue that it directs one's attention to the analysis of national differences. The social changes that occurred in the 1930s and 1940s brought about the appearance of new forms of mass tourism, or Fordist tourism. In the post-war years, the tourism sector began to offer standardised vacations to unseasoned tourists whose motives were very basic – a search for the sun and beaches, in a moderately exotic atmosphere, and at a good price. The paradigm of mass production in the industrial sector was imitated in tourism: rigid packages were created, with significant economies of scale, and offered to tourists with low and not greatly varied expectations. It was thus fairly easy to achieve consumer satisfaction at low cost (Poon, 1993; Fayos-Sola, 1996; Ioannides & Debbage, 1998).

Technological advances in passenger transport and communications made it possible to create and tap into massive markets on a global scale in various regions of the world, particularly in Europe and North America. Other factors such as increases in disposable income and paid vacation time, and a greater social predisposition for travel, also stimulated the worldwide demand for tourism and travel (Fayos-Sola, 1996).

In North America, it was the hotel chains and airlines that were the key players in the creation of mass tourism (Fayos-Sola, 1996). The chains,

through trademark names and the establishment of standardised services throughout the world, inspired confidence in the characteristics of lodgings and provided assurances to consumers who needed to be surrounded by the comforts of home in a strange environment – a home away from home (Fayos-Sola, 1996). In Europe, tour operators played the same role as the hotels in North America, likewise offering the consumer a degree of security in his/her surroundings by controlling the supply of transport and lodgings at the destination (Shaw & Williams, 2002). The European tourism packages always included transport and were, for the most, part intra-European trips often aimed at sun-beach destinations in the Mediterranean. In North America, however, vacations were frequently based on use of the automobile as a means of transport, and tour operators therefore played a less important role. Economies of scale and standardisation were the keystones of mass tourism – in the USA, through hotel trademarks and franchising systems; in Europe, through trademarks given to tour operator vacations (Club Mediterranean, Thomson Holidays).

Several commentators have argued that there was a marked change in the operational paradigm of the tourism industry in the 1980s. Poon (1993) argued that these changes could be grouped into five categories: (1) new consumers; (2) new technologies; (3) new forms of production; (4) new management styles; and (5) new prevailing circumstances. A summary of Fordist and post-Fordist tourism characteristics is provided in Figure 2.1 (Poon, 1994).

Poon (1993) noted that travellers in the late 1980s had become increasingly dissatisfied with inflexible, standardised, mass tourism production, and had begun seeking customised travel products tailored to their own particular requirements. Subsequently, she argued that international tourism was undergoing rapid transition toward a new model of best practice, and that a new tourism was emerging – one characterised by flexible, segmented and environmentally-conscious holidays (Poon, 2001). One of the key characteristics of the new tourism is flexibility with

regard to consumers, services and producers. A cornerstone of the industry's flexibility is information technology, which creates the ability to satisfy changing consumer needs at prices that are cost competitive with mass-produced holidays.

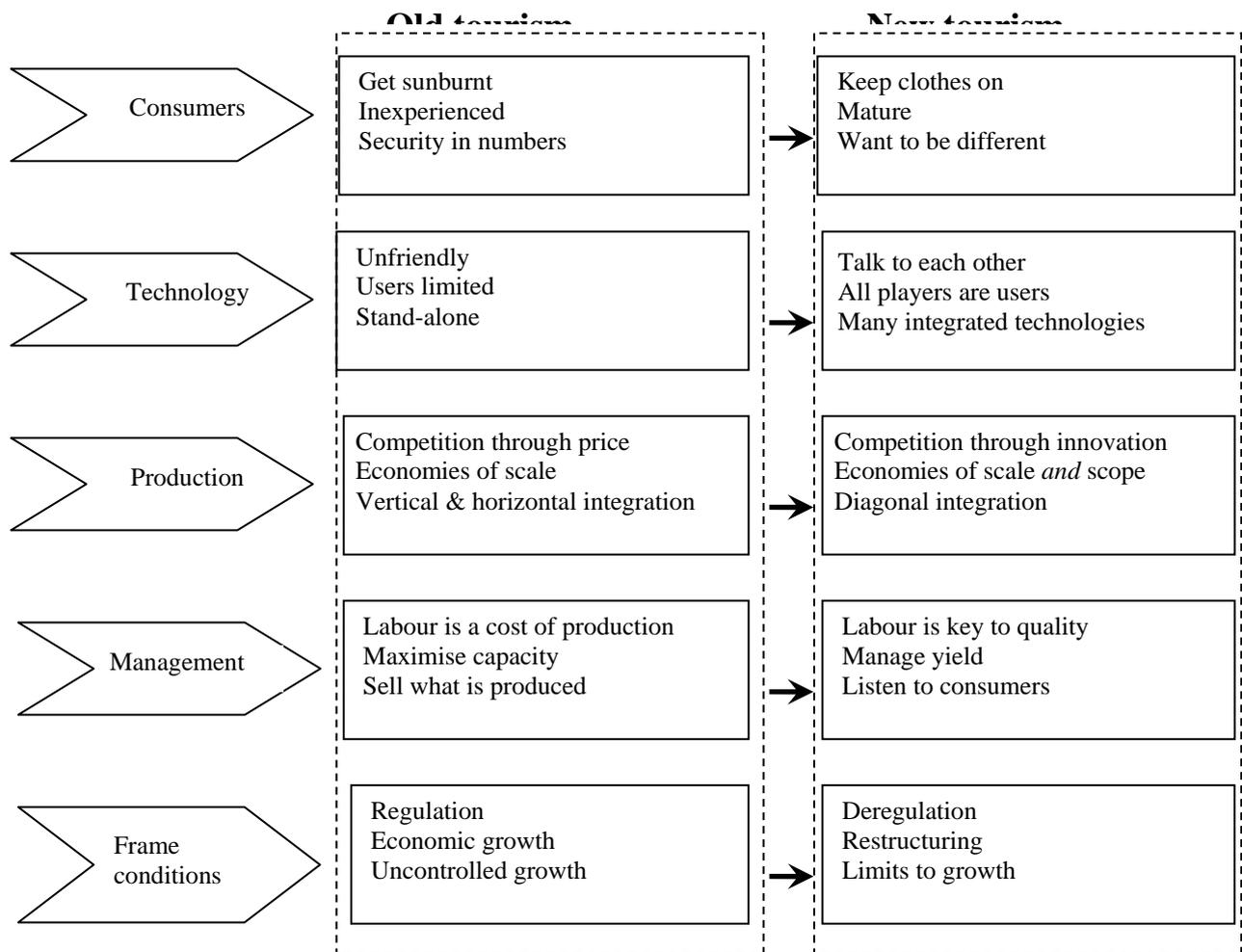


Fig. 2.1: Old and new tourism compared (*Source:* Poon, 1994, pp. 91).

This new best practice is fundamentally different from the old paradigm where low-cost holidays were only possible within the confines of mass production, standardisation and rigid packaging. According to Poon (2001), information and communication technologies allow producers to segment their markets in new ways and to match production more closely

with the changing needs of their clients. Suppliers are now able to provide different travel, leisure and other related services (for example, insurance and credit cards) along the same 'production line'.

The new tourism is driven by consumers on the demand side and by technology on the supply side. Five key forces give rise to the new tourism – changes in the industry's frame conditions, new consumers and technologies, new production practices, and management techniques (Poon, 2001, p. 77).

Poon (2001) also argues that:

In many cases, the conditions giving rise to the new tourism are a complete reversal of the old – from a disposable society to the greening of consumers, from sun-lust to sun-plus tourists; from security in numbers to wanting to be different; from predictable behaviour to spontaneity; from stand-alone to integrated technologies; from mass production to mass customisation; from maximising capacity to managing yield (Poon, 2001, p. 77).

In 1996, Fayos-Sola noted that post-Fordism in tourism is characterised primarily by the super-segmentation of demand, and the need for flexibility of supply and distribution (Fayos-Sola, 1996). Profitability is achieved through diagonal integration and subsequent system economies and integrated values, rather than through reliance on economies of scale. The super-segmentation of demand requires an in-depth knowledge of the market to identify consumers' needs. Flexibility is the factor that can aid enterprises in adapting to new demand requirements.

This 'new tourism' paradigm should permit the tourism sector to offer products adapted to the increasingly complex and diverse needs of consumers, while being competitive with the old standardised products (Pine, Victor & Boyton, 1993). Flexibility is relevant in several areas: flexibility in the organisation and in the production and distribution of tourism products; flexibility in reservation, purchasing and payment

systems; and flexibility in the ways in which the tourism product is consumed. New technologies are fundamental in this respect (Fayos-Sola, 1996).

Diagonal integration is another basic element of the new tourism. In comparison with vertical and horizontal integration, which characterise the mass-standardised product paradigm, diagonal integration is a process by which a tourism enterprise can develop and compete not only in one activity, but also within a wider framework, seeking profitability on the basis of system economies, obtaining synergies between different products, and offering services well integrated with the values systems of consumers (Poon, 1993). It was pointed out that the tourism industry will compete not only with enterprises from the tourism sector, but also with enterprises from other sectors. In order to do so, it will be necessary to fully adapt their products to the new market environment (Fayos-Sola, 1996). This can be done by:

- Improving tourism information systems, with regard to both ongoing knowledge of the demand requirements and the strategy of the competition, and making the product offered known; and
- Improving know-how through improved technology with tourism education and training, and by instilling a culture of quality and efficiency in service.

Demand, in large part, initiates the shift to flexible production. In response to an increasingly sophisticated clientele, many hotel holding companies have created niche brands, each catering to one market segment (Go & Pine, 1995). Some argue that shifts to flexible production in the tourism industry may be described as a shift from selling tangible commodities (air tickets, hotel bookings) to the sale of intangible commodities - travel experience, service (Poliziani, 2002).

A hallmark of flexible production is vertical disintegration, meaning that a central enterprise controls the final product and the key technology, while non-strategic functions are subcontracted to other organisations (Coffey & Bailly, 1992). In the tourism industry, subcontracting is common. Hotels, for example, externalise their laundry services and airlines subcontract many catering activities (McDermott & Martinez, 1989; Milne & Pohlmann, 1998). Companies commonly practice numerical flexibility, adjusting the quantity of labour in response to fluctuations in demand for individual products (Coffey & Bailly, 1992).

Many post-Fordist companies practice functional flexibility, using the same workers for a variety of tasks and adjusting labour force skills to changing demands. Several travel and tourist labour markets and businesses rely heavily on numerical and functional flexibility. For example, because of seasonality, many sectors of the travel industry have long depended on temporary or part-time, unskilled or semi-skilled workers (Shaw & Williams, 2002). Such trends indicate that parts of the travel and tourism supply system experience varying degrees of flexibility in terms of production and labour practice. A key question is what sectoral shifts can the theory help us to understand? Perhaps even more importantly:

Can we really say that shifts in tourism are occurring in the same way as in the manufacturing sectors and business services which receive most attention from regulation theorists? (Shaw & Williams, 2002, p. 34).

In 2001, Poon noted that:

It is difficult to put an exact date on when old tourism ends and when the new begins. The fact is that the old tourism may never disappear. The critical issues are not when old tourism will end, but rather the relative rates of growth of the old and new tourism (Poon, 2001, p. 78).

Rebecca Torres studying a tourist destination in Mexico noted that the tourism industry reveals a more complex and diversified tourism landscape with various shades of mass tourism existing along with more alternative form of post-Fordism tourism such as ecotourism, archeological tourism,

sporting tourism and ethnic tourism, among others (Torres, 2002). Shaw & Williams (2002) have noted that some elements of the travel industry demonstrate markedly post-Fordist characteristics of enhanced flexibility, particularly those based on information technologies. They stress, however, that a substantial part of the travel industry (particularly at the point of contact with the customer) remains distinctly Fordist, pre-Fordist or even artisan in nature (i.e. based on small or medium-scale, family-run operations, often with limited flexibility), and argue that the transition to post-Fordist production does not have a very distinct chronology. As Ioannides & Debbage (1998) point out:

In a sector as amorphous as the travel industry, with so many permeable boundaries and so many diverse linkage arrangements to exploit, a polyglot of coexisting multiple incarnations has evolved, displaying varying traits of flexibility (Ioannides & Debbage, 1998, p.108).

These authors also point out that different sectors within the tourism industry exhibit varying modes of production and consumption:

- Pre-Fordist artisan and craft production is typical of many souvenir shops, small restaurants and lodging houses. These tend to be small-scale, independently owned, weakly managed, and reliant on family labour. Long hours are combined with flexible working practices. There are mostly low levels of technology, with exceptions such as microwaves, dishwashers and, increasingly, information technology for web sites and e-mail.
- Fordist mass production and consumption is typical of large hotel chains, airlines, tour companies, and cruise ships. These businesses benefit from economies of scale, and the industry is characterised by concentration, plus horizontal and vertical integration. The use of ICT and various other forms of technology is widespread.
- Post-Fordist production is increasingly evident, with increased flexibility of production and consumption (Ioannides & Debbage, 1998).

Several commentators (Lafferty & van Fossen, 2001; Milne & Pohlmann, 1998; Milne & Gill, 1998) have analysed airlines and hotels within the Fordist – post-Fordist framework, and identified the heterogeneity of post-Fordist manifestations in different sectors of the tourism industry. Lafferty & van Fossen argue (2001) that airlines, for instance, have quite different operational and cultural characteristics from hotels. Through their international profiles, airlines can occupy more distinctive roles as national symbols, especially as the airline sector is characterised by a strong sense of national competition. Airline senior executives, unlike their counterparts in the hotel sector, often have close links with government due to the national and international importance of airlines.

Airlines require a high level of regulation, since they are essential services with security, military and postal applications (Lafferty & van Fossen, 2001). This strict regulation is even more pronounced in the modern environment where the threat of terrorism has forced airlines to implement stringent regulations and tight security measures (New Zealand Herald, 2004) and where economic restructuring has forced airlines to look for government financial support (Hembry, 2006; Nikiel, 2006). Despite recent pressures employment in airlines is still largely typified by the Fordist characteristics of low labour turnover, job security and relatively high wages. There is a predominantly male, full-time workforce in those areas indispensable to the core business of transportation (for example, pilots, aircraft refuellers, and maintenance engineers).

Hotel and restaurant workforces, on the other hand, have large numbers of women, casual, part-time and younger workers, typically low levels of union membership, and high labour turnover. Small hotels and motels are predominantly ‘pre-Fordist’, family-run establishments, with a very high proportion of casual workers. Large international-standard establishments have more post-Fordism features in that they have a ‘core’ of full-time employees, while casual and part-time workers are used to achieve numerical flexibility and meet fluctuations in demand. Labour disputes are common in airlines, but rare in hotels, where employees have far less

bargaining power. Lafferty & van Fossen (2001) noted that the hotel sector shows characteristics of both pre-Fordism and post-Fordism due to its fragmentation and the fact that it is composed of both big hotel chains and small, family-run enterprises. Thus, the tourism industry is very heterogeneous in its post-Fordism transition because of the fragmentation within and between certain subsectors.

It is important to identify which parts of this polyglot are most advanced in the transition to post-Fordist production, and how the travel agent (TA) sector responds to elements of the Fordism–post-Fordism transition. It is argued that the transitional period from rigid production to flexible production has two important elements: technology as an enabling factor and demand as a pressure factor (Ioannides & Debbage, 1998). This notion is schematically presented in Figure 2.2.

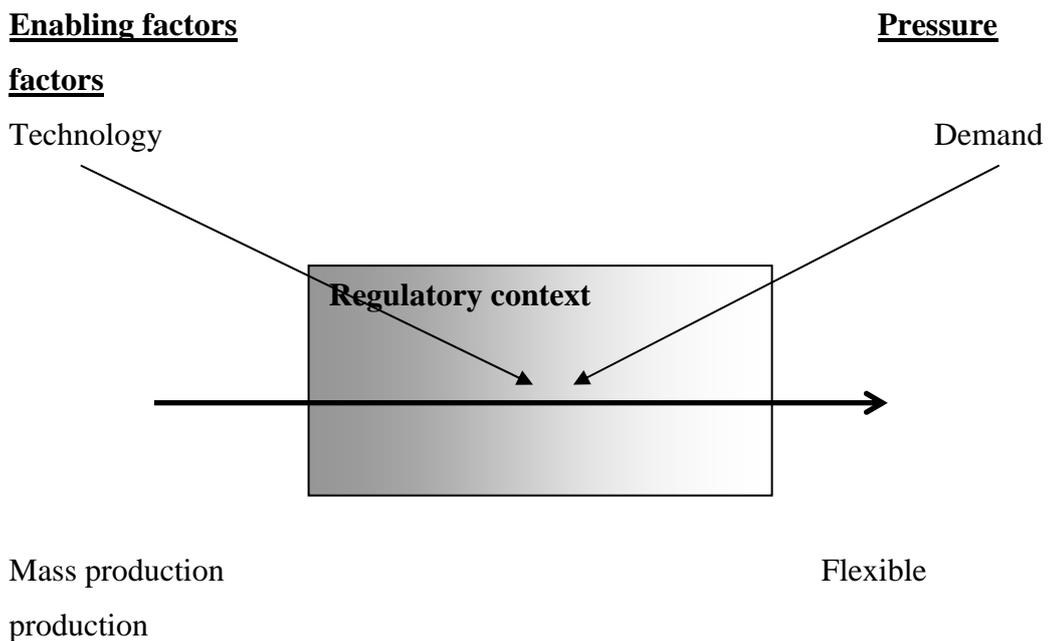


Fig. 2.2: The transformation from Fordism to post-Fordism.

2.3 Key elements in the evolution of the travel agent sector

Reid (2003) notes that tourism has traditionally been analysed in a reductionist manner – purely as a function of supply and demand. There have been relatively few attempts to view the development of tourism as an exchange of information (Macy, 1991).

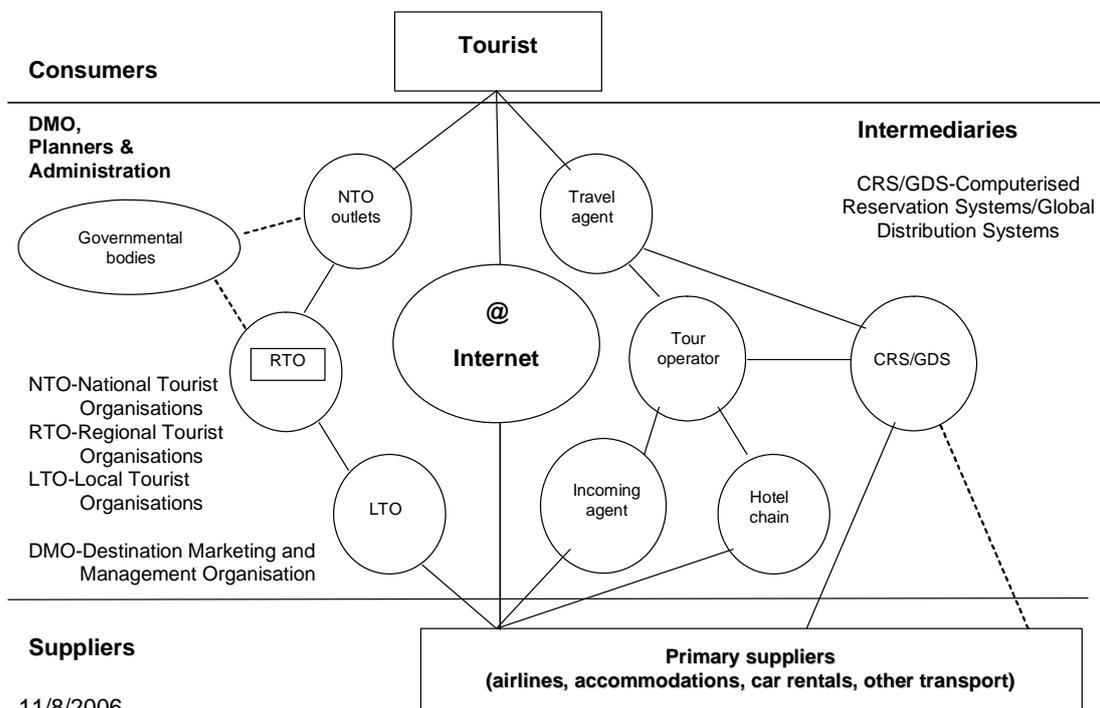
Analysis of the TA sector evolution requires consideration of the following core elements: (1) technology; (2) emergence of the new tourist; and (3) the regulatory context.

2.3.1 Impact of ICTs on the tourism industry

Developments in ICT have revolutionised both economies and enterprises. ICTs are defined as:

The collective term given to the most recent developments in the mode (electronic) and the mechanisms (computers and communication technologies) used for the acquisition, processing analysis, storage, retrieval, dissemination and application of information (Poon,1993, p. 127).

Tourism is an information-intensive industry (Buhalis, 1999). For each traveller there are numerous messages and pieces of information to be exchanged –



itineraries, schedules, payment data, destination and product details, and passenger information. Fast, efficient exchange of information between the industry is essential for efficient distribution, sales and customer service (Fig. 2.3).

Fig. 2.3: Tourism information flows (*Source:* Werthner & Klein, 1999, p. 8).

This information dependence has placed the industry at the forefront of ICT adoption (Alford, 2000; Buhalis, 2000b, 2003, 2004; Mason & Milne, 2002). In the 1980s, there was a dramatic change in the tourism industry with the introduction of central reservation systems. These systems increased the power of the airlines in the distribution channel and dramatically altered the balance of power in the wholesale travel market (Poon, 1993). The internet and e-commerce was the next major wave of technological change that influenced the industry.

Tourism and travel industries have been deeply affected by ICT developments, with the impact most marked in the way organisations have distributed their tourism products in the marketplace (Poon, 1993; Buhalis, 2000a,b; Porter, 2001; Sheldon, 2000, Gillie, 2005). Traditionally, the travel distribution role has been performed by outbound travel agencies, tour operators (TOs) and inbound TAs or handling agencies (Fig. 2.3; Buhalis & Laws, 2001). These groups have been supported by computerised reservation systems (CRS), global distribution systems (GDS), or tour operators' videotext systems (Karcher, 1997; Bordat, 1999). In addition, tour operators have used teletext to display late deals and special offers directly to consumers' TVs. These traditional electronic intermediaries, particularly GDS, progressively consolidated their position into four major systems, namely Sabre, Amadeus, Galileo and Worldspan (Karcher, 1996; WTO, 1995 a,b). This consideration was due to the predominance of the big four as the largest existing repositories of travel stock information, with backing from the travel suppliers that created and funded them.

The internet and e-commerce developments in the late 1990s and their adoption by tourism for business-to-business (B2B) and business-to-consumer (B2C) applications rapidly changed the situation (Buhalis, 1998; O'Connor, 1999). The development of the internet as a universal and interactive means of

communication, together with a parallel change in consumer behaviour and attitudes, has shifted the traditional way tourism and travel products are distributed (O'Connor & Frew, 2004).

Increasingly, consumers are undertaking their entire tourism product information searching and booking on-line, which has resulted in changes in the role of intermediaries. The internet is widely used as a means to deliver up-to-date content, and has given rise to a wide range of new tourism 'eMediaries' (VillaDirect, 2006). Tourism suppliers (particularly airlines, car rental firms and hotel chains) have taken advantage of the new opportunities offered and have developed e-commerce applications by allowing users to directly access their reservation systems. This includes single supplier providers such as British Airways (britishairways.com), Marriott Hotels (marriot.com), Avis (avis.com), and multisupplier web pages that support airlines (opodo.com; orbitz.com). In addition, destinations have developed management systems to distribute their smaller properties and present the destination as a holistic entity (tiscover.com; holland.com). A number of web-based TAs have also emerged (e.g. Expedia.com, ebookers.com, Travelocity.com), and some off-line agencies have developed on-line provision (thomascook.com; lunnpoly.com). Moreover, internet portals (Yahoo, Altavista, Excite) and vertical portals (or vortals – web site portals that provide information and resources for a particular industry) have also developed on-line travel distribution systems, often by sourcing their content from external on-line agents and suppliers (ski.com; golfonline.com; tennis.com).

Media companies such as newspapers (travel.telegraph.co.uk) and television networks (cnn.com/travel) have integrated their off-line sites with on-line provision and expanded them to include e-commerce capabilities, and 'last minute' on-line agencies have emerged to enable distressed inventory to be distributed efficiently (lastminute.com). Priceline.com and others reversed the usual pricing method and allowed passengers to search for suppliers that would be prepared to serve them for the amount of money they specified. Finally, a number of sites (QXL.com; ebay.com) have specialised in the sale of distressed stock through auctions.

Effective use of ICT is pivotal in the tourism industry. Commentators have noted that “A whole system of ICT is being rapidly diffused throughout the tourism industry and no player can escape its impact” (Poon, 1993, p.123),

and

Unlike durable goods, intangible tourism services cannot be physically displayed or inspected at the point of sale before purchasing. They are bought before the time of their use and away from the place of consumption. Hence they depend exclusively upon representation and descriptions, provided by the travel trade for their ability to attract consumers. Timely and accurate information, relevant to consumers needs, is often the key to satisfaction of tourist demand. Therefore, ICT provide the information backbone that facilitates tourism (Buhalis, 1998, p. 411).

The cyberspace travel market is characterised by steady growth in different countries. The overall US travel market decreased by 8% in 2001 and by 4% in 2002, but the on-line travel market increased by 45% from \$18.6 billion in 2001 to \$27 billion in 2002 (Marcussen, 2003). On-line sales accounted for 14.4% of the market in 2002. , of America’s massive shift to online travel is being repeated in other parts of the world. Online services have yet to take off in the huge Asian market. Global internet users are expected to reach 1.4 billion, of which 65% are to be located in Asia, by 2009, according to Yahoo! Southeast Asia at the Travel Distribution Summit Asia 2006 (European Travel Commission - New Media Review, 2006). Yahoo! Southeast Asia believe that Asia Pacific is expected to account for 423 million internet users, excluding China, of the total 1 billion base at the end 2006. In Europe online services are growing rapidly (Economist.com, 2005). In 2005, the number of visitors to travel websites in America grew by 12.7%. This compares with an increase of almost 30% in the number of visitors to British websites.

The wider availability of e-tickets should speed the development of online travel everywhere. It will spread even faster once paperless tickets become more widely accepted for so-called ‘interline agreements’, in which a ticket issued by one carrier is valid on another carrier for part of the journey (Economist. com, 2005).

At presents the members of IATA print 300million interline tickets a year. It is expected that all airlines will switch to e-ticketing by 2007.

A shift from direct suppliers to on-line agents has occurred in the US. From 2000 to 2002, there was a shift of 7 percentage points from air tickets to non-air (mostly hotels) in the US on-line travel market. Even so, in 2002, air tickets accounted for 66% of the US on-line travel market, hotels for 22%, car rentals for 9%, and cruises, trains and bus services for 3%. In Europe, on-line travel sales increased by 44% from 2002 to 2003 and reached EUR 11.7 billion in 2003, or 5.4% of the total market (Marcussen, 2004). A further increase of about 27% to around EUR 14.9 billion was expected in 2004, and by 2006 it was estimated that on-line sales reach EUR 20.5 billion or 8.6% of the Western European travel market (Economist.com, 2005).

There are, of course, variations between countries, with the UK accounting for 39% of the European on-line travel market in 2003 followed by Germany in second place at 23%. In 2003, Germany had the fastest growing on-line travel market in Europe; the breakdown by type of service was: air travel 57.3%, hotels 14.4%, package tours 16.5%, rail 8.4%, rental cars 2.1%, and other services 1.5% (Marcussen, 2004).

Different sectors of the tourism industry are characterised by different levels of ICT adoption. Airlines realised fairly early the need for efficient, quick, inexpensive systems. In 1962, American Airlines introduced its Sabre Computerised Reservation System (CRS), a project that was described as a technical marvel (French, 1998; O'Connor, 1999). Subsequently, the CRS expanded rapidly into a gigantic computerised network. In the 1990s, CRS evolved into Global Distribution Systems (GDS) which offered a wide range of tourism products and provided a mechanism for communication between principals and travel agencies. GDSs effectively became travel supermarkets offering information and reservation capabilities for the entire range of travel products, including accommodation, car rentals and schedules for non-air transport. GDSs are at the heart of airline operational and strategic agendas as they control and distribute the vast majority of airline seats (Buhalis, 2004).

The development of the world wide web (www) in the late 1990s provided both a challenge and an opportunity for airlines (American Airlines, 2000; French, 1998; Smith & Jenner, 1998; Buhalis, 2000a,b). By 1998, most airlines already had web sites, which not only informed consumers but also enabled itinerary building, fare construction, and reservations. In turn, this enabled interactivity with consumers and the development of relationship marketing strategies. It also assisted airlines in launching another communication and purchasing channel to reduce the power and costs of conventional intermediaries.

The internet has now become a dominant force in today's tourism environment (Goldsmith & Litvin, 1999; Wen, 1999; Park & Sohn, 2000; Naden, 2000b; eTurbo Industry Review, 2006b). The internet has in fact revolutionised the airline business. According to Jupiter Research, on-line booking revenue is forecast to rise to over 11% of the total in Europe by 2008, up from just over 4% in 2003 (New Zealand Herald, 2004).

Travel agencies have always played a key role in the outsourcing of airline sales. In the US, the passing of the Airline Deregulation Act of 1978, accompanied by liberalisation of many of the bilateral aviation agreements between the US and other countries during the 1980s, brought about more competition and increasingly complex fare structures (Tretheway & Oum, 1992). Both of these changes favoured the use of TAs by prospective passengers. In 1976, 40% of airline tickets issued in the US were written by TAs, and by 1985, this proportion had increased to more than 80% (Tretheway & Oum, 1992).

Moves to cap commissions paid to TAs in the last decade were an attempt by airlines to control what had been one of the fastest growing cost items for the major carriers. In the early 1990s, commissions represented the fourth largest operating expense for US carriers after labour, fuel and maintenance (Gunther, 1996; Atkinson, 2001b). In 2001, airline commissions to TAs accounted for \$3.4 billion of a total operating cost of \$91 billion for nine major airlines in the US (De

Lollis & Adams, 2002). Initially, airlines in the US and later elsewhere in the world reduced their commission rates significantly (i.e. from 10-12% to 7%) and introduced "commission capping" (e.g. \$10 per ticket). At the same time, the launch of dynamic internet sites by airlines, hotels and other suppliers (who are increasingly willing to offer flexible/realistic prices and discounts for direct bookings) challenged one of the core benefits offered by travel agencies – price.

The commission reduction trend intensified with the increasing financial uncertainty of many airlines due to harsh global competition and the ongoing ripple effects of the events of September 11, 2001 (Economist, 2002). An increasing number of corporations developed their own travel policies, and around 50% of businesses travellers were subject to some form of policy laid down by the company for whom they worked (Mason, 2001). Such corporations sought to reduce their travel costs by striking direct deals with the airlines.

Airlines can utilise many channels to sell their tickets (Fig. 2.4). They are able to sell directly to corporations through their sales offices, call centres, and web sites, while indirect channels open to them include traditional TAs, on-line TAs such as Travelocity, Expedia, Priceline.com and Lastminute.com, on-line portals such as Orbitz in the US, Opodo in Europe, and Zuji in Asia, and tour operators and consolidators. These indirect channels are backed up by GDSs. Previously, up to 75% of airline tickets in the US were sold through conventional TAs, commissions for which rose from 4.3% of total operating costs in 1978 to 10.9% in 1993 (De Lollis & Adams, 2002; Levere, 2000). In February 1995, several US carriers including American, Continental, Delta Air Lines, Northwest and United Airlines capped TAs' commissions for domestic travel at \$25 for one-way trips and \$50 for return trips. In response, the American Society of Travel Agents (ASTA) took a number of airlines to court in September 1996 claiming that they had broken US competition laws by acting in collusion. However, the capping stayed in place.

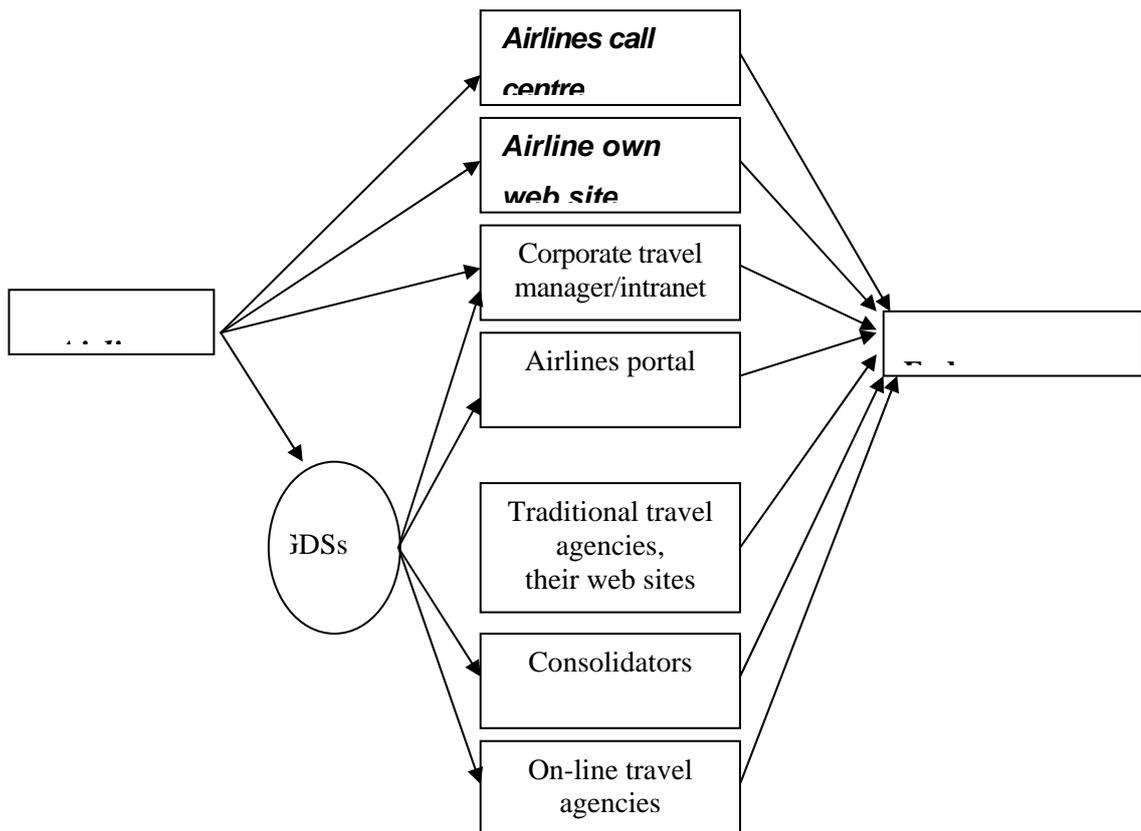


Fig. 2.4: Airline distribution channels (*Source:* Alamdari, 2002, p. 340).

In late 1999, most major US carriers slashed TA commission rates from 8% to 5%; this occurred at a time when TA groups were complaining about airlines' efforts to steer customers towards internet bookings. US carriers now pay a 5% commission on both domestic and international tickets; commissions on roundtrip domestic tickets are capped at \$50 while those on roundtrip international tickets are capped at \$100. Consequently, commission expenses have declined, falling to under 5% of total costs from their peak in the early 1990. Southwest Airlines, the only US major airline at the time that continued to pay TAs a full 10% commission with no caps, announced in December 2000 that it would reduce agent commissions as from 1 January 2001. Under a new commitment with ASTA, Southwest has agreed to pay an 8% commission on all ticketless transactions issued by traditional TAs, and a 5% commission on all paper ticket

transactions. A cap of \$30 for one-way trips and \$60 for roundtrips will apply to both commission levels (Alamdari, 2002).

In Europe, large European carriers began in 1998 to lower agent commissions from 9% to around 7% for international routes and as low as 4% for domestic routes. Major European carriers also announced that in other European markets, they would follow the commission policy of the home carrier. This was because they are the dominant carrier in the home market, but in other European markets, they cannot exercise much leverage with agents since their market share is limited. British Airways was the first European carrier to reduce commission fees to agents in 1998, and eventually introduced a flat fee policy in April 2001. KLM also replaced their 7% commission rates with a fixed service fee of NLG 22 per ticket in January 2001. In Germany, Lufthansa introduced a flat fee on 1 January 2002; between EU8 and EU150 per sector booking is paid, depending on the class of travel and destination (Alamdari, 2002).

Airlines are also increasingly dealing directly with corporate customers and bypassing agencies entirely. For example, the US airline, Continental, which derives over 50% of its revenues from business travellers, has established net fares for its corporate customers. Such fares, which are widespread in the US, involve major discounts on published tariffs paid directly to the corporate customer. In these arrangements, carriers bypass the corporation's agency, paying it no commission. The agency is then left to derive its income from the travel management services fees it charges the corporation (Alamdari, 2002).

There has been a steady increase in internet-generated bookings among US and European low-cost carriers. The majority of low-cost carriers' on-line sales are via their own web sites, whereas on-line sales by the large schedule carriers are through their own web sites and on-line travel agents such as Travelocity, Expedia and Priceline.com. For example, 50% of Delta Air Lines' on-line bookings are done via the airline's web site and the rest by on-line travel agencies (TravelMole, 2003 a,b).

To reduce the cost of distribution and increase on-line sales, United Airlines, American Airlines, Delta Air Lines, Northwest and Continental Airlines in the US have invested in a multi-airline travel portal, Orbitz, and some 30 airlines have become charter associates of this portal. The GDS behind Orbitz is Worldspan, with which the company has an agreement to rebate member carriers one-third of the usual GDS booking fee. All other carriers can have their information displayed on Orbitz, but must pay the full GDS fee. In Europe, the same policy has been adopted by British Airways, Air France, Lufthansa, Alitalia, KLM, Iberia, SAS, Aer Lingus, Austrian Airlines, British Midland and Finnair with the launch a European on-line portal called Opodo (Alamdari, 2002).

In the Asia-Pacific market, which is the fastest growing air transport region of the world, changes have also been significant but not as dramatic as in the US and Europe (Law & Leung, 2000, 2002). In 2002, a survey of a number of Asia-Pacific carriers (Cathay Pacific, Japan Airlines, Air Macau, Malaysia Airlines, China Airlines, EVA Airways, Thai Airways) was undertaken to compare the trends in TA-airline relationships in the Asian market with those in European and American markets (Alamdari, 2002). All respondents indicated that above 80% of their companies' ticket sales were made through TAs. New electronic channels, in contrast, accounted for only a relatively small share.

Although the results of the research by Alamdari (2002) showed that a high percentage of Asian carriers were using the internet as a ticket selling channel, only United Airlines and Japan Airlines had an on-line booking function in their web sites. The other carriers generally offered promotional pricing information, on-line ticket auctions, or on-line special purchasing over the internet, but booking and ticketing were still made through TAs or airline reservation staff. Ticketless travel, mainly for domestic flights, has been in use in the Asia-Pacific market for years, but only Malaysia Airlines had set up automatic teller machines (ATMs) for ticketless travellers at selected locations.

The majority of Asia-Pacific carriers maintain relationships with TAs by offering different types of compensation, including base commissions, over-riding commissions, and consolidator overrides. Among eight responding carriers, seven

provided base commissions, normally 7% to 9% of the ticket price (Alamdari, 2002). Air Macau did not offer base commissions because the airline applied the 'Net Fare' system to all fare types without granting the issuing agents a certain level of commission. Although the majority of carriers identified the threat of ever-increasing agent commissions and had gradually established more direct selling channels, except for a few foreign and Japanese carriers, they were still hesitant to move towards commission reduction. The reasons they had not followed US and European carriers were: greater reliance on TAs, not wanting to jeopardise the relationships with TAs, and immature direct selling channels.

Clearly, those carriers whose home markets had a higher percentage of internet usage were more likely to establish new channels than others. This suggests that there will be a varied, inconsistent pace of uptake of new technology by Asia-Pacific carriers due to variable internet penetration in the region (Alamdari, 2002).

Following the trends in the US and Europe, the majority of Asia-Pacific airlines initially confined direct selling channels to their domestic market. As indicated by Negline (2000), a lot of business traffic in Asia is not point-to point, but rather triangular in nature. Often, therefore, more than one airline is involved in travel bookings, which complicates the ability of a single airline to build an effective on-line sales presence in the region.

Global alliance groupings have, however, accelerated the pace at which Asia-Pacific airlines are establishing new distribution channels. Asian carriers that are members of global alliance groupings were keen to develop consistent levels of services with their US and European alliance co-members to minimise inconveniences for travellers taking code-share or inter-airline flights. Recently, several of the region's carriers announced that they were joining forces to launch an on-line travel exchange, i.e. Air New Zealand, Asiana, Cathay Pacific, China Airlines, Malaysia Airlines, Qantas, Royal Brunei Airlines, and Singapore Airlines. This joint venture will be operated and governed as a new business entity separate from each of the airlines, and run by an independent management team.

In Singapore, Singapore Airlines removed commissions altogether for published fares in October 1999 and introduced documentation fees for agents when they issued a published fare ticket. In September 2000, they introduced net fare ticketing, meaning that the actual fare is printed on the ticket. Therefore, passengers get to know the cost of the ticket and hence the mark-up applied by TAs.

Cathay Pacific also reduced the commission it pays to agents in Hong Kong – who generate over 30% of its bookings – from 9% to 7%. Likewise, Japan Airlines announced at the beginning of 2001 that it intended reducing commissions on ticket sales from 9% to 7% and paying a 5% commission for domestic travel within Japan.

On-line travel agencies are also moving into Asian markets. Travelocity, one of the two leading on-line agencies in Canada, Europe and the US, is reported to be establishing an on-line distribution system in Asia (Kirby, 2001).

Overall, it would appear that establishment of new distribution channels by airlines in the Asia-Pacific region is following recent trends elsewhere but will be more like that in Europe than in the US (Table 2.1).

Table 2.1: Comparison of airline market features by region (*Source: Alamdari, 2002, p. 347*)

Feature	Region		
	Europe	Asia-Pacific	United States
Airlines' attitude towards direct selling	Relatively conservative	Relatively conservative	Relatively aggressive
Consumers' attitude towards direct selling	Relatively conservative	Relatively conservative	Relatively aggressive
Markets	Heterogeneous	Heterogeneous	Homogeneous
Internet penetration	Medium	Low	High
Travel agency industry	Semi-consolidated	Fragmented	Consolidated

2.3.2 Types of ICTs used by travel agencies

ICTs offer a wide range of tools for travel agencies by providing a mechanism for information exchange and tourism product distribution. ICTs enable agencies to build complicated itineraries in minutes, and to access up-to-date data on schedules, prices and availability. The proliferation of CRS and GDS has also provided an effective reservation mechanism that supports the ability of travel agencies to obtain information, make reservations, and issue travel documents for the entire range of tourism products efficiently and at a fraction of the time required if these processes were undertaken manually (Wardell, 1998; Vasudavan & Standing, 1999).

Most travel agencies in the developed world rely on some kind of a reservation system, mainly through GDSs such as Sabre and Galileo which enable them to check the availability of and make reservations for tourism products (Buhalis, 1999; Vasudavan & Standing, 1999). CRS/GDS terminals allow travel agencies to access an integrated wealth of information about airline schedules, hotel chains, car rentals, and a variety of ancillary services. While business travel agencies tend

to use terminals that give them access to search efficient GDSs, leisure travel agencies more commonly use videotext systems. Paradoxically, smaller and independent travel agencies tend to subscribe to more reservation systems, and thus increase their overheads (Buhalis, 2000a,b). This can be explained by the fact that smaller agencies in the UK offer a wider range of tourism principals and information. Hence, they need access to more networks to provide a more comprehensive and personalised service for their clients than larger franchises which tend to concentrate on mass and standardised markets.

It has been argued by some authors that despite using ICTs for some years, the vast majority of travel agencies have not yet managed to take full advantage of their capabilities (Buhalis, 1999, 2000b; O'Brien, 2000; Pearce & Schott, 2005; Cheyne, Downes & Legg, 2006). This results from a certain lack of strategic vision in ICT usage, as well as reluctance to invest in new technology (Buhalis, 1999). Low profit margins and a traditional reluctance to invest in assets have deprived agencies of a wide range of critical tools that have prevented them from utilising emerging ICTs optimally. This has led to a relatively low level of technology integration, and thus less information is available to support strategic and tactical decision-making. In addition, it has resulted in a low level of management and operational integration, which does not allow TAs to capitalise on information for efficient operations, integrated customer service, and development of partnerships with suppliers and institutional buyers (Buhalis, 1999, 2000b).

The internet has introduced a number of challenges for travel agencies. Agents need to provide added value when servicing consumers who have access to the same information. In addition, traditional travel agencies need to compete with several ICT-based newcomers such as Expedia, Travelocity, Orbitz and the Internet Tourism Network, which enable consumers to have access to information and make on-line bookings (O'Connor, 1999; Buhalis, 1999, 2000b; Modahl, 2000; Clarkson, 2006a,b,c). TAs often overlook the opportunities that emerge from the internet and from extranet and intranet systems, and thus fail to improve their communication with consumers and take advantage of the synergies (Buhalis, 2000b). Expedia managed to develop its position to become one of the

top 25 US travel agencies in less than three years from its establishment (Buhalis, 2000b). This clearly demonstrates that agencies will be increasingly challenged by innovative organisations and that unless they take action, they will be losing significant market share. In addition, the launch of dynamic internet sites by airlines, hotels and other suppliers who are increasingly willing to offer flexible/realistic prices as well as discounts for direct bookings, will also challenge agencies on price and force them to alter their price structures to remain profitable. As a result, travel agencies began charging their customers in the late 1990s (Buhalis, 2000b).

The high dependence of travel agencies on information and communication to perform their role, together with limited ICT adoption, places traditional agencies in an extremely vulnerable position. A threat of disintermediation has therefore emerged, which is propelled by several factors:

- **THE INCREASING PROPORTION OF CONSUMERS WHO ARE COMPUTER LITERATE SETTING UP INTERNET CONNECTIONS AND SEARCHING FOR AND AMALGAMATING TOURISM PRODUCTS THEMSELVES**
- **CONSUMER DEMAND THAT EMPHASISES PERSONALISED TOURISM PRODUCTS, FLEXIBILITY AND INSTANT GRATIFICATION**
- **TOURISM PRINCIPALS AND SUPPLIERS WHO ARE ANXIOUS TO CONTROL DISTRIBUTION COSTS AND IMPROVE THEIR COMMUNICATION CAPABILITY ATTEMPTING TO BYPASS TRAVEL AGENCIES**
- Principals using a wide range of consumer incentives through relationship marketing, aiming to establish a direct partnership with consumers
- Competition in the travel industry in the last decade, which has prompted agencies to reduce salaries paid to staff; this has led to employment of

inadequately trained staff which minimises the value-added component in their tourism product

- Agencies reducing their services to booking offices rather than travel consultants, such that consumers are becoming increasingly more knowledgeable than staff members
- The emergence of new players from other industries in the marketplace (e.g. Expedia) taking advantage of the entire range of new technologies (Poon, 1993; Richards, 1995).

2.3.3 Emergence of the ‘new consumer’

It has been argued by many commentators that the emergence of a “new consumer” is an integral part of the evolution of tourism (Poon, 2001; Dilts & Prough, 2001). Tourism is now widely acknowledged to be a social phenomenon that reflects the nature of society in most developed countries where the dominant form of employment is in service and consumer industries (Page, 2003; Yeoman, Munro & McMahon-Beattie, 2006). In many countries, the amount of leisure time and paid holiday entitlement for workers has increased since World War II, so that workers now have the opportunity to engage in new forms of consumption such as tourism. These changes have been described as part of the “leisure society”, a term coined in the 1970s by sociologists who examined the future of work and the ways in which society was changing as traditional forms of employment were disappearing and new service-related employment, increased leisure time, and new working habits (such as flexitime and part-time work) emerged. Some commentators in the 1980s described this as “leisure shock”, as many workers were still not prepared for the rise in leisure time or how best to use it.

As society passed from the stage of industrialisation to one now described as post-industrial, where new technologies and ways of communicating and working evolved, sociologists such as Baudrillard (1998) argued that we have moved from a society where work and production predominated, to one where leisure and consumption are now dominant. This has been reflected in social changes, such as

the rise in many developed countries of the new middle class with a notable feature – a concern with leisure lifestyle and consumption. The new-found wealth of the growing middle class has been reflected in increased spending on leisure items and tourism.

The European Commission has argued, for example, that tourism enterprises should be aware of the changing expectations of consumers:

Consumers are much more affluent and mature and expect more individualised product offerings. This need to feel different must be translated by all enterprises and will determine whether or not the company remains successful (Masschelein & Buyten, 2002, p. 12).

The key elements of the new consumer demand are presented in Figure. 2.5.

CONSUMER DEMAND: NEW TOURISM

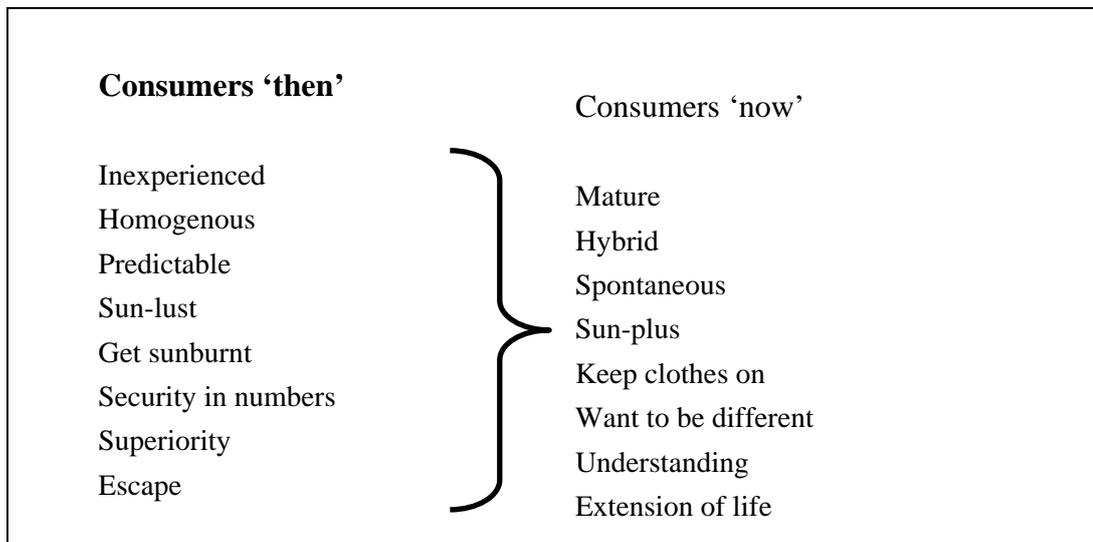


Fig. 2.5: Consumers: discerning and demanding (*Source:* adapted by Masschelein & Buyten, 2002, from Poon, 2001).

'New tourism' is characterised by super-segmentation of demand, there is a need for flexibility of supply and distribution (Fayos-Sola, 1996). The super-segmentation of demand requires an in-depth knowledge of the market to identify

clusters of consumer traits and needs. Knowledge of these clusters will enable tourism enterprises to develop products that will give a greater competitive edge and to bring them to the market. One way of obtaining a competitive advantage, which has often been referred to in the last decade, is to give customers superior value (Woodruff, 1997). This enhances customer satisfaction, a factor of increasing importance in the more competitive electronic markets. Consequently, tourism businesses are among the most service-orientated businesses in the world.

Satisfying or meeting customers' needs and expectations has never been as important for TAs as it is today. The main reason to maximise service delivery is increased pressure from competitors. As noted by Bennett: "The key to the future undoubtedly lies in the level of service they can provide to consumers" (Bennet, 1993, p.263).

Tourism is a dynamic system that must respond quickly to significant environmental changes. Such changes are often characterised by flexible configurations and rapidly changing consumer behaviour. Some of the changes reported in the tourism industry have been major ones: tourists wish to have more frequent but shorter trips, they want to make last-minute reservations, receive global advice and improved service quality, and be able to travel independently (Law, Law & Wai, 2001). Other changes in the travel market have been introduced by ICTs which have had an impact not only on suppliers, but also on consumers. A new more knowledgeable and sophisticated consumer is emerging who is familiar and comfortable with new technologies such as the internet, interactive digital television, and mobile phone services or m-commerce (O'Brien, 1999; Buhalis & Licata, 2002).

Travellers are also increasingly gathering recreational service information themselves, forming their own customised holiday packages, and making their own bookings. Inevitably, this leads to elimination of the non-value-added segments of the tourist service system. Therefore, changes in market conditions and in tourists' behaviours have created a gap between service suppliers and the volatile demand side of the industry.

A shift to the consumer is a key strategy recommended for TAs by many authors (Buhalis 2000a; Buhalis & Ujma, 2006; O'Brien, 1999; Tse, 2003; Pearce & Schott, 2005; Cheyne, Downes & Legg, 2006). It is argued that for a sustainable competitive advantage, TAs have to become a consumer representative rather than a principal retailer. Goldsmith & Litvin (1999) claim that more than ever, it is important that TAs recognise the need for identifying and maintaining their clientele. To succeed, TAs need to identify what customers value, and what they really expect from TAs in the modern ICT era. There is evidence that basic research of the business environment positively influences businesses, including small and medium travel agencies (Thomas, 1993). However, research by Yaman and Shaw (2002) showed that small TAs in Australia generally believe that enough research has been conducted by airlines/wholesalers to determine customer needs.

The pressure of direct internet bookings is posing a serious threat to traditional travel agencies. In the US, a Travel Delta Center Survey found that about 5% of family travellers believe that it would cost them more to use a TA than buy on-line (Green, 1996). It was also asserted that families in the US were beginning to book their own travel instead of using a TA because they did not trust TAs (Green, 1996). Agencies are therefore under substantial pressure at the present time to review and redefine their roles, as their basic *raison d'être* is being questioned, particularly in view of the opportunities provided by new technologies for travellers to deal more directly with tourism product suppliers. The research agenda for TAs should therefore be focused on consumers, ICT adoption by consumers, consumer behaviour patterns in cyberspace, and consumer attitudes towards middlemen.

Numerous surveys on consumer ICT adoption, patterns of internet usage, and on-line buying patterns have been conducted (AC Nielsen New Zealand, 2000). These studies have focused on the demographics, psychographics and technographic profiles of consumers. Recently, there have been dramatic advances in mobile data technologies that allow services to be delivered to a device such as a mobile phone or palm computer (O'Brien, 2002). Consumer adoption of the digital lifestyle differs from country to country (Morrisette, Gazala, Green,

Reitsma & Metzger, 1999). The USA is pioneering cyberspace adoption and has the highest percentage of the population with an internet connection (NUA Internet Surveys, 2001; UNDP, 2001). Thus, the travel market is affected not just by the initiatives of principals, but also by high levels of ICT adoption by consumers. Increasingly, sophisticated and price conscious consumers have combined with forces of globalisation and electronic commerce to create new challenges for TAs (Dean, Morgan & Tan, 2002).

In 2003, the Travel Industry Association of America (TIA) reported that more than 64 million Americans – 67% of internet users who travel – used the internet to obtain information on destinations or to check prices or schedules, resulting in 42.2 million actually booking their travel arrangements on-line – an 8% increase in comparison with 2002. Furthermore, 29% of on-line bookers made all their travel arrangements on-line in 2003, compared with 23% the year before. According to traffic measurements by Hitwise, the road for US travel buyers often led to Expedia during December 2003. Analysis of visits to travel agency and business web sites that provide planning and organisational services for holidays and travel, showed that most visitors who accessed the sites were female (more than 55%) and most did so from home (around 68%). Nearly 40% had annual household incomes above US\$75,000 (Greenspan, 2004c).

According to an April 2003 survey of more than 1000 individuals in the US by My AvantGo, 52% purchased more than half of their travel needs on-line, and 29% indicated that they made all their travel arrangements on the internet. Of those that made on-line travel purchases, nearly three-quarters (72%) bought airline tickets, more than two-thirds (66%) booked a hotel room, and half secured a rental car (Greenspan, 2003a).

In Europe, a survey carried out by the computer company IBM and the intelligence unit of the British magazine 'The Economist' indicated that four Nordic countries (Denmark, Sweden, Norway, Finland) and the UK were the most frequent users of the internet (Economist.com, 2005).

Jupiter Research has predicted that the internet will influence 34% of all US retail spending by 2007. Jupiter expects on-line retail revenue to reach US\$105 billion by 2007, accounting for 5% of all US retail spending (Greenspan, 2003b). The Findings of an AOL/RoperASW study conducted in March 2003 indicated that 73% of European on-line consumers regularly or occasionally use the internet to gather information about products to buy. In comparison, 77% of US internet users gathered information about products to buy, and 60% made on-line purchases. European on-line consumers who purchased products reported that the internet is their first resource for gathering information before making a product purchase in 12 of the 18 categories surveyed, beating all forms of traditional media, including television, radio, newspapers and magazines (Greenspan, 2003b).

According to the TIA, the number of people using the internet for travel research in the US increased from 3 million to over 50 million in the period from 1996 to 1999. By 2003, more than 60% of Americans regularly accessed the internet, while approximately 35% used the internet to research travel. In 2005, 54% of consumers start travel planning and booking with an online travel agent, such as Expedia.com, Travelocity.com, or Orbitz.com (Economist.com, 2005). About one-third of America's \$200 billion travel market was booked online in 2005. Some sectors, such as airlines had 40% of their bookings coming from the internet in 2005 (Economist.com, 2005).

2.3.4 The tourism regulatory context

Governments play a pivotal role in tourism as they have the potential power to control, plan and direct the growth and development of the industry. It is widely agreed that to assist tourism development, a national policy environment is required. It has been noted that:

The planning of tourism is necessary not only for scientific purposes and to convert the environment for the benefits of residents, but also for protection of long-term investments in tourism infrastructure, attractions,

facilities, services, and marketing programs (Mowforth & Munt, 2003, p.38).

Governments shape the economic climate for the tourism industry, help provide the infrastructure and educational requirements, establish the regulatory environment in which businesses operates, and take an active role in promotion and marketing (Hall, 2003). The tendency to privatise and commercialise functions that were once performed by government has been almost universal in Western nations since the late 1970s, and this has affected the nature of many national governments' involvement in the tourism industry (Hall, Jenkins & Kearsley, 1997a).

Public policy is the focal point of government activity. Public policy-making, including tourism policy-making, is first and foremost a political activity (Hall, 2003). Dye notes that public policy is whatever governments choose to do or not to do (Dye, 2005).

The role of the state is critical, although the degree and extent of engagement with tourism is variable among countries and over time (Anderson, Dana, & Dana, 2006). For example, tourism has had a relatively weak voice in the UK, as was evident by the government's response to the 2001 agricultural foot-and-mouth disease crisis (Shaw & Williams, 2004). This included effectively prohibiting movements into and within large areas of countryside in the economic interests of farming, but ignoring the greater weight of tourism in many rural economies. In contrast, tourism is more strongly represented in other countries, especially where it is a key element of the economy, as in Spain (Antoni & Baidal, 2003) and many smaller Caribbean islands (Wilkinson, 1997).

Shaw & Williams (2004) have listed some key roles of the state in tourism regulation, including:

- Mediating relations with the global economy by the exercising control over the movement of people, goods and capital.

- Influencing exchange rates to varying degrees. Exchange rate instability is one of the major barriers to international tourism due to the element of risk it introduces into travel planning.
- Influencing the movement of international capital, both inbound and outbound. This operates in different ways: there may be controls on, and conditions applied to, international investment and the remittance of profits. Additionally, there may be specific controls applied to particular tourism sectors, most notably the championing of national airlines by governments opposed to their foreign ownership.
- Providing a legal framework for production and consumption, which includes health and safety laws, requirements for company reporting, the application of competition law, environmental protection, and consumer protection.
- Formulating national macro-economic policies, including government expenditure and taxation, shape production and consumption.

Although there has been some withdrawal of national states from economic intervention in recent years, local and regional states continue to be economically active. Shaw & Williams (2004) have pointed out that there are a number of underlying reasons for this, including legitimating, economic rationality, and responding to local and regional political pressures and social needs.

The national state also helps to ensure the reproduction of the labour force. This involves a number of general interventions in respect of collective consumption – education, health and housing, for example. The provision of language training is of particular importance for tourism, as is the delivery of specialised tourism courses. In terms of consumption, the health treatment provided in spas is a significant form of tourism in many central European countries. Regulation of housing is therefore important in such resorts, given the prevalence of relatively low wages alongside high land and house prices.

National governments undertake social investments in response to the perceived incapacity of private capital to ensure its own reproduction, i.e. state investment in the face of market failure to effect particular investments. Many tourism products

are public goods, for which direct user fees cannot be charged. Public goods are non-excludable and non-exclusive; examples include countryside views and use of seafront promenades. Access to these cannot be gated in order to charge fees, unlike commercial theme parks or hotels.

Additionally, the national state plays a critical role in providing a climate of security and stability in tourism. The military coups in Fiji and conflicts in the former Yugoslavia in the 1990s demonstrate, in different ways, how volatile tourism demand can be in the face of risk and uncertainty, even for well-established tourism destinations. The collapse of international travel after the terrorist attack on New York on 11 September, 2001 illustrates the critical role of the state in providing security, but at the same time illustrates its limitations.

Commentators have pointed out that not only is tourism shaped by the mode of regulation, but it also contributes to this (Desforges, 2000; Busby, 2001; Anderson, McGillivray, & Giberson, 2003; Belhassen, & Santos, 2006). Holidays play an important role in reproduction of the labour force (in the sense of maintaining a fit and healthy workforce). There is a long tradition of 'work outings', dating back to the origins of modern working-class tourism in the second half of the nineteenth century, when rest, reward and 'team-building' were combined in working place day trips to the seaside (Walton, 2000).

Fayos-Sola (1996) has differentiated two stages of government involvement in tourism development that reflect the shift from the Fordist era to the new tourism era. In the Fordist era of tourism, governmental policy is characterised by the objective of stimulating increased visitor numbers, with a focus on mass tourism. The aim is to increase the number of visitors and to maximise total tourism revenues, which would contribute to the stability of the balance of payments, improve income levels and create employment. In a number of countries, however, tourism has not been truly integrated into economic policy. Many tourism organisations focus their strategies on a tourism communication policy, launching aggressive promotional programmes where tourism administration, acting in greater or lesser coordination with private initiatives, tries to create a market niche for the tourism destination. These types of policy focus mainly on

promotional methods and messages, and not enough on gauging and optimising the returns (Fayos-Sola, 1996).

In the early 1980s, a second generation of conceptual tourism policies emerged. In this phase, the social, economic and environmental impacts of tourism activity were, according to Fayos-Sola (1996), better understood, and legal, economic and financial instruments were used to redefine the objective of increasing the contribution of tourism to the well-being of residents. Around this time, tourism product policy began to come into its own, both in terms of quantitative growth and product development, and sectoral tourism policy was made congruent with general economic policies.

In the third generation of tourism policies, which emerged in the mid-1980s, competitiveness had become the focal point of entrepreneurial tourism strategies, and the aim of tourism policies had begun to be redefined as creating and maintaining a framework favourable for entrepreneurial competitiveness (Fig. 2.6).

During this phase, Fayos-Sola (1996) pointed out that tourism policy methods changed (Fig. 2.7). This commentator noted that the growth of tourism activity gave rise to a qualitative transformation of the markets (Fayos-Sola, 1996). Standardised tourism products designed for a homogenous demand – mass tourism – were being replaced by a new ‘entrepreneurial’ paradigm. This entrepreneurial paradigm responded to the super-segmentation of demand, the greater flexibility of supply, distribution and consumption, and the search for new sources of profitability in system economies and integrated values. In this context, the focus of the objectives and instruments of tourism policy progressively shift from the simple maximisation of visitors and tourism receipts to the creation of conditions for competitiveness of tourism enterprises and regions. There is also a shift from the primary use of promotional instruments to the application of specific models of tourism competitiveness that require the use of total quality management and process re-engineering methods.

Tourism policy objectives

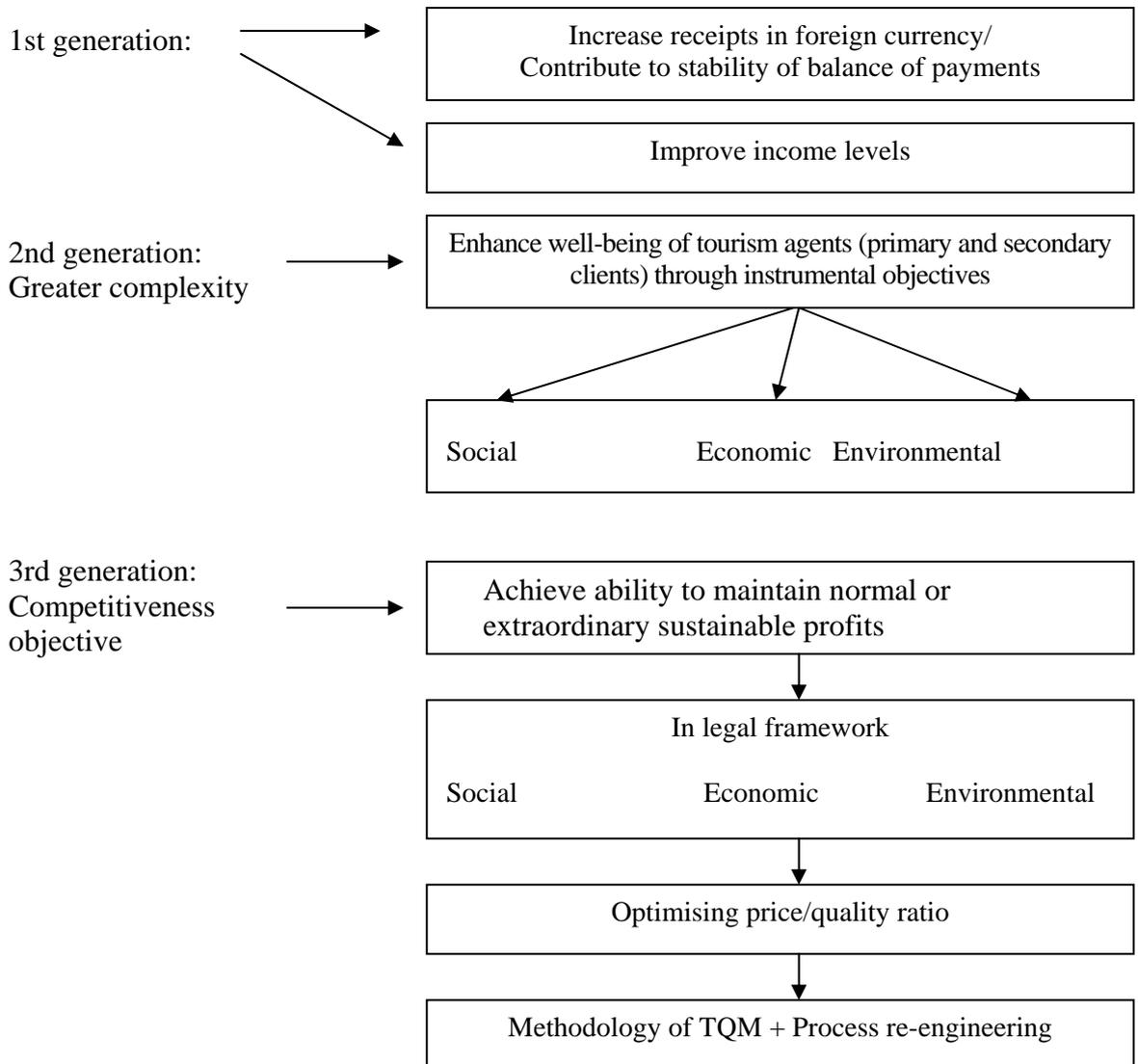


Fig. 2.6: Development of tourism policy objectives (Source: Fayos-Sola, 1996, p. 409).

Development of Tourism Policy Means

First generation → Investment in tourism communication

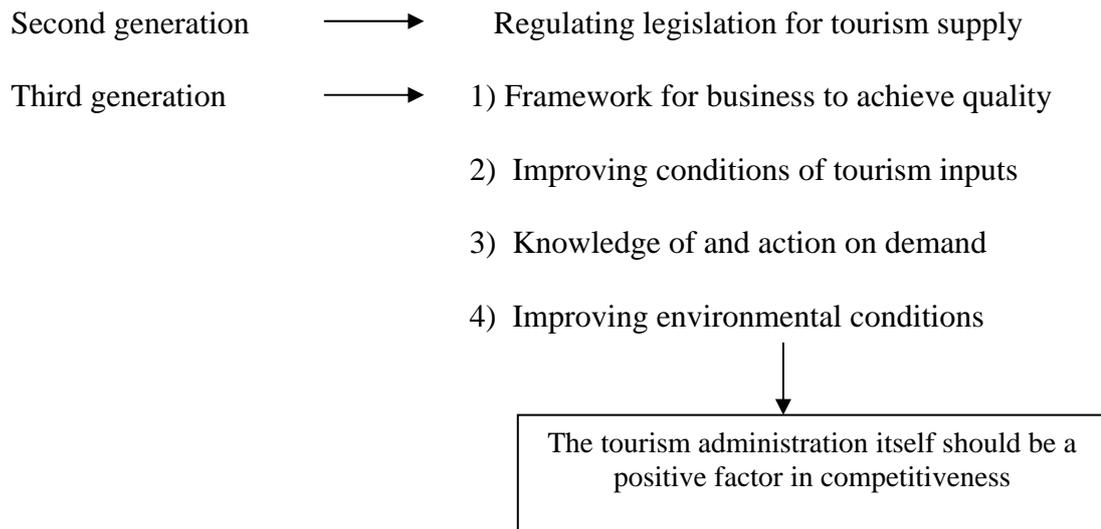


Fig. 2.7: Development of tourism policy methods (*Source:* Fayos-Sola, 1996, p. 409).

Fayos-Sola (1996) has argued that in the framework of new tourism, traditional concepts as to who should be responsible for executing tourism policies need to be redefined. A partnership of the private, public and voluntary sectors is necessary to develop new tourism policy programmes. In these circumstances, the role of private initiatives is incontestable, as it is difficult to envisage a competitive tourism industry in which the private sector does not play a key role. In most cases, the private sector acts as the catalyst for tourism development and as a precursor of new forms of management and production. Total quality, return on quality, and re-engineering of business have found, or are finding, a place in accommodation, catering, passenger transport, distribution and tourism entertainment enterprises. The private sector in tourism, which is to a large extent made up of small and medium-sized businesses, has risen to the technological challenges (Buhalis, 1999; Milne, Mason, Nodder, Ateljevic, Cameron & Roberts, 2004).

The increasing complexity of tourism marketing actions – in terms of market information, design and management of products, and especially promotion – has already triggered numerous joint ventures by the private and public sectors. Moreover, in various countries, the private sector participates directly at a

financial and decision-making level in the general programmes of tourism policy agencies. As it was pointed out (Jeffries, 2001; Osborne & Gaebler, 1993), the quest for profitability is the driving force of tourism enterprises; securing citizen approval and the ensuing continuity of operations is what motivates tourism administrations. The standard reasons for public intervention in the economy – to correct market imperfections and provide public goods – are perfectly applicable to tourism activity. It would be difficult to find sectors of this magnitude where external effects play such an important role, or where the provision of specific categories of information, urban infrastructures or communications has a more crucial nature.

The dramatic changes that the tourism market has undergone have prompted some countries to introduce strategy changes to establish reasonable foundations for profitable maintenance and development of their tourism sectors (Kerr, 2003). Such strategy changes have led to some traditional tourism sector policy objectives being given less importance (e.g. generating record visitor figures and tourism receipts) and to the targeting of specific new end objectives, such as making tourism enterprises and regions competitive and meeting social, economic and environmental objectives. In this context, the success of tourism enterprises and destinations not only depends on the suitable exploitation of their comparative advantages, but also on efforts made to ensure the creation of added value for given factors, i.e. competitive advantage. This competitiveness depends on both the functions of the company (research and development, training, management, production, marketing, after-sale services) and the institutional and infrastructural framework of the tourism activity.

Fayos-Sola (1996) concluded that in the era of new tourism, the focus of objectives and instruments of tourism policy have been progressively shifting from the simple maximisation of visitors and tourism receipts to the creation of conditions for competitiveness of tourism enterprises and regions, and from the primary use of promotional instruments to the application of specific models of tourism competitiveness that require use of total quality management and process re-engineering methods. The quasi-privatisation of all tourism policy programmes appears to be unsustainable.

There are some trends in the modern tourism regulation context that can be explained within the theoretical framework developed by Fayos-Sola. In 2002, the European Commission analysed the structure, performance and competitiveness of European tourism and its enterprises, focusing on the forces shaping the industry (Masschelein & Buyten, 2002). The report emphasised that there are three ways to increase the competitiveness of SMEs: quality of service, customer knowledge, and follow-up of complaints. Self-regulation procedures and legislation were defined to ensure adequate consumer safety standards, health standards, and environmental standards. It was stressed that quality is the most important enabler for customer satisfaction.

ICT is an enabling factor in the development of 'new tourism', as well as in enhancing flexibility and new product development. In every technologically advanced country today, governments have provided funding to enhance the uptake and development of business and home ICT use. Such approaches are driven by a mix of regulation and public programmes (UNDP, 2001). Governments need to establish broad technology strategies in partnership with other key stakeholders, and to identify areas where coordination makes a difference, as no single private investor will act alone (UNDP, 2001).

Smaller countries where governments join with industry to push technology benefits to consumers are, in many cases, leading the 'digital race'. For example, it was predicted that 72% of Swedes and their Nordic counterparts would own PCs and almost 60% would be on-line by 2003, whereas PC adoption figures in Germany and the UK would be lower at 36% and 35%, respectively (OECD 2000; Paraskevas, 2005). In this regard, innovation and technology were seen as critical points for the future of tourism development (OECD 2000; Williamson, 2006). In the case of tourism, examples of specific government actions include the development of information and reservation systems and electronic data interchange, business networking (e.g. CTX in Canada), and new product development (OECD, 2000).

In the US, the internet has become the major source of information used by international travellers seeking to book airline tickets, hotel rooms or rental cars. As a consequence, the US government is considering whether web sites should be regulated and whether they are indeed, as often stated, offering the lowest fares. A commission was created by Congress to investigate the price policies and practices of various airline web sites and of independent sites, such as Travelocity and Expedia, and what impact they are having on the nation's travellers and TAs (Washington Post, 2002).

There are examples of TAs using all the judicial, regulatory, and legislative means at their disposal to prevent disintermediation. For example, some have sought to limit the expansion of on-line travel services through regulatory measures. At the beginning of 2001, ASTA filed a complaint with the US Justice Department to prevent a new on-line travel company, Orbitz (which is funded by the five largest US airlines), from launching its site. ASTA argued that because airlines provide Orbitz with special last-minute, cheaper fares and exclusive access to preferred fares, Orbitz will obtain a competitive advantage (Atkinson, 2001a).

A warning to governments who seek to protect those threatened with disintermediation has been issued by Atkinson (2001a) who stated that consumers pay a minimum of \$15 billion annually more for goods and services as a result of e-commerce protectionism by middlemen. Working within the constraints and freedoms of a free market, policymakers are urged to foster innovation and enhance consumer choice, allowing the marketplace and not government legislators or policymakers to determine who will and who will not thrive in business. Social policy must seek to protect the rights of the disintermediated worker as opposed to the disintermediated industry.

2.3.5 Travel agent survival strategies

According to the Association of British Travel Agents (ABTA), the number of UK "high street" travel agencies dropped from 9097 outlets in 1999 to 8863 by the end of 2002. Over the last six years, as tour operators encourage bookings

through their own web sites, the number of people booking a holiday directly through a TA has dropped by nearly 20%. Meanwhile, the number of people booking a holiday over the internet increased from 6% in 2000 to 19% in 2002. At the same time, many suppliers have either capped commission fees or scrapped them altogether. In response, according to the 2002 ABTA/PWC Travel Agents' Benchmarking Survey, around 70% of TAs have been forced to charge service fees to secure their survival.

Growing on-line purchasing of travel products has been reported to pose a real threat to business TAs in the UK (Davies, 2004). The Barclay Company annual Travel in Business survey revealed a 49% rise in overall business travel bookings via the internet since 2000, when only 17% of business travellers booked travel on-line (Davies, 2004). According to a report by the WTO, the top 4 tourism spenders in the world, USA, Germany, Japan, and the UK – four of New Zealand's main markets – also account for 79% of global internet users (WTOBC, 2001b).

The following key themes in TA survival have emerged from the international literature (Prideaux, 2001; Palmer & McCole, 1999):

- A growing need to conduct business in cyberspace
- The importance of seeking out and fostering niche markets
- Uncertainty over what types of governmental regulations and policies should be applied (if any)
- The importance of consolidation and also of small firm networking in creating a more sustainable industry
- The growing role of infomediaries as travel information providers
- The need for agents to shift their focus to relationships with their clients rather than relationship with principals such as airlines
- Reducing dependence on transactions for income
- Implementing systems that enable cost-effective production of personalised packages tailored to customer preferences.

Some commentators have argued that the role of intermediaries will change, but not disappear, as more information and more information carrying connections become available. Palmer & McCole (1999) noted that widespread adoption of the internet may lead to a reintermediation of travel services where customers seek convenience and are willing to pay intermediaries to conduct early searches for information on travel products. Not all consumers prefer the move to self-service shopping such as internet selling and may be willing to pay a premium for person-to-person contact. Developments of this nature reflect current attitudes to service, where there is demand for speed and economy paralleled by willingness on the part of the affluent to pay for higher levels of personalised attention. Intermediaries then become facilitators in a predictably chaotic 'tourism information space' (O'Brien, 1999; Van der Bergh, 2001).

The literature indicates that if TAs are to survive, they will need to reposition themselves from transaction processors, information providers and simple resellers, to consultants, information brokers and developers of personalised products (O'Brien, 1999).

The new, mature tourists are well travelled, better off, and more highly educated than they were in the past. They are seeking unique experiences and are more demanding of convenience. A trend towards seeking greater quality and value for money in tourism products has been widely identified (Harrington & Power, 2001). Tourism policies must therefore be customer-orientated (OECD, 2000), and both principals and intermediaries will need to develop customer-oriented service processes to provide the specialised services demanded by clients.

In this scenario, the consulting role of the TA must move away from transaction processing to personalised consulting advice focused on the needs of the customer, rather than on the needs of the airlines and wholesalers. Retail TAs must become proficient at using their own personal experience and knowledge to access, integrate, analyse, interpret and present information from heterogeneous sources (Geyer, Kuhn & Schmid, 1996). In this regard, it has been pointed out that:

The proliferation of 'info-junk' requires a new breed of info-navigators employing advanced information and communication technologies to enhance and deliver their services (Near, 1997, p.16).

Customer relationship management plays a crucial role in internet transactions. According to Dull (2001), less than half of B2B buyers and just over half of B2C buyers are "very satisfied" with their providers' brands. On the basis of their eBranding research, the research firm Accenture concluded that focusing on target customers must be a priority. Neglecting to collect information about needs, preferences and profitability is a disastrous mistake (Dull, 2001). In the rush to establish a presence on web, most on-line companies have failed to build distinctive on-line brands.

It is widely accepted that building an understanding of the e-commerce consumer is at the core of new strategic business planning (Modahl, 2000). Kalakota & Robinson (1999) have pointed out that it costs six times more to sell to a new customer than to sell to an existing one. A company can boost its profits 85% by increasing its annual customer base by only 5%. They also pointed out that more than 90% of existing companies don't have the necessary sales and service integration to support e-commerce (Kalakota & Robinson, 1999).

These observations indicate that TAs need to reposition themselves if they are to survive and grow (Jonkheer, 1999; O'Brien, 1999; Prideaux, 2001; Harrington & Power, 2001; Dale, 2003). There are two directions that agents can follow to ensure their survival (Tse, 2003). The first is to improve their efficiency by repositioning themselves as low-cost agents through the internet. For example, both Rosenbluth International and American Express sell a range of customised packages that help clients make the best use of their shrinking travel budgets. Another alternative is to come up with a totally different business model that adds value to travel experience. Providing travel advice, enhancing customer satisfaction, and amalgamating bookings with other related services are just some of the many options TAs need to consider to fight this trend of disintermediation.

To survive, agents should reintermediate themselves as being able to provide personal services. They need to invest in obtaining a thorough knowledge of their target customers' preferences to find out what would most satisfy them (Tse, 2003). O'Conner & Frew (2002) have pointed out that tourism products are diverse and rarely purchased in isolation, and that they can be combined in a seemingly endless range of permutations and combinations.

In this regard, it is argued that:

The key to success lies in the quick identification of consumer needs and in reaching potential clients with comprehensive, personalised and up-to-date information (Buhalis, 1998, p. 410).

The role of TAs in the US and Europe has been changing from reservation facilitators to providers of advice and consultancies for corporations. It appears that agents in both regions have been forced to change the nature of their business by charging corporate and leisure clients a management or transaction fee for their services (Alamdari, 2002; Mason, 2001). They also act as advisors to their corporate clients, helping them to develop and enforce travel management policies. In the process, they have moved away from an over-dependence on airline commissions, concentrating instead on more lucrative market segments like cruises, tours and vacation packages. The changes in airline distribution policies have led to a 9% drop in the number of retail agencies in the US, from 33,593 in 1995 to 30,886 in 2000. Commission cuts have reduced the average commission payment by over 50%. To compensate for this fall in income, at least three-quarters of agencies in the US now charge service fees (Levere, 2000). Large business agents appear to have accepted the change in their relationships with airlines and corporates, and believe that management fees are the way to create an effective link between airlines and customers.

The US travel management company Carlson Wagonlit has set up a travel consultancy service with the aim of managing and optimising their clients' travel spending. However, the larger business TAs believe that the costs involved in running a travel management company are pushed up by the increasing demands of corporate clients. Size is an important factor because agencies that generate

over US\$100 million in sales can swing business to preferred airline partners that will reward them with over-ride payments and discounted air fares, which they can mark-up for higher profit. Consequently, smaller agencies are joining forces with larger agencies through mergers or consolidation. Because of commission cuts, small independent agents appear to be under threat, unless they have specialised in niche markets and have a good understanding of clients' needs. Alternatively, they may become franchisees of large agents such as American Express or Carlson Wagonlit, to give them access to a brand name and market credibility.

A key to survival for TAs is to reintermediate themselves by providing value-added services that customers require (Tse, 2003). It has been suggested that one of the means of survival for middlemen is to move to become "cybermediaries" (Jallat & Capek, 2001).

On-line travel agencies are good examples of the adoption of new business models. A successful US travel site that has utilised the trends well is Travelocity.com, which has now merged with Preview Travel Inc. to become the third largest e-commerce site in the world. In 2003, on-line travel bookings via Travelocity.com reached US\$4 billion (eyefortravel.com, 2005). A collaborative report by Vividance and PhoCusWright Inc. revealed that on-line travel agencies lead their off-line counterparts by a margin of almost 2 to 1 in vacation package planning. The November 2003 study of 15,000 vacation-planning internet users revealed that 80% would consider purchasing their vacation packages from on-line travel agencies, while only 42% indicated that they would consider purchasing their packages through an off-line TA (Greenspan, 2004b).

It has been suggested that two main types of travel companies are successful on the internet (Tourism News, 2000, pp. 8-10):

1. *High-volume, cheap price companies*, e.g. those that take advantage of distressed inventory such as Cheapticket.com. Customers choose a destination and a price ceiling on this site, and receive an e-mail when a product matches their specifications. The transaction is simple, easy for

customers to determine the nature of the end product, and above all meets consumer needs.

2. *High-yield, 5-star package companies*, e.g. Crystal Cruises in the US which found that the most popular on-line sales were 5-star packages. Web shoppers are internet savvy and Crystal Cruises found that they are also more sophisticated.

Internet bookings are not a panacea for the whole tourism industry (WTOBC, 2001b). By retaining the human touch and specialising in specific products or services, smaller off-line travel agencies can reach a reasonable level of profitability. TAs can provide a number of unique services that dot.com travel companies and airline internet portals have difficulty offering. These include:

- The person-to-person nature of retail travel agency businesses
- The ability of agents to offer and explain complex fares options to clients
- Designing specifically tailored itineraries based on complex options that may not be feasible electronically
- Discussing the advantages and disadvantages of destination selection
- Arranging visas, insurance and other travel documentation
- Accessing brochures and presenting them in a more acceptable format than internet information
- Developing specialist knowledge of specific destinations
- Clients can obtain information on a number of competing products and have the option of developing long-term personal relationship with agents (Prideaux, 2001, p. 224).

There are many newly created ‘travel agencies’ that operate purely in cyberspace. Indeed, Expedia, the electronic travel agency of Microsoft, managed to enhance its position to one of the top 25 US travel agencies in less than three years from the time of its establishment (Buhalis, 2000b).

Advanced technologies are enabling existing TAs to attract more customers and exploit cross-selling opportunities through two distinct strategies – dynamic packaging and merchant pricing. Dynamic holiday packaging enables larger sites

to create their own packages from a selection of air, hotel and car rental products already available at negotiated rates. This bonding provides an opportunity for on-line agencies to increase average revenue per customer through cross-selling. Established names such as ebooker, Travelocity, Lastminute.com and Expedia have developed the technology to allow customers to create their own dynamically-packaged holidays. Dynamic packaging currently represents a bigger threat to mass-market business models than it does to niche providers.

Merchant pricing enables consumers to find a better deal, but lets agencies derive higher profit margins. More on-line agencies are adopting this flexible revenue model, whereby they negotiate the bulk purchase of available inventory from travel suppliers at discounted rates. They then resell inventory at a margin to consumers. Unlike the traditional agency model, where an on-line intermediary distributes a supplier's product in return for a fixed commission, a 'gross spread' above the negotiated rate can be achieved. Depending on the relative negotiating strengths of the on-line intermediary and supplier, this spread can often be in the region of 20% to 40%.

Another benefit for on-line agencies is that they usually only buy the right to acquire the inventory at a pre-agreed date; therefore, if the product fails to sell, then the agencies are not out of pocket. The merchant model was one of a series of competitive responses to reduced commissions from travel suppliers, and represents a win-win outcome for all. Suppliers can offload excess capacity at a minimum acceptable rate in a way that does not damage the integrity of published fares, and on-line intermediaries achieve higher margins than under the traditional agency model. Companies that have successfully adopted merchant pricing include Hotels.com and Expedia (both owned by InterActiveCorp), which are fighting back against consortium sites. Four major consortium sites have emerged – Orbitz and Opodo (both airline consortia) and TravelWeb and Hotwire (both hotel consortia). These sites offer a broad range of brands and products, while achieving the necessary scale to compete effectively with large on-line intermediaries. The consortium sites also reduce agency commission levels and cut distribution costs.

On-line agencies are responding to the threat posed by consortium sites by broadening their product portfolios and offering ancillary travel services such as personal travel profiles, destination guides, travel news, weather reports, maps and currency converters. Increasingly, they are also providing customer support via the telephone and improving customer relationship marketing techniques. When on-line customers can switch suppliers in seconds, there is little room for complacency or poor service levels.

As the on-line market grows, the battle for market share intensifies. This has led to consolidation as players pursue increased scale, access to better technology, and increased inventory across more product categories. The pace of consolidation will continue as the big brands seek to entrench their position, and scarce finances force smaller companies to merge with larger companies to survive. Meanwhile, ebookers and Lastminute.com have been busily acquiring 'bricks and mortar' companies across Europe to encourage more sales through their low-cost, on-line channels.

The decline of revenues from traditional TAs has forced global distribution systems (GDSs) such as Amadeus, Sabre and Galileo (now part of Cendant Corporation) to acquire on-line reservation specialists (Amadeus, 2006; Galileo International, 2006). Suppliers are reacting to this shift in the balance of power within the travel industry in two ways. Firstly, by enticing customers with incentives to book on their own branded web sites; and secondly, by throwing their weight behind consortium sites. Clearly, as consumers become more comfortable booking their holidays on-line and begin to appreciate the independence and variety this offers, suppliers who have until now viewed on-line intermediaries as competitors rather than as strategic partners may have to think again. The balance of power in tourism distribution has shifted – those who fail to react will undoubtedly lose their ability to compete.

The pressure of the new competitive environment and responses of TAs are summarised in Figure 2.8. Commission cuts by airlines, direct selling to consumers, and other ICT progress-related phenomena such as the emergence of e-Travel Agents are identified in this research as major pressure factors on the TA

market. TAs complain about the lack of government support in resolving vexed issues with the airlines, and point out that a lack of skilled staff is a disadvantage for their businesses.

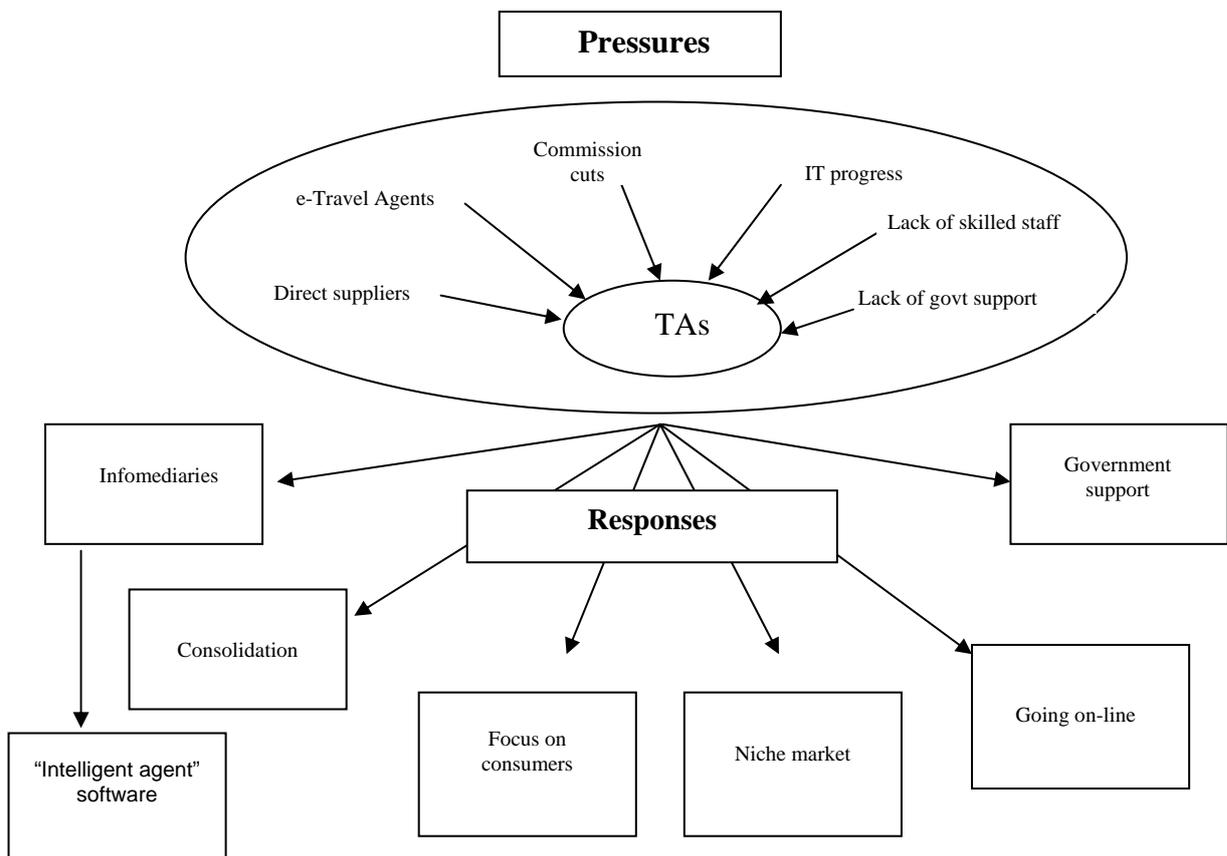


Fig. 2.8: Travel agents and the changing business environment: pressures and responses.

To resolve these pressure factors, the following responses have been identified: (1) shifting to consumers rather than to principals, as reflected in a shift to niche markets, value-added services, and new business models such as infomediaries or cyberspace TAs; and (2) seeking government support to restrain the commission cuts or participate in different forms of consolidation to improve the market position of TAs.

2.4 The intermediation-disintermediation-reintermediation cycle

The threatened intermediaries (or disintermediation) hypothesis was first introduced by Malone, Yates & Benjamin (1987) who used the term 'electronic brokerage effect' for the phenomenon. The hypothesis essentially describes the reduction or elimination of the role of retailers, distributors, brokers and other middlemen in transactions between the producer and the customer (Atkinson, 2001a,b). One common vision of the electronic marketplace is a scenario in which consumers interact directly with producers, with manufacturers internalising activities that traditionally have been performed by intermediaries (Sarkar, Butler & Steinfield, 1995; Sarkar, Butler & Steinfield, 1998). With the consequent bypassing of intermediaries, which adds significant costs to the value chain (Benjamin & Wigand, 1995), a redistribution of profits along the value system occurs (Sarkar, Butler & Steinfield, 1995), with consequent benefits for both manufacturers and consumers. Although entire channel layers may not be eliminated, the potential exists for significant shifts in power from one channel layer to another (Vassos, 1996). According to Porter (1999), the internet is going to be the death of a lot of intermediaries.

As already stated, TAs are particularly vulnerable to the growth of the Internet as a tool for e-business and information dissemination (Bloch & Segev, 1996). Three factors have been identified as major threat to TAs, both in conventional and on-line markets:

- Commission cuts by airlines
- The launching of dynamic internet sites by principals
- The launching of airlines own travel agencies.

In 1997, Brenner, Kolbe and Hamm concluded that the risk of disintermediation is related to the ability of ICTs to replace the core competencies of intermediaries (Brenner, Kolbe and Hamm, 1997). Lenz (1996) pointed out that the roles that are

most easily replaced by technology, transaction processing and information provision, will be the first ones to be automated, as has happened in the banking sector.

There is a threat to TAs' 'standard products', i.e. the processing of transactions (ticketing and settlement) and the supply of raw product information from suppliers (O'Brien, 1999). In the new era, these roles will increasingly be replaced by technology as suppliers provide standard product information, electronic ticketing, and electronic funds transfer services directly to the customer. Some traditional TAs in the US have reported a 10% to 20% decline in business as customers switch to on-line ticket purchasing (Taylor, 1998).

It has been suggested by Peterson, Balasubramanian & Bronnenberg (1997) that there are three main functions provided by a TA: (1) distribution functions like sorting, inventory holding, and building up assortments that facilitate physical exchanges; (2) transaction functions that facilitate economic exchanges between buyers and sellers; and (3) communication functions that include advertising and promotional activities to inform prospective buyers about a seller's product. The internet as a marketing channel for principals may provide all three functions at a low cost, and has the potential to substitute and dominate the performance of a traditional TA.

Opinions tend to differ on the plausibility of disintermediation in the context of the travel industry. Most commentators would probably agree that the pre-internet position of TAs was unsustainable (UNCTAD, 2000), and that TAs who fail to take advantage of the internet are faced with a real threat. Yet, there is little empirical evidence to support any arguments and predictions regarding the future role of intermediaries in the travel distribution channel.

Drawing on data from surveys of managers and travel consultants of Australian travel agencies, Standing, Borberly and Vasudavan (1998) and Vasudavan & Standing (1999) predicted that many "high street" retail TAs would be eliminated over the next few years. However, in a series of exploratory studies using experiments and survey data, it was found that even experienced internet users

have trouble making satisfactory travel arrangements via self-booking services (Anckar & Walden, 2000, 2002). In contending that the problematic nature of on-line reservations is likely to influence the willingness of consumers to adopt on-line travel services in the future, the authors provided empirical evidence contradicting the disintermediation hypothesis.

Based on an exploratory survey among industry experts in Europe, Licata, Buhalis & Richer (2001) presented findings indicating that more conventional forms of distribution, i.e. GDS and “high street” shops, are likely to be bypassed or their roles will change dramatically: 97% of the respondents in this survey agreed or strongly agreed with the statement that the internet will be the most prominent distribution channel in five years. The corresponding figures for “high street” shops and GDS were 20% and 26.6%, respectively. Yet, the majority (70%) of respondents considered that the disintermediation of traditional distribution channels was avoidable, instead considering reintermediation to be a more probable outcome (Licata, Buhalis & Richer, 2001).

The rapid growth of the internet has significantly increased the potential for discord between hotels and agents (Tse, 2003). Like airlines, many hotels are discovering that the web can be a powerful and cheap channel to cut costs and thereby improve their competitive advantage (Tse, 2003). The hotels’ move represents a serious threat to TAs, with massive disintermediation resulting from hotels taking advantage of the internet to sell rooms directly to travellers. In 2002, for example, two big hotels, Starwood and Six Continents, took the distribution back from commission-based agents by offering customers 10% off the lowest rate they could find elsewhere on the internet (Economist, 2002). All these moves eroded revenue and speeded up the process of disintermediation for travel agencies, especially small ones.

From the time the commercial possibilities offered by the internet became widely acknowledged in the mid-1990, numerous studies have examined the causes, consequences, and plausibility of the disintermediation phenomenon. However, only limited empirical findings on its plausibility have thus far been documented.

In general, opinions and research findings on the matter have been conflicting. Early predictions were that the internet and e-commerce would create efficiencies by eliminating the need for intermediaries, but later research raised doubts about the threatened intermediaries' hypothesis, with many scholars taking a different stance in the debate (Anckar, 2003). Drawing on a conceptual analysis, Schmitz (2000) contended that the disintermediation hypothesis is too simplistic, and saw its interpretation of intermediation as a single service rather than a number of different services.

Others such as Palvia & Vemuri (1999) recognise that there is considerable anecdotal evidence supporting the bypass vision, but refer to five case studies that counter the disintermediation hypothesis. Sarkar, Butler & Steinfield (1995, 1998) argue that the case for elimination of intermediaries as a result of e-commerce is based on a questionable assumption, and they concluded that more, rather than fewer intermediaries (mainly new players, cybermediaries) will be involved in electronic markets (Giaglis, Klein & O'Keefe, 1999). These assumptions were backed up by explorative findings by Bailey & Bacos (1997) suggesting that the need for intermediaries is not likely to be eliminated in the near future, although some of the traditional roles of middlemen may become less important as a result of advances in ICT. Instead, electronic marketplaces will more than compensate for the disintermediation phenomenon by promoting the growth of new types of electronic intermediaries (Bacos, 1998) and new versions of traditional middlemen. In this regard, Chircu & Kauffman (1999) propose an 'IDR cycle' – a recurrent pattern of intermediation, disintermediation and reintermediation – arguing that traditional non-technological middlemen will be able to reintermediate in the long term. Werthner & Klein (1999) argue that evidence of a reintermediation process can already be seen as traditional intermediaries adjust the services offered based on the needs and opportunities of an electronic sales channel.

Three major scenarios for intermediaries were envisaged by Giaglis, Klein & O'Keefe (1999): disintermediation, reintermediation (the emergence of on-line subsidiaries of traditional intermediaries), and cybermediation (the emergence of new entrants with intermediary functions). Attention was drawn to the fact that

electronic markets are still far from a state of maturity, and that it is extremely difficult to predict either the market structure of the future or the type of intermediation that will dominate in any given market.

3. METHODOLOGY

This thesis utilises two stages of research: *exploratory* – identification of the main issues in the TA market evolution, and *confirmatory* – testing of theoretical assumptions made via the exploratory study, as well as fieldtesting the post-Fordist approach. The research adopted a mixed methods approach based on a combination of qualitative and quantitative methods. Mixed methods research enables the researcher to simultaneously answer confirmatory and exploratory questions, and therefore generate and verify theory (Tashakkori & Teddlie, 2003).

At the exploratory stage, the study adopted qualitative methods. Qualitative analysis is part of the naturalistic method of inquiry, which assumes that reality is continually changing and that human social phenomena are so complex that it is impossible to discover anything approximating a scientific law (Silverman, 2004; Oppenheim, 1992; Seymour, 2001; Rubin & Rubin, 2005). A goal of qualitative research is to locate the understanding of a phenomenon within the context of other phenomena.

At the confirmatory stage, quantitative methods were adopted. Quantitative research has roots in positivist philosophy, which stresses neutrality and objectivity (Byrne, 2002). Quantitative research aims to produce results that can

be verified mathematically, and it attempts to find patterns that can be generalised across an entire area of the study.

3.1 Triangulation vs. mixed methods research

Since the 1970s, triangulation has been a popular term in the methodological discourse surrounding mixed methodology (Denzin, 1978). The term was originally applied in navigation and land surveying. In its original meaning, triangulation is a method for determining the yet unknown position of a specific point C via measurement operations from two known points, A and B. Using trigonometrical laws for the calculation of the angles and sides of a triangle, it is readily possible to determine the position of C if other quantities are given. In the social sciences, the term triangulation has acquired two different meanings – both of them remote from its original trigonometrical understanding. During the 1950s, the term was used for the first time to describe a research strategy that employs different measurements, operations or empirical results to answer a particular research question. In the context of a theory of psychological testing, Campbell & Fiske (1959) proposed to supplement or to further test empirical results by the use of different instruments. This approach should serve as a means to determine the degree of convergence as an indicator of the validity of research results.

The convergence of results from different measurement operations led to the adoption of the term triangulation in the methodological discourse relating to social sciences (Tashakkori & Teddlie, 2003). However, transfer of the notion of triangulation from trigonometry to the realm of mixed methods research seems to have transformed it into a somewhat fuzzy idea with a variety of possible meanings. Whereas the term represents a straightforward concept in its initial application, it carries a systematic ambiguity when transferred to the domain of social research methods.

Tashakkori & Teddlie (2003) have defined triangulation in social sciences research as:

The combinations and comparisons of multiple data sources, data collection, and analysis procedures, research methods, and/or inferences that occur at the end of a study (p. 674).

The authors point out that this definition has been made quite broad to cover the most important aspects of research associated with triangulation. However, they warn that the term can lose any meaning if it is too broadly defined. Following their logic, the term “mixed methods” is therefore used in this study instead of “triangulation”.

Tashakkori & Teddlie (2003) outline three reasons to conduct mixed methods research:

- Mixed methods research can answer research questions that other methods cannot (both to generate and verify theory)
- Mixed methods research provides better (stronger) inferences (validation of data obtained by one approach with data obtained by another)
- Mixed methods research provides the opportunity for representing a greater diversity of views (for instance, by collecting data from different sources).

Schematically, the mixed methods approach is depicted in Fig. 3.1. Data collection and data analysis can represent either a qualitative or quantitative approach. The line between “inference” and “data collection” indicates an interactive relationship in which the inferences might point to the necessity for further data collection.

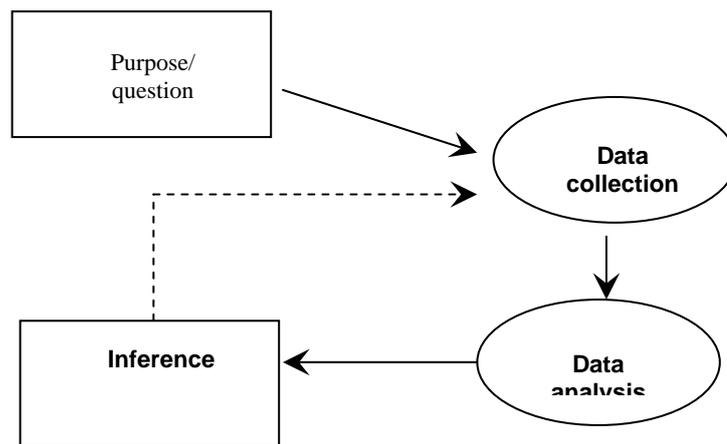


Fig. 3.1: Mixed methods design.

Note: The geometric shape (rectangle or oval) can represent either a qualitative or quantitative approach. The broken line between “inference” and “data collection” indicates an iterative or “interactive” relationship.

(*Source:* Tashakkori & Teddlie, 2003, p. 685).

Applying this scheme to the present research, the study can be depicted by Fig. 3.2.



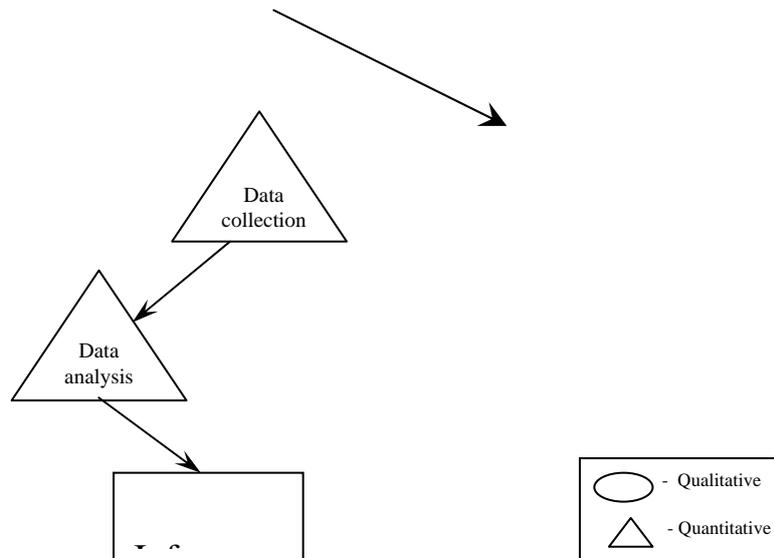


Fig. 3.2: The research design of the thesis.
(based on Tashakkori & Teddlie, 2003).

The research has started with identification of the study purpose. The exploratory stage included three cycles of data collection and data analysis: secondary data collection and analysis related to the case study, the first set of interviews with New Zealand travel agents in 2000-2001, and the follow-up set of the interviews with TAs in 2003-2004. Qualitative data analysis allowed theoretical assumptions to be formulated. On the basis of these assumptions quantitative research was designed and implemented that comprised the confirmatory stage of the thesis. Analysis of the quantitative data revealed the necessity to compare the attitudes and perceptions of travel agents and their consumers. As a result, in-depth interviews with consumers were designed and performed.

The more detailed procedures of data collection and analysis adopted in this study are shown in Table 3.1. The investigation of the New Zealand TA market and its changes with ICT introduction were the purpose of the study. The research began with a secondary data analysis (case study) to identify the main issues and trends in the TA sector worldwide, particularly the impact of ICT on the sector. Primary

Table 3.1: Methodology – study flow

Stage of the research	<i>Data collection</i>	Analysis
Exploratory	<ul style="list-style-type: none"> • Case study • In-depth interviews with TA and industry specialists in 2000-2001 and 2003-2004 • Consumer in-depth interviews 	<ul style="list-style-type: none"> • Secondary data analysis • Qualitative longitudinal study: comparison of the attitudes, perceptions and relationships with suppliers and consumers • Analysis of double-sided in-depth interviews with TAs and consumers
Confirmatory	<ul style="list-style-type: none"> • National on-line survey of TA businesses 	<ul style="list-style-type: none"> • Quantitative analysis: frequencies and demographics analysis; chi-square test of association between different variables; analysis of central tendency; cluster analysis; ANOVA

data collection began with non-structured interviews with TAs and industry specialists to identify the main issues in the New Zealand TA market. The research then proceeded with a follow-up by semi-structured interviews to refine the findings on the main issues and to investigate the evolution of TA's perceptions, attitudes and relationships. When the main issues and their evolution were identified and refined, a fully-structured on-line questionnaire was designed and implemented to verify the assumptions made on the basis of the in-depth interviews.

The on-line questionnaire was also designed to verify the applicability of the post-Fordist model to the TA market analysis. To obtain a diversity of views and to identify the congruency of TA and consumer perceptions and attitudes, in-depth interviews with TA customers or potential customers were performed.

3.2 The rationale for selection of the New Zealand travel agent case

Case studies are broadly used in tourism research (Aneshensel, 2002; Horner, & Swarbrooke, 2004; Beeton, 2005). Unlike more specifically directed research, case studies investigate a problem that seeks a holistic understanding of the event or situation in question. According to Flyvbjerg (2006), a case study can be used to both generate and test hypotheses. On the other hand, Yin (2002) suggests that a case study should be defined as a research strategy, an empirical inquiry that investigates a phenomenon within its real-life context. Rosch (1978) defines case studies as also describing events in a framework within an environment. He points out that problems emerge as the case material is subjected to analysis, and that a conclusion should not necessarily be reached at this stage. The goal of a case study is to offer new variables and questions for further research.

Several subtypes of case studies exist, each of which is custom-selected for use depending on the investigator's goals and objectives (Flyvbjerg, 2006). The subtypes include illustrative, exploratory or pilot, cumulative, and critical instance case studies. Illustrative case studies are primarily descriptive studies and serve to familiarise with the object of investigation, while exploratory or pilot case studies are performed before implementing a large-scale investigation. Cumulative case studies collect information from several sources at different times that allow greater generalisation, whereas critical instance case studies examine one or more sites of unique interest with little interest in generalisability.

In this thesis, case study methodology was adopted to explore the New Zealand TA sector and its competitive environment. The main aims of the exploratory case study used were to identify important market issues, and to identify a strategy for implementing a further large-scale investigation. Secondary analyses included both business and academic literature.

Tourism is a complex industry that operates within a volatile environment (Frew, 2000; Easterling, 2004; Aramberri, 2001). To embrace its complexity, a framework that utilises macro-micro analysis has been suggested (Pearce, 1992; Feick & Hall, 2000; Kotler, Bowen, & Maken 2003; Evans, Campbell, &

Stonehouse, 2003; Clark, 2004; Munro & Yeoman, 2005). The travel agent case study analysis presented in this thesis is based on a modified Easterling's (2004) model of macro- and micro-environments. The model postulates that there are stakeholder groups within a tourism system's microenvironment. This microenvironment is impacted (both positively and negatively) by forces in the larger macro-environment, including demographic, economic, natural, political, sociocultural, and technological factors (Fig. 3.3).

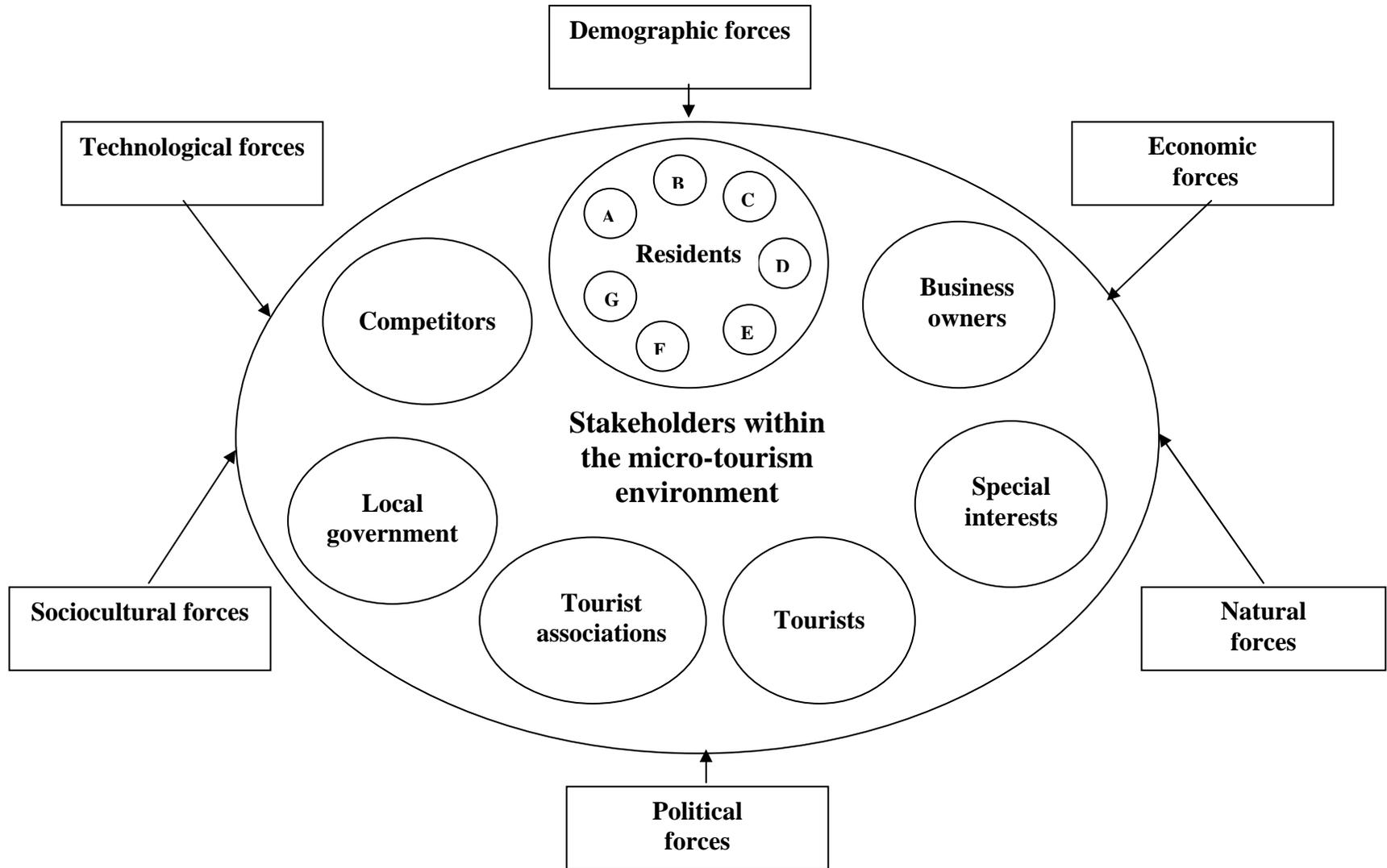


Fig. 3.3: Micro- and macro-tourism environments.
 (Source: Easterling, 2004)

The study identifies the travel agent sector and their consumers as a microenvironment. To meet its specific aims, the research focuses on technology and the political environment or regulatory context as macro-environment forces that influence TAs. Macro-environment analysis includes identification of international regulations, events and trends that might influence the New Zealand tourism industry in general, and the travel agent sector in particular. The case study investigates New Zealand TAs' macro-environment in-depth and the impact of identified major pressure factors.

3.3 In-depth interviews with travel agents, 2000-2001 and 2003-2004

In this study, the term “longitudinal research” is applied to qualitative analysis based on two sets of in-depth interviews with TAs at two different time points: 2000-2001 and 2003-2004. The aim of the longitudinal research was to identify the changes in TA's perceptions of the major impacts on their businesses and the trends in their responses to these changes, as well as the evolution of TA relationships with airlines and consumers. The main difference between cross-sectional and longitudinal research is that cross-sectional research examines data at a particular point in time, whereas longitudinal research examines data across time. In a typical cross-sectional study, the variables are measured once for each case during the same period. In a typical longitudinal study, the variables are measured repeatedly over different time periods (Menard, 2002). Longitudinal research shows the change in variables and their evolution. In typical cross-sectional research, measurement occurs once for each individual, subject, country, or case in the study; the measurement of each item, concept, or variable applies to a single time interval or period. Menard (2002) defines longitudinal research as: research in which (a) data are collected for each variable for two or more distinct time periods; (b) the cases analysed are the same or at least comparable from one period to the next; and (c) the analysis involves some comparison of data between or among the periods. In this study, a prospective panel design has been used (Baltes, Cornelius & Nesselroade, 1979). The data has been collected at two periods from TAs in the Auckland region.

The study proceeded with collection of primary data for qualitative analysis. Qualitative research samples are not randomly drawn from a population; instead, they are carefully and purposefully selected by researchers to find information-rich cases for in-depth study. Qualitative sampling methods are considered to be purposeful because the researcher selects people to be studied based on the aim of the research. The sample is shaped by the focus of the research problems and questions: categories such as experience or status serve as starting points in research (Veal, 1997; Silverman, 2004).

At the exploratory stage of the study, in-depth interviews with TAs and industry specialists were adopted as a means of collecting data. It is well accepted that in-depth interviews are applied to enhance knowledge of newly-emerging, under-researched phenomena (Kwortnik, 2003). Until the researcher is relatively clear on what is to be studied and how, the objective of the interview should be discovery, and enhanced understanding of the phenomena. Such an understanding is derived from data grounded in the informants' experience – what they say about what they did, felt, or thought. Theory development demands an emergent design for the research process – one that is fluid and adaptable as concepts and relationships are revealed in the course of data collection, analysis, and interpretation. Unlike survey or experimental research that demands the investigator's intervention prior to data collection through the precise creation of a questionnaire, qualitative methods such as in-depth interviews involve the researcher as an interpreter mostly during and after data collection (Kwortnik, 2003). As Oppenheim (1992) points out: the exploratory interview is heuristic. Its purpose is to develop ideas and a research hypothesis rather than to gather facts and statistics: it is concerned with trying to understand how people think and feel about the topics of concern to the research.

In-depth interviews are valuable in the sense that they are framed by some overarching research questions or concerns. Traditionally, quantitative methods have been used in empirical investigations of the TA business environment (Oppermann, 1998; Law, Law & Wai, 2001; Millan & Esteban, 2004). However, some investigators have highlighted certain restrictions in applying quantitative

techniques (Ryan & Cliff, 1997). Qualitative methods, including in-depth interviewing, can provide additional tools through which to better understand the complex operational environment of tourism enterprises (Ateljevic & Milne, 2003).

In-depth interviews (2000 – 2001) were held with 20 senior management or owners of TAs in the Auckland region (Table 3.2) by the New Zealand Tourism Research Institute (NZTRI). A sampling method was adopted that enabled the researchers to include a cross-section of TA operations, including corporate/business, leisure specialists, franchise/chain retail operations, small independent enterprises, and wholesalers. The Auckland region was chosen because it is New Zealand's major departure point for tourists and has a high concentration of TA businesses. The interviews with TAs were designed to elicit information on an agent's particular market, key competitive pressures, evolving relationships with airlines, the use of ICT, relationships with consumers, and principal survival strategies. Interviewees were asked whether they thought that their customers have changed with time, and if they believe consumers are ready to buy travel products on-line.

Analysis of the interview data for the thesis began with categorising and coding the emerging themes to use this as the basis for later study (as described by Rubin & Rubin, 1995). The following categories were chosen after extensive analysis of the interview transcripts: commission cuts by Air New Zealand and relationships with the airlines (*codes*: CC and AR); competition in the TA market (*code*: TAC), ICT and, in particular, the internet (*code*: ICT), the consumer (*code*: C), and survival strategies (*code*: SS).

Table 3.2: Ownership of the TAs interviewed

<i>Interview date</i>	<i>Types of TA businesses interviewed</i>
2000-2001 (n = 20)	<ul style="list-style-type: none"> • Franchise/chain (n = 9) • Independent (n = 11)
2003-2004 (n = 25)	<ul style="list-style-type: none"> • Franchise/chain (n = 15)

	• Independent (n = 10)
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The data obtained were grouped according to answers to the following study questions:

- How has the competitive environment of Auckland TAs evolved? (*codes: CC, AR, TAC*)
- What strategies are being adopted by agents as they attempt to come to terms with the evolving competitive context? (*code: SS*)
- To what extent do ICTs represent a tool for survival, as well as a potential threat? (*codes: ICT, TAC*)
- To what extent are TAs who use the internet fully reaping its rewards as a tool for business survival and customer relationship development? (*codes: ICT, AR*)
- What is the future for the travel agent in New Zealand and what, if any, industry initiatives are likely to support the continued existence of this segment of the tourism industry? (*codes: C, SS*)

As with the earlier interviews, a sampling method was adopted in 2003-2004 that included a cross-section of TA operations. The interviewees from 2000-2001 were unavailable for the follow-up study – they did not exist, at least in the same form, as businesses. Interviews were carried out with 25 retail travel agencies, owners, wholesalers, senior management, and travel sector experts in the greater Auckland region (Table 3.2) to investigate their perceptions of the effects of the changing business environment. An introductory letter was sent to potential participants explaining the study and outlining some broad topics to permit preparation for the interviews. These broad topics were carefully worded so as not to bias the participants' responses, while allowing them some time to consider certain issues relevant to the study. Follow-up telephone calls were made to each participant to gauge his/her interest in the study and to set up an appointment. The duration of

the interviews was approximately 1 hour. Each interview was recorded with the permission of the study participant. Anonymity was guaranteed to the participants to allow them to speak more freely about the topic.

The interviews were designed to produce a considered response to certain issues, including the background of the firm and the individual, the characteristics of each agent's particular market and if/how these had changed over time, marketing, relationships with the airlines, the use of ICT and associated issues, and the importance of business alliances and associations. Subsequent analysis of the interviews was undertaken to identify common themes.

The responses were categorised and coded as for the interviews conducted in 2000-2001. The categorised data were then compared with data from the earlier interviews.

3.4 In-depth interviews with consumers

A convenience sample was used for the consumer interviews. Twenty professionals and white-collar workers who travel regularly (2-3 times a year) were approached. The respondents were pre-screened and only those who use the internet on a regular basis were asked to participate. The rationale for pre-screening is that respondents who are familiar with the internet and use it on a regular basis would have a clear ability to choose between the internet or a TA in planning their travel. The interviews focused mainly on the use of the internet in trip planning and preparation, the (dis)advantages of using a TA for trip preparation, and the consumer's perceived role of TAs in the modern era.

The aim of the in-depth interviews with consumers was to identify their attitude towards TAs in the modern internet era. A small questionnaire was presented before the interview (see Appendix 3). The questionnaire asked how frequently the respondent travelled, and how skilled he/she was in use of the computer and the internet. The interviews conducted were semi-structured. Participants were asked the following core questions:

- What do you see as the role of a TA? Has it changed over time?
- What do you see as the advantage of using a TA compared with the internet (and vice versa)?

- Will consumers still need TAs in the future?
- Do you use the internet or a TA in planning trips?
- Do you use airline sites for planning trips and bookings? What other web sites do you use for information and bookings?
- How do you find travel-related information on the internet?
- What are the limiting factors of using the internet to plan your trip? And to book it?

Once detailed data on consumer perceptions had been obtained, an interactive interview technique (active listening; Kwortnik, 2003) was used to elicit consumers' attitudes towards TA use, and to ascertain whether they were likely to resist growing pressures to book their travel on-line without the assistance of a TA. With regard to the latter, the interviewer took an active position opposite the interviewee to facilitate a discussion on the subject. For instance, if a consumer was very keen on the use of TAs, the researcher would explain to him/her the current advantages of on-line purchasing to see if the interviewee would respond and react. Interviews were tape recorded and then transcribed. Subsequent analysis of the interviews was then undertaken to identify themes of interest.

3.5 On-line survey of travel agents

Once the exploratory stage of the research has been completed, a fully-structured on-line questionnaire was designed and implemented to verify: (1) the assumptions made on the basis of the in-depth interviews; and (2) the applicability of the post-Fordist model for the TA market analysis.

It is argued that for travel researchers, the extension of electronic telecommunication technologies across the general population has the potential to create new and interesting research tool (Dillman, 2000; Litvin & Kar, 2001; Garces, Gorgemans, Sanchez & Perez, 2004; Dorsten & Hotchkiss, 2005). Tourism researchers, requiring primary data, always weigh alternative approaches to data collection. Traditional methods include mail surveys, telephone canvasses,

and mall-intercept approaches, each with its own distinct advantages and disadvantages as a means of extracting data from a small group of respondents that can then be generalised to the greater population of interest (Rubin & Rubin, 2005; Kotler, Bowen, & Makens, 1999; Dorsten & Hotchkiss, 2005). So called 'e-surveying' is an obvious extension of traditional data collection methods, offering researchers the potential to reach mass numbers of respondents in a potentially efficient and cost-effective manner (Beldona, 2005; Cole, 2005).

A fair amount of the early research on the use of electronic surveying has looked at its pros and cons specifically versus a mail survey approach (Oppermann, 1995; Medlin, Roy & Theong, 1999, Dillman, 2000). Among the plusses discussed are the elimination of procedures and costs of hiring interviewers and supervisors, elimination of producing paper questionnaires and handling mailouts, reduced costs for distributing/retrieving the completed surveys, the data entry cost savings, the immediate delivery of the questionnaire and opportunity of an equally quick response, the fact that responses can be received around the clock – a major plus for overseas respondents, the fact that the method is environmentally friendly, and the opportunity to introduce a more complex questionnaire design (Weible & Wallace, 1998; Dorsten & Hotchkiss, 2005).

Some of the disadvantages of adopting web-surveys include the bias of limiting respondents to internet subscribers, who may not constitute a representative sample frame (Tse, 1998; Schonlau, Fricker, & Elliott, 2002). It has also been argued that e-mail respondents find unsolicited mail to be more of an intrusion of privacy than they do such mail received via post (Mentha & Sivadas, 1995).

The issue of sample bias is becoming less pronounced since the gap between internet users and a more generalised population narrows and the two populations in effect become one (Litvin & Kar, 2001). In the case of businesses a priori connected to the internet (such as travel agents) sample bias is even less relevant.

The main characteristics of the on-line survey and the in-depth interviews are presented in Table 3.3.

The principal aim of the on-line survey was to verify the following assumptions that were formulated from an analysis of the in-depth interviews:

- That commission cuts by airlines, suppliers selling directly to the consumer, the internet, and the emergence of more knowledgeable consumers have had a great impact on the TA market in NZ

Table 3.3: Principal characteristics of the in-depth interviews and on-line survey (based on Tashakkori & Teddlie 2003)

Characteristics	In-depth interviews	On-line survey
• Main objectives	To obtain rich and detailed information; seeks understanding and discovery through theory building	To verify the assumptions and emerging concepts; seeks explanation and prediction through theory testing
• Level of prior theory	Low requirements	High
• Process	Flexible-unstructured to structured	Fully-structured
• Content	Unstructured to structured	Structured
• Strengths	Replication	Can be verified by objective mathematical analysis, theory testing; unbiased in analysis
• Weaknesses	Results may be biased and are not theory testing	Biased on <i>a priori</i> study design

- That ICT and the internet in particular are not perceived as a strategic tool by New Zealand TAs
- That the principal survival strategies adopted by TAs are alliances, shifts towards consumers, and niche marketing.

The questionnaire consisted of six sections (Appendix 4), the objectives of which were:

1. Collection of data on the background of the firm such as the location of the business, ownership structure, size of the business, specific markets, experience, and range of services provided. This section also contained questions on the current business situation as compared with the situation three years ago. The questions were open-ended: respondents were asked to identify their main competitors and to provide information on their major advantages as compared with their competitors.
2. Identifying the major pressure factors on TA businesses in New Zealand. Respondents were asked to rate the importance of changes in the TA market for their businesses.
3. Investigating the relationships of New Zealand TAs with airlines. Respondents were asked to identify the airline they considered the most and the least constructive in building healthy relationships with TA businesses.
4. Examining ICT use by TAs, including digital data transfer, processing and distribution technologies such as the internet, and CRS/GDS software or services. Respondents were asked to identify what they used the internet for and what the function of their web site is. They were also asked to rate the importance of different internet functions for their business such as e-mail, research on travel destinations, booking travel, and financial transactions, and that of different web sites functions such as information dissemination, interaction with customers, and on-line bookings. This section was also aimed at identifying the respondent's attitude towards new technology, and they were asked to rate the importance of ICT for their businesses.
5. Identifying the relationships of TA with their customers. This section began with questions on their customer database and customer satisfaction surveys, and then asked respondents to rate their attitude towards the consumer market evolution and consumer readiness to buy on-line.

6. Rating the attitude of New Zealand TAs towards the level of government support, for example in resolving TA-airline issues.

The survey (and relational database) was designed to ensure confidentiality and to make the process of completing the questions as easy as possible. The on-line survey opened with background information on the research and standard ethics review disclaimers. TA-airline relationships were specifically targeted to ascertain whether there were any changes in TA's perceptions of these relationships. Respondents were also asked to identify the main survival strategies for TA.

Ateljevic et al. (1999) have pointed out that between 85% and 90% of tourism businesses in New Zealand have less than 20 employees. The New Zealand Ministry of Economic Development (2001) states that definitions of small and medium enterprises (SMEs) vary from country to country, and from one industry sector to another. For instance, the Australian Bureau of Statistics (ABS) classification system identifies a small business in the service sector as having fewer than 20 employees, and a medium-sized enterprise as having between 20 and 500 employees (Department of Industry/Technology and Regional Development, 1995). The New Zealand Ministry of Economic Development defines SME in various ways depending on the particular study or report. They define small enterprises as "those employing 0-5 full-time employees (FTEs)" and medium-sized enterprises as "those employing 6-9 FTEs". For the purposes of this study, the latter definition of SMEs will be used.

Seven hundred survey invitations were sent to prospective respondents via the 2000-2001 NZTRI database. However, about 400 e-mail addresses (57%) were found to be no longer in existence, reflecting the ever-changing environment of TA businesses. A total of 109 responses (15%) to the survey were received. The quantitative data obtained were analysed using SPSS for Windows (Everitt, Landau & Leese, 2001; Foster, 2001).

As mentioned above the exploratory stage of the research aims to identify main issues influencing the New Zealand travel agent sector. It starts with a macro-

environment analysis. To meet the specific purpose of the thesis, ICT adoption by consumers and by the tourism industry, as well as policy regulations, are selected for analysis of external (macro-) forces which affect the TA sector.

4. NEW ZEALAND TRAVEL AGENTS: A MACRO-ENVIRONMENT ANALYSIS

The Travel Agents' Association of New Zealand (TAANZ) stated in 2001 that never before has the industry experienced such turbulence and change. Changes in airline ownership, the disappearance of some carriers from the New Zealand market, and changing consumer demand and expectations have altered business dramatically (TAANZ, 2001a).

4.1 ICT adoption by consumers and the travel industry

Tension between New Zealand TAs and Air New Zealand grew during the 1990s and early 2000s. Around this time, the airline poured large sums of money into creating a new web site (www.airnz.co.nz) that was designed to increase the number of internet-based bookings and sales. In 2001, Air New Zealand decided to eliminate commission payments for its domestic flights, and commissions on trans-Tasman flights were reduced. The changing policies of the national carrier and its competitors are a major concern for New Zealand TAs. According to TAANZ, 60% of processing by its members in 2001 was airfare-related, with a large proportion of this funding coming from Air New Zealand (TAANZ, 2001b).

Air New Zealand, following the example of Lufthansa, has adopted the concept of paperless travel throughout its domestic network. Its flexible reservation system was developed in the late 1990s. Although the company has had on-line bookings for years, in 2002 it made internet sales a primary sales medium, abolishing TAs' commissions and adding fees for agent, telephone and counter sales. The approach was a success, with a huge increase in internet bookings being recorded once the new

fare structure was introduced. Subsequently, domestic bookings increased by 23% on average (Air New Zealand, 2006b).

The establishment of Air New Zealand owned and operated travel centres was the first indication that the airline was prepared to act in direct competition with recognised TAs. The creation of its web site in the late 1990s reinforced this notion. The web site offered the consumer the ability to book flights directly at a price that is cheaper than that available to TAs. The web research firm Netinsites ranked the new site highly in terms of its usability, but rated travel agency-type web sites quite poorly (New Zealand Herald, 2002b).

New Zealand-based Freedom Air has tested a new on-line ticketing system that provides discount ticketing across all its routes. The Fare Choice system can discount fares by more than 50% if people can be flexible in their travel. A customer chooses a “window” of travel dates within which they can fly, and specifies how much notice they need. The tickets are then confirmed and paid for, and the customer is told later when the seat is available.

New Zealand agents also face challenges from principals other than Air New Zealand. In a move similar to the North American Orbitz initiative, Zuji.com launched its web site (www.zuji.com) in the Asia-Pacific region in 2001 (Chong, 2004). Subsequently, in 2004, Zuji introduced its New Zealand web site (www.zuji.co.nz) to the travel market, though on a much more modest scale than it had anticipated. Zuji has a big marketing partner in Yahoo and is based on the technology software engine that runs the popular US travel portal Travelocity.com, which is also a shareholder in Zuji. Zuji.com has 16 members, including Japan Airlines, Qantas, Singapore Airlines, United and China Airlines. The company offers access to 56,000 hotels, 700 airlines, and 50 car rental firms. Utilising the technology of the major global distribution system (GDS), Sabre, the portal allows the consumer direct access to systems that were previously the domain of TAs alone. Zuji plans to offer Qantas' red e-deals, giving

travellers the choice and control to go anywhere, anytime, at affordable price.

Griffin (2002) noted that in addition to Air New Zealand and Zuji, the New Zealand cyberspace travel market is also represented by Qantas (www.qantas.co.nz), House of Travel (www.houseoftravel.co.nz), and smaller players such as Travel Online (www.travelonline.co.nz). However, on-line travel has proved a difficult business for local operators venturing onto the web. For example, Travel.co.nz lost more than \$2 million on revenue of \$20 million in 2003.

The House of Travel was launched in 2004. The company is trying to move its income sources away from airline commissions towards fees for services and margins on selling wholesale packages. House of Travel retail director Brent Thomas has stated that most of their on-line sales have been new business, not “cannibalised” from the company’s own TA chain. In this regard, the House of Travel’s business philosophy – refocusing the source of income purely from commissions to charging fees for services or creating new value for their businesses – reflects the main characteristics of the New Zealand TA market.

Gullivers (Zuji’s New Zealand owner) and Zuji have taken a different path. Zuji New Zealand general manager David Allen believes that many people do not want to pay for extra advice from TAs (Daniels, 2004; Landor Associates, 2006). Through Zuji’s web site, travellers will be able to search for deals in New Zealand dollars across 300 airlines, 33,000 hotels, 50 car rental companies, and 3,000 attractions.

It should be noted that Air New Zealand, while initially involved as an investor in Zuji.com, has now withdrawn this investment and is only prepared to act as a supplier rather than a shareholder. Also, as with the Orbitz case, there are serious legal challenges to the operation (Griffin, 2002).

Overall, ICT has changed the competitive environment for intermediaries in the New Zealand travel market. For example, technology providers are

entering the market as new intermediaries. Some internet service providers (ISPs) have also entered the travel business through either the establishment of new companies or shares in new companies (ihug with travelonline) or have entered into arrangements with existing travel agents (xtra with Harbour City United).

With very high usage of credit cards and a high number of internet connections, New Zealand seems to have all the advantages for successful on-line business development. However, according to Deloitte Touche Tohmatsu (2000a) and Information Technology Policy Group, (2003), New Zealand businesses, including those in the travel industry, have been relatively slow to adopt ICT. A New Zealand Ministry of Economic Development survey (Electronic Commerce in New Zealand) found that only 11% of small and medium businesses were involved in e-commerce in 2001 (Ministry of Economic Development, 2001). The survey had scant data on high-speed internet connections but warned that Telecom's high charges on broadband access may affect the development of e-commerce in New Zealand. Delloite Research (Delloite Touche Tohmatsu 2000b) pointed out that the main reason for slow ICT adoption by New Zealand businesses is a lack of knowledge and training to design and maintain on-line business, and the perception of on-line business as both funds- and time-consuming. Similar conclusions have been reached with regard to New Zealand small tourism businesses (Milne, Mason, Mitchell & Johnston, 1998; Ateljevic, Milne, Doorne & Ateljevic, 1999; Ateljevic & Milne, 2003; Nodder, Mason, Ateljevic & Milne, 2003).

An OECD analysis of broadband prices, performances and restrictions has shown that New Zealand currently ranks 22nd out of 26 OECD countries. New Zealanders face more data caps than any other country and choice is limited in comparison with Australia, the UK and Ireland. It is evident from the OECD study that New Zealand's broadband customers are not well served, and it was noted that this is particularly true of the small/medium-sized business market (Williamson, 2006).

It has been established in several surveys that New Zealanders are frequent and skilled computer users. There were 3,200,000 internet users in New Zealand (representing 74.9% of the population) in January 2007, according to the Internet World Stats (2007).

In August 2001, it was reported that 44% of New Zealand's internet users went on-line to plan or book overseas holidays, which was up from 23% in 1999 (NUA Internet Surveys, 2001). However, the percentage was lower for those planning or booking domestic holidays – 28% in 2001, up from only 10% in 1999. Although 25% said the internet was the best source of information on international travel, most respondents said that the internet complemented traditional travel information and purchasing channels.

4.2 The legal environment

TA businesses, as with other types of businesses, are subject to legal processes and influences that impact on their operations. The influence of the legal macro-environment on TA businesses is four-fold (Fig. 4.1):

1. General international legal trends provide guidance to businesses about their focus for the future. An example of such trends is national and international moves towards greater consumer protection. The events of 9/11 in the USA and other terrorist plots has significantly changed the way people travel (Cabanatuan, 2006). Significant trends such as these are having and will continue to have an impact on tourism businesses in New Zealand.
2. Influences arising from regulation of the national economy. Travel agents have duties and responsibilities in various areas, including common law, the Consumer Guarantees Act 1993, the Fair Trading Act 1986, the Privacy Act 1993, and Terms of Trade (Zahra, 2005). Health and safety legislation sets standards with which businesses are

required to comply to ensure the safety of both employees and customers.

3. Regulation of the tourism industry in general; for example, national governmental regulation, regulation by local authorities, health and safety regulations.
4. Regulation of the TA sector, for example self-regulation via the Travel Agent Association of New Zealand.

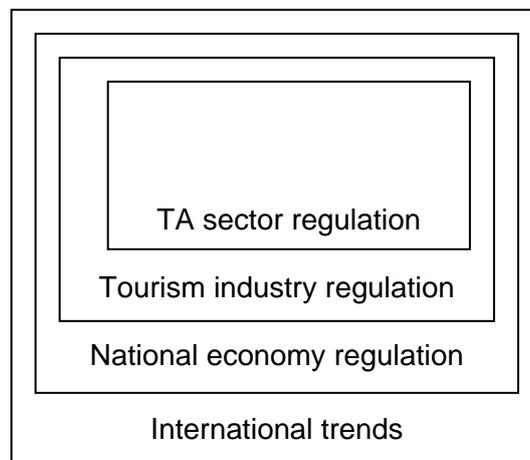


Fig. 4.1: The legal environment of travel agent businesses.

To categorise the regulatory context of TA businesses, and specifically outbound TA businesses in a post-Fordism framework, all of these influences need to be taken into account. The regulatory context of TA businesses is an integral part of the legislation and business environment in New Zealand and in the whole international community.

4.2.1 International trends impacting New Zealand travel agent businesses

The events of 9/11 (2001) in the USA and the August 2006 terror threat in London resulted in implementation of new security measures at

international airports that increase the passenger processing time. This needs to be taken into consideration by a TA when preparing and advising on travel. The Transport Security Administration is using a new computer system to prescreen airline passengers (Travel Commerce Report, 2005). Information that is checked includes a passenger's name, reservation date, travel agency or agent, travel itinerary, form of payment, flight number and seating location. The London terror plot in August 2006 was "the wake-up call to the entire industry" according to IATA CEO Giovanni Bisignani (eTurboNews, 2006a). He added that aviation, rail, public buildings, tourist destinations and hotels are all potential targets. Likewise, the SARS (severe acute respiratory syndrome) outbreak several years ago also changed travel due to the introduction of health security measures and government recommendations not to enter places such as Hong Kong and China.

ICT adoption by international airlines also dictates new trends. IATA requires all member airlines to provide e-ticketing to customers by the end of 2007. Carriers without the service by then face the prospect of not being able to connect with other flights by IATA members (Gale, 2006).

Another significant international event that impacts on the travel industry is fuel prices. Significant rise in fuel prices lead to increases in air fares. The Centre For Asia Pacific Aviation reports that Qantas has followed the lead of Singapore Airlines and segmented its international fuel surcharges into four route groups, with passengers on the longest haul routes paying a significantly higher charge (eTurbo News, 2006b). All these events cause major pressure on the travel industry, and the TA sector in particular, requiring agents to react quickly to adjust their business operations.

The New Zealand travel industry is influenced by the globalisation process. Two of the largest retail travel agents – Holiday Shoppe and United Travel – have international ownership. They are part of the Gullivers Travel Group. Gullivers Travel Group [GLS], the largest outbound travel services group in New Zealand, acquired the global travel business of Pacific International Holdings Ltd (PIH) in 2005 (Direct Broking, 2005).

The business operations of Gullivers are located in Australia, United Kingdom and New Zealand, and consist of wholesale, retail and online travel services with total sales in excess of \$300 million. The acquired businesses include the New Zealand operations of GO, Holidays Travel Wholesale and Ticket Consolidation business; GO Retail Travel outlets, GO Retail Travel Broker network, Travel Smart Retail Travel Franchise operations, Travel.co.nz; Master Franchise for Harvey World Travel retail franchise operations in New Zealand, shares in Greenstone Technologies, Talpacific New Zealand wholesale and retail travel operations, Talpacific Holidays UK Limited, Travel Reward Incentive Programmes, Talpacific Australia wholesale and retail travel operations. Gullivers Travel Group also includes Gullivers Holidays, Unijet, online travel brand Zuji New Zealand, corporate travel management companies, Atlantic Pacific Radius, Signature Travel (Carlson Wagonlit New Zealand), the leisure brands of United Travel and Holiday Shoppe, and the technology divisions of Access Interactive and Interactive Technologies and the Serko suite of products. Thus Gullivers Travel Group has become the largest vertically and horizontally integrated wholesale, retail leisure and corporate outbound travel service in New Zealand. The Group has 280 outlets and offices located in all the main metropolitan and provincial areas throughout New Zealand – more than any other travel company in New Zealand. The Group accounts for approximately 350,000 outbound travel arrangements and 400,000 domestic travel arrangements on an annual basis.

The Group also has wholesale operations in the United Kingdom and Australia.

Later in 2006 Queensland-based ASX listed travel and property management company S8 Limited ('S8') announced a proposal to acquire Gullivers Travel Group Limited (S8 Limited, 2006). The transaction has created a diversified group that includes Transonic Travel Limited and Travelscene Limited. The offer resulted in the expansion of S8 as a leading horizontally and vertically integrated global travel group. The transaction has given S8 an outstanding New Zealand presence.

The New Zealand 'open sky' policy allows a number of airlines to operate in the country. International airlines have brought with them new trends like 'no frills' flight (Pacific Blue) and e-tickets (Lufthansa), as well as collective websites (Zuji) to connect directly with their customers.

4.2.2 National economic regulation

In the 1970s and 1980s, the New Zealand economic policy environment was undergoing major change Kelsey (1997). The simple model of the sovereign national state with its national economy, national policy, national legal system, and national identity no longer fitted the reality. Major corporations were outgrowing their national boundaries. The number of companies operating multinationally expanded rapidly as they sought new markets and innovative ways to circumvent domestic barriers. Like other Western governments, New Zealand parliamentarians faced a choice between promotion of profit through the free market, or the protection of the welfare state through government intervention. New Zealand's Labour government of the 1980s chose to take the 'Washington consensus' (Williamson, 1993) as the model for its national economy. This model specifically included deregulation, financial liberalisation and privatisation (Kelsey, 1997).

In 1984, almost every part of the New Zealand economy was heavily regulated. A complex system of trade protections – mainly tariffs, import licensing, and export incentives and subsidies – had been built up over the years in response to various balance of payments, revenue, employment and industry situations. Competition and trade prices, including provision for price controls, also served a range of efficiency and welfare goals. Various methods of regulation were used, including ministerial discretion, government-established industry bodies, and self-regulation by trade and professional bodies. However, by the 1980s, there was growing criticism of regulatory intervention. Regulation was accused of hampering innovations

and flexibility, and impeding efficient resource allocation and international competitiveness.

Consequently, there was general recognition of the need for reform in government regulation where other large changes in world economy were occurring. An OECD paper of 2000 stated that reform in New Zealand can be divided into two distinct phases:

1. 1984 to 1994 – a period of rapidly implemented radical change
2. 1995 onwards – a period of slower paced evolutionary change.

The main focus of the reform was a fundamental reconsideration of the role and functions of central government within the economy and society. Since 1984, there has been comprehensive and radical reform of New Zealand's State sector structures, systems and processes. Reform of the State sector has taken place within the wider context of economic reform, and according to the OECD (2000), has been consistent with an overall trend towards a liberalised economy and a greatly reduced core State sector. The overall purpose of structural reform was to significantly improve the performance of the State sector by removing any functions that the government no longer considered business of the state or that could clearly be better performed elsewhere.

When the fourth Labour government took office in July 1984, the financial markets were deregulated, exchange controls were removed, and the New Zealand dollar was placed on a free float. Controls on prices, wages, interest rates, rents and credit were replaced by a monetarist anti-inflationary regime, operated through a policy of high interest and exchange rates. The Reserve Bank Act of 1989 insulated the bank from direct political control. Wage restraint and structural unemployment became key elements of monetary policy, with the Reserve Bank determined to keep inflation down when the economy returned to positive growth. A new market-driven approach to regulation allowed market signals to guide investment, minimise administrative and compliance

costs, and encourage adaptation to the constantly changing international environment.

The New Zealand structural adjustment programme centred on five fundamentals: (1) liberalisation of domestic markets and trade; (2) reduction of the size and scope of the state; (3) monetary policy driven by the goal of price stability; (4) labour market deregulation and deunionisation of the workforce; and (5) fiscal restraint through broadening the taxation base and cutting state spending and social support (Kelsey, 1997). The Labour government also abolished many consultative and advisory organisations and transferred responsibility for regulatory control increasingly from the legislature and executive to the judiciary (Bollard, 1993). However, the OECD (2000) pointed out some remaining weaknesses and challenges. Among these were low investment in equipment, R&D and ICT.

ICT implementation policy

The OECD report (2000) stated that the New Zealand government sought to develop an environment that fosters economic growth and social cohesion. Since the mid-1980s, the government has moved away from ownership and close regulation of infrastructure. Instead, it preferred to restrict its role to setting a consistent environment in which the private sector could operate. Thus, information technology policies tended towards broad regulatory rules that fostered constructive participation of private interests rather than narrowly focused or command and control regulation. As one example, increased competition encouraged by the minimalist regulatory regime ensured lower telecommunication prices and improved services. A mature economy with an excellent telecommunications structure and a supportive government environment also facilitated the process of ICT adoption and internet exposure. The New Zealand government's decision to force Telecom to "unbundle the local loop" in 2006 is likely to increase broadband uptake and increase consumer exposure to on-line services from VoIP phones. In this regard, Australian telecommunications analyst Paul Budde has stated that:

“broadband can really help in bringing new services deeper into the population” (Macfie, 2006).

As a result of New Zealand’s minimalist regulatory environment in government procurement and standards, competition in many parts of the IT sphere is vigorous as there are limited barriers to entry. The New Zealand government has also developed an electronic commerce policy (New Zealand Government Electronic Commerce, 2004) which states that electronic commerce is a vital part of New Zealand’s emerging knowledge-based economy. The government’s policy is that the private sector should lead the development of electronic commerce, and that the role of the government is to remove impediments. It has released the following vision statement for electronic government in New Zealand: “E-government will harness people and technology to revolutionise the delivery of government services to New Zealanders. The new services will be tailored, inexpensive, easy to use, personal and friendly” (New Zealand Government Electronic Commerce, 2004). Companies can now be registered on-line, and can file tax returns electronically. As well, New Zealand is one of the world leaders in the use of paperless trading in cross-border trade.

The official entrance of New Zealand tourism on cyberspace began in 1995 when The New Zealand Tourism Board notified its intention to have a presence for New Zealand tourism on the internet (NUA Internet Survey, 2000). As it has been pointed out that New Zealand businesses are slow to adopt ICT (Deloitte Touche Tohmatsu, 2000a), internet travel training was started at the New Zealand School of Travel and Tourism (New Zealand Herald, 2002a).

4.2.3 Tourism industry regulation

New Zealand underwent substantial economic reorientation and deregulation in the 1980s and early 1990s. This resulted in reorientation of

government involvement in tourism, with the development of infrastructure and product increasingly left in the hands of the private sector (Hall, Jenkins & Kearsley, 1997b). Tourism agencies have been corporatised and have become primarily responsible for marketing and promotion. This is most clearly seen in the creation of the New Zealand Tourism Board (NZTB), which focuses almost exclusively on international marketing and promotion.

National (governmental) regulation

New Zealand was one of the first countries in the world to set up a National Tourism Organisation (NTO) when it established the Department of Tourism and Health Resorts in 1901 (Pearce, 1992). Beginning with the aim of popularising rail travel to health resorts in places such as Rotorua and Hanmer Springs, the organisation soon acquired the responsibility of administering some 15 scenic and thermal resort areas and running provincial Tourism Inquiry Bureaux (Rockel, 1986). Later, they became known as Government Tourism Bureaux (GTB) and offered a full travel agency service, including the operation of national-wide coach tours (Tiki Tours). Overseas offices were set up from 1911 onwards.

Although the NTO has had a long history, Pearce (1992) argues that the New Zealand government did not take a strong proactive role in the development of tourism policy or in its management, and points out that it was not really until the Tourism and Publicity Act 1963 that the Tourism Department was given effective authority to negotiate contracts.

The 1967 elevation of the tourism portfolio to full cabinet status marked the beginning of an era in which the Tourism Department had to cope with a rising tide of visitor arrivals and the perception that tourism was set to become a major economic sector and contributor to regional development (Hall, Jenkins & Kearsley, 1997). When the fourth Labour government came to power in 1984, the New Zealand Tourism and Publicity Department (NZTP) was at its broadest in terms of functions and responsibilities, while the state was still the proprietor of the national

airline, Air New Zealand, and the railways. Under the impetus of 'Rogernomics' (named after the then Finance Minister, Roger Douglas), with its drive towards a full market economy with minimal government ownership, the NZTP underwent radical change. The department was restructured, renamed, and given a more sharply focused marketing and promotion function (Pearce, 1992). Air New Zealand and the railways were privatized, and the department itself was renamed the New Zealand Tourism Department (NZTD) and given a specific marketing mission.

One of the most enduring acts of the then Ministry of Tourism was to call a major conference to review the future of the tourism industry – the Tourism 2000 Conference (NZTP, 1989). The associated Taskforce 2000 set the target of 3 million visitors by year 2000 and recommended that a joint public/private sector board should be established to market 'Destination New Zealand' more effectively. In response, the Minister set up a small group of private company market specialists, drawn from such companies as Mount Cook, Hertz and American Express, to form the Tourism Strategic Marketing Group (TSMG) to work alongside the NZTD.

The TSMG proposed a strategy of focusing almost exclusively on the international market and concentrating tourism development in the major gateways (Auckland, Christchurch) and resort areas (Rotorua, Queenstown). This was to be based on improved marketing, better coordination between public and private sectors, and sustainability of resources. Again, the emphasis was almost entirely on promotion and marketing, with some reference to product development. Planning was largely confined to facilitate the development of infrastructure, such as redevelopment of the Milford Sound waterfront, or to liaising with such bodies as the newly formed Department of Conservation (DoC) and Transit New Zealand (Pearce, 1992). However, it was becoming clear that increasing numbers of tourists were putting pressure on some key areas, especially in the conservation estate and the larger resorts (Kearsley, 1993).

In 1990, the National Party came to power. The New Zealand Tourism Board (NZTB) that had been advocated by Taskforce 2000 was established as a successor to the TSMG, and the NZTD was reduced in scale to become a small Ministry of Tourism. The NZTB developed rapidly to become the major government stakeholder in tourism, with a clear focus on overseas marketing. The goal of three million visitors by year 2000 was accepted and later modified to \$9 billion in foreign exchange and 200,000 jobs in tourism. Later, the New Zealand Tourism Industry Association (NZTIA) emerged to play an important role in tourism planning and policy. The NZTIA is the domestic industry's organisation. Working closely with the NZTB, it acts as an umbrella organisation and central voice of a plethora of smaller, sector-specific organisations that retain their own identity within the federal structure.

In the 10 years to December 2000, it was reported that international arrivals increased by 85% (Tourism Strategy Group, 2001). Tourism had become one of the largest earners of foreign exchange, contributing 16% of New Zealand's export earnings. It was then considered timely to develop a strategy for the next 10 years that will "maximise the sector's potential and grow tourism whilst ensuring cultural, social, environmental and economic sustainability" (Tourism Strategy Group, 2001). In September 2000, the Tourism Strategy Group (TSG) was established. This group included representatives from the tourism sector – Sky City, Destination Northland, Whalewatch Kaikora, Air New Zealand, Tourism New Zealand, Te Puni Kokiri, Local Government New Zealand, the Office of Tourism and Sport, and the Tourism Industry Association of New Zealand. The main feature of this new group was a strong involvement of the industry, government and such sector participants as the Maori Tourism Advisory Group. The main focus of its strategy was sustainable tourism development, and critical issues for success were considered to be product development, technology, quality systems, managing the natural environment, and increased participation of Maori throughout the sector. The group recognised that consumers are becoming more demanding when selecting a holiday destination and are seeking authentic

life experiences. It was therefore pointed out that the strategy should be orientated towards high yield products and events. The factors that enable this are technology, people, research and development, and quality.

The TSG recommended significant structural changes to align the sector to deliver the projected goals. NewTNZ – a jointly owned and funded private/public sector organisation – was established to lead international branding and marketing. NewRTOs were also established to take an enhanced role in destination marketing and management, domestic and international marketing, and regional tourism planning and development. The Ministry of Tourism adopted a whole-of-government approach which is led by an appropriator resources Ministry of Tourism. The Tourism Industry Association (TIA) has a strong advocacy role with both local and central government, and plays an important role in further developing small and medium enterprise (SME) capability. The National Maori Tourism Organisation facilitates greater representation of Maori throughout tourism.

Regulation by local authorities

Local authorities have an important role in tourism planning. Tourism “happens” very much at the local level, even though development and promotion have not been a traditional role of local authorities. The present broad structure of local government was defined in the Local Government Act 1974, which set up a basic structure of local units and amalgamation of these units, called united councils, which were the first regional bodies since the days of provincial government in the 19th century. This base was comprehensively restructured in 1989 following passing of the Local Government Amendment Act 1988, although the division of responsibility between locations and regions was retained.

Initially, 13 regions were set up. There are 74 districts, including 15 city councils. The ability of regional councils to promote tourism is restricted by the Local Government Amendment Act 1992, which only permits regional involvement in tourism if all territorial local authorities (districts and cities)

within their jurisdiction unanimously agree to it. Thus, many regional councils have no formal tourism policy, strategy document or plan, either for promotion or regulation. Territorial local authorities are free of these constraints, and many, if not most, are actively involved in a range of activities promoting and developing products for tourism. Regional Tourism Organisations (RTOs) were set up in the late 1980s and territorial local authorities have a close involvement with them. Two-thirds of their funding comes from local authorities (Kaye, 1994). At present there are 30 such RTOs throughout the country.

Regulation of tourism and associated activities at the regional or district level is undertaken through the Resource Management Act 1991. The RMA came into effect on October 1991 after a comprehensive review and public consultation process. It aims to promote the sustainable management of physical and natural resources. This RMA replaced a large number of smaller pieces of legislation, and provided a comprehensive framework for land use planning, water and soil management, management of coastal waste disposal, pollution control, and subdivision of land. Pollution control extends to land, water, air and noise, and there are requirements for heritage protection and the management of geothermal resources, the exploitation of which can often be in conflict with the values of tourism. The RMA sets out responsibilities for all levels of governments, central and local, to be implemented through a hierarchy of policies and plans.

Health and safety regulations

There is always the possibility that additional regulations will be introduced, particularly for high-risk tourist activities and attractions which, until now, have been self-regulating or have been run on industry-developed guidelines. However, there may be increasing pressure on governments to regulate the industry to ensure the safety of tourists and local people who participate in such activities.

The Government has issued some recommendations to restrict travel in dangerous areas. For example, following a World Health Organization (WHO) travel advisory in 2003, the Government recommended restricted travel to countries affected by the SARS epidemic. Likewise, travel advisories in 2002 and 2005 restricted travel to Bali after the terrorist attacks in the resort town of Kuta.

4.2.4 TA sector regulation

Government defines the scope of responsibilities for TA businesses. TAs are classified as:

- *Special agents* – those with limited authority to contract and who have one specific function. Such TAs are only authorised to act on behalf of clients to arrange a specific holiday (Atherton & Atherton, 1999)
- *General agents* – those with authority to contract on behalf of a principal in the usual course of trade, profession or business
- *Universal agents* – those with unrestricted authority to contract on behalf of a principal.

The travel agent sector in New Zealand is self-regulated via the Travel Agents Association of New Zealand (TAANZ). This trade association was formed in 1962 and represents TAs and tour operator distribution systems. As there is no government licensing of TAs, TAANZ is a self-regulating organisation that “promotes quality standards, service and performance” (New Zealand Traveltrade, 2006, p.10). Its members consist of retail TAs, airlines, hotel chains, tourism organisations, and rental car companies. The history of TAANZ reflects the evolution of the regulatory context for travel agent businesses. The Association states that its aim is to provide extra security for customers when dealing with travel agents. A feature of TAANZ is its customer protection scheme. The scheme is offered through the bonding system, whereby customers are given an assurance that if

they deal with a TAANZ member, they will receive some protection against TA failure (New Zealand Traveltrade, 2006).

In early stages of its self-regulation (1968-76), a bonding scheme was established with Victoria Insurance Company and later with the New Zealand Insurance Company. In 1982, TAANZ established its own bonding scheme. The Association also negotiates with airlines and a TAANZ/Airline Agreement was signed in 1983 and rolled over to 2006.

In an overview of its development as an Association, TAANZ has noted that during the period 1983-86 there was a transition from a regulated market to a deregulated one. This period was characterised as a time of increasing influence of multi-branch members and family groups. In 1993-98, TAANZ was decentralised, and family groups took over many of its functions. At the same time, the tourism industry became very important to the New Zealand economy, and TAANZ took on a new role as a distribution system. The Association negotiated agreements with the International Air Transport Association (IATA) and the Hospitality Division Sector Group. In July 1997, a TAANZ/Airline Agreement that regulated the relationship between airlines and TAs was signed, and this was followed by an Accommodation Agreement with the Hospitality Division Sector Group.

Another example of industry self-regulation in New Zealand is the Overseas Tour Operators Council of New Zealand (OTOC). This trade association represents tour operators, wholesalers and consolidators. Its stated aim is to “provide a common policy/code of ethics and performance standards to cover all transactions between OTOC and the retail travel agents” (New Zealand Traveltrade, 2006, p.144). OTOC has established the following goals for 2005/06: “to introduce the Consumer Protection Plan as approved by TAANZ, IATA (International Air Transport Association) and OTOC; to work with the airlines to provide stable income protocols and efficiencies in order to make savings – such savings to be shared with OTOC members ability to run professional and financially

sound enterprises to mutual benefit; and to work towards affordable and cost-effective automated distribution of information and product – electronic ticketing and the internet” (New Zealand Traveltrade, 2006, p.144).

Another relevant organisation is the World Travel Agent Association (WTAAA), which is a new world alliance designed to bring together key travel agencies. It was formed in 2005 and aims to facilitate exchanges of information and advice on matters of mutual interest to its members around the globe. The founding membership of the group consisted of the American Society of Travel Agents (ASTA), Association of British Travel Agents (ABTA), Association of Canadian Travel Agents (ACTA), Australian Federation of Travel Agents (AFTA), Deutscher Reisebüro and Reiseveranstalter Verband (DRV), European Travel Agents’ and Tour Operators’ Association (ECTAA), and the Travel Agents Association of New Zealand (TAANZ). In addition to air transport policy, the WTAAA is expected to have input into a wide range of travel- and tourism-related issues, including international cruise lines and hotel policies. It will also provide a forum for the consideration of common strategic goals and the management of issues of critical interest to the members of the group.

5. THE EVOLUTION OF NEW ZEALAND TRAVEL AGENTS

The impacts of ICT adoption by the travel industry and consumers were identified in the case study as key issues in the TA business environment. The exploratory stage of this research involved in-depth interviews with TAs. The initial interviews in 2000-2001 and the follow-up interviews conducted three years later comprise a longitudinal study that describe the evolution of the sector. The specific foci of the study are: (1) identification of the main factors impacting upon the modern TA business environment and the responses of TAs to these factors; (2) investigation of the evolution of New Zealand TA relationships with airlines; (3) ICT adoption and perceptions of ICT use by TA businesses; and (4) investigation of evolving TA relationships with customers.

5.1 In-depth interviews with travel agents, 2000-2001

A recurrent issue in the in-depth TA interviews conducted during 2000-2001 was competition in the TA sector, not just with other agents but with airlines and a range of other providers. For example, the establishment of Air New Zealand owned and operated travel centres brought the airline into direct competition with recognised TAs, and the subsequent creation of Air New Zealand's web site in the late 1990s led to such statements as: "in my opinion Air New Zealand is really aggressive in trying to get rid of travel agents". Initially, the Air New Zealand web site was regarded with disdain as it did not offer a serious threat to TAs due to technical problems, but its new site is fully functional and offers consumers the ability to book flights directly at a price that is cheaper than that available to TAs.

With regard to commissions, some interviewees, primarily corporate travel agents, said that they were content with Air New Zealand's zero commission policy. Their argument was that the internet had made the cost of 'doing business' more transparent to the consumer. After searching the internet and attempting to purchase all the required elements that make up a typical business trip, it was soon realised that this requires time and effort and makes the consumer appreciate some of the costs incurred by the travel agency. One respondent mentioned that "the client can see, for the first time, what the true cost of travel is ... in that sense it becomes a very close business relationship". In this setting, a service fee was seen by the client as an acceptable recompense for the agency's operations. However, others, particularly leisure retail agents, argued that a service fee would be detrimental to their profit margins as consumers sought the perceived cheapest price.

While there was a general level of optimism in the travel agency sector, there was a strong realisation that “change is the only constant” and that for agents to remain competitive they must adapt their operations to best utilise any opportunities. There was also a realisation that not all agents will survive, and a general opinion expressed was that there are too many travel agents in the country and that they will decrease in numbers through attrition of poor performers and, perhaps more importantly, through acquisitions and mergers. Indeed, TAANZ noted that the number of TAs within their organisation had fallen to 484 by 2006 from the 1999 figure of 626 (Nikiel, 2006).

A part of this consolidation is clearly due to the increasingly competitive market place and falling profit margins in the sector. As one respondent noted: “the margins [in New Zealand] are just frightening”. Remaining price competitive was considered an essential factor in the equation for survival as “what attracts someone to walk into the shop in the first place is the price”. To this end, the ability to participate in appropriate economies of scale, either through alliances or through franchise ownership, was regarded as important in 2000-2001. Small, independent travel agents, unless they had an established niche product, were considered unlikely to remain profitable in the near future. Those travel agents that relied on airline commissions for their profitability were already experiencing financial hardship.

Another perceived impact of ICT on the travel agency sector was that the boundaries between the different operations within the distribution chain were open to negotiation (Buhalis, 2000a). There was a perception by the agents that there were too many ‘middlemen’ and that a ‘super middleman’ between suppliers and consumers would emerge through the continued formation of alliances and company mergers. This was aptly summed up by a respondent who suggested that:

The lines are blurred and everybody at the moment in the travel industry is thinking how is my business going to be in 5 years time?

and that:

We don't make a lot of dough but what we do make we throw away in distribution, wholesaler to retail head, retail head to agency, agency to customer it has to change, if it doesn't change then the industry will die a sad death.

There was generally a positive attitude towards ICT use among those interviewed. The stated advantages of employing ICT included accuracy in conducting transactions, lowered costs of communication, increased speed in processing, improved access to information, and a potentially broader market to sell to. However, new technologies were often not recognised as part of core development strategies by many smaller agents.

Many small tourism businesses in New Zealand are more concerned with the existence of the internet than with its performance (Ministry of Economic Development, 2001). Information opportunities created via the internet are often missed, and use of the internet was not integrated into other parts of the organisation (Yoong & Huff, 2006). One respondent in Auckland stated:

Sometimes I think we all have web sites because everyone else does; they keep telling us that you have to have one.

Another agent suggested that:

A lot of companies have been stitched up by computer web developers and portal companies overselling the product.

On the other hand, there was also evidence of major investment in computerised operating and reporting systems by the larger corporate agencies. ICT adoption had been a feature of some agencies and the

ability to provide a business-to-business solution for corporate travel had clearly increased their share of the market.

While there was a perceived requirement for travel agents to keep pace with technological advances, there was a general consensus on the part of those interviewed in 2000-2001 that acquiring staff with solid training in these areas can be difficult. This finding is consistent with the conclusions of research on ICT adoption by New Zealand businesses in general. It has been pointed out that the main reason for slow ICT adoption is a lack of knowledge and training to design and maintain on-line businesses (Wilson, 2002).

There was a perception in 2000-2001 among TAs that the New Zealand internet consumer was not as sophisticated as their overseas counterparts and more unwilling to trust web-based operations. However, per head of population, New Zealand was then considered to be one of the most 'wired' countries in the Asia-Pacific region (NUA Internet Surveys, 2001). At the same time, interviewees recognised that their customers were becoming more familiar with the internet. Therefore, it was recognised that ICT had an ever-increasing role to play and should be considered an essential part of TA survival strategies.

There was a broad-based understanding that relationships with customers are very important for survival. A common theme was that "at the end of the day, it comes down to service." While many respondents indicated a concern for the needs of their clients, there was limited knowledge of how best to maintain the relationship with their customers. Niche market TAs in New Zealand were seemingly more customer-orientated and were able to recognise the international trend requiring TAs to become an agent of the consumer rather than an agent of the principals. These agents maintained and utilised a customer database, communicated with customers by e-mail, and measured customer satisfaction to a much larger degree than the average retail TA.

In response to the increasing number of on-line services that were becoming available, it was recognised that:

The only way we can stay alive is to prove to everybody that we do add value in this chain of distribution.

In this regard, New Zealand TAs were prepared to compete with on-line services, and the advantages that they felt they had over such services were:

- Greater security versus the internet (credit card theft and accountability for the product)
- An ability to provide human reassurance for consumer decision-making
- Greater efficiency and an ability to act as an 'information broker'
- An ability to provide unbiased travel advice and access to wholesale prices.

The following issues were identified in the in-depth interviews:

- All interviewees pointed out that due to the ability of airlines and other principals to market directly to consumers, New Zealand TAs, like their international counterparts, are facing increasing pressure in retaining their traditional role as intermediaries. The creation of alliances/networks and a focus on niche markets were the main perceived strategies for survival.
- Airline policies regarding commissions were of particular concern.
- Although customer service was recognised by the majority of interviewees as important, many felt that this aspect of their business could be improved.
- There was generally a positive attitude towards ICT use among interviewees. However, ICT was rarely a core strategy of travel agencies. Although some perceived their customers as unsophisticated ICT users, it was considered essential that TAs utilise ICTs to strengthen their relationship with customers. The fast-changing nature

of ICT requires TAs to keep pace with advancements and adopt policies that 'add value' in the distribution chain.

It was also pointed out that there is no New Zealand government support to TA businesses in the changing competitive environment.

The overall findings of the in-depth interviews with TAs in 2000-2001 in terms of pressure factors and TA responses are shown in Fig. 5.1. Commission cuts and direct selling to consumers by principals were identified as major pressure factors on the TA sector. Although ICT implementation was not recognised as a major threat, it has considerable impact on TA businesses by giving principals the tools to communicate directly with consumers. The responses of TAs to these pressure factors included a threat to terminate working relationships with airlines. TAs also wanted to explore web opportunities, although on a limited scale – mainly for information (Garkavenko, Bremner & Milne, 2003).

Major pressure factors and responses (2000-2001)

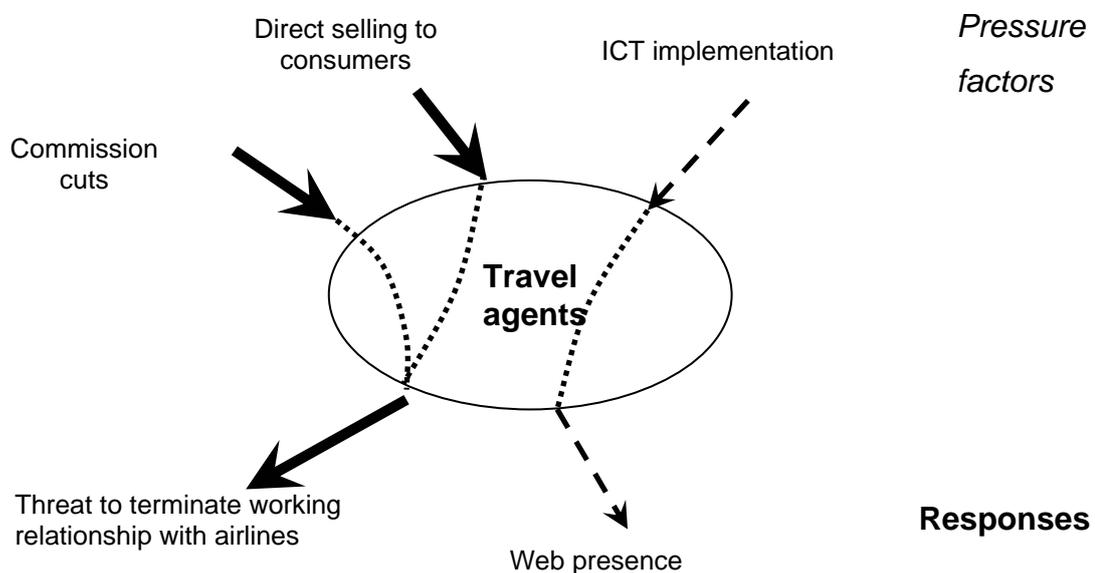


Fig. 5.1: TA pressure factors and responses (2000-2001 interviews).

5.2 In-depth interviews with travel agents, 2003-2004

By 2003-04, some changes had occurred but there were also some features in common with the earlier interviews. Neither commission cuts nor direct internet-based sales by airlines were perceived as major threats in the 2003-2004 study. Given that 60% to 85% of the profits of the TAs interviewed were still air fare-related, it appeared that New Zealand TAs had begun to find ways to build a healthy relationship with the majority of airlines. This shift can be summed up as a move away from an attitude of threatening to terminate working relationships with the airlines and reducing their effort to market airline tickets, to constructive discussion of problems with airlines to find a win-win solution (Tse, 2003; Ping, 1997; Hibbard, Kumar & Stern, 2001). Nevertheless, Air New Zealand was still seen as the most reluctant airline to embark on relationship-building with. All TAs felt that domestic flights and simple point-to-point flights will be booked on-line, and these types of flights continue to be dominated by the national carrier. Many TAs were therefore refocusing their businesses.

The 2003-2004 interviews also revealed that ICT in general, and the internet in particular, was not perceived as a major threat to TA businesses. It was noted, however, that internet searching and purchasing can be very chaotic and thus time-consuming for a traveller. According to one of the interviewees:

Consumers research on the internet, and then they come to us to do bookings. It will come that they will be confident to book, but not at this stage. At this stage, it is not a huge impact on what we do.

Recently, TAANZ president James Langton said that travellers who book through the internet are a different clientele from those who use an agent (Newstalk ZB News, 2004). As in the 2000-2001 study, all TAs from the Auckland region who were interviewed had web sites, but they were more preoccupied with web presence than with web site functionality.

Although no single concept underpinned respondents' views of the importance of ICT, there were a number of recurrent themes. The internet and other ICTs were considered as commodities rather than a strategic means for survival. Only one interviewee mentioned the internet and intelligent agent software as tools for adding value. He also referred to his lack of appropriate skills and knowledge of available software that can make the work of a TA more efficient, and noted that:

If we are going to charge our professional fees, we have to be very professional information providers.

Further discussion revealed that interviewees didn't always know how ICT could add value to their businesses, or how specialised software could make their work more efficient. As regards a web presence, the situation had not changed dramatically since the 2000-2001 study. Again, interviewees were more concerned with internet presence than with its performance.

The data revealed that there was great variation in the extent to which TAs exploited the advantages of new technologies – whether related to customer databases, the internet, or e-commerce. As has been pointed out by some commentators (Gamble, Chalder & Stone, 2001; Lubbe, 2005; Michels & Bowen, 2005) the major barrier in relation to new technologies seems not to be technological capacity, but rather uncertainty surrounding the demand for on-line travel and the possible resultant disintermediation effects on the traditional TA.

There were, however, a number of pressure factors that appear to have grown in significance for New Zealand TAs between 2000-01 and 2003-04, and competition for the “available dollar” is one of these:

I think our biggest competitor is DIY (do-it-yourself) home renovation. People may say: Will we go for a trip, or we will renovate our home.

Another main pressure factor identified by interviewees was competition with other TAs, especially large franchises:

They are not necessarily cheaper, but they create a perception in the market that they are cheaper.

Most importantly, there was a greater emphasis on the competitive problems associated with the emergence of better-informed and more ICT savvy consumers. Many TAs found that consumers come to them with a solid knowledge of their destination and ticket/hotel prices retrieved from the internet:

We have the internet, we have programmes on television, special travel supplements, and newspapers. That was not available before. So people are much more informed.

There was, however, a general feeling that in 2003-04, consumers were still not quite ready to buy travel products (especially those that involve long-haul/complex itineraries) via the internet. Although it was acknowledged that the majority of arrangements for domestic and one-point trips would be done on-line in the near future, it was felt that there would still be some categories of travellers that will use TAs, even for simple itineraries. On-line services and information searching were still perceived as very complex, chaotic and time-consuming by many TAs. Corporate travellers were considered to be among those who are loyal to TAs:

They charge \$100 per hour for their work, so they can't afford to lose half an hour finding the better deal on-line.

In simple terms, the findings revealed that consumers are, in many respects, becoming the main 'competitors' with TAs, in terms of gathering information and searching for destination-related knowledge. One of the interviewees noted that to survive:

TAs have to be able to have access information 'cleverer' and 'quicker' than they [*consumers*] do. Then we will be able to charge for this.

In common with the findings reported by Tse (2003), two key tendencies in TA survival strategies were identified. One tendency was a low-budget orientation. This tendency was especially pronounced in franchises with a considerable turnover (called by one interviewee the "McDonalds of travel"), and small TAs catering for specific ethnic and social groups. One interviewee noted that the latter sold tickets with as little as a 2% margin to establish themselves on the market. Another specific business model was to focus on adding value to travellers' experiences. For example, some businesses added value to the travel product by providing expert advice regarding destinations, bundling airfare bookings with other related services such as visa support, organising overseas working experience, or enhancing customer satisfaction with highly personalised services. One of the interviewees noted:

We will become smarter. The days of sitting in your agency and waiting for people to come in are gone.

It was suggested by one interviewee that to improve performance, TAs should probably adopt payments by commissions rather than fixed salaries. Setting up franchises and buying through wholesale consolidators were named as other means of survival for TAs.

There was a general understanding that TAs should be orientated towards consumers. However, strategies for managing customer relationships varied considerably. Customer databases were not a universal

phenomenon, and none of the respondents reported being completely satisfied with the quality of their current customer management data. Only one TA that worked with several niche markets had a well-developed customer relationship strategy and an established customer database. This particular TA looked after individual customers' via post-trip follow-up, as well as sending newsletters plus providing a range of personalised services and knowledge of specific destinations. He had developed an extensive repeat clientele.

For one agent who specialised in servicing the Eastern European community in New Zealand, success had been based on intimate knowledge of his clients' psychology and language, and of their specific needs and demands. The specific product for such a group included not just tickets, but visa support and other immigration services. In this instance, the TA did not have a functional customer database. Customer follow-up was informal, using word of mouth in a small, relatively tight-knit, community. Once again, there was a solid repeat clientele.

This investigation of the TA market in New Zealand through in-depth interviews with TAs revealed a shifting of priorities and themes within the TA sector. In 2000-2001, the main factor affecting TA businesses was commission cuts by airlines. By 2003-04, TAs had shifted from a negative phase in their relationships with airlines to constructive dialog. According to some authors, an agent can react to a principal's destructive acts either negatively or positively (Hibbard, Kumar & Stern, 2001; Ping, 1997). Negative acts involve retaliation that may include terminating or threatening to terminate the working relationship with a principal, reducing efforts to market the principal's product, or aggressively criticising the principal. These negative acts put direct pressure on the principal to change its behaviour by stressing the adverse consequences of the destructive act (Frazier & Rody, 1991). On the other hand, positive acts may include constructively discussing the problem with the principal to find a win-win solution, or simply passive acceptance by viewing the problem

as transitory and one that will eventually work itself out (Hibbard, Kumar & Stern, 2001).

In both time periods, the introduction of the internet and on-line bookings by principals were not recognised as an immediate or pressing threat. On the other hand, the 2003-04 interviewees admitted that consumers were much more knowledgeable about travel, and that they find their information on the internet as well as other media.

A summary of the major pressure factors and TAs responses to these factors in the 2003-2004 interviews is presented in Fig. 5.2. At this time, the internet was still not considered a major threat to TA businesses.

Major pressure factors and responses (2003-2004):

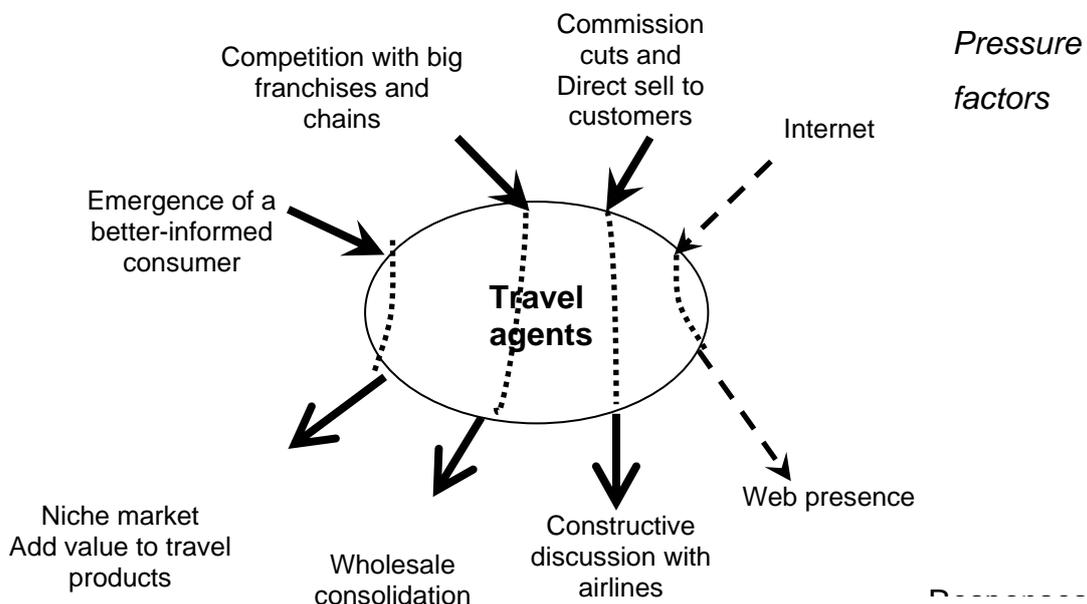


Fig. 5.2: TA pressure factors and responses (2003-2004 interviews).

5.3 Theoretical assumptions

The findings of Chapter 4 and this Chapter permit the formulation of a number of theoretical assumptions that can be subsequently tested in the confirmatory stage of this thesis using quantitative analysis. The theoretical assumptions made were:

1. The main pressure factors on the New Zealand TA market relate to the impact of ICT on the travel industry, and can be categorised as: (1) airline commission cuts (the internet has empowered airlines to deal directly with consumers); (2) other suppliers selling directly to consumers; and (3) the emergence of internet savvy consumers who seek personalised travel arrangements.
2. The advent of ICTs has initiated a process of disintermediation whereby principals bypass the middleman. This process is pronounced in the case of airlines and TAs. Over time, however, the relationship between TAs and airlines has evolved from a negative one, which threatened to end any working relationship, to one characterised by constructive dialog, at least with certain airlines.
3. TA's main perceptions of their survival strategy can be described as a shift towards consumers (catering to a specific niche market and being customer supportive), becoming information brokers or travel managers, and charging fees for travel arrangements. This shift in the TA business environment can be described as a process of "re-intermediation" or re-invention of the role of TAs in the internet era.

4. The emergence of consumers with changed demands and expectations has become a reality. Although there is a clear understanding among TAs of the importance of orientating their businesses towards customers, there is no clear understanding of the needs, perceptions and expectations of consumers.
5. New Zealand TAs have a high level of ICT adoption, but there is considerable hesitation in using ICTs, and the internet in particular, as strategic tools.
6. Government does not willingly participate in the regulation of TA-airline relationships. Over time, these relationships have been tense, but the situation appears to have settled as TAs have become more used to the growing impact of the internet.
7. There is a spatial variation between New Zealand travel agents in terms of ICT adoption, consumer perception and niche market targeting.

6. A NATIONAL SURVEY OF TRAVEL AGENTS

A national on-line survey of TA businesses was designed and implemented to better understand the complexity of the evolving and multifaceted TA business environment, and test the theoretical assumptions made (see Chapter 5, section 5.3). It was also vital to look beyond the Auckland region as the most developed urban area may be quite different from rural areas that are less ready to adopt ICT. A total of 700 survey invitations were sent to prospective respondents via a NZTRI database.

6.1 Organisational characteristics of respondents

Of the 109 responses received, 71% were from the North Island and 29% from the South Island. Around 37% were received from the Auckland region (Fig. 6.1).

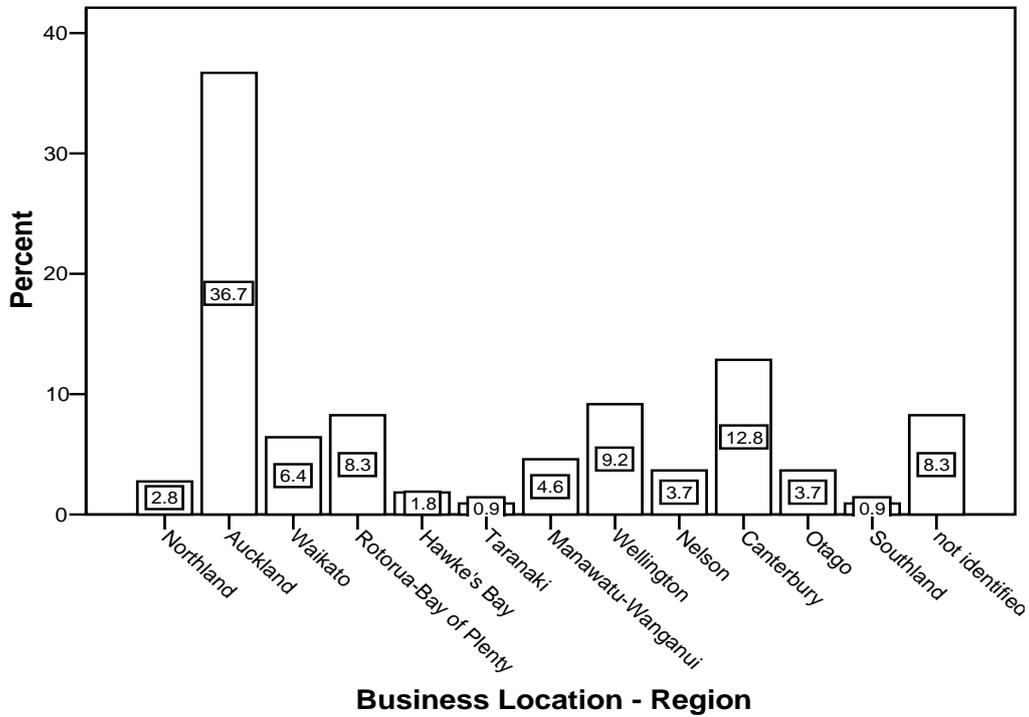


Fig. 6.1: TA business location by region.

Approximately 43% of respondents were independent/family businesses, 40.7% belonged to franchises/chains, 3.7% belonged to networks, and 7.3% were classified as “others” (Fig. 6.2). This distribution reflects data provided by Net Readiness Statistics and Research on New Zealand tourism businesses (Ministry of Economic Development, 2001) which indicates that about 49% of tourism businesses in New Zealand are family/independent businesses.

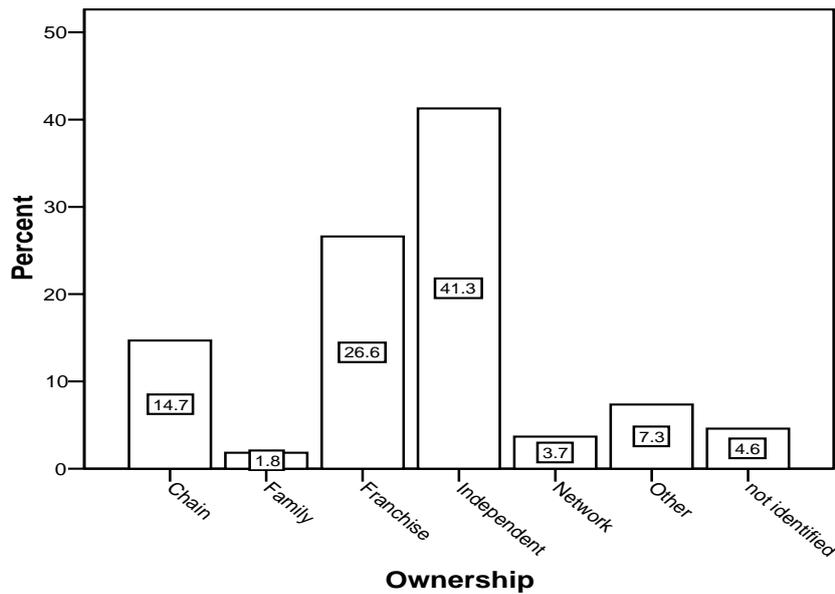


Fig. 6.2: Travel agent ownership.

Over 77% of the respondents had less than 10 employees. Thus, the respondents' businesses can be described as mainly small- or medium-sized with a preponderance of family/independent TAs and franchises/chains.

Experience in the TA business among respondents varied from 2 years to 47 years. The most frequent response was from TAs who have been in the business for 20-29 years (75%). The majority of experienced TAs (more than 20 years of experience) was from independent businesses.

Most respondents (56%) target specific markets, mainly business travel (43%), leisure travel (59.6%), and high-yield markets (45.9%). Package tours, visiting friends and relatives, special events, internet users, and adventure travel were listed among other specific markets.

All respondents offer air fares to consumers. On average, air fares comprised approximately 43% of the TAs' revenue. However, multiple modes exist – the most frequent answers to the question regarding the percentage of revenue attributable to air fares were 20% and 60%. More

than 85% of TAs offer packages, 84% offer hotel bookings, and 77% offer car rental bookings.

Respondents were asked to rate the status/performance of their businesses on a 5-point Likert scale from much worse through worse, neither better nor worse, better, to much better as compared with the status three years ago. The majority of respondents were either “neither better nor worse” in terms of their current business status as compared with three years ago (30%), or perceived their situation as “better” (26.6%). The mean value on the 5-point scale was 3.59 (Fig. 6.3).

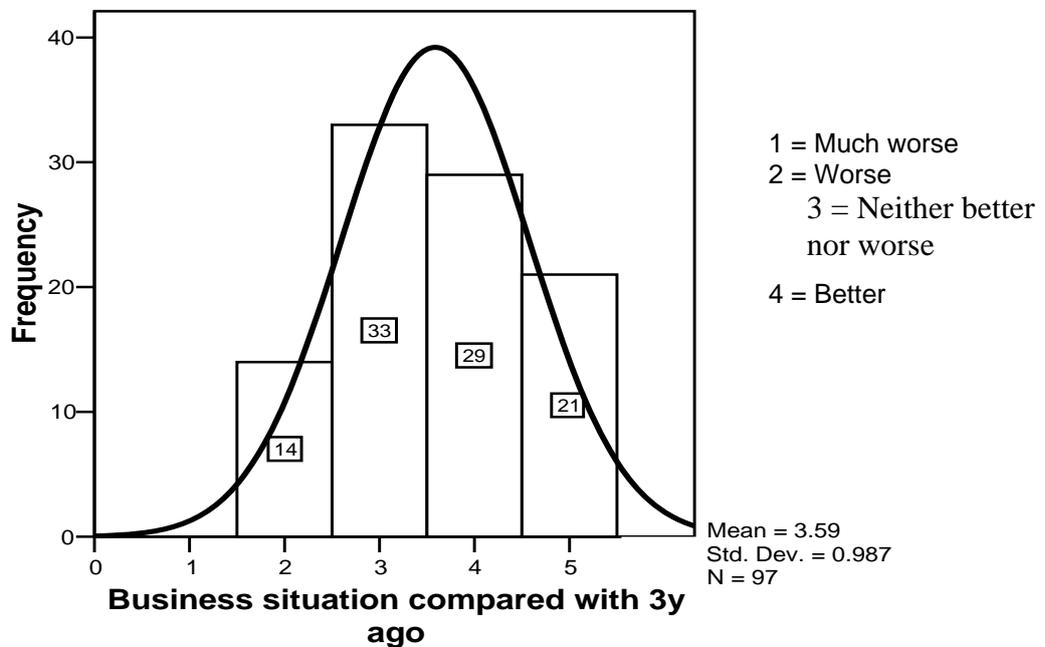


Fig. 6.3: TA business performance (compared to 3 years ago)
(Values shown are numbers of respondents).

6.2 Major pressure factors influencing TAs

One of the aims of the survey was to identify major pressure factors on New Zealand TA businesses to ascertain any similarities and differences versus the in-depth interviews. Respondents were asked to rate the impact of various factors identified in the exploratory stage on their businesses on 5-point scales. The list of the factors included: commission cuts by airlines,

hotels and car rental firms; the emergence of more informed consumers; competition with other TAs; competition with suppliers selling on-line and on-line TAs; lack of government support; lack of skilled staff; consumer use of the internet; health concerns (e.g. SARS); terrorism; and other factors.

The majority of respondents (31%) indicated that commission cuts by airlines had a considerable impact on their businesses, with a mean response value of 3.59 (Fig. 6.4).

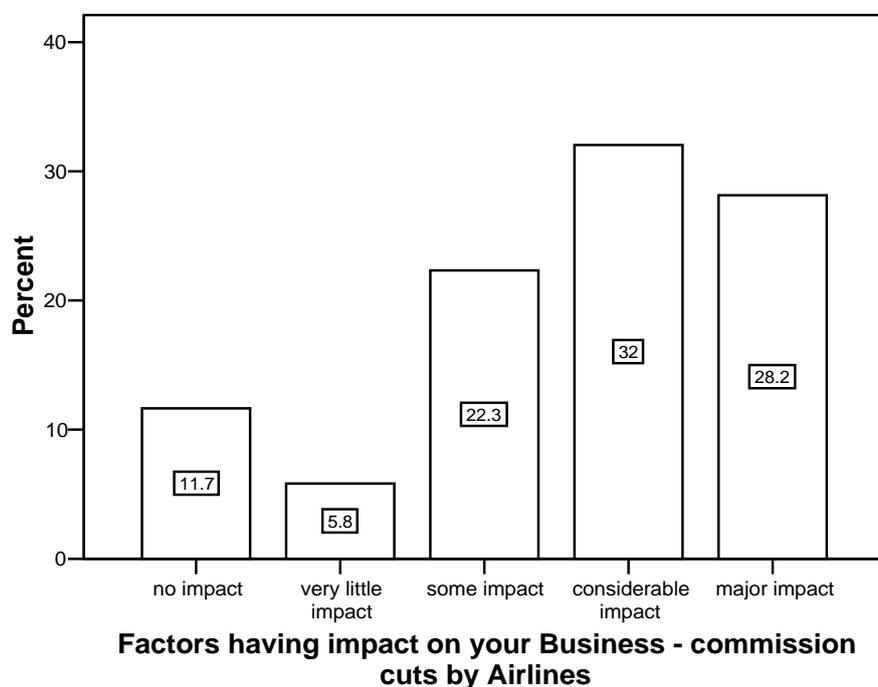


Fig. 6.4: Major impacts on TA businesses – commission cuts by airlines.

Consumers buying on the internet (23%), health concerns (41%), terrorism (37%), and suppliers selling directly to consumers (34%) were also considered major impacts on TA businesses, with mean response values of 3.38, 3.45, 3.39, and 3.55, respectively (Table 6.1).

The mean response value for the impact of commission cuts by hotels and car rental firms was 2.98, which corresponds to a perception of “some

impact". The emergence of sophisticated consumers, competition with other TAs, competition with on-line TAs, lack of government support, and lack of skilled staff were also perceived as having "some impact" with mean response values of 2.84, 2.66, 2.83, 2.47 and 2.77, respectively (Table 6.1). Among other factors that had some impact on TA businesses were "exchange rates" and "cheap internet prices".

Table 6.1: Major pressure factors identified by respondents

<i>Major pressure factors identified by respondents</i>	Mean response value (5-point scale)*
Commission cuts by airlines	3.59
Consumers buying on the internet	3.38
Health concerns	3.45
Terrorism	3.39
Suppliers selling directly to consumers	3.55
Commission cuts by hotels and car rental firms	2.98
Emergence of sophisticated consumers	2.84
Competition with other TAs	2.66
Competition with on-line TAs	2.83
Lack of government support	2.47
Lack of skilled staff	2.77

* Scale: 1 = no impact, to 5 = major impact.

Similar findings regarding pressure factors facing TAs were reported by Dilts & Prough in the USA (2001). These authors identified supplier pressures, changing technology and habits, and customer decisions as some of the factors that have caused the travel industry to become so turbulent and uncertain.

TAs perceive commission cuts by airlines, more informed consumers, health concerns (e.g. SARS), terrorism, suppliers selling on-line, the internet, and competition with other TA as the main pressure factors for their businesses. This is in good accord with previous data obtained in the exploratory stage of the study, and confirms the theoretical assumption that the major factor impacting onto the New Zealand TA market is ICT-related. However, it also reveals the impact of other factors such as health concerns and terrorism.

The survey also identified competition as an important pressure factor. The following were identified as principal competitors:

1. Suppliers selling direct to customers (39.4% of respondents)
2. Other TAs (big franchises, chains, other TAs in the same niche market; 40.4%)
3. The internet (14%)
4. Other activities (home improvement, available money, etc.; 6.4%)
5. On-line TAs (1.8%).

Three respondents (2.8%) were not able to identify any competitors for their business.

The earlier in-depth interviews clearly showed that an important issue for the New Zealand TA business environment is the relationship between TAs and airlines. The national survey aimed to test the theoretical assumption that these relationships had evolved to constructive dialog with certain airlines and re-intermediation of TAs. In response to a question asking respondents to identify the percentage of their revenue that is generated from airline commissions, answers ranged from 0% to 90%, with a mode of 70% and a mean of 49.45%. This indicates that air fares are still generating significant income for New Zealand TAs.

To confirm the significance of commission cuts on the New Zealand travel agent sector, respondents were asked to rate their perception of the

impact on New Zealand businesses on a scale of 1 to 5 from strongly disagree to strongly agree. The majority of respondents (45%) agreed that commission cuts have had a major impact on New Zealand TAs (Fig. 6.5).

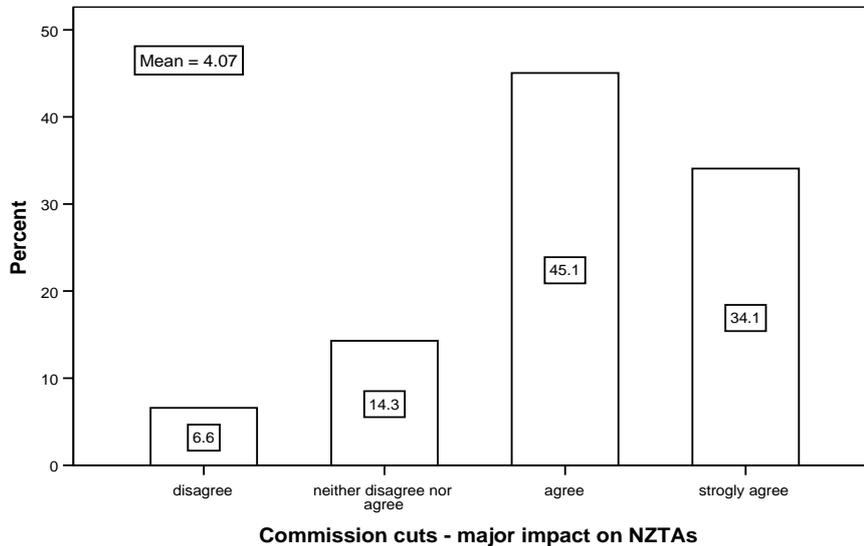


Fig. 6.5: Perceptions of commission cuts.

Respondents were also asked to identify the three airlines that they considered were the most constructive in building relationships with New Zealand TAs. Qantas (41%) and Singapore Airlines (22%) were identified as the most constructive, followed by Emirates, Cathay Pacific, and Thai Airways.

In addition, respondents were asked to identify the airline least constructive in building relationships with New Zealand TAs. Air New Zealand received the biggest score, with 72.5% of respondents nominating this airline as the least constructive. Air New Zealand was followed by Freedom Air (12.8%), United Airlines (11%), Lufthansa (1.8%), and Air Pacific (1.8%).

The results of the on-line survey confirmed the findings of the in-depth interviews that airlines are still generating significant income for New

Zealand TAs and that the relationship between airlines and TAs in New Zealand has moved from a negative to a more constructive phase.

A summary of the major pressure factors and TA responses identified during the national on-line survey is presented in Fig. 6.6.

Major pressure factors and responses

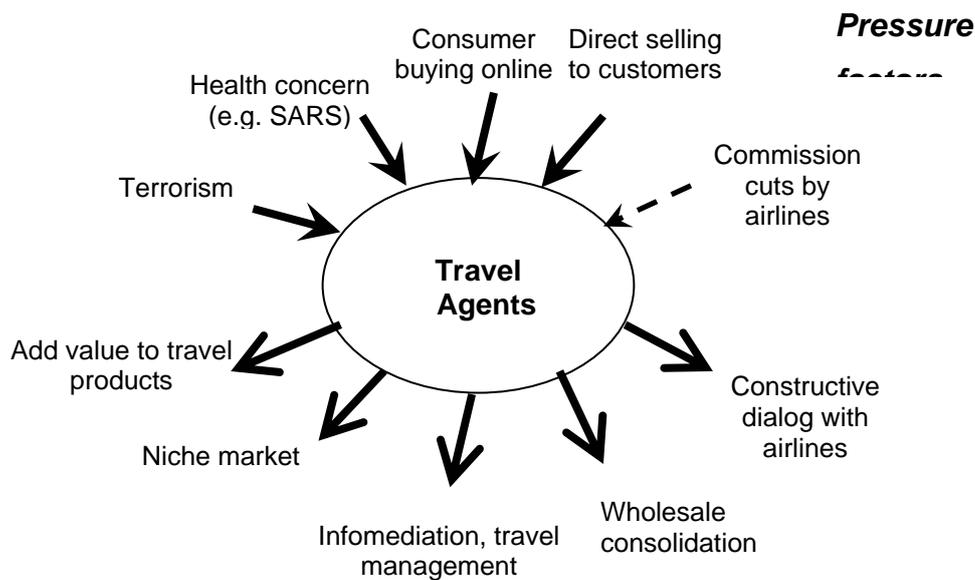


Fig. 6.6: TA pressure factors and responses (National On-line Survey 2004).

While the national on-line survey revealed that health concerns (e.g. SARS), terrorism, and competition with other TAs (especially big franchises) were major pressure factors, these factors were not identified during the in-depth interviews. The differences can be explained by an impact of the survey timing – the ever-changing TA business environment brings new pressure factors (Garkavenko & Milne, 2004).

6.3 Survival strategies

To characterise the TA's possible survival strategies, respondents were asked firstly to identify their business advantages, and then what they perceived were their best survival strategies.

Open question answers regarding their perceived business advantages were categorised (Rubin and Rubin, 1995) as follows:

1. Customer-orientated service
2. Specific product-related (low prices, specific packages, Flybuys, adventure tourism)
3. Experienced staff
4. Technology-related (offering on-line services, ICT as a strategic tool)
5. Branding/marketing
6. Company structure-related (some perceived belonging to a chain/franchise as an advantage; others said that being a small independent TA is an advantage).

The majority of respondents (46%) perceived customer-orientated service as their advantage. Other perceived advantages were experienced staff (37.6%), branding/marketing (12.8%), specific product (11.9%), and company structure (11%). Only 4 respondents (3.7%) perceived technology (on-line services, ICT as a strategic tool) as their advantage.

Answers to open questions regarding the best survival strategies were categorised as follows:

1. Customer-orientated services (customer knowledge, customer retention policies, orientation on customers)
2. Specific product/niche market
3. Charging fees
4. Airline support
5. Added value (answers in this category included broad, unspecified added value terms)
6. Alliances/mergers

7. Adoption of ICT and the internet
8. Others.

The results of the analysis are shown in Figure 6.7 with 30% of respondents considering that their best survival strategy is enhancing and/or adding customer-orientated services. Several comments focused on the theme including: “customer service focus”; “building strong customer relations”; “providing best customer service by updating travel products all the time”; and “enhanced customer relationship management”.

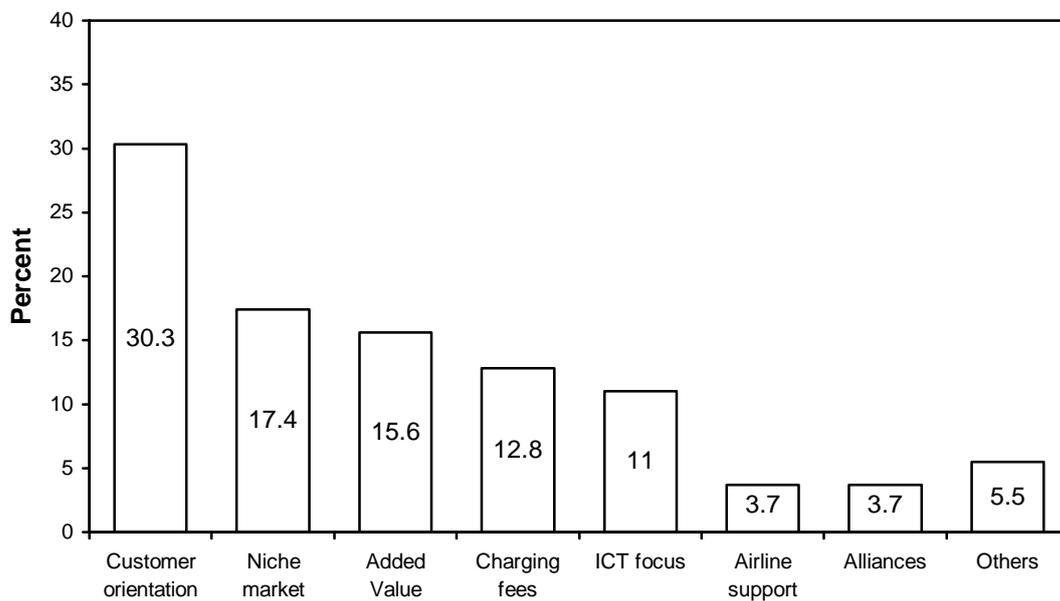


Fig. 6.7: Perceived strategies for TA survival.

(Percentages of respondents rating each strategy as the main one).

Developing a specific product and finding a niche market were considered key survival strategies by 17.4% of respondents (“find a niche market and service that market”), while “adding value” was considered important by 15.6%. Twelve respondents (12%) considered that TAs needed to charge fees to survive. Comments included:

Charge fees, stop giving info free;

Act like true retailers and not be so dependent on suppliers for income stream. Value the service offered and derive revenue from the customer – don't be scared to charge a fee;

and

We have to get like other professions and be upskilled in our knowledge and then charge like lawyers and doctors by the minute.

Around 11% of respondents considered that the use of ICT and the internet was a key to survival. Comments included:

Having the best technology and knowledge"; "embrace the internet"; "by using the computers to make the job quicker and easier and to allow having more time to build client relationships...;

Embrace all supposed competitive vices such as internet, airlines non commission strategy and be positive towards both.

Only about 4% considered that they could rely on the airlines for their survival.

In the 'other' category, typical responses indicated some hesitation regarding what should be the best survival strategy:

Don't really know - not solely survive on commission but find other ways of making money;

All I know is to keep working hard - but the rewards are less and less. I foresee a lot more agencies closing in the years to come - especially small stand alone agencies - a shame because a unique part of the industry will be lost.

The findings of the survey indicate that TAs have passed the stage of negative reactions to commission cuts by airlines and are now looking for constructive ways to sustain their businesses.

Participants were asked to rate their perception of charging consumers for services on a 5-point scale from strongly disagree to strongly agree. The

mean response score of 4.59 indicated that TAs strongly agree with the statement (68.9% of respondents), and clearly consider charging fees for their services as a means for survival (Fig. 6.8).

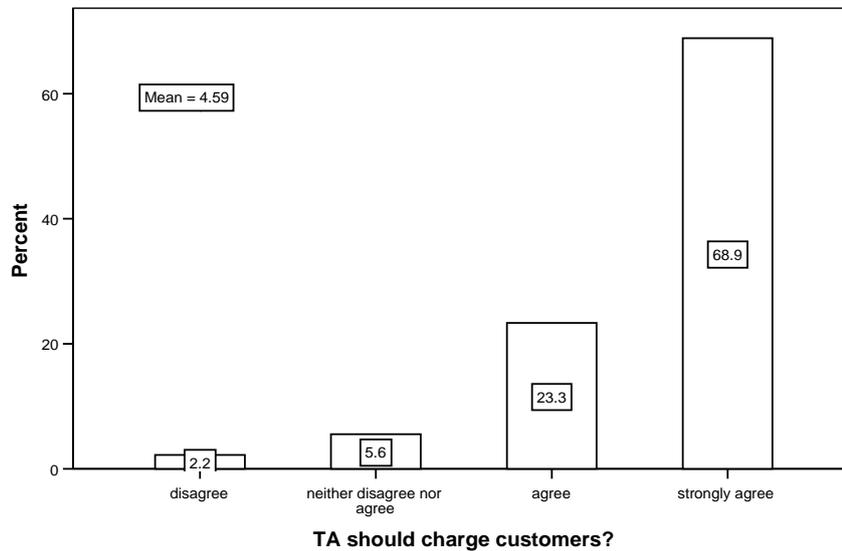


Fig. 6.8: Charging customers for services.

6.4 ICT perception and adoption

A review of previous research on small tourism and hospitality businesses has pointed to a growing interest in internet marketing (Milne, 1996; Milne, Bremner & Carter, 2001; Doolin, Burgess & Cooper, 2002; Landvogt, 2004). However, the research is contradictory. On one hand, some researchers suggest that because entry barriers are low, it is cost-effective for small businesses to set up an internet presence, which helps level the playing field between small and large firms (Hoffman & Novak, 1996; Lituchy & Rail, 2000). However, other researchers suggest that e-commerce is not being adopted as readily by small tourism and hospitality businesses as might be expected (Leong, 2000; Van Beveren & Thomson,

2002). This can be explained by the lack of required skills (Leong, 2000; Van Beveren & Thomson, 2002), perceptions of consumers as technophobics (Law, Law & Wai, 2001), high initial cost, and reliability problem (Landvogt, 2004).

The majority of research addressing internet technology issues has focused on the motivating factors behind developing an on-line presence rather than barriers to adoption. Many studies have shown that low development and maintenance cost play a critical role in the decision to go on-line (Lituchy & Rail, 2000). Small firms perceive that lower development and maintenance costs are advantages that allow for experimentation, and reduce the risks associated with adopting a new technology (Thomas, 2004). Matlay (2004) argues that use of the internet as a marketing platform offers small specialist tourism firms considerable opportunities to both reach and cover traditional and emerging tourism markets. Others have suggested that the internet can be a powerful tool for delivering information (Leong, 2000), attracting affluent customers (Starkov, 2003), for relationship marketing purposes (Gilbert & Powell-Perry, 2000), and for increasing customer service (Bigne, Andreu, Kuster & Blesa, 2005).

Research on the barriers to adoption of internet technology amongst tourism and hospitality businesses is limited, but the main concerns seem to be security (Lang, 2000), lack of technical expertise (Van Beveren & Thomson, 2002), difficulty in analysing and promoting the site (Auger & Gallagher, 1997), fear of losing client rapport (Lituchy & Rail, 2000), and lack of an on-line market for the firm's product (Van Beveren & Thomson, 2002). For small firms in the tourism sector, Standing & Vasudavan (2000b) ranked the four most important barriers as start-up costs, lack of staff expertise, operating costs, and the difficulty of providing adequate training. Hudson & Gilbert (2006), in their research on tourism SMEs in Canada, established that even though the majority of Canadian businesses (60%) now have a web presence, most are not using the internet to its full marketing potential. For example, the study showed that 40% of Canadian businesses do not effectively measure on-line marketing

and web performance. Consumers too are still concerned about making travel bookings on-line.

The in-depth interviews showed that although New Zealand TAs have adopted ICT, and the internet in particular, in their businesses, they do not perceive it as a strategic tool. An explanation of the term “strategic tool” can be found in works by Buhalis (2003) who identifies the four main eras of technological evolution. In the different eras, ICTs have contributed in different ways to organisations and have required variable resources and commitment. More importantly, they have concentrated on different functions, and as a consequence, have had been of unequal importance for the strategy and operations of organisations. In each period ICT played a different role as a strategic tool. In the first era, *data processing*, the main objective was to improve operational efficiency by automating information-based processes. In the second era, *management information systems*, the principal aim was to increase management effectiveness by satisfying organisational information requirements. Information systems were used primarily to address the needs of internal management and coordination, and emphasis was given to administrative and clerical functions, especially accounting or inventory management; delivering added value to customers was a lower priority (Strassman, 1990; Gamble, Chalder & Stone, 2001).

The third era, *strategic information systems* (SIS), was aimed at improving competitiveness by changing the nature or conduct of businesses. Integrated ICT networks were used to achieve organisational strategic objectives, to enhance performance, and to coordinate activities across businesses, as well as to support interactions with external entities in pursuit of a competitive advantage. Thus, SIS were primarily used to support the competitive strategy of the organisation and its ability to gain and maintain a competitive advantage. The fourth era started with the proliferation of *intra- and inter-organisational networking*. Local area networks and wide area networks as well as the internet, intranets and extranets have revolutionised communication and enabled multilevel

integration and efficient collaboration. ICTs are used as indispensable tools for almost all business functions from production to marketing.

In New Zealand, the tourism industry as a whole has been identified by the Ministry of Economic Development as the most net-ready sector (Ministry of Economic Development, 2001). To analyse the level of ICT adoption by TAs, respondents were asked in the on-line survey to identify what kind of ICT they are using. Around 78% stated that they were using computerised reservation systems or global distributions systems (CRS/GDS), 85% were using e-mail, and 84% were using the internet for information searching. According to HRG (Hogg Robinson Group, merged Signature Travel and BTI New Zealand) all three types of GDS namely Amadeus, Gallileo and Sybre are available in New Zealand (HRG, 2007). However, currently New Zealand travel agents have much broader exposure to other GDS such as Pegasus, WorldRes and Worldspan. They have access to these systems mainly through the internet portals or on-line providers such as Vantis (Vantis, 2007).

These figures for internet and e-mail usage were lower than had been established for accommodation providers in New Zealand (Milne et al., 2004). It was found that over 95% of accommodation businesses have a computer with e-mail and internet access, and nearly the same percentage have some form of web presence (Statistics New Zealand, 2006). According to a tourism industry survey (New Zealand Government Electronic Commerce, 2004) the proportion of the tourism industry organisations with a web site is 91%. However, the functions of these web sites are quite variable: about 79% of web sites provide generic promotions, 71% have links to alliance partners, 72% receive customer orders, 38% provide secure transactions, and 28% receive payments on-line.

The on-line survey showed that 84% of respondents have a web site, and most have done so for 2 to 4 years (46%). Other ICTs in use included

database software, on-line booking systems, mobile telephones, and VPNs (Virtual Private Networks) for after hours access.

The majority of respondents stated that they used the internet for researching travel destinations (84.4%) followed by e-mail (78.9%), on-line bookings (72.5%), and financial transactions (57.8%). In response to a question asking them to rank the importance of different internet functions for their businesses on a 5-point scale, 82% of respondents identified e-mail as very important for their businesses and the mean response value for this usage was 4.85. Researching destinations, on-line bookings and financial transactions were also identified as important, with mean response values of 3.91, 3.62, 3.33, respectively (Table 6.2).

Table 6.2: The importance of different internet functions for TA businesses

Functions	Mean response value (5-point scale)*
E-mail	4.85
Researching destinations	3.91
On-line bookings	3.62
Financial transactions	3.33
* Scale: 1 = minimal or no importance, to 5 = very important.	

Respondents were also asked to state the main reason for having a web site (Fig. 6.9). Around 57% of respondents answered that they have a web sites for promotion, marketing and information purposes; 12.4% have a web site as a part of their franchise or chain; and 5% use their web site to contact their customers. Only 3.4% used their web sites for on-line selling and booking. About 17% of respondents don't have a web site (Fig. 6.9).

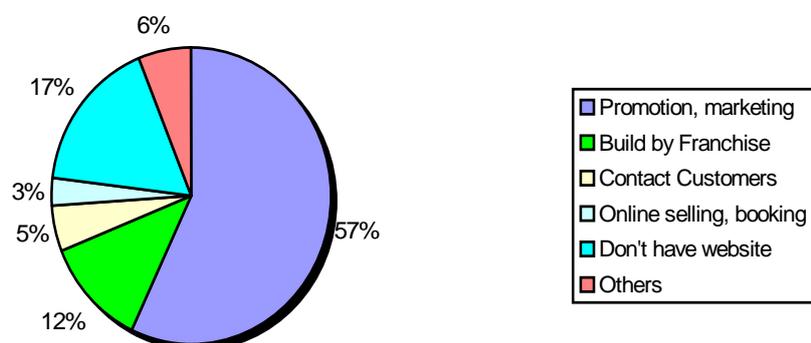


Fig. 6.9: Reasons for having a web site.

In a Canadian survey of SMEs in tourism, Hudson & Gilbert (2006) asked a similar question of respondents. In accord with the findings of this study, there was clearly a trend towards using the web as a marketing tool and as an avenue for delivering information, although 56% used the web to make on-line reservations. A large percentage (83%) maintained a web site in order to increase business exposure.

Tourism e-commerce and its adoption have been studied in a number of developed countries in the last few years. For example, Cano & Prentice (1998) proposed a communication concept for the design and management of websites for tourism businesses and presented tourism web sites developed in Scotland. Similarly, Standing & Vasudavan (2000a, 2000c) explored the levels of planning and strategies used by Australian travel agencies, and analysed the functionality of the travel agencies' web sites, the marketing models used, and the types of information provided.

In the present study, nearly two-thirds of respondents (65%) indicated that their web sites had been designed by ICT professionals, while 12% stated that they used a franchise web site. Only 5.5% of respondents indicated that it was a mutual effort of ICT professionals and tourism business specialists (Fig. 6.10).

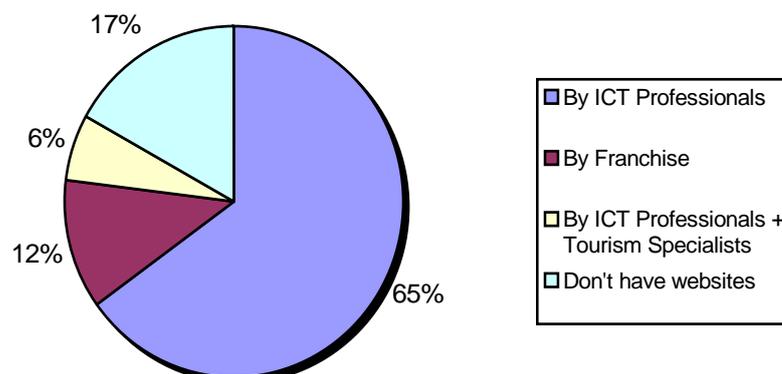


Fig. 6.10: Web site design by TA businesses.

From a study on the perception of Hong Kong travellers towards Hong Kong travel agency web sites, Law & Ngai (2005) concluded that in order to remain competitive, it was important to strengthen the functionality (content richness) and usability (ease of use) of the sites. Souza, Manning, Goldman & Tong (2000) reported that two-thirds of visitors to retail web sites left the site because of barriers to usability. Thus, usability has become a determining factor in the success of travel web sites. Travis (2003) defines web site usability as the extent to which a specific site can be used by a specific user to achieve specific goals with effectiveness, efficiency, and satisfaction in a particular environment. Nielsen (1999) published one of the pioneering lists of guidelines for web site properties ("The top ten new mistakes of web design") which ranked design features according to the severity of the mistakes. Among the design listed features, scrolling text, looping graphics, outdated information, and slow download times were ranked as 'very severe' mistakes. Bevan (2001) and Wan (2002) suggested having more simplistic designs to eliminate user frustration. Similarly, Hudson & Gilbert (2006) reported that small tourism businesses in Canada do not use the web to its full advantage. Only half of respondents in their study used the web to build customer relationships or measure the efficiency of their sites. In addition, only a small number used a secure server for on-line bookings.

Taylor & Murphy (2004) have identified several stages in ICT adoption by small businesses, starting with simple adoption of e-mail as a tool for

internal and external communication. Stage two is the adoption of a web site that opens a window to a broader global set of opportunities. Stage three involves the adoption of e-commerce with an ability to order and make payments on-line and increased accessibility and speed. E-business is the next step with improved integration of the supply chain and enhanced linkage into tourism distribution channels. In the final stage of this model, small businesses become 'transformed' organisations with open systems providing information for customers, suppliers and partners (Millan & Esteban, 2004). Following this classification, ICT adoption by New Zealand TAs can currently be categorised as first and second stage.

Rather than a ladder progression, it has been suggested that companies may obtain value from ICT investment by introducing different activities at different times to fulfil different needs – in line with a strategic vision for their tourism venture and lifestyle choice (Milne & Ateljevic, 2001; Ateljevic, 2000; Nodder et al., 2003).

In the present study, only 22% of participants in the national on-line survey answered that they are going to invest in new ICT. Four respondents stated that they did not know what ICT is, though the questionnaire gave an explicit explanation of the term. Obviously, some participants did not perceive that investment in ICT would give them an advantage. Over the last decade, investments in ICT in the tourism and hospitality industry have substantially increased (Sigala, 2001; Siguaw, Enz & Namasivayam, 2000). However, despite these investments, empirical studies have not persuasively established corresponding improvements in organisational performance and productivity, either in general or the particular example of the tourism sector (Baker, Sussmann & Meisters, 1999). In this regard, Brynjolfsson (1993) first described the concept of the "IT productivity paradox", which refers to the fact that the benefits of spending have not shown up in performance.

In 2005, ICT consultancy CSC and the Financial Executives Research Foundation conducted a survey of 782 American executives responsible

for IT, 50% of the respondents admitted that “aligning business and strategy” was a major problem (McAfee, 2006, p. 142). The researchers found that 51% of large-scale IT efforts finished later than expected and ran over budget. Only 10% of companies believed they were getting high returns from IT investments; 47% felt that returns were low, negative, or unknown.

Recent research in the hotel industry has shown similar results (Sigala, 2002). In surveying hotel managers’ perceptions of the productivity impact of ICT, it was found that hotel managers believe that some applications (reservation management systems, room management systems) have improved productivity, while others (vending and entertainment) have decreased productivity. Singuaw, Enz & Namasivayam (2000) argued that research into the ICT impact should consider contextual factors such as company size, operations and market orientation. Sigala, Airey, Jones & Lockwood (2004) argues that productivity gains accrue not from investments per se, but from the full exploitation of ICT networking and informalisation capabilities. She stresses that ICTs are not a determinant of organisational or individual outcomes, but rather enabling factors whose effects are dependent on how they are used. Sigala (2002) also argues that the relationship with value is not a direct one but that ICTs give value when they are used to redefine, differentiate, and informationalise products/services and to streamline and rationalise processes. This researcher has developed an empirical model to gauge the impact of ICT. She argues that the productivity paradox debate has been a methodological artefact. Her results investigating the productivity impact reveal that this becomes apparent only when exploitation of network/integration and informational and transformational capabilities are considered. To optimise business value, tourism businesses should adopt a more strategic approach to ICT implementation and management. Specifically three capabilities – information, systems’ integration, and architecture – should be managed and aligned with business strategy and operations.

Different types of agencies have different ICT requirements (Buhalis, 2003; Tan, Macaulay & Scheurer, 2006). Business agencies need to access information and reservation systems efficiently, as business travellers often book their trips a short period before travelling and change their itineraries frequently. Leisure travel agencies need to have access to a very wide range of information to support consumers at the ‘inspire me’ stage when they have not decided on the destination, timing or budget of their holidays. Then they need to undertake reservations on a wide range of products in order to fulfil customer requirements. In both cases, integration of the entire business is critical for the profitability of the organisation. Being able to manage cash flow to ensure that commissions are paid on time and that employees can devote more of their time to customer care determines the productivity and, ultimately, profitability of an agency. The more these processes can be supported through ICTs, the more tools travel agencies have to undertake bookings and coordinate their operations effectively, and the more they can enhance their competitiveness.

In the present study, respondents were asked to rate on a 5-point scale their attitude towards ICT as a basis for a sustainable competitive advantage (ICT as a strategic tool): 44% answered that they were neither agreed nor disagreed about the statement. The mean response value was 3.45, which indicates that central tendency was from “neither agreed nor disagreed” to “agree” (Fig. 6.11).

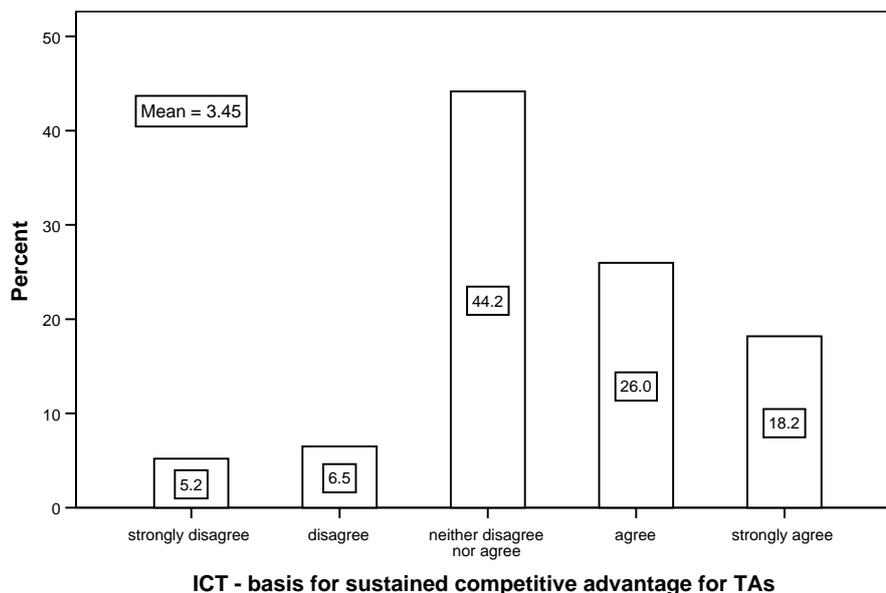


Fig. 6.11: ICT as a perceived basis for a sustained competitive advantage.

Similarly, respondents were asked to rate on the same scale the statement that “TAs should develop computer search skills”: 51% agreed with the statement, with a mean response value of 4 (Fig. 6.12).

Overall, the attitude of TAs towards ICT revealed by the national survey can be described as “hesitant”. It was also apparent in the in-depth interviews that ICT is not perceived by TAs as a strategic tool or an enabling factor for competitive advantage. None of the respondents indicated that they were using modern software such as eVoya or ViewTrip for more efficient information searching, reducing the costs of operations, or consumer relationships management (CRM).

The research shows that TAs are more interested in web presence than in functional web sites. Web sites are used more for marketing than for booking and purchasing. Only a small proportion of the respondents took an active part in web site design.

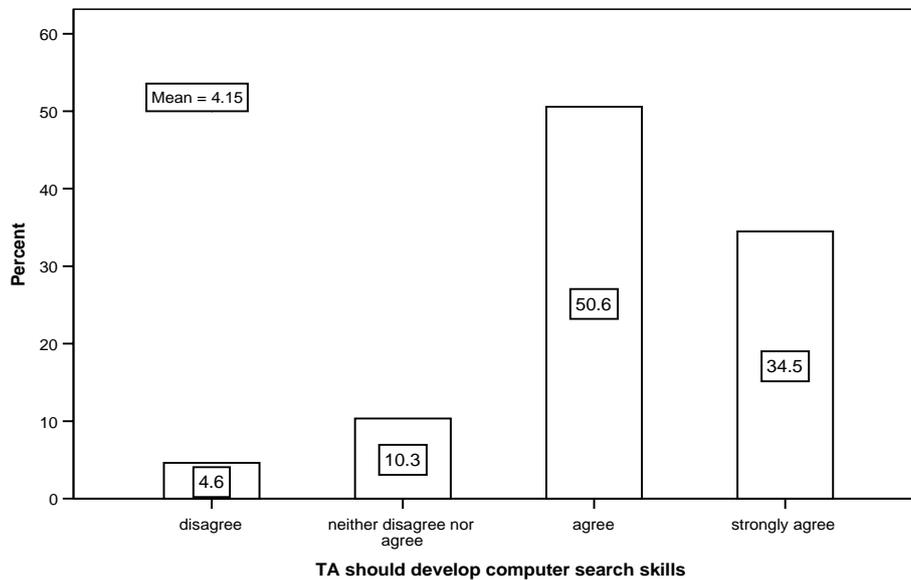


Fig. 6.12: Attitudes towards computer search skills.

These facts indicate that New Zealand TAs have not yet managed to take full advantage of ICT capabilities. This indicates a lack of strategic vision in ICT, as well as a failure to invest in new technology.

6.5 Relationships with consumers

The longitudinal study (Chapter 5) revealed the evolution of TA's perceptions of their customers from "PC illiterate" and "not ready to buy on-line" to "more informed" and "internet savvy". It was established in both the in-depth interviews with TAs and the national on-line survey that the main perceived survival strategy was a shift towards the customer.

To analyse the relationship between TAs and consumers, survey respondents were asked to answer a question about how consumers have changed. The open question answers' categories were: (1) more internet literate; (2) looking for quality service; (3) looking for a personalised, often

complex travel product; (4) greater experience in travel and more informed; (5) appreciate TAs and prepared to pay more; and (6) others.

About 40% of TAs responded that the consumer is more informed about the product and travel arrangement possibilities. An example of a typical answer is:

They are more travelled, and experienced with what to expect. They seem to do much more of their homework before they come to us for advice or bookings.

About 25% answered that the consumer is much more internet and computer literate. One TA stated that:

Customers are more keen to use IT now compared with 10 years ago.

About 9% thought that the consumer is looking for a more personalised, complex travel product. One TA noted that consumers:

“Want more holidays” and were “more experimental and adventurous in travel”.

About 8% believed that consumers are looking for quality service:

[They] “expect faster service and longer hours of operation”, and “expect better service”.

About 6% were sure that consumers appreciate TAs more and are prepared to pay for services (Fig. 6.13):

People are more prepared to pay for what they want rather just the cheapest.

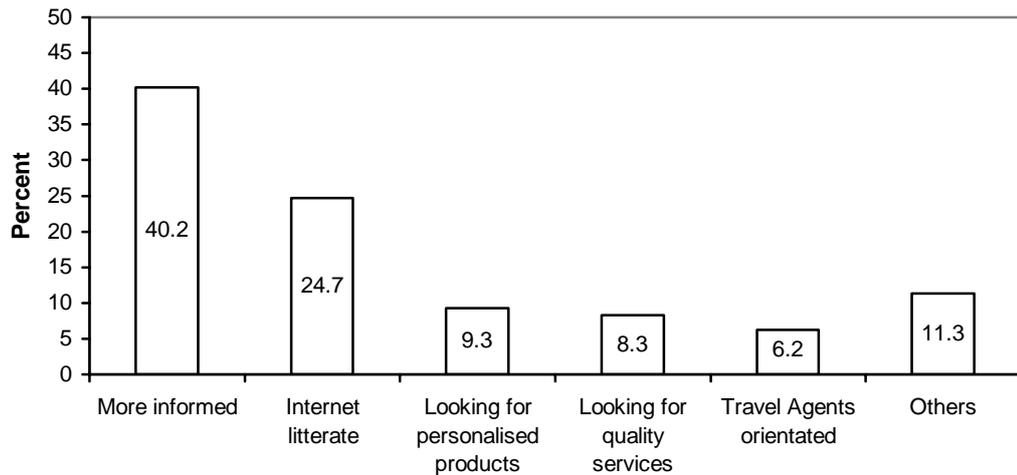


Fig. 6.13: TA perceptions of how consumers have changed over time (Percentages of respondents selecting each category).

Non-categorised answers under “other” included answers such as:

Yes, they have got richer!!!!

They have become more aggressive, more rude. Because some use the internet, they think they know more than the travel agent. We still prefer the older clients who still appreciate our knowledge and the work we do;

“Scared of credit card fraud”; “more risk averse”;

Disillusioned with airpoints programmes; more cynical of airline promotions.

Respondents were asked to rate their feeling as to whether there has been an emergence of a more sophisticated consumer (on a 5-point scale from strongly disagree to strongly agree). The mean response value of 4.26 indicated that the majority of TAs agree with this statement (Fig. 6.14).

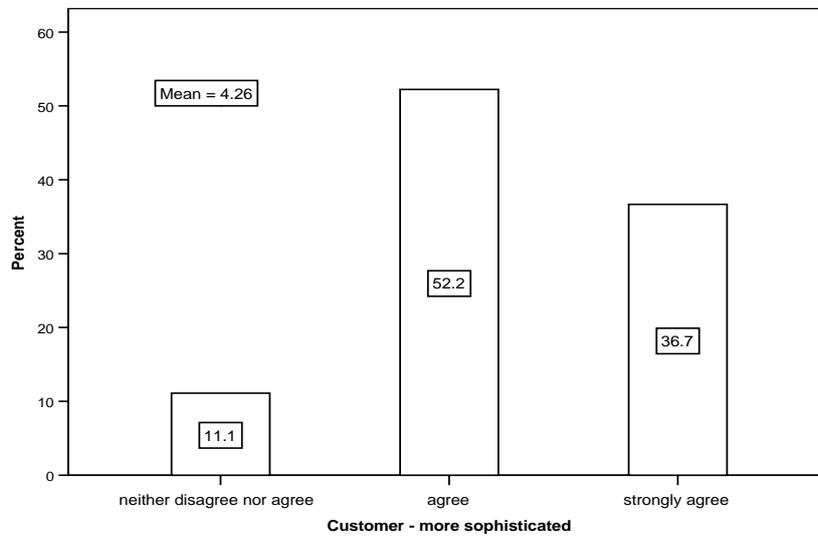


Fig. 6.14: Perceptions of customer travel product choices.

Respondents were also asked to rate their perception of consumer readiness to buy on-line. Although 34% of TAs agreed with the statement, the mean response value was 3.28, which indicates that central tendency is that TA are “neither agree nor disagree” about the statement (Fig. 6.15).

The on-line survey also established that nearly half (47%) of respondents perform their own customer satisfaction surveys. In this regard, Bigne et al. (2005) have emphasised the importance of utilising quality measurement systems, and has identified measurement of customer satisfaction as a key component of market orientation. In analysing the influence of market orientation on tourist agencies’ perceived performance and the quality of service offered, a positive correlation was identified. Similarly, a positive relationship between market orientation and business performance has been highlighted in studies by Guo (2002) and Lai (2003). In addition, Pelham (2000) noted a positive relationship between the detection of consumers’ preferences and profitability.

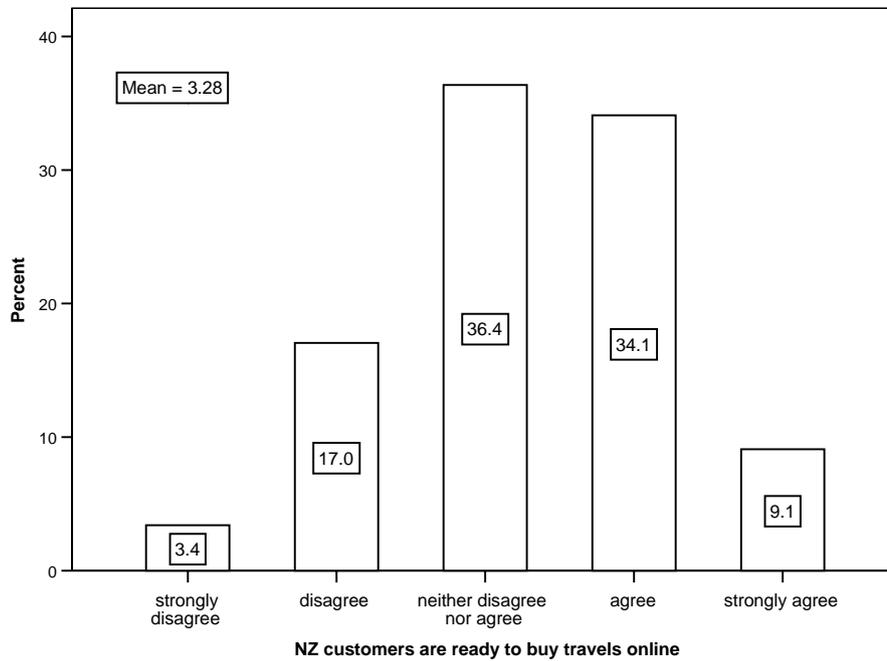


Fig. 6.15: TA perceptions of New Zealand consumers readiness to buy travel products on-line.

In the on-line survey, respondents were asked to rate the notion that government should be a mediator in TA/airline relationships (again on a 5-point scale). Around 29% were neither agreed nor disagreed, 22% agreed and 17% strongly agreed, but 21% strongly disagreed with the statement (Fig. 6.16). The mean response value was 3.02, which indicates a central tendency of “neither agreed nor disagreed”.

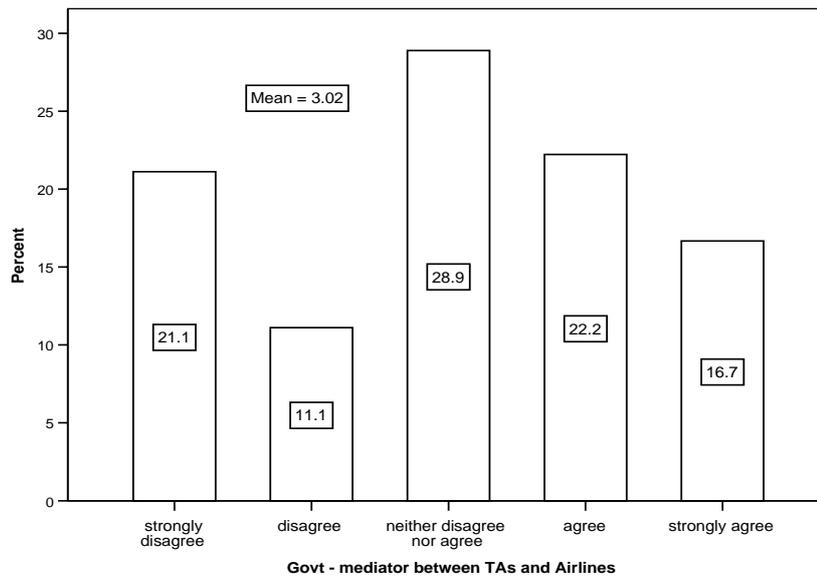


Fig. 6.16: Should government be a mediator in TA/airline relationships.

Respondents were also asked to rate (on the same scale) the statement that 'government does enough to support TA businesses in New Zealand'. The mean response value was 2.16, indicating that the majority disagree with the statement (Fig. 6.17).

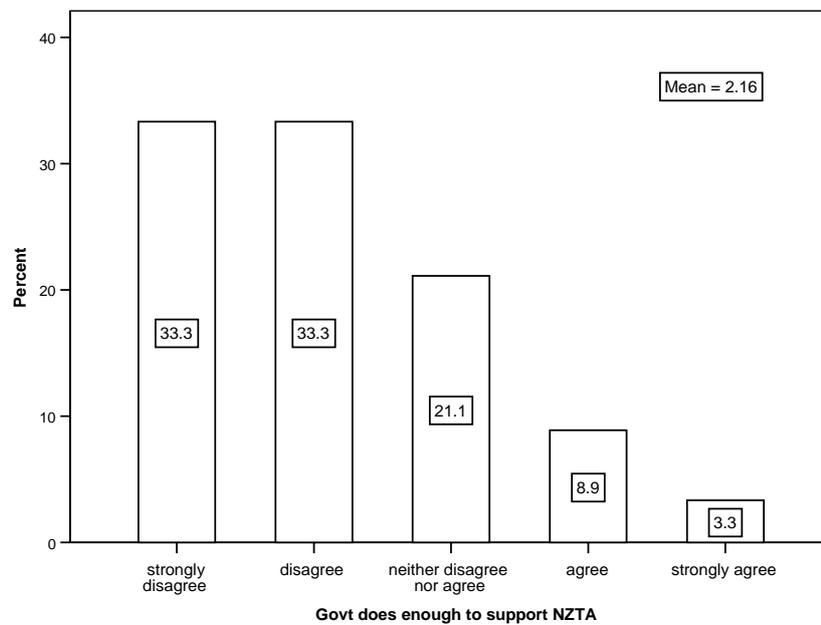


Fig. 6.17: Does the government do enough to support TA businesses in New Zealand.

At the same time, 83% of respondents thought that government should support TA businesses. Comments included:

[Government] could help financially;

More support for smaller businesses promoting New Zealand;

The government should introduce a consumer protection plan;

Make Air New Zealand change its attitude towards TAs.

Only 36% of TA respondents felt that the government should regulate TA/airline relationships.

6.6 Associations between different variables

At the exploratory stage of the thesis a decision to focus on spatial variation in ICT use and perception between New Zealand travel agents was made. To verify this hypothesis a test of the association between TA location (Fig. 6.18) and other variables (cross-tabulation) was performed. Firstly, business locations were coded as:

- “Auckland versus Cities (Wellington, Christchurch, Hamilton) versus Towns”
- “Urban (Auckland, Wellington, Christchurch, Hamilton) versus Rural”

according to the Bateman Contemporary New Zealand Atlas (Kirkpatrick, 1999).

For the purposes of the study, Auckland was separated from other cities (Wellington, Christchurch, Hamilton) since almost one-third of New Zealand’s population lives in Auckland, and it is New Zealand’s major entry and departure point (Fig. 6.19).

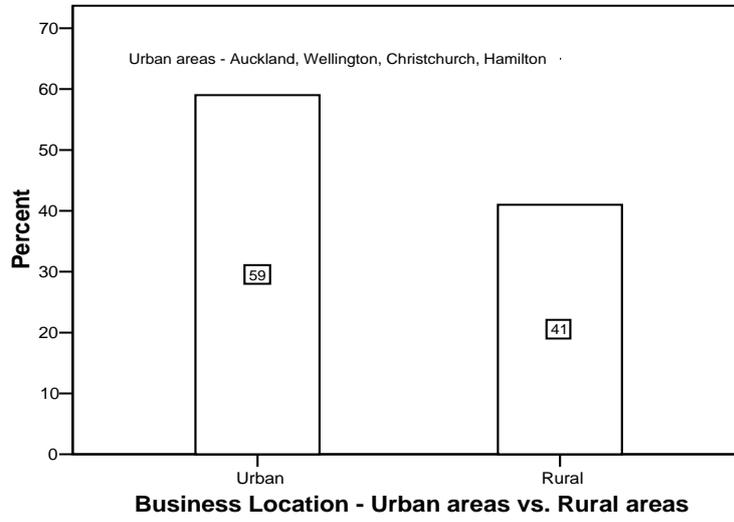


Fig. 6.18: Urban vs. Rural respondents.

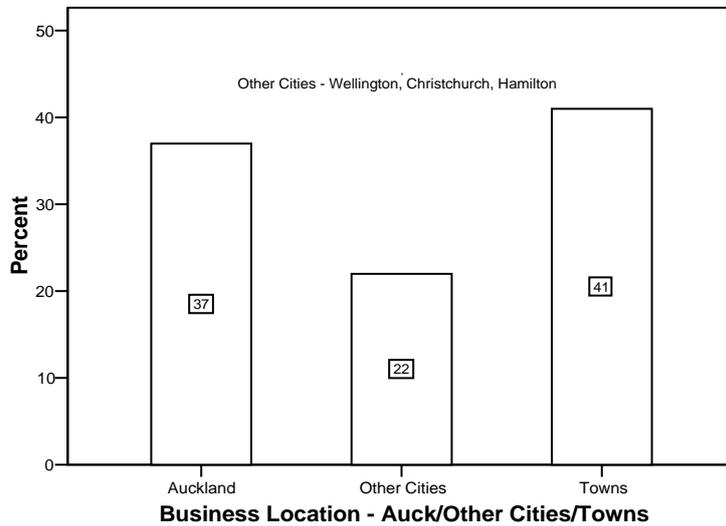


Fig. 6.19: Categorisation of respondents by urban area.

The results of tests of the association between “business location” and other variables are presented in Table 6.3. The location of TAs was found to have a strong association with the following themes:

- Are you targeting a specific market?
- How does your business situation compare with the situation 3 years ago?
- What do you think your business advantages are compared with your competitors?
- Who would you consider are your major competitors?
- How important are financial transactions on the internet for your business?
- Do you have a web site?
- Did your agency play a role in the design of your web site?
- Are you going to invest in new ICT?
- How has the customer changed?
- What are the best survival strategies?

Auckland TAs and other urban TAs (combined) generally rated their business prospects better or much better than three years ago (59.6% of respondents) and only 5.3% considered that they were worse. In comparison, 29.7% of non-urban centre TAs considered that their business prospects were worse, 32% were neither worse nor better, and 37.8% considered that their businesses were better or much better, $p < 0.05$. (Fig. 6.20).

Table 6.3: Chi-square tests of associations between “business location” and variables

Business location	Variables	Association (p < 0.05)
<p>Where is your Business Located?</p> <p>1. Cities (Auckland, Wellington, Christchurch, Hamilton) vs Towns</p> <p>2. Auckland vs Cities (Wellington, Christchurch, Hamilton) vs Towns</p>	Are you targeting a specific market?	Yes
	How does your business situation compare with the situation three years ago?	1 - cities vs. towns. - Yes 2 – Auckland vs. cities vs. towns - Yes
	What do you think your business advantages are compared with your competitors?	Yes
	Business advantages – customer service-related (personalised, quality)	
	Competition with other TAs	Yes
	Consumer use of the internet	Yes
	Financial transactions	Yes
	Did your agency play a role in the design of your web site?	Yes
	Are you going to invest in new ICT?	Yes
	Customers changed – internet literate	2. Yes
	Customers changed – more informed, higher awareness of travel products and services	2. Yes
	Survival strategies – added value	Yes



Fig. 6.20: Business location and business situation compared to 3 years ago.

TA businesses in New Zealand appear to be a heterogeneous population in terms of their perceptions of how their businesses are now compared with three years ago, what they perceive are the major impacts on their businesses, their attitudes towards ICT and consumers, and perceptions of survival strategies.

With regard to ICT adoption, a significant difference was apparent between Auckland and other cities (Wellington, Christchurch, and Hamilton) and rural businesses. Because Auckland TAs perceived ICT as a strategic tool and invested in ICT earlier than their colleagues in other cities and towns, they perceived customer use of the internet as less of a concern. TAs in Auckland were more likely to feel that customers are more sophisticated and more informed regarding travel products.

There was also an interesting difference between Auckland and other cities regarding targeting specific markets (for instance, ethnic groups). The majority of Auckland respondents (>80%) agreed that they were targeting a specific market, but TAs in other cities were less likely to do so.

In this regard, rural TAs were closer to Auckland TAs – more than 50% agreed that they were targeting a specific market.

In terms of the major pressure factors, there was a significant difference between urban and rural TAs with regard to use of the internet by consumers. Only 8.6% of urban, but 42.5% of rural TAs, considered that use of the internet by consumers has a “major impact” on their businesses (Fig. 6.21). The sum of “major impact” and “considerable impact” categories for urban areas was 40.4% as compared with 60% in rural areas ($p < 0.05$).

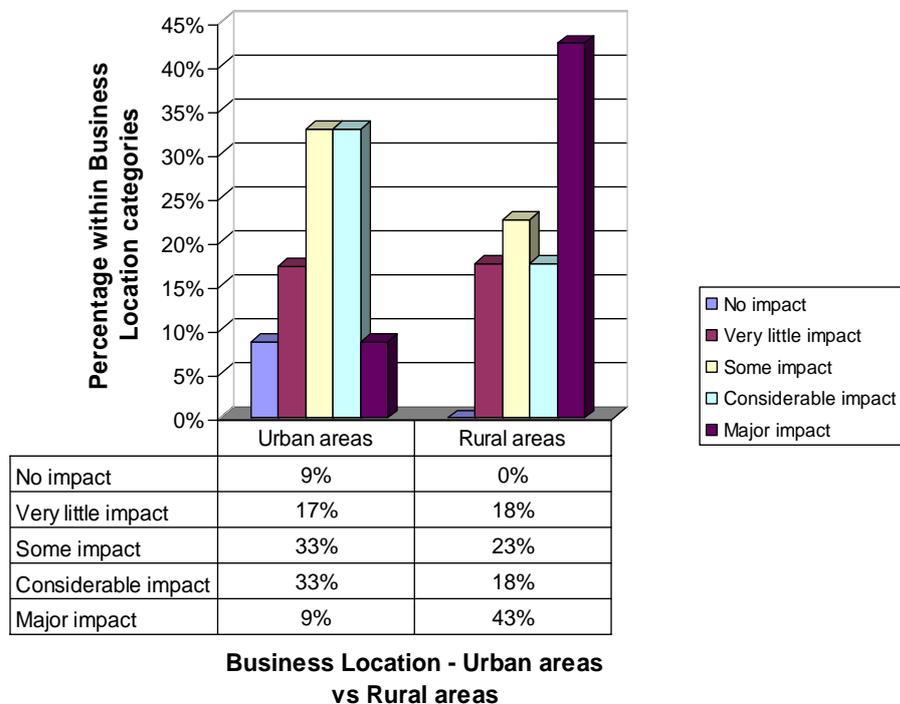


Fig. 6.21: Business location and consumer use of the internet.

Although TAs from rural areas considered that use of the internet by consumers has a significant impact on their businesses, they still were less prepared to invest in ICT than their urban counterparts: 15.4% of respondents from rural areas answered that they were going to invest in new technologies versus 46.5% in urban areas, $p = 0.009$ (Fig. 6.22).

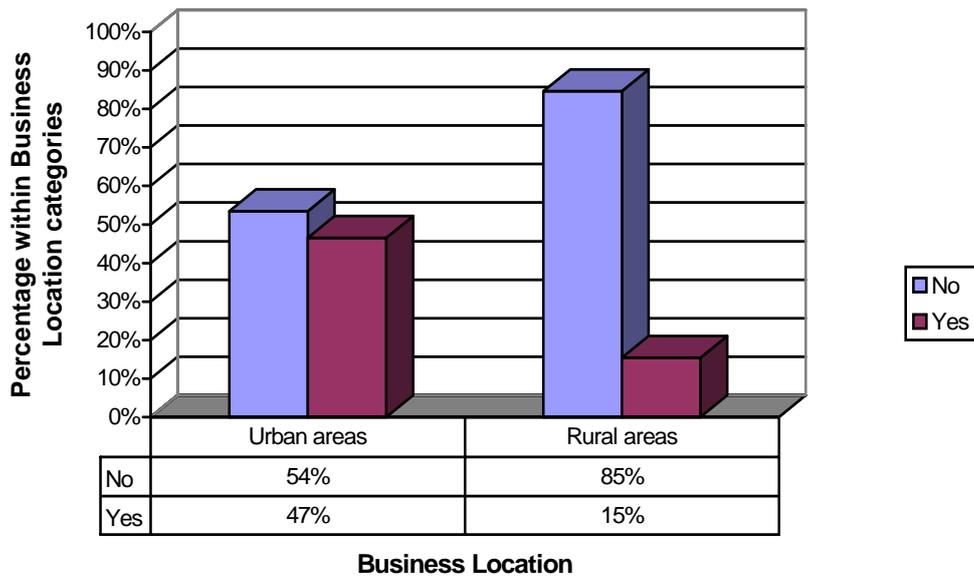


Fig. 6.22: Business location and readiness to invest in ICT.

Approximately 56% of Auckland TAs considered that ICT is the basis for a sustained competitive advantage for TA businesses, as compared with 50% of TAs in other cities and 32.1% in towns (Fig. 6.23). This attitude towards ICT is reflected in the finding that city TAs, especially in Auckland, considered ICT as a strategic tool for businesses and invested earlier in it, so that “consumer use of the internet” did not have a major impact on their businesses.

Auckland TA businesses tend to be ahead of their colleagues from other cities (Wellington, Hamilton and Christchurch) in their perception of ICT as a strategic tool.

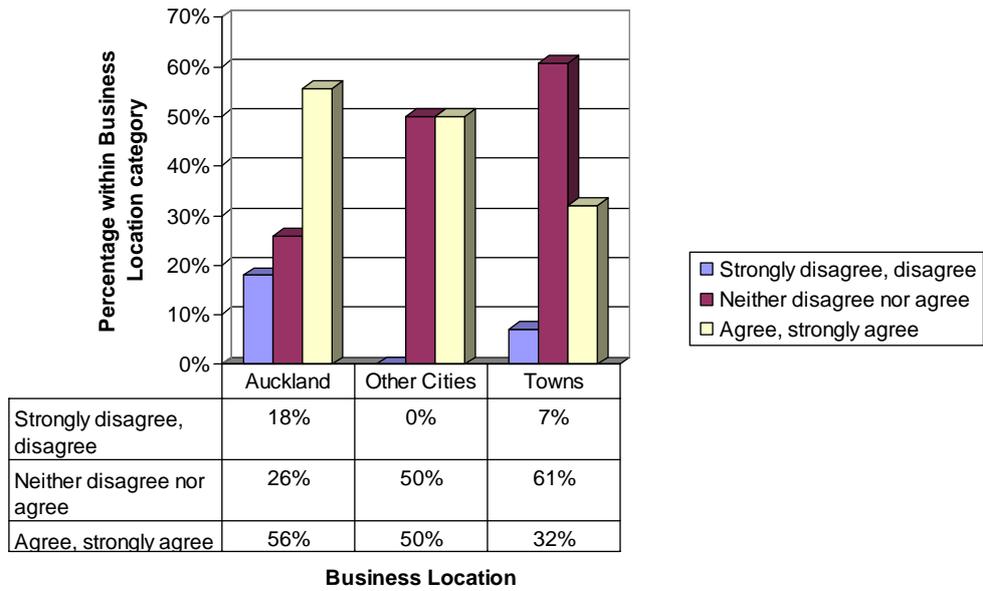


Fig. 6.23: Business location and perceptions of ICT.

Over 80% of TAs in Auckland and 53.7% in towns answered that they are targeting a specific market, but only 40.9% in other cities answered positively to the same question, $p = 0.01$ (Fig. 6.24).



Fig. 6.24: Business location and the targeting of specific markets.

All other factors such as commission cuts by airlines, hotels and car rental firms, emergence of sophisticated consumers, competition with suppliers selling directly to consumers, lack of government support, lack of skilled staff, health concerns and terrorism did not present any significant differences between town and city TAs ($p > 0.05$).

Answers to the question on what TAs consider their business advantages are compared to their competitors were analysed for association with location. The “customer service-related” category appeared in 64.7% of answers from Auckland and 59.5% from towns but only 33.3% from other cities, two-sided asymptotic significance < 0.09 (Fig. 6.25).



Fig. 6.25: Business location and attitudes to “customer service”.

Auckland TAs were more inclined to think that their customers are better informed and have greater awareness of travel products and services: 69.2% of Auckland respondents agreed with this notion versus 34.5% in towns and 46.2% in other cities (Fig. 6.26).

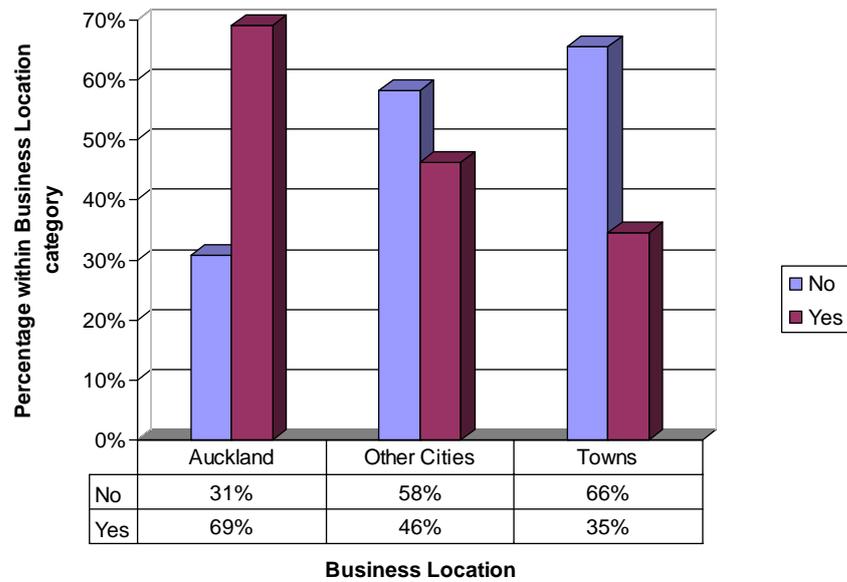


Fig. 6.26: Business location and attitudes to “customers’ knowledge of travel products and services”.

At the same time, 48.5% of town TAs believed that customers have become more internet literate as compared with 23.1% of TAs in Auckland and 7.7% in other cities, two-sided asymptotic significance < 0.1 (Fig. 6.27).



Fig. 6.27: Business location and perceptions of customer internet literacy.

Cross-tabulations were also undertaken to identify associations of ownership with other variables. There was a significant difference (two-sided asymptotic significance < 0.1) between independent/family TAs and franchises/chains in the targeting of specific ethnic markets: 29.3% of franchises but only 2.9% of independent TAs responded that they are targeting a specific ethnic market (Fig. 6.28).

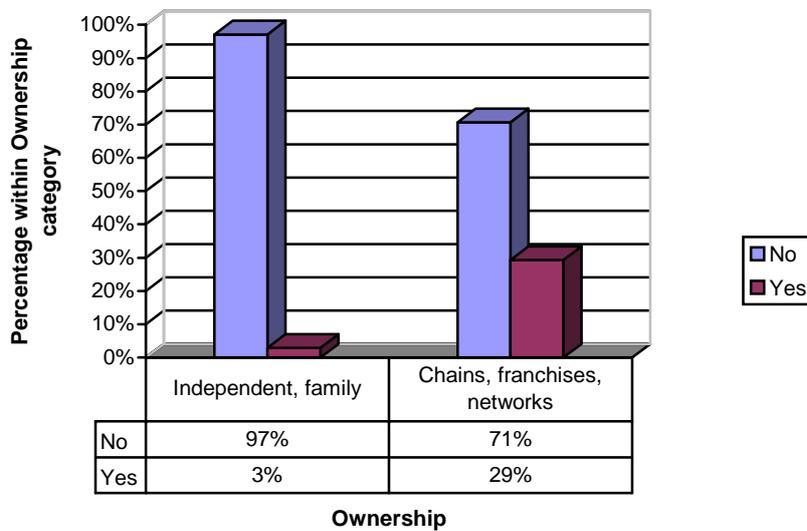


Fig. 6.28: TA ownership and the targeting of specific ethnic groups.

The current business situation compared with three years ago appeared to be much better for franchises (30.6%) than for independent/family TAs (14.3%; Fig. 6.29). Although the two-sided asymptotic significance was < 0.03 , four cells (33.3%) had an expected count less than 5 (Table 6.4). Thus, definitive conclusions regarding this point require a larger sample.

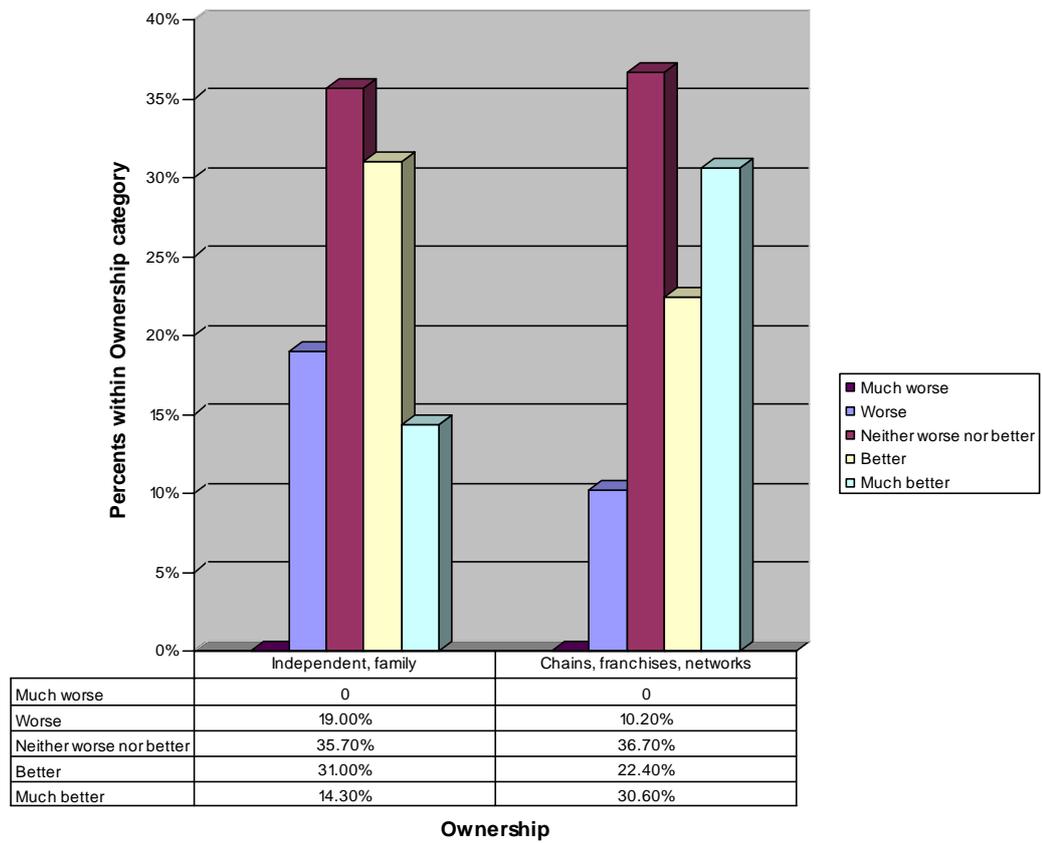


Fig. 6.29: TA ownership and current business situation.

Table 6.4: TA ownership and the current business situation compared to 3 years ago

	Value	df	Asymptotic signif. (2-sided)
Pearson Chi-square	14.255*	6	0.027
Likelihood ratio	15.734	6	0.015
Linear-by-linear association	1.971	1	0.160
N of valid cases	97		
*4 cells (33.3% had an expected count less than 5. The minimum expected count is 0.87.			

Although the question relating to ICT as a business advantage also needed a larger sample (50% had an expected count less than 5), it should be noted that 9% of franchises answered positively. However, positive answers from independent TAs were 0% (two-sided asymptotic significance = 0.102).

Overall analysis of the on-line survey reveals several distinct modes in TA's perceptions of their business environment that indicate a heterogeneous, clustered population, with each mode corresponding to a cluster of observations. Cluster analysis was performed with ordinal variables (Table 1, Appendix 5) to generate groups of TA businesses based on in their business situation, perceptions of major impacts on TA operations and their business advantages. Ward's linkage method, as recommended by Page & Meyer (2000), was used. Firstly, a hierarchical cluster analysis was used to identify the numbers of clusters. It was established that the major gap was between distance 15 and 25 (Dendrogram, Appendix 5), indicating three clusters. Then, a K-mean cluster analysis was performed to identify the significance of cluster distribution. The frequency of distribution between different clusters is presented in Table 2 (Appendix 5). The first cluster included 36 cases, the second 26, and the third 47. The final cluster centres are presented in Table 3 (Appendix 5). The regression analysis ANOVA shows the significance between the different clusters (Table 5, Appendix 5).

TAs in cluster 1 ("successful") perceive their business situation as "better" compared with the other two clusters that rated their business situation as "neither better nor worse". They also perceived that such factors as commission cuts by airlines, hotels and car rental firms and the emergence of a more sophisticated consumer, competition with other TAs (including on-line TAs), lack of government support, and lack of skilled staff have only "some impact" on their businesses. TAs within this cluster were ambivalent (neither agree nor disagree) as to whether networking was important for their businesses, and were also neither agreed nor disagreed if suppliers selling on-line have an impact on them. The same

ambivalent (neither agree nor disagree) perception was typical for the impact of internet use by consumers, health concerns and terrorism on their businesses. In addition, these TAs “neither agreed nor disagreed” if commission cuts by airlines have had a major impact on New Zealand TAs as a whole, and whether consumers are ready to buy on-line or if ICTs are the basis for a sustained competitive advantage for TAs (cluster centre 3). TAs within the cluster agree that they should develop their computer search skills (centre 4), and that the customer is more sophisticated now than before.

Those TA in cluster 2 (“technophobes”) are “neither better nor worse” in terms of the business situation now compared with three years ago, and perceive that such factors as commission cuts by airlines and hotels/car rental firms, competition with suppliers selling on-line, and internet use by consumers have a major impact on their businesses (centre 4). They also believe that commission cuts by airlines have a major impact on New Zealand TAs, and agree that TAs should develop computer search skills (centre 4). However, TAs within this cluster were “neither agreed nor disagreed” if ICTs are the basis for a sustained competitive advantage, that consumers are ready to buy on-line, or that networking is important for their businesses (centre 3).

Cluster 3 (“technophiles”) is also neither better nor worse about their situation now as compared with three years ago (cluster centre 3), and perceive that commission cuts by airlines, suppliers selling on-line, lack of skilled staff, use of the internet by consumers, health concerns and terrorism have major impacts on their businesses. TAs within the cluster also agree that networking is important for their business, and that ICT is the basis for a sustained competitive advantage. They believe that the consumer is ready to buy on-line (centre 4), and they strongly agree that TAs should develop computer search skills (centre 5).

Interestingly, there was no significant difference between clusters in three factors: (1) competition with other TAs (clusters centres 2 and 3 – “very

little impact” or “some impact”); (2) consumers are becoming more sophisticated and more informed (clusters centre 4 – “agree”); and (3) that TAs should charge customers (cluster centres 4 and 5 – “agree” and “strongly agree”).

6.7 The post-Fordist model and the New Zealand travel agent market

Drawing on contemporary regulation theory, in particular the concepts of Fordism and post-Fordism (Amin, 1994; Jassop & Sum, 2006), this study has focused on exploration of ICTs that are consonant with the post-Fordist paradigm. The concepts of Fordism and post-Fordism have been discussed in the literature on tourism (Urry, 1990; Jessop & Sum, 2006). These discussions focused mainly on political economy and labour studies. In their works Poon (1994, 2001) and Ioannides & Debbage (1997) pointed out on the ICT as a driving force of the transition to post-fordism. The present study is concerned primarily with the role of ICT as a paradigmatic force in the transition from Fordism to the post-Fordism model in the TA market. Another paradigmatic force – emergence of a new consumer – is also a focus of the research. The analysis of these two forces is placed in the context of the regulatory environment in New Zealand to emphasise the national characteristics.

6.7.1 Is ICT a driving force to post-Fordism?

Developments in ICT have revolutionised both economies and enterprises. Inevitably, the tourism industry is affected by the technological revolution. Increasingly, both tourism destinations and enterprises need to adopt innovative methods and enhance their competitiveness. On the demand side, the new, sophisticated, knowledgeable and demanding consumer is becoming increasingly familiar with emergent information technologies and requires flexible, specialised, accessible, interactive products and communications with principals (Buhalis, 1998, 1999). ICTs reshape the

nature of competition in most economic activities, and they link consumers and supplier, adding value to an organisation' products.

ICTs have pivotal implications for the distribution channel, as they introduce unprecedented and innovative methods. Distribution is one of the few elements of the marketing mix that can still enable tourism enterprises to improve their competitiveness and performance (Buhalis, 1998). Distributing the right marketing mix, to the right segments and through the right intermediaries will be instrumental in the long-term success of principals. Information and communication technologies not only facilitate distribution, they also enable differentiation and/or a cost advantage, and empower interactive communication between principals and target markets. This is accomplished by re-engineering the entire process of producing and delivering products to optimise efficiency and productivity, and maximise the value-added component provided to consumers (Buhalis, 1998). With the evolution of ICT, destinations and principals will be unable to compete effectively unless they are able to promote themselves in the emerging electronic distribution channels. ICT has transformed distribution to an electronic marketplace where access to information and ubiquity is achieved, and interactivity between principals and consumers is empowered.

Three main waves of technological developments have established ICT in tourism enterprises, namely Computer Reservation Systems (CRS) in the 1970s; Global Distribution Systems (GDS) in the 1980s; and the internet in the 1990s. Although these technologies emerged with gaps of about 10 years between them, they currently operate both separately and jointly, controlling different functions and target markets (Poon, 2001).

It has been pointed out the tourism industry can't be simply fitted into the Fordism–post-Fordism scheme (Ioannides & Debbage, 1997). The tourism industry is an example of a sectoral industry (i.e. comprised of sectors). Different sectors of the tourism industry show different flexibility in terms of product, customer service and management, and ICT adoption. This

phenomenon has been called the tourism “polyglot” (Ioannides & Debbage, 1998).

The TA sector is also characterised by fragmentation (Poon, 2001), which means that none of the businesses owns the major market share. The New Zealand TA market is mainly comprised of SMEs that have less than 10 employees. Such fragmentation leads to an even more pronounced polyglot. From the New Zealand TA sector analysis, it is concluded that as with the tourism industry as a whole, the TA sector is segmented in exhibiting characteristics of Fordism, post-Fordism and pre-Fordism.

Analysis of ICT adoption and customer-orientated services has revealed the heterogeneity of the New Zealand TA market. Initially it was assumed that big franchises can be categorised as those that exhibit Fordism characteristics – orientation on high-volume products and mass tourism. It was also expected that this type of TA would accept traditional ICTs such as GDS and CRS with very limited adoption of innovative TA software and the internet. At the same time, it was expected that a segment of independent TAs would readily adopt the internet and innovative software for personalising travel products. These TAs would be orientated on personalised high-yield products (Table 6.5).

SME TAs exhibit many post-Fordism characteristics – supersegmentation (Fayos-Sola, 1996) and catering for specific markets, customer-orientated services, flexibility in bookings, and travel packaging. Another segment of small independent TAs was expected to be slow in ICT adoption, orientated mainly towards simple tangible products such as ticket and hotel bookings. These features would allow researchers to categorise TAs as mainly exhibiting Fordism, post-Fordism or pre-Fordism (artisan according to Ioannides & Debbage, 1997) features, respectively.

Table 6.5: Characteristics of TA businesses

	Hypothetical characteristics of:		
	Pre-Fordism	Fordism	Post-Fordism
ICT adoption	Low	Predominantly GDS/CDS, e-mail	Software, CRM
ICT as a strategic tool	No	No?	Yes
Customer orientation/ personalised service	Yes	No (oriented)	Yes (customer centred)
Product	Tours	Air fare, packages	Mainly individual arrangement
Survival strategy	Customer orientation	Volume orientation	Customer orientation

The confirmatory stage of the study has revealed some unexpected results. As regards ICT adoption, big chains are characterised by a high level of ICT adoption (internet and new software in particular), and they are orientated on high-volume products (Table 6.6).

Table 6.6: Characteristics of TA businesses: franchises and independents

	Franchises	Independent TAs
ICT adoption	High (e-mail, internet, specialised software, information web site)	High (e-mail, internet, web site)
Product	High-volume	High-yield

There is, however, no significant difference between big franchises and independent TAs in terms of targeting niche markets, customer orientation services (personalised approach), ICT perception, or the major factors impacting on their businesses (marker of specific product orientation and flexibility).

Tangible products – air fares and hotel bookings – are still major business components of the majority of New Zealand TAs. Major differences were found between TAs in different geographical locations (Table 6.7). Auckland TAs exhibit mainly post-Fordist features: early ICT adoption, perception of ICT as a strategy tool, and orientation on the customer (personalised approach). These TA include personalised arrangements in their services, very often cater to a specific niche market offering unique knowledge of the product, and they do not perceive the new more informed consumer as a threat. In comparison, TAs in other cities and towns are characterised by late ICT adoption. They did not invest in ICT and are not going to invest in the near future, and do not perceive ICT as a strategy tool. They are also not customer-orientated, and TAs from towns perceive consumer use of the internet as having a major impact on their businesses.

In summary, the confirmatory stage of the study has revealed a divergence of the TA market in terms of information technology adoption and perception. This difference was not between big franchises and independent TAs, but between TAs from different geographical areas. Similarly, customer orientation also differed between TAs from different geographical areas. The findings thus reveal two important issues: although information and communication technologies cause considerable pressure on TA businesses, ICT adoption is not a direct indication of post-Fordism transition; the transition to post-Fordism (more individualised services, quality services) is mainly driven by pressure from the demand side.

Table 6.7: Characteristics of TA businesses: franchises and SMEs

	Big franchises	Independent TAs		
		Auckland area	Other cities	Towns
ICT adoption	E-mail, internet, CRS, GDS, software, web site	CRS, GDS, e-mail, internet, web site, early adoption	Are going to invest in ICT; >70% have web sites	CRS, GDS Are not going to invest in ICT; >90% have web sites
ICT perception	Enabling	Enabling, competitive advantage, strategic tool	Enabling/pressure factor, competitive advantage, not a strategic tool	Pressure factor, not a strategic tool and not a competitive advantage
Market	High-volume, niche market (specific ethnic market)	High-yield	No specific market	Specific (niche) market
Product	Air fare, packages	Air fare, personalised services	Not specified	Not specified
Perception of the consumer	More informed, not a threat (variable)	More informed, more demanding, not a threat, not a pressure factor	No different, not internet-orientated, not a threat	More informed, more demanding, a threat, a major pressure factor
Customer service	Customer-orientated	Customer-centred	Not specified	The customer service is not an advantage

This reflects a statement by Hall (2003): economic and industrial change does not result from telecommunication infrastructure directly. Rather, it comes from organisational changes in businesses in reaction to advances in telecommunication. Therefore, the

Organisational variable is regarded as a fundamental and crucial “bridge” to capture the linkages between technological changes and their spatial dynamics (Capello & Gillespie, 1994, p. 168).

To utilise an advanced telecommunication infrastructure such as the internet to its full potential, businesses have to adjust their organisational structures to fit the new requirements and opportunities (Marshall & Richardson, 1996). This notion leads us to an interesting conclusion: the heterogeneity of TAs also reflects the different target segments or business aims, and thus company/business structures. In other words, the TA polyglot is due to the very nature of TA businesses, especially in niche markets: different aims, different organisational structure, and different levels of ICT adoption. Franchises catering to foreign students going home and coming back during holidays, and reasonably small travel agencies that specialise in adventure tourism are good examples of such differences in aims and structures of TA businesses.

ICT adoption by the TA sector can be divided into two different stages: introduction of CRS and GDS, and introduction of the internet. CRS and GDS revolutionised TA businesses, giving them access to information and making quick booking and packaging possible. Some authors argue that this resulted in more flexible TA functioning (Poon, 2001). It has also been pointed out that information technologies and robotics have enabled firms to shift from the rigidity of Fordism production to flexible production. Similarly, it is argued that major technological innovations (particularly the introduction of CRS and the internet), accompanied by new trends in consumer behaviour, have allowed mass-orientated, standardised package tourism to be replaced by more flexible travel forms emphasising individuality and autonomy (Poon, 1993). CRS and GDS were and are

available only for TA businesses and principals, and are not available for their customers.

The introduction of the internet has opened new possibilities for TA businesses. It provided a larger amount of information not only on the availability of air tickets or hotel rooms, but also on destination features. However, the internet is not just available to TAs, but also to their customers as an information search tool and as a tool for booking and even purchasing of tourism product on-line. As a result, customers become more sophisticated and demanding, and request high-quality products and value for their money. Usage of ICT in the industry is driven by both the size and complexity of tourism demand, as well as by the rapid expansion and sophistication of new tourism products, which address mini-market segments. Increasingly, new, experienced, sophisticated, and demanding travellers are seeking information about more exotic destinations and authentic experiences, and need to interact with suppliers to satisfy their specific needs and wishes. The contemporary connected consumer is "Far less willing to wait or put up with delays, to the point where patience is a disappearing virtue" (Rach, 1997, p. 8).

The internet is also available for principals as a tool for direct product marketing. This inevitably results in disintermediation (or rather, partial disintermediation) and strong pressure on TA businesses.

Although GDSs and CRSs are now accessible by individual web shoppers, they can still only be accessed through an intermediary travel site or through the web sites of service providers (airlines and hotels). Moreover, the web interfaces of GDSs lack some of the services and privileges available to ticket-issuing TAs, who have access to special negotiating rates (Sheldon, 1997). Thus, if CRS and GDS can be described as enabling factors for TA businesses, the internet can be best described as both an enabling factor and a pressure factor for TA businesses. Therefore, the initial scheme that described the transition from Fordism to

post-Fordism in the TA sector (see Fig. 6.30) evolves into the scheme shown in Figure. 6.31.

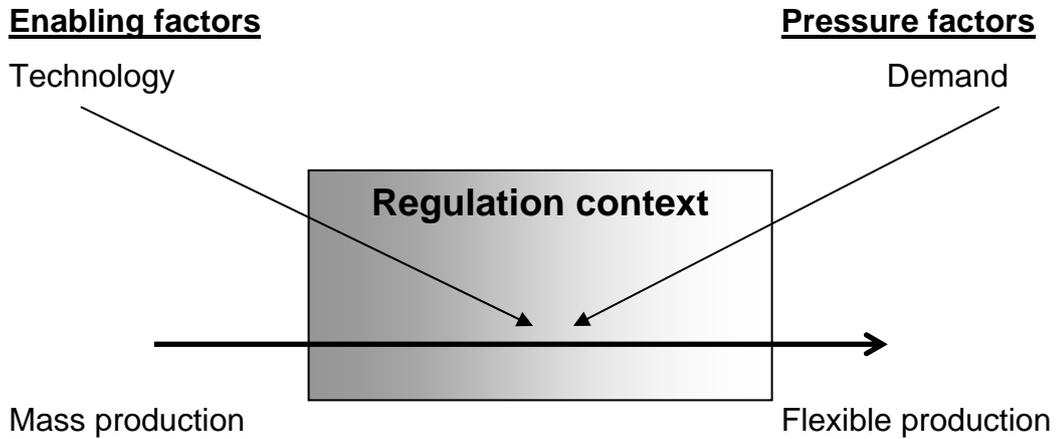


Fig. 6.30: Fordism to post-Fordism transition.

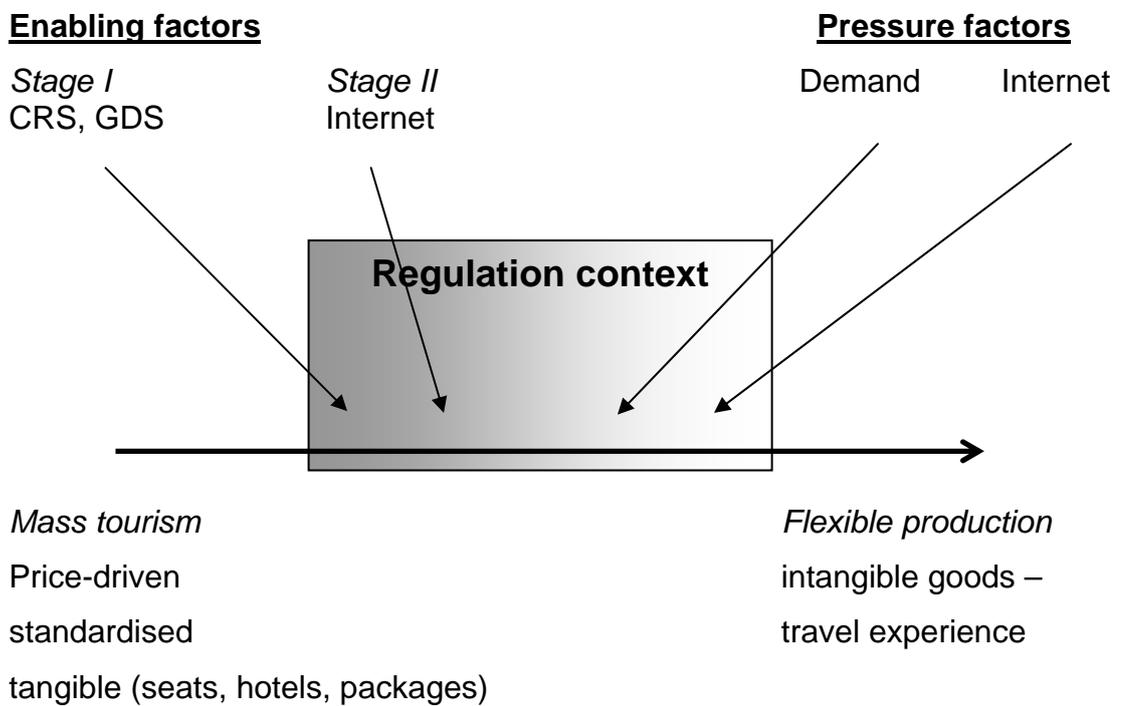


Fig. 6.31: Post-Fordism in the travel agent sector

Interestingly, this research has shown that the majority of New Zealand TAs (especially in small towns) don't perceive ICT, and the internet in particular, as an enabling or pressure factor on their businesses. However, they do identify direct sales to consumers by airlines and more informed consumers as important pressure factors. Demand pressure is consistent with the post-Fordism model. It is recognised by New Zealand TA businesses that the new, more informed, internet savvy consumer has emerged. TAs perceive that their main survival strategy is a shift towards consumers, to specific niche markets, personalised services, and high ICT adoption. Thus, pressure from the demand side is forcing TAs to move to personalised, more flexible services.

However, the Fordism–post-Fordism transition and ICT involvement in this transition cannot be mechanically used to describe the evolution of the tourism industry and TA sector in its simplified form because:

- The tourism industry is a sectoral industry; different sectors have different aims, different structures, and thus different levels of ICT adoption and different levels of flexibility
- The TA sector in New Zealand TA is fragmented and comprised of businesses with different customers, and therefore different aims, organisational structures, and levels of ICT adoption and flexibility
- The role of ICT in the transition to post-Fordism is not uniform; its introduction to the TA sector can be divided into: (a) CRS/GDS; and (b) the internet. CRS and GDS are traditionally described as enabling factors for TAs, while the internet can be described as both an enabling and a pressure factor.

6.7.2 The TA regulation context

The principals of categorising the regulatory environment for TA businesses described above have been applied. Two main indicators are

used: deregulation and creation of an environment favourable for entrepreneurship (Table 6.8).

Table 6.8: Indicators of post-Fordism in the TA regulatory context

Indicator	Facts
Deregulation	Governmental non-involvement in disintermediation process 'Open sky' policy
Environment for development of entrepreneurship	ICT adoption/impact: disintermediation, new development strategies; niche market; orientation of the customer; ICT as a strategic tool Telecom forced to unbundle local loop; cheaper broadband; more exposure to on-line services and products

The 'open sky' policy and governmental non-involvement in the process of disintermediation are used as an example of the first indicator (deregulation). ICT adoption by TAs and its impact on the sector and specifically on outbound travel agents is used as an example of the second indicator (entrepreneurship).

The 'open sky' policy

New Zealand has a number of airlines operating because the government deregulated the industry and created an 'open sky' policy. In June 2006, the European Union and New Zealand signed an aviation agreement (Nieuwsbank - Interactief Nederlands Persbureau, 2006) which removed nationality restrictions in bilateral air services agreements between EU Member States and New Zealand, and therefore allows any EU airline to operate flights between any EU Member State where it is established and New Zealand. It acknowledges the existence of a single market for air transport in relations between the EU and New Zealand, and

demonstrates that there is an external dimension to the single market for air transport. New Zealand is stated to share the EU's market-driven and consumer-oriented approach to aviation policy, and is among the most advanced nations with regard to the regulatory framework for aviation and market liberalisation.

In keeping with the principles of the Australia-New Zealand Closer Economic Relations Trade Agreement and the Australia-New Zealand Single Aviation Market Arrangements (SAM), which came into force on 1 January 1983 and 1 November 1996, respectively, the treaty of direct air services between two countries allows airlines to operate between and within the markets of Australia and New Zealand. This will facilitate the development of the single aviation market in the two countries which will provide benefits for in-bound tourism, freight operations, and greater air travel options for Australasian consumers.

A proposed code-sharing agreement between Qantas and Air New Zealand (Hembry, 2006) involves cooperation on schedules and prices whereby the airlines will sell seats on each others' flights and revenue will be redistributed based on market share. TAANZ is yet to determine its position on the agreement, although the response from its members was mostly strongly against the proposal. Qantas has said the two airlines would cooperate on prices and schedules, but would independently provide incentives and set deals with TAs.

Disintermediation

It should be noted at the outset that the government has chosen a policy of non-involvement in the TA disintermediation process, and has remained non-responsive to an attempt by TAANZ to influence commission cuts by airlines (TAANZ Open Letter, 1 August 2002). The national on-line survey has revealed that the majority of TAs does not count on government support, and are mostly "neither agree nor disagree" as to whether they want government involvement in the sector.

Creating and maintaining a framework favourable for entrepreneurial competitiveness in tourism

The New Zealand Tourism strategy 2010 has placed a strong emphasis on quality assurance. It is stated that the most important objective of the strategy is to secure and conserve a long-term future by recognising the value of the natural and cultural environment and protecting and promoting sustainability. It is also stated that private operators will find it easier to do business in the sector. "A new range of business supports and services will be available to SME and Tourism Industry Association will assist operators in building capacity in such areas as training and research and development" (Tourism Strategy Group, 2001, p. 24).

The Tourism Strategy Group (TSG) further points out that "more than any other sector, tourism should be able to secure significant lifts in performance through the application of technology" (Tourism Strategy Group, 2001, p. 53). Potential visitors are surfing the internet before they decide where to go and what to do, but only a small number are currently booking on-line. The strategic solution is a sector wide approach to technology, supporting the growth of tourism in New Zealand.

The government policy of non-involvement in disintermediation has resulted in a need for TAs to adjust to the changing environment and to create new business models, including on-line agencies. However, the national on-line survey has revealed that the most common adaptation and survival strategy for New Zealand TAs is finding a niche market, orientating towards customer service, and having customised products.

The high level of ICT adoption by TA businesses established in this study is hardly an indicator of transition to the post-Fordist model. Although outbound travel agents generally have a high level of ICT adoption, the study has shown that this is restricted mainly to e-mail and internet

information searching. Furthermore, the study has indicated the heterogeneity of the TA sector in its perception of ICT. There are agencies orientated to mass products who are early adopters of ICT. Another group includes agencies with an early high level of ICT adoption and orientation towards customer service who have an understanding of the new needs of consumers. These agencies exhibit characteristics of the post-Fordist model orientated towards personalised travel products and are characterised by flexibility.

Formal indicators of the TA regulatory context of the modern business environment – government non-involvement in disintermediation and ICT adoption – do not allow categorisation of this context. Government non-involvement can be equally an indicator of pre-Fordism, and this study has clearly shown that ICT adoption does not automatically mean adoption of a new business model or a shift to a new consumer and customised product. These indicators taken out of the general context of the regulatory environment at higher levels (tourism industry level and national economy level) are difficult to apply to the post-Fordist model. At the same time, by placing the TA regulatory context in the “frames” of a larger scale – such as the regulatory context of the tourism industry and national economy – it is possible to categorise indicators of a post-Fordist transition.

7. THE CONSUMER DIMENSION

TAs continue to play a vital role in the tourism distribution system, forming an important link between providers and consumers. In Europe, it has been established that TAs are still the most frequently utilised external information source by international travellers in almost all EU member states (Gursoy & Umbreit, 2004). The TA stock-in-trade is knowledge, and it is that knowledge they sell to consumers. TAs have been described as the most important information gatekeepers in the travel purchase decision-making process (McIntosh & Goeldner, 1990), and as information brokers (O'Brien, 1998, 1999, 2000). Their success relies on their ability to provide products that suits clients' needs and wants. An understanding of those needs and wants, coupled with extensive product knowledge are implicit in this assertion, as the internet challenges the TAs' role in travel preparation and bookings (Buhalis & Costa, 2006).

An evolution of TAs' perceptions of their consumers was evident in the 2000-2001 and 2003-2004 in-depth interviews (Chapter 5). This evolution can be described as a progression from perceiving the consumer as "non-skilled" and "not ready to buy on-line" to "more informed" and "more sophisticated". In the national on-line survey (Chapter 6), town TAs considered that use of the internet by consumers had a major impact on their businesses. In the in-depth interviews, TAs noted that they have to considerably improve their computer skills to compete with their customers for information, and they identified customer-orientated services as their main survival strategy. Thus, it is very important to provide a basis for

comparison of TAs' perceptions on the demand side with consumer perceptions of the TA sector to identify if there are any discrepancies. Consumer expectations and perceptions of the modern TA are an important element in the complex TA business environment. This is a reality that often determines the success of a TA in this period of disintermediation.

The internet is fast becoming the way of the future such that consumers can obtain nearly everything on the "net", from supermarket shopping to booking accommodation (Goulding, 2003; Grau, 2005; Greenspan, 2004a; Wolfe, Hsu, & Kang, 2004; Yeoman & McMahon-Beattie, 2006; Yeoman, Munro & McMahon-Beattie, 2006). One of the biggest challenges in service industries is providing and maintaining customer satisfaction. Service quality and customer satisfaction have been identified as key factors in the battle for competitive differentiation and customer retention (Su, 2004). Lam & Zhang (1999) claim that growing customer demand for quality products and services has, in recent years, become increasingly evident to professionals in the tourism industry. Among customer demands, quality service has been recognised as a critical factor in the success of any business (Parasaruman, Zeithaml & Berry, 1985; Langer, 1997). The main function of a service organisation is delivery of quality service to its customers. Service quality has been defined as how well a customer's needs are met, and how well the service delivered met the customer's expectations (Lewis & Booms, 1983).

Others have pointed out that the quality of a service is dependent on a comparison between the expected and perceived quality of that service, and is thus the outcome of a comparative evaluation process (Gronoos, 1984). Parasaruman et al. (1985) have defined "service quality" as the degree and direction of discrepancy between a customer's perceptions and expectations, whereas "perceived service quality" is the gap between a customer's expectations and perceptions as a measurement of service quality. The smaller the gap, the better the quality of service and the greater the customer satisfaction (Rodriguez del Bosque, San Martin &

Collado, 2006). Su (2004) and Kotler, Bowen & Makens (2003) have found through surveys and focus groups that customers can help management to determine which service areas are most in need of improvement.

Satisfying or meeting customers' needs and expectations has never been as important for travel agencies as today. The term "service" – and especially "quality service" – is highly subjective in nature, and characteristically intangible (Bennet, 1993). To deliver quality service, TAs have to fully understand their consumers (Kwak, 2003). However, several studies have highlighted the fact that knowledge about their customers within the TA sector of the tourism industry in New Zealand is extremely variable (Pearce & Schott, 2005; Cheyne, Downes & Legg, 2006; Gamble, Chalder & Stone, 2001; Oppermann, 1998; Lam & Zhang, 1999).

It is also argued that research within the tourism distribution has been asymmetrical (Pearce & Schott, 2005). Studies have largely focused on issues from a supply side perspective; emphasis has been given to suppliers and intermediaries, the relationships between them, and their efforts to reach consumers (Buhalis & Laws, 2001; Pearce & Schott, 2005). Buhalis & Laws (2001) portrayed 2-way relationships among channel members, including consumers, but in his discussion focused solely on the roles of intermediaries.

An exception to this supply side or intermediated approach is provided by Buckley (1987) who took the reverse perspective and adopted a transaction chain analysis, arguing that "an analysis of transaction ... proceeds from the main actor – the tourist – and examines all the actor's transactions". There appears to have been little empirical or theoretical development of this approach, and relatively little attention has been given to considering how tourists perceive and use different distribution channels (Oorni, 2003; Wolfe, Hsu & Kang, 2004). It is argued that a more comprehensive approach to tourism distribution is needed – one that considers the issues more fully from the perspective of the consumer, not just the suppliers and intermediaries. For the New Zealand market, such

an approach has been undertaken by Pearce & Tan (2004), Pearce, Tan & Schott (2004) and Cheyne, Downes & Legg (2006).

Because there appeared to be little research on the impact of the internet from consumers' perspective, the present study aimed to explore the consumer dimension in using TAs or the internet in the preparation, booking and purchasing of travel products. In-depth semi-structured interviews were undertaken to identify the major issues in TA-consumer relationships, consumers' perceptions of TA's role now and in the future, and consumer attitudes towards on-line searching and bookings, as well as to compare TAs' and consumers' expectations and perceptions of TA service attributes.

Gursoy & Chen (2000), Gursoy & McCleary (2003), Ozturan & Roney (2004), Litvin (2002), and Gursoy & Umbreit (2004) have noted that there are national cultural differences in consumer searching and booking of travel products. Culture is considered one of the most important factors likely to influence the way a traveller makes decisions and which sources of information he/she utilises to make the decision. These authors established that the European Union consists of distinctive segments of consumers that prefer brochures and TAs, the internet, TV/radio and Minitel (a Videotex on-line service accessible via the telephone). It was therefore considered relevant to ascertain the specific characteristics of New Zealand travel product consumers by examining their travel habits, usage of TAs versus on-line bookings, and computer usage.

The Pacific-Asia Travel Association has established (in 2003) that 86% of surveyed New Zealand tourists travelled by airplane on long-haul trips. It was also reported by the same group that TAs were the most popular information source for overseas-bound New Zealand travellers (50%). The internet was clearly becoming more popular for information searching, with 11% of respondents using this tool, but only 9% of outbound travellers booked their trips on-line. TAs were the most popular booking channel for outbound tourists (Consumers' Institute of New Zealand, 2005).

Other surveys have established that New Zealanders are frequent and skilled computer users (ACNielsen New Zealand, 2001). According to NielsenNetRatings, there were 2.06 million internet users in New Zealand in August 2002, representing 52.7% of the population (European Travel Commission, 2004); this was up from 2 million in April 2002 (or 51.29% of the population) and 1.78 million in August 2001 (or 46.06% of the population). In 2004, the Computer Industry Almanac estimates that there were 2.34 million internet users in New Zealand (European Travel Commission, 2004).

In August 2001, it was reported that 44% of New Zealand's internet users went on-line to plan or book overseas holidays, which was up from 23% in 1999 (NUA Internet Surveys, 2001). However, only 28% went on-line to plan or book domestic holidays in 2001, up from only 10% in 1999. Although 25% said the internet was the best source of information on international travel, most respondents said that the internet complemented traditional travel information and purchasing channels.

In the present study, all the interviewees were in the "white-collar" strata with high incomes. All were very familiar with computers in general, and the internet in particular. They all used a computer at work on a regular basis, and preferred to look for information (any information) on the internet.

The following advantages of the internet for consumers have been identified (Lang, 2000):

- Convenient and instant access for availability enquiries and bookings at times when consumers want to research and purchase travel
- Easily accessible information that is detailed and up-to-date – which, according to Buhalis (1994), assists consumers by making the product more tangible in their minds

- Cost advantageous in purchasing travel on-line as a result of the market becoming more competitive, and taking advantage of substantial on-line discounts that cannot be obtained via other traditional distribution channels
- Avoiding travel agent fees and charges.

The desire to control one's own itinerary was named by interviewees as a principal reason for utilising the internet for information searches and bookings. In response to a question about their preferred sites for on-line searching, the most used web sites to look for a "better deal" were those of the Star Alliance, One World, United Travel, and Air New Zealand.

The interviewees had a high level of suspicion regarding TA professionalism and their ability to find a better deal. Statements by some interviewees included:

A TA is only as good as their software;

I don't expect them to find me the best deal;

I can imagine that the average TA must be suffering a lot from the opportunities that the internet can offer, unless they are clever enough to get a good internet base too – which many agents don't.

None of the interviewees expressed total satisfaction with the work of TAs, and only one was loyal to her particular TA. Other interviewees stated that they choose their TA randomly, use "next door" agents, or shop around to select the cheapest. One interviewee stated that a disadvantage of using TAs was:

A pathetic attitude on their (TA) part.

When consumers were asked about the role of agents in the internet era, it appeared that participants perceived TAs mainly as money transaction facilitators:

Now I tend to look on a TA as on someone to do only the finishing business. I gather all the information myself. I don't expect them to find me the best deal. I will be a lot more specific about what I want for my travel. They are just for making a transaction;

There are many people who don't ask a TA for information. Why bother? They are now ticketing agents.

To identify consumers' expectations of TA services, interviewees were asked about their ideal TA. Finding a better deal, flexibility (i.e. bookings can be changed or cancelled with ease), personal financial responsibility, "someone with real knowledge", "a communicator", "professionalism" and "a personal touch" were named as the main positive service attributes of TAs. However, double-sided, in-depth interviews with TAs and consumers revealed some discrepancies. For instance, in-depth interviews with TAs revealed that they are quite confident they are indispensable to consumers for preparing trips, whereas consumers tended to perceive TAs as only a transaction facilitator. The main consumer-perceived attribute of TA services was "to find the best deal", but TAs considered that a personalised approach was the most important attribute. Although TAs are ready to charge consumers for their services, consumers think that this will be "the death of TAs".

The expectancy disconfirmation theory is one of the most widely used approaches to explain consumer satisfaction/dissatisfaction (Oliver, 1980). According to this theory, which has been tested and confirmed in previous studies (Law & Ngai, 2005; Rodriguez del Bosque, San Martin & Collado, 2006), every consumer formulates various pre-purchasing expectations regarding a specific product or service. Once the product or service has been purchased or used, the consumer compares his/her perception of the performance of the product/service against his/her initial expectations. Expectations provide a baseline from which to compare perceptions of the performance of the product. When the performance that was experienced matches the expected performance, confirmation occurs. Disconfirmation

occurs when there is a difference between the expectation and the perception. If the performance was better than the expected performance, the disconfirmation is positive. A negative disconfirmation is the reverse. Satisfaction is therefore revealed by confirmation or positive disconfirmation, and dissatisfaction by negative disconfirmation. Thus, for TA services, the level of satisfaction can be identified by comparing expected and experienced performances.

Travellers are pragmatic in choosing which channel to book through. Their bottom line is where they can get the best deal (Tse, 2003; Litvin, 2002), and this confirms previous findings on the service attributes of travel agencies in New Zealand (Oppermann 1998, 1999). Oppermann (1998) has pointed out that differences in perceptions of the importance attached to a service vary between TAs and clients/potential clients. It was noted that attributes rated highly by consumers were not considered in the same light by TAs. The most highly rated service attribute for consumers was that “agents give clients the best deal” while for TAs it was “agent is courteous and friendly”.

Similarly, in the present study, there was a discrepancy between TA and consumer perceptions of quality service (Table 7.1). It was found that considerably improved computer and internet skills are expected of TAs by consumers. The national on-line survey of TAs revealed that most TA respondents realise these factors are very important for their business progress and survival. Similarly, both consumers and TAs recognise that consumers are often very knowledgeable about travel products, but whereas consumers named “personal financial responsibility”, “finding a better deal” and “flexibility” as the main service attributes, TAs were talking more about “personalised service” and “added value” as the main attributes. Consumers also see the role of TAs in the internet era almost exclusively as “transaction facilitators” and were quite suspicious of the “professionalism” of TAs. While TAs were ready to charge customers for their services, there was a great deal of hesitation regarding TA fees among interviewed consumers.

Table 7.1: Congruencies and discrepancies between consumer and TA perceptions of 'quality services'

Congruencies	Discrepancies
<ul style="list-style-type: none"> • TAs need to be more skilful in computer usage • Consumers are the main TA competitor for travel information 	<ul style="list-style-type: none"> • Perceptions of the main attributes of the quality service • The role of TAs • Fees for TA services

Another study of on-line relationships examined the importance of trust in accommodation bookings in New Zealand (Fam, Foscht & Collins, 2004). It was pointed out that through customer loyalty, economic benefit was linked in most cases to higher profitability (Fam, Foscht & Collins, 2004). As in the present study, it was found that there are vast discrepancies between the service perception of consumers and that of accommodation service providers: consumers again named trust and flexibility in changing the arrangement as the major attributes of a quality service, whereas the accommodation service providers considered these criteria unimportant.

Consumers were asked about the role of TAs in the future. Consumer responses in the present study ranged from total TA disappearance to the same role as in the past. Interviewee comments included:

I see their role almost diminishing. I think that TAs now have to be much smarter. In the past it has been too easy for them. They have a monopoly on all the information: timetables, booking, routines ...

everything. If they want my money, they have to do much more than they did in the past. I don't think all of them are ready to do this.

and

There will be always people who go to a travel agent. ... I like to go to a travel agent, a person who I can trust with my money.

The interactive interview approach also revealed some interesting features related to consumers' beliefs and attitudes. In the course of the interviews, consumers "switched sides" relatively easily. Even the most pro-TA consumers were not prepared to pay fees for TA services, with one noting: "That would be the end of travel agents". The national on-line survey of TAs revealed that majority of those who participated were ready to charge their customers, and some saw TA fees as a means for survival. However, it was relatively easy to convince pro-internet consumers that they would save time going to a TA, given the massive amount of information (not always well organised) that can be found on the internet. Despite generally negative or suspicious consumer attitudes towards TAs, the present study did reveal that the usual way consumers prepare a trip was to look for the information on the internet, and then go to a TA to book the tickets and hotels. Comments included:

I go to a TA, but I look in the internet first. I have never bought a ticket through the internet, but I always like to check the internet for what is new;

The usual way is to go to the internet, check out air fares and timetables, and then ask a TA if he can get a good fare.

This finding supports the view expressed by some commentators (Lang, 2000) that many consumers utilise the internet to search for travel information, but still book travel through a traditional TA. Good reviews and syntheses of the information search process are provided by Snepenger, Meged, Snelling & Worrall (1990), Gursoy &

McCleary (2003), and Cai, Feng & Breiter (2004). These studies demonstrate the complexity of the information search process, illustrate a range of approaches, and emphasise a concern with determinants, information sources, decision making, and segmentation. The development of the internet has prompted a growing number of studies to consider its role in the information search process (Zins, 2002). Empirical research on travel agencies has been concerned with the attributes of TA users or the factors affecting users' selection of an agency and their perceptions of agency attributes (Oppermann, 1998; Heung & Chu, 2000).

Issues of trust and apprehensiveness have emerged as a common concern in the use of the internet for travel transactions, i.e. for booking rather than for looking (Susskind, Bonn & Dev, 2003; Fam, Foscht & Collins, 2004). Card, Chen & Cole (2003) explored the differences between on-line travel product shoppers and nonshoppers. This study revealed no significant differences between how on-line shoppers and nonshoppers viewed the internet and conventional shopping in terms of "store characteristics" – time saving, price, convenience, reduced risk, comparative shopping, customer service factors, and variety of goods. However, differences were apparent in personal characteristics and in the type of product bought on-line: air tickets were the most popular, followed by accommodation, with package tours purchased least often.

Important sectoral differences in the buying behaviour of on-line travel purchasers and users of TAs were also found by Wolfe, Hsu and Kang (2004): both groups made more use of on-line or agency purchasing of airline tickets but tended to book accommodation and rental cars directly from suppliers. Some commentators argue that as the internet and the world wide web develop as a mass medium, it will no longer be possible to formulate a profile of the typical user (Lang, 2000; Yeoman & McMahon-Beattie, 2006; Yeoman et al., 2006). According to Sheldon (1997), internet users can generally be divided into two classes: long-time users who have

been using the web for several years and newer users who are just learning. The long-time users are more confident about using the technology and tend to make more on-line purchases than the newer users. Research by Forrester in the USA (Modahl, 2000) suggests that consumers can be segmented for marketing purposes using 'technographics', which they define as a survey and segmentation system that analyses consumers by their motivation, attitudes, and income they bring to the adoption and use of technology. Instead of using traditional criteria, such as geographic location which is meaningless in cyberspace, Forrester has formulated three criteria for segmenting internet consumers:

1. Primary motivation – what drives people to consume new products and deviate from traditional distribution channels
2. Attitudes towards technology and whether they are optimistic or pessimistic about new technologies
3. Household income – in particular whether they are considered generally high-income consumers, with annual household incomes over US\$25,000 for singles or US\$35,000 for families.

Some of the findings from the consumer interviews contradict views expressed in the literature. For instance, an earlier study by Reinders & Baker (1997) proposed that one of the main reasons internet users book their travel via TAs is that they are not confident using the new technology. The results of this study suggest that this is not a significant reason, because experienced internet users still opted to book their travel via traditional TAs. Forrester Research's 'technographics' model suggests that buying patterns depend on consumer attitudes towards technology: a positive attitude leads to more frequent on-line purchasing (Modahl, 2000). The present study has revealed that buying patterns for relatively expensive and complex travel products may not depend too heavily on consumer attitudes towards technology. The interviews revealed that even consumers who are very skilled and comfortable with the internet in their day-to-day routines still prefer to book long-haul trips through an agent. In many cases they hesitate to make decisions regarding complex long-haul

trips as they are not comfortable with changing arrangements and making cancellations via the internet. Comments on this aspect included:

Dealing with airlines you could end up in the middle of Bulgaria where there are no other airlines. When you have a problem you need someone to come back and solve this problem. When you are on your own, if something goes wrong, there is nowhere to go;

I am a keen internet user. But I think that the personal touch still goes a long way with me.

Several studies have examined the effect of perceived risk on purchase intentions in on-line shopping (Kim, Kim & Leong, 2005; Christou & Kassianidis, 2002). Researchers have identified perceived risk as a multidimensional construct that includes financial risk, performance risk, physiological risk, social risk, and time risk (Roselius, 1971). With on-line shopping, it has been argued that security is the main reason for consumers to hesitate (Lang, 2000; Harrison-Walker, 2002).

In contrast to previous findings, this research indicated that the issue of credit card security seems not to be on the agenda anymore. The majority of interviewees bought products on-line (e.g. books, computers) but they still preferred to arrange expensive trips through TAs. Kim, Kim and Leong (2005), in her study of the perceived risk of on-line shopping in the USA, showed that performance and financial risks have considerable impact for on-line air ticket purchasing, and these factors appeared to influence interviewees' decisions to use travel agents versus the internet. A possible explanation may be that travellers are more likely to make multideestination travel decisions, and that 30% to 50% of all trips are multidimensional journeys that combine multiple opportunities (Lue, Crompton & Stewart, 1996; Hwang & Fesenmaier, 2003; Tussyadiah, Kono & Morisugi, 2006). The longer the trip, the greater the tendency to multideestination and multidimensional arrangements (Tussyadiah, Kono & Morisugi, 2006).

According to New Zealand Traveltrade (2006), and European Travel Commission (2004), about 50% of overseas trips by New Zealand travellers are long-haul, and these trips tend to be more expensive and have complex itineraries.

There are, nevertheless, still people who consider that TAs do an excellent job. Other comments about the role of TAs that were made in the present study included:

From my experience they (TAs) always deliver service. They come with the answer to you same day or next day. I have an experience of booking a ticket at Saturday 9am, and travelling the same day at 5 pm. This person has done a wonderful job. All arrangements were made within one morning;

Finding a cheaper deal, organising documentation, to give me some handy points on a destination.

Interviewees also identified some barriers and/or disadvantages related to the internet. These included:

- Inability to locate the web sites and the information they required
- Time factor
- Information overload
- Lack of confidence in technology
- Lack of human interface.

In this regard, comments by interviewees included:

Lack of human contact;

The machine is not talking to me;

Some sort of standardisation would be useful across the whole internet, but in particular within the industry;

It is hard to find your way around.

Many commentators have suggested that the internet provides travel consumers with more information, quicker responses, and often lower prices than they can achieve when making travel arrangements through a traditional TA (Anthes, 1997; Blank 1999; Aronson, 2002c). However, some authors maintain that TAs provide a better service than the internet, especially for making complex travel arrangements, answering questions, handling problems, and maintaining a relationship with travel consumers (Caragata & Demont, 1999; Pappas, 1997; Furger, 1997; Fastie, Garris, Cohen, Dawes, Leger & Rabinovitch, 1998).

A number of proposals have been advanced for ways in which TAs can survive and prosper, despite the growing popularity of the internet and self-service travel arrangements. In their research on TAs in a changing information technology environment, Lowengart & Reichel (1998) claim that there are opportunities available to TAs provided they focus on specific markets and specialise their activities. Waksberg (1997), Chen & Bowen (2001) and Standing & Vasudavan (2000a) agree, suggesting that travel agents should move from a focus on transaction processing to the provision of consultative services. Similarly, Samenfink (1999) has proposed that TAs need to expand their advisory functions and concentrate on the provision of information and details that are not available on the internet. Beirne (1999) suggests that TAs should position themselves as consumer advocates who will find the best deals for travellers. Waksberg (1997) maintains that the internet can facilitate closer links between travel suppliers and travel consumers; while consumers go on-line for information gathering and for making arrangements for some potentially less expensive and less important details such as booking a rental car, more people prefer the security and assurance of TAs for booking and paying for flights and accommodation.

Cheyne, Downes & Legg (2006) investigated factors that influence consumer choices between using a TA and the self-service environment of the internet when planning and arranging overseas holidays. It was found

that several factors influence the choice between the internet and a TA, including consumer knowledge of the overseas holiday destination, perceptions of the value of a number of key service dimensions, and TA and internet delivery of these services. Interestingly, people were more enthusiastic about using the internet to book and pay for travel and accommodation for destinations they had been to before and believed were similar to their home environment.

8. CONCLUSIONS

In recent years, the tourism industry worldwide and the TA sector in particular have gone through a period of intense change. The widespread adoption of information technology by principals, intermediaries and consumers has had a profound impact on the industry structure and the way of doing business. The present research has shown that the New Zealand travel market is not immune to these changes.

8.1 Overview of the findings

The case study of the TA sector of the New Zealand travel industry utilised macro-environment analysis. Information and communication technologies and the regulatory environment of New Zealand TAs were identified as the main foci of the analysis. The research has shown that ICT adoption by principals in the New Zealand tourism industry has markedly changed distribution channels within the industry (Pearce & Schott, 2005). The introduction of the internet has resulted in direct selling by principals to consumers and thus considerable rearrangement of distribution channels – i.e. disintermediation.

It is argued that the TA regulatory environment is an integral part of the larger regulatory environment. The analysis of the regulatory context of the TA sector was done in the framework of international trends, national economy regulation, tourism industry regulations, and TA sector regulations. International trends such as post-9/11 travel regulations, increased fuel costs, and widespread implementation of electronic ticketing have profoundly influenced the New Zealand TA business environment. Similarly, national economy regulations, particularly decentralisation and support of entrepreneurship along with non-involvement in the disintermediation process, have also had a major impact on the TA sector in New Zealand.

The case study revealed the main foci for further research of the TA sector, i.e. the impact of ICTs on TAs, relationships of TAs with principals and specifically with airlines, and the pressure of the regulatory environment on TA businesses. In addition, the case study defined the strategy for this research, which incorporated both an exploratory stage and a confirmatory stage. The exploratory stage refined the main issues of the TA environment and the major pressure factors that had been identified in the case study, and allowed the formulation of some theoretical assumptions. In-depth interviews with TAs in 2000-2001 and 2003-2004 were chosen as a data collection method, and formed a longitudinal study that allowed the evolution of the New Zealand TA sector

to be followed. The confirmatory stage of the research utilised an on-line survey as the data collection method, and tested the theoretical assumptions made on the basis of the in-depth interviews. It also tested the applicability of the post-Fordism model for the New Zealand TA sector.

The in-depth interviews with TAs showed that the phenomenon of disintermediation is particularly pronounced in terms of the relationships between airlines and TAs. The need for cost-cutting and early adoption of the internet by airlines resulted in direct ticketing and consequently commission cuts for TA businesses. New Zealand TAs identified these cuts as having a major impact on the TA market. The longitudinal study of New Zealand TA businesses established that relationships between TAs and major airlines have evolved from a negative, confrontational scenario in 2000 to constructive dialog in 2004. The national on-line survey of TAs revealed that the most constructive dialog is with airlines such as Qantas and Singapore Airlines, but the national carrier, Air New Zealand, was perceived as being less approachable.

The internet was also cited by TAs as another important factor impacting onto the New Zealand travel industry as a whole, and TA businesses in particular. The internet has empowered principals to market directly to consumers, bypassing intermediaries. Consumers are now using the internet to make bookings with principals and to search for information about travel products. Moreover, the internet has given consumers direct accesses to information on destinations, as well as ticket availability and price information. Thus, ICT has become a substitute for TAs in facilitating transactions and providing information on destinations. Consequently, the TA sector appears to be particularly vulnerable to disintermediation.

The study has shown that not all New Zealand TAs are using technology to maximise their competitive advantages. It was found that TAs mainly use the internet for researching travel destinations and for e-mailing. The main reason for having a web site was stated to be promotion and marketing, and there was no mention of specific software either for

managing customer relationships or for helping in searching. Only 5.5% of respondents to the on-line survey indicated that their web site was designed by both computer and tourism specialists, and most appeared more interested in a web presence than in web site function. According to the literature on this subject, this suggests that New Zealand TAs are only in the very early stages of ICT adoption.

It was also established that there is considerable variation in the extent to which TAs utilise new technologies. The majority do not perceive ICT as a strategic tool for their businesses, and only 22% of the survey respondents indicated that they were going to invest in new technology and software. TAs in the Auckland region TA were more technology-orientated, in that they recognised the importance of ICT earlier than their counterparts in other regions and invested in ICT earlier. The major barrier in relation to new technology was not technological capacity, but rather uncertainty regarding the demand for on-line travel.

The national on-line survey revealed that the emergence of a new, more informed consumer is another factor that has impacted the New Zealand the TA sector. The perception of the consumer by TAs has evolved from “non-experienced in the internet” in 2000 to “more informed” and “more knowledgeable” in 2004.

As well as with TAs, in-depth interviews with consumers were also undertaken. These interviews focused on the perceived role of TAs in the internet era, the use of the internet by consumers in preparing for travel, and the perceived quality of the services offered by TAs. Double-sided interviews with TAs and consumers revealed that there is a gap between the TAs’ perceptions of the situation and reality: while TAs perceived that a shift towards the consumer and consumer-related services was their main survival strategy, the findings revealed overall poor consumer orientation (only rare customer follow-up, poor customer database) and low expectations and perceptions of their services by consumers.

The in-depth interviews with consumers revealed that they perceive TAs mainly as “transaction facilitators” rather than a source of information, or, in some cases, as professionals who have good knowledge of destinations and can provide unbiased information on best air travel deals. Consumers pointed out that “flexibility” and “personal financial responsibility” are the principal advantages of using a TA, and often referred to the chaotic nature of on-line information.

The results of this study have implications for TA management and marketing. Overall, it appears that the mainstream consumer is hesitant but can be convinced by aggressive marketing to buy travel products either on-line or through a TA. If the internet becomes more user-friendly, there is no doubt that more and more consumers will purchase on-line. The introduction of broadband internet is also promoting on-line purchasing. In this scenario, TAs will need to implement more aggressive marketing policies with a strong emphasis on professional advice, personal financial responsibility (including the bonding system), time-saving attributes, and intimate knowledge of destinations. TAs will also need to develop their internet skills to compete with their customers when searching for information and best deals.

Numerous pressure factors on TAs have been identified in this research, including health concerns (e.g. SARS), and terrorism. The longitudinal study showed that TAs’ perceptions of the major pressure factors impacting onto their businesses have shifted from commission cuts by airlines to direct on-line selling by principals and consumers purchasing on-line. The majority of respondents to the national on-line survey of TAs considered that developing customer-orientated services was their best survival strategy, followed by finding a niche market, embracing technology, and charging fees for services. Only about 4% of respondents still relied on airline commissions as a survival mode.

Some distinctive characteristics of the New Zealand TA market were evident from the findings. New Zealand’s remoteness from other countries

is reflected in the demand for complex long-haul trips with multiple links and often with stopovers at in-transit destinations. Although domestic air travel transactions are fast moving into the cyberspace arena, and this transition is being encouraged by the national carrier Air New Zealand and by TAs themselves, long-haul trip bookings are still a domain of TAs. Another distinctive characteristic is that the New Zealand TA market does not have a strong presence of large on-line TAs; only one of the on-line giants, the Asian travel portal Zuji, has entered the New Zealand market.

A notable finding of the national on-line survey was the marked heterogeneity of New Zealand TAs in terms of pressure factors on their businesses, attitudes towards technology, relationships with the consumer, and business successes. Major differences did not exist between franchises and independent TAs, but rather between TAs located in Auckland and other major cities and TAs in small towns. Auckland TAs exhibit very distinctive features: they adopt ICT at earlier stages and perceive ICT as a strategic tool that will give the advantages to their businesses. They also are more prepared to invest in ICT. As a result of early ICT adoption, Auckland TAs do not perceive the emergence of the “internet savvy” consumer as having an important impact on their businesses, unlike TAs in other cities and rural TAs. Another distinctive feature of Auckland TAs is consumer orientation. Firstly, Auckland TAs realise that consumers are changing – they are better informed, have greater awareness of travel products and services, and are more internet literate. Auckland TAs indicated that their main survival strategy is consumer orientation and they are also more niche market orientated. There was no association between ownership and ICT adoption and consumer orientation. I concluded that Auckland TAs exhibit more product flexibility and focus more on the personalised service. This finding confirms the hypothesis of spatial variation in New Zealand TAs.

The cluster analysis revealed another dimension of New Zealand travel agent sector heterogeneity. The New Zealand TA market can be divided into three groups or clusters. The first (“successful”) cluster does not

experience any considerable impact on their businesses, perceives consumers as more sophisticated, and believes that TA businesses have to develop computer skills; these TAs consider that they are much better off now than they were three years ago. The second cluster (“technophobes”) comprises TA businesses that are uncertain whether their business situation is better now than three years ago. These TAs perceive commission cuts, the emergence of new consumers, and suppliers selling on-line as having major impacts on their businesses, but they are not ICT-orientated as they do not perceive ICT to be the basis for a sustained business advantage. The third cluster (“technophiles”) is very similar to the second cluster in terms of the perception of their business situation now compared with three years ago, but they have a different attitude towards ICT. This cluster believes that ICT is the basis for a sustained business advantage, and that consumers are ready to go on-line for travel arrangements.

Once again these clusters demonstrate the simultaneous existence of different levels of flexibility and consumer orientation among TAs or, in other words, the polyglot of the TA sector (Ioannides & Debbage, 1997).

Analysis of the data generated by the research has allowed the development of a formula for success for New Zealand TA businesses. It was established that those businesses that recognised the emergence of a new, more sophisticated consumer, consider ICT as a strategic tool, and cater for specific niche markets are much better off now than they were three years ago (Fig. 8.1). TAs that perceived their business situation as better or much better compared with three years ago considered that excellent customer service is their advantage. These TAs recognised reasonably early that with ICT available to all parties in the distribution channel, the best survival strategy is to become a customer representative and add value to their services. Very often, TAs compete with consumers for information about destination or travel arrangements, and there was recognition of the need to improve computer/internet skills to deliver a

service. Successful TAs often cater to specific niche markets and try to deliver a personalised service with added value.

In terms of the regulatory environment, the TA sector in New Zealand is mainly self-regulated via non-governmental organisations such as the Travel Agents Association of New Zealand (TAANZ), and via agreements with IATA, OTOC and other international TA associations such as the World Travel Agent Association. The national on-line survey revealed that New Zealand TAs are hesitant about government involvement in their relationship with the airlines: the majority of the respondents neither agreed nor disagreed with the concept that government should be a mediator between TAs and airlines.

Regulation theory was chosen as a theoretical framework for analysis of the New Zealand TA market. The research focused on technology and demand as two paradigmatic forces in the transition to the new tourism, and it analysed and categorised the regulatory context of the TA sector. The New Zealand TA market was shown to be heterogeneous in adopting

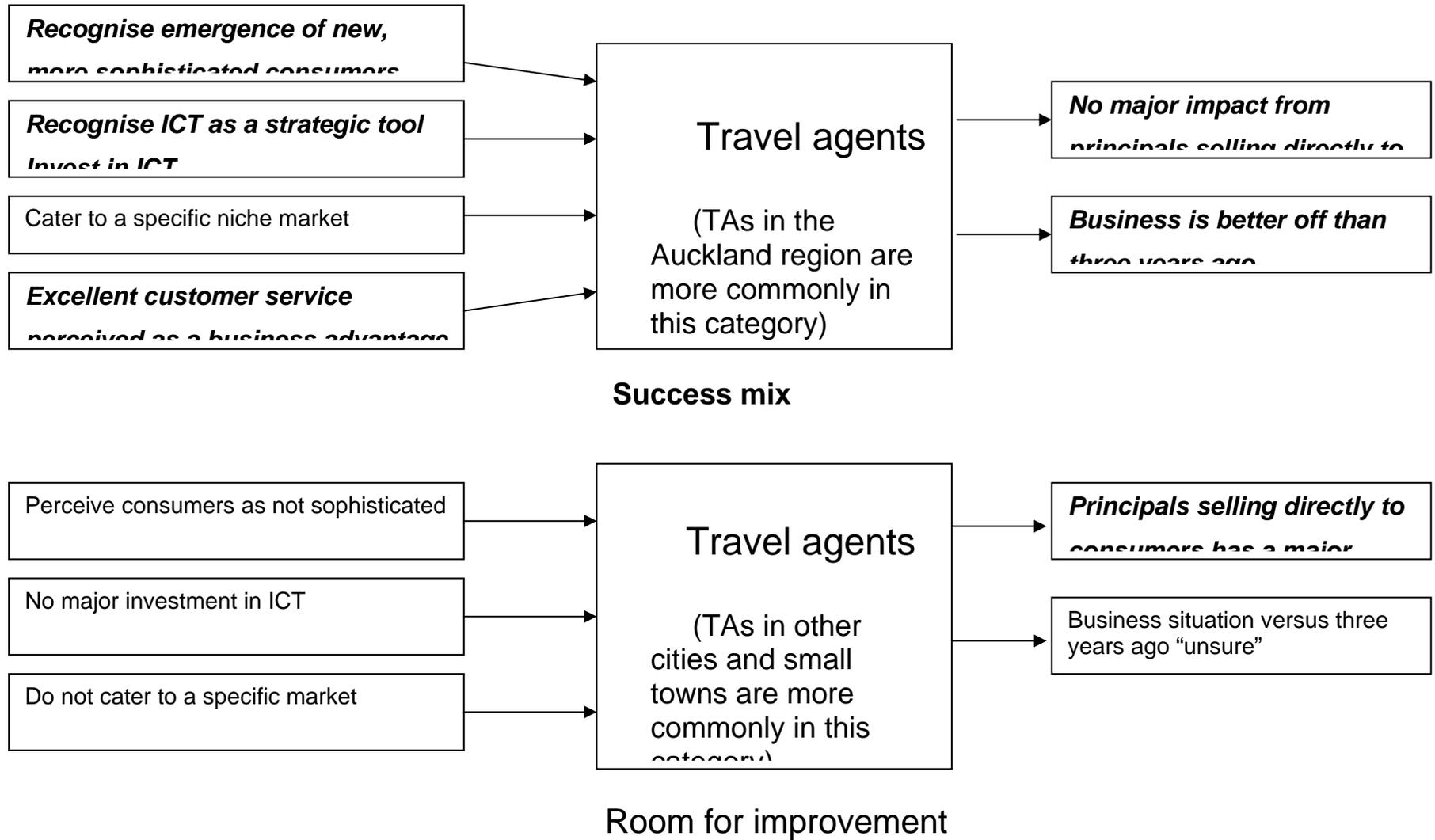


Fig. 8.1: A proposed formula for success for New Zealand travel agents.

and perceiving ICT, as well as in perceiving the importance of consumer-orientated services. Reflecting this heterogeneity, ICT and in particular the internet was seen as both an enabling and a pressure factor in the modern TA business environment. Two stages of ICT adoption by TAs were identified:

1. The first stage was GDS/CRS adoption. Initially, these systems were available only to TA and principals and were not widely accessible by consumers. GDS/CRS adoption enabled TAs to undertake searching and bookings quickly and efficiently, and it also allowed processing of a large number of operations. At this stage, ICT was both a tool for mass tourism and an enabling factor in the transition to the post-Fordism era in the tourism and travel sector.
2. The second stage was the introduction of the internet. This technology has provided even more flexibility in information searching and travel bookings, and it has promoted the appearance of new type of commerce and business, i.e. e-commerce and e-business. However, the internet is available to all parties in the distribution channel, and principals can communicate directly with consumers via this means, which has caused at least partial disintermediation. In this situation, the internet can be classified as a pressure factor on TA businesses.

As well as the internet, the emergence of new, more informed and more sophisticated consumers was perceived as a pressure factor on TA businesses. This pressure factor has forced TAs to adopt new strategies for their businesses.

In summary, it is argued that although ICTs have given rise to considerable pressure on TA businesses and prompted TAs to adopt new forms of business, ICT adoption is not a specific indicator of a transition to post-Fordism. This study has revealed that different New Zealand TA businesses – whether big franchises or small niche market agencies – have similar levels of

ICT adoption and usage. The level of ICT adoption was not a prerequisite of more personalised services or more flexibility in travel products, or custom orientation. Big chains with high levels of ICT adoption were orientated towards high-volume products (a characteristic of Fordism tourism), whereas small agencies with less sophisticated ICT (i.e. no TA specific software) were more consumer-orientated and more flexible in offering different travel products. Thus, ICT has to be incorporated into the organisational structure and needs to be a strategic tool for a TA business to conform with the post-Fordism model. The research has confirmed the concept by Boynton & Milazzo (1996) who argue that information technology is a paradigm changing force that is driving changes in organisational form and competitive conditions. The type of information technology used by a complex organisation is an indicator of the structure of that organisation. Thus, corporations can be characterised as Fordist and post-Fordist, as can information technology. If mainframe technology is the hallmark of the Fordist corporation, client/server technology is the technology of the post-Fordist era.

Analysis of the New Zealand TA market using the post-Fordism model as a theoretical framework has revealed the complexity of the TA sector transition to the “new tourism”. The divergence of TA businesses noted in this study is in accord with the phenomenon described in the literature as the “tourism polyglot”. The heterogeneity of the New Zealand TA market is reflected in attempts to classify TA businesses as a mixture of artisan, Fordism, and post-Fordism. Shifts to flexible production in the tourism industry may be described as a shift from selling tangible commodities (air tickets, hotel bookings) to the sale of intangible commodities - travel experience, service (Poliziani, 2002).

Swift adoption to the new environment (business situation is better now than three years ago), ICT adoption and perception (high levels of ICT adoption and the perception of ICT as a strategic tool and the basis for a sustained business advantage), and consumer orientation (shifting to more personalised, consumer-orientated services and catering for specific niche markets) were chosen as characteristics of post-Fordism TA businesses. These characteristics are not correlated with ownership (e.g. for franchises versus independent SMEs) but are correlated with location. TAs in the Auckland

region exhibited more of these characteristics than TAs in other cities and towns.

In attempting to categorise the regulatory context as post-Fordist, two indicators were chosen: deregulation and maintenance of the entrepreneurial environment. Government non-involvement in disintermediation and ICT adoption are factors supporting these two indicators. Again, these indicators are not specific to post-Fordism. The study showed that ICT adoption is equally high in large franchises orientated towards a high-volume market and independent TAs orientated towards high-yield and personalised services. As government non-involvement can be equally characteristic of pre-Fordism, it is argued that to categorise the regulatory context of the TA sector, it is necessary to analyse it on a bigger scale – i.e. in terms of the national economy and tourism industry regulation. Analysis of these two levels showed that reforms in the national economy over the past 20 years have decentralised the role of the state in various areas and created the medium for competition and entrepreneurship.

The study has also revealed that current regulatory context of the tourism industry is one of self-regulation and entrepreneurship, with a strong emphasis on the cultural and environmental sustainability of tourism. It was noted that the regulatory context of New Zealand tourism has moved from pre-Fordism to post-Fordism since there was no stage of mass tourism in New Zealand. Thus, the regulatory context of the New Zealand TA sector can be categorised as one that confirms the post-Fordist concept.

8.2 Future issues and future research

Airlines, the main principals of TAs, are experiencing major operational difficulties. The post-9/11 and post-London terrorist plot environment they currently operate in has necessitated stringent new safety regulations, and increased fuel prices have led to increased air fares (eTurboNews Travel Industry Review, 2006a, 2006b, 2006c, 2006d; eTurboNews TravelWireNews,

2006a; Dann, 2006a, 2006b; Cleave, 2006, McKenzie-Minifie, 2006; OTA, 2006; TACSnet, 2006; Trevett, 2006). This changing business environment has enhanced competition between airlines, which forces them to cut costs. For instance, Air New Zealand and Qantas have applied to cooperate on the trans-Tasman route, arguing that this codeshare arrangement would reduce fuel use by around 100,000 barrels annually (Air New Zealand, 2006a). The codeshare agreement also aims to reduce cost by removing some surplus capacity and utilising aircraft more efficiently (Air New Zealand, 2006a).

To survive fierce competition, airlines around the world have been reducing the commissions they pay to TAs (Gilbertson, 2006). In 2003, British Airways announced that it will reduce UK TAs' commissions to 1%, and in 2004, Iberia advised the Association of British Travel Agents (ABTA) that they too will reduce TAs' commissions to the same level. Similar policies have been announced by Finnair, Lufthansa, and SAS. Finnair, for instance, announced a payment of 1 Euro per sector for all tickets issued in Finland. Similarly, in Asia, TAs in Singapore were presented with a contract called the Singapore Airlines Passenger Sales Agency Agreement, which required agents to agree to a payment of S\$1 per year as total income from Singapore Airlines for selling their airline services. In New Zealand, Air New Zealand launched its Trans-Tasman model for routes between New Zealand and Australia which stipulates new relationships between airlines and travel agents. According to Mr Mike Hatton, Chief Executive of the Australian Federation of Travel agents (AFTA), this places TAs in a disadvantaged position as it introduces delayed payments to the agents (Hatton, 2004).

It was also pointed out by Hatton (2004) that the reduction of commissions paid by airlines and the competition provided by the internet have generated a challenging and uncertain operating environment for TAs. He proposed that TAs need to redefine their relationships with their suppliers and be proactive rather than reactive to industry changes, and suggested that agents should change their situation from an agent/principal relationship to a buyer/seller one.

At the same time, consumers are becoming more internet savvy. According to Yahoo Southeast Asia, information presented at the Travel Distribution Summit Asia 2006 conference indicated that global internet users are expected to reach 1.4 billion by 2009, 65% of whom will be located in Asia (European Travel Commission, 2006). Predictably, on-line information for consumers is becoming more organised. In New Zealand, a new vertical travel search portal (Search.Travel) was launched in 2006 (eTurboNews TravelWireNews, 2006a, 2006b). This portal provides consumers with a quick and easy way of finding information about legitimate travel and tourism suppliers on-line.

Expedia, one of the largest on-line travel agencies in the world, entered the Asia-Pacific market in 2004 with its investment in eLong, the second largest on-line travel company in China. In December 2005, Expedia.com.au was launched in Australia to offer Australian consumers a one-stop shop solution for their travel needs – holiday packages, domestic and international flights, and car rentals (HomeBased-TravelAgents.com, 2006; Pegasus Solution, 2006).

Search software for TAs is also improving. In March 2006, Amadeus announced that it is completing a project to upgrade travel agencies to browser-based, internet technology. The Amadeus selling platform Vista was named the best agency desk-top tool by TravelMole (Amadeus, 2006). The platform allows TAs to choose how they work best – with cryptic or graphic modes – and is updated automatically via the internet. The graphic user interface gives TAs fast, integrated, single-screen access to all travel content.

In this scenario, the attitude of some airlines towards TAs can be defined as counterproductive. In July 2006, American Airlines announced that it will charge travel agencies a “booking source premium” of \$3.50 per segment for all bookings made through the airline’s non-preferred GDS programmes (Clarkson, 2006c; Finanzen.net, 2006; Sabre Holdings, 2006). Consequently, the American Society of Travel Agents (ASTA) has announced that it supports the Amadeus GDS lawsuits against American Airlines and Northwest Airlines

for introducing booking fees for sales by Amadeus travel agents (ASTA, 2006a, 2006b, 2006c).

New Zealand TAs are active in exploring the latest on-line technologies to improve their efficiency and profitability. In March 2006, more than half the nation's major independent TAs attended a series of seminars across the country that showcased the latest on-line tools offered by Galileo and OctopusTravel (Galileo International, 2006). At these seminars, Galileo focused on three innovative new tools: the content-rich booking system Galileo Leisure, the itinerary manager ViewTrip.com, and the service fee calculation system Galileo FeeManager. Their content includes access to over 23,000 hotels, 3000 car rental firms, 2500 transfer services, and 1200 sightseeing tours in over 4000 cities. TAs will also have direct access to on-line city maps and weather details.

Broadband internet has recently been introduced on a large scale to New Zealand. However, a recent OECD Report on Broadband Markets (Williamson, 2006) has pointed out that New Zealand currently comes 22nd out of the 26 countries analysed in terms of broadband price, performance and restrictions. It was noted that slow broadband connections can negatively impact onto e-commerce and e-business development.

It is necessary to point out that ICT will further impact the way of doing business. Computer hardware is getting faster, cheaper, and more portable; new technologies such as mashups, blogs, wikis, and business analytical systems have captured imagination (McAfee, 2006). The information and communication technology environment is changing rapidly as is consumers' ease and habits of using the internet for purchasing goods and services. It is argued that it will be a fundamental change in e-commerce – a shift from making on-line purchases (commercial transactions involving a single consumer interacting with a two-dimensional web page) to going shopping on-line (a social experience involving groups of people interacting with one another in a three-dimensional web space) (Hemp, 2006). The May 2006 opening of an American Apparel outlet was a milestone. At the store,

customers can browse through the merchandise and discuss the shopping experience with their friends. There will be a return to the social and recreational aspect of shopping. The potential of online shopping goes far beyond clothing stores. Developers could create online shopping mall comprising dozens of retailers of all kind, including travel agents.

These ongoing developments in the tourism and ICT arena, together with the various findings in this study invite further investigation. Firstly, it is necessary to identify how New Zealand TAs can use the available technologies to their advantage. From this research, it is apparent that the major barrier to adoption of new technologies is not technological capacity, but rather uncertainty regarding the demand for on-line services. Future studies therefore need to investigate efficient ICT implementation by TAs, and on-line travel bookings and purchasing behaviour by consumers.

The concept of ICT as a strategic tool is often ill-defined and understood by TA businesses, and is not being fully implemented through either an integrated or strategic approach. However, it is evident that for TAs to become re-intermediated travel consultants, they need to incorporate new technological developments and make technology an essential part of their businesses. Although several commentators have argued that there is no corresponding increase in productivity for ICT adoption in tourism businesses (cited in Sigala, Airey, Jones & Lockwood, 2004), an empirical study by Sigala et al. (2004) showed that productivity rises not from investments *per se*, but from full exploitation of ICT networking and informalisation capabilities. This researcher suggested a methodology for assessing ICT applications and benefits for hospitality businesses based on a data envelopment analysis. She argued that to optimise business value, a more strategic approach to ICT implementation and management should be adopted. Specifically, three capabilities – information, systems integration, and architecture – should be managed and aligned with business strategy and operations. This study also highlighted the fact that both academic and professional studies have focused on the term *technology* rather than on *information and communication*. Future research could use data envelopment analysis to establish the relationship between ICT

adoption and productivity increases in the New Zealand TA sector. Such research would give an insight into how TA businesses can best manage ICT applications.

There is a considerable body of studies focused on the motivating factors behind development of an on-line presence rather than on barriers to internet adoption. Many studies have shown that low development costs play a critical role in the decision to go on-line (Lituchy & Rail, 2000). Matlay (2004) argues that use of the internet as a marketing platform offers small specialist tourism firms considerable opportunities to both reach and cover traditional and emerging tourism markets. Relatively few studies have focused on the factors that inhibit adoption and implementation of internet technology by small tourism businesses (Nodder, Mason, Ateljevic & Milne 2003; Hudson & Gilbert, 2006). Standing & Vasudavan (2000a) ranked the four most important barriers to ICT implementation by small businesses as: start-up cost, lack of staff expertise, operating costs, and the difficulty of providing adequate training. Future research on the New Zealand TA sector needs to address the issue of barriers to ICT implementation by TAs.

Hudson & Gilbert (2006) in their study on SMEs in tourism showed that the key to successful ICT adoption is web site efficiency. It would therefore be interesting to investigate the importance of web sites for New Zealand TAs, their effectiveness and usability. Such research could include a web site functionality and usability study. For small hospitality businesses in Canada, it has been shown that increases in their customer bases were closely related to web site efficiency, prompt responses to inquiries, and ease of use (Hudson & Gilbert 2006). In accord with the findings of this thesis, the authors established that small hospitality business owners in Canada do not use the web to its full potential. Few used the internet to solicit feedback from guests, and only half used it to build customer relationships or measure the efficiency of their sites. In addition, only a small number used a secure server for on-line bookings.

Further research is also needed to determine when and why consumers are making reservations and bookings on-line. In this regard, the behavioural

patterns of consumers appear to have an important role in such decisions. Susskind, Bonn & Dev (2003) suggests that the 'look-book' gap can be explained by general internet apprehensiveness and transactional internet apprehensiveness, while Modahl (2000) suggests that a positive attitude towards ICT generally leads to more frequent on-line purchasing. However, my research has shown that buying patterns for relatively expensive and complex multideestination travel products may not depend too greatly on consumers' attitudes towards technology. As this research is preliminary and restricted to a limited number of consumers, its findings cannot be easily extrapolated to New Zealand consumers, although it does give some indication of consumers' behavioural intentions when purchasing travel products.

The limitations of the present study can certainly be addressed in further research. Its findings need to be extended and refined by confirmatory research involving a larger consumer sample that is representative of New Zealand travellers. It would be interesting to identify usage of the internet versus TAs for trans-Tasman single destination and multideestination trips, as well as for long-haul single and multideestination trips. Research on users could provide data that will permit improved competitive strategies for New Zealand TAs to be devised and implemented.

In conclusion, this thesis has shown that New Zealand TAs have undergone significant change in recent years. The pressures of disintermediation and other external influences have led to new responses and strategies being adopted by more innovated and often urban-based enterprises. The thesis has shown that regulation theory can go some way towards explaining these evolutionary processes, but that there is still more work to be done in explaining the complexities of change in the New Zealand travel agent sector, and global tourism generally.

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Appendices

Appendix 1

Letters to Travel Agents

1. Letters to first timers

Dear Sir/Madam,

I am a PhD student at Auckland University of Technology. My Doctoral research project focuses on the use of Information and Communication Technology by Travel Agents in New Zealand, and especially on the impacts that new technologies and the Internet are having on agents.

My project is a part of an ongoing research program conducting by researchers from the New Zealand Tourism Research Institute (NZTRI). In 2000 NZTRI conducted a pilot study, which aimed to identify the main competitive concerns of travel agents in the Auckland region. In 2000 we analysed some issues of the travel agent business: relationships with airlines and consumers, attitudes towards new technology, and the Internet in particular, and survival strategies. We are now conducting a follow-up study in 2003 and your business has been selected as a potential participant. I hope that you will kindly agree to be involved in this important study.

I enclose an information letter that explains the scope of the study and gives more detail on the actual interview. During our meeting I also would like to present you the main findings from the year 2000 study.

We also are conducting a survey of consumer perception of an “ideal” travel agent, and the role of a travel agent in the information era. I hope that results of these surveys will be of interest for your business.

There will be a period of 7 days for you to consider this invitation before I will ring you to arrange the interview. The interview will take approximately 1 hour to complete. You may choose to withdraw at any time.

To-date we have very positive response from other participants. I am looking forward to meeting you and will bring our paper “Travel agents in the 'information age':

New Zealand experiences of disintermediation“, presented at International conference in Finland (January 2003), and preliminary report of our study on consumer perception of travel agent business for your attention.

Yours sincerely

Vladimir Garkavenko,
PhD student

2. Follow-up letters

Dear Sir/Madam,

I am a PhD student at Auckland University of Technology. My Doctoral research project focuses on the use of Information and Communication Technology by Travel Agents in New Zealand, and especially on the impacts that new technologies and the Internet are having on agents.

My project is a part of an ongoing research program conducted by researchers from the New Zealand Tourism Research Institute. Three years ago you were willing to participate in an initial study phase of this research, which aimed to identify the major concerns of travel agents in the changing business environment. I hope that you will kindly agree to participate in the second stage of our study.

With your help in 2000 we analysed some issues facing the travel agent business: relationships with airlines and consumers, attitude towards new technology, and the Internet in particular, and survival strategies. The findings of this research can be viewed at New Zealand Tourism Research Institute web site <http://www.tri.org.nz/NZTRI/Conferences/Conferences2003/NZTravelAgents.htm>. We now plan to conduct follow-up interviews, and discuss some of the current issues facing your business in 2003. I enclose an explanation of the scope of the study, which provides more detail on the actual interview.

We also are conducting a survey of consumer perception of an “ideal” travel agent, and the role of a travel agent in the information era. I hope that results of these surveys will be of interest for your business.

There will be a period of 7 days for you to consider this invitation before I will ring you to arrange the interview. The interview will take approximately 1 hour to complete. You may choose to withdraw at any time.

To-date we have very positive response from other participants. I am looking forward to meeting you and will bring our paper “Travel agents in the 'information age':

New Zealand experiences of disintermediation“, presented at International conference in Finland (January 2003), and preliminary report of our study on consumer perception of travel agent business for your attention.

Yours sincerely

Vladimir Garkavenko,
PhD student

Appendix 2

Questionnaire for Travel Agents

Questionnaire

Thank you for agreeing to complete this questionnaire. Please rest assured that any information you provide will be treated in a strictly confidential manner. Data will be aggregated, no names will be used in any reports - and results will only be used for academic purposes. All data collected will be stored securely on the premises of Auckland University of Technology. Only the researcher and his supervisor will have access to the data collected.

1. Your background

- a) What travel agent/non travel agent employment were you engaged in prior to setting up this business?

- b) Did you receive any financial/travel agent industry advice prior to setting up the business? (please circle)

Yes

No

- c) What formal training or education have you received before starting this business?

2. Background about the firm.

- a) What is the current ownership structure of your company? (please tick)

independent

family business

chain

network

franchise

other (please specify)

other branches in Auckland,

Auckland Region

or New Zealand

- b) What travel agency services do you currently have to offer (please tick as many as needed), what percentage of your business is related to each of them?

airfare _____

travel packages _____

- hotel booking _____
- car rental _____
- other (please specify) _____

c) How many employees do you have? full time _____ part time _____

d) How do you describe the present position of the company (please circle):

Developing 1.....2.....3.....4.....5 Flourishing

3. - Market Characteristics

a) Are you targeting a specific market and how would you describe it (particular age, gender; ethnic or national or socio-economic group, business/corporate, leisure, mixed, high volume/high yield, other)?

b) How many individual clients has your company provided service for in the last week/month/year? _____/_____/_____

4. Relationship with airlines

a) What percentage of your income is generated from airline commissions?

5. Relationship with the customers

a) Do you use formal measuring of customer satisfaction? (please circle)

Yes No

b) Do you keep full marketing records on each customer? (please circle)

Yes No

c) Do you do any customer follow-up (please circle):

- post-trip measure of customer satisfaction

Yes No

- sending information on specials within each customer interest

Yes No

d) Are you using any CRM (customer relationship management) software?
(please circle)

Yes No

If yes, please specify which:

6. Information and Communication Technology

a) What information technology have you adopted (please tick as many as needed)

- CRS
- email
- Internet
- other (please specify) _____

What CRS are you linked to?

b) Has government policy effectively encouraged IT in the travel agency sector?
(please circle)

Not at all 1.....2.....3.....4.....5 Totally

c) Have you had any problems with labour availability or finding skills to suit your changing IT requirements? (please circle)

Not at all 1.....2.....3.....4.....5 Totally

d) What do you do on the internet (please tick as many as needed)

- e-mail
- research travel destinations
- booking travel
- financial transactions
- other (please specify) _____

e) Websites: do you have one? (please circle) **Yes No**

If yes, please give the URL address:

Who designed your website?

f) What are the most important functions of your website (please tick as many as needed) ?

- information
 - email form
 - booking
 - financial transactions
 - other (please specify)
-

g) Have you heard about intelligent agent software (software helping travel agents to find information/best deals or to create the best packages on the Internet? (please circle)

Yes **No**

h) How ready is NZ market to use the cyberspace (please circle):

- to find a tourism product

Not at all 1.....2.....3.....4.....5 Totally

- to purchase a tourism product

Not at all 1.....2.....3.....4.....5 Totally

Interview Schedule.

New Zealand Travel Agents in the Internet era: Impacts, Responses, and Relationships.

The phrasing of questions and the order in which they are asked is flexible.

Not all the questions will be asked.

Introduction

- introduce myself (use some variant of the project outline or letter that I have sent to travel agents)
- explain who is carrying out the research and who is financing it, introduce the consent form.
- methodology (discuss number of firms interviewed and my approach)
- I am interested in the current conditions and pressures influencing the company and the responses that are being developed to ensure survival and success; in particular I am interested in the IT dimension.
- the following areas will be touched on in the interview: a brief history of the interviewee; a brief history of the firm (structure and form of ownership); the competitive environment, corporate responses – including the use of IT; conclusions and future issues
- emphasize advantages of participating in project (access to results etc)
- emphasize confidentiality (no names used in any reports - ie company X) and that results will only be used for academic and policy purposes.

Section 1 - Background About The Individual

Basic information...tell me about yourself

1. What travel agent/non travel agent employment were you engaged in prior to setting up this business? - this is important as it will open a range of issues: (i) the overall reliability of their information (someone who has only just started may have limited knowledge); (ii) the general interests/background of the person - for example if they were previously in charge of engineering or personnel is an indication that you may need to focus on these areas and possibly lack information in others.
2. Why did you initially decide to start your business and get involved in the travel agent sector?
3. Was there experience that you consider to have been important in your previous work to the role you are currently in?

Section 2 - Background about the firm

1. What is the current ownership structure of your company (independent, chain, network etc.; other branches in other Auckland districts or other New Zealand locations)?
2. What travel agency services do you currently have to offer?
3. How do you describe the present position of the company (flourishing, struggling, surviving, developing)?

Section 3 - Regulation context

1. What licences, regulations, industry alliances approval did you have to get before you could start your business?
2. Does government policy have impact (influence) on travel agents business as a whole sector and on an individual travel agent (on the central and local levels)?
3. Has government policy effectively encouraged IT in the travel agents sector?

Section 4 - Market Characteristics

1. Are you targeting a specific market and how would you describe it (particular age, gender; ethnic or national or socio-economic group, business/corporate, leisure, mixed, high volume/high yield)?
2. How has that market evolved over time (especially last 3 years)?
3. Who would you consider to be your major competitors and why?

Section 5 - Marketing

1. How do you reach the market.
2. Which marketing medium has proved to be most successful and why?
3. What does your firm spend on marketing as a percentage of turnover? (**Chain or independent funding**)
4. Have you received any marketing assistance outside the firm? (**TAANZ, Alliances**)

Section 6 – Relationship with Airlines

1. What are your impressions of the changing relationship between travel agents and airlines? (**Commission cuts, role of CRS, Inter-business service quality**)
2. How has your relationship with airlines changed over the past year, past 3 years?
3. Are you aware of airline web sites?
4. What kind of impact do you expect airline web sites to have on the travel agents sector?
5. How have airline commission cuts impacted your business? Do you or did you rely on airlines for your income?

Section 7 - Relationship with the customers

1. Do you measure customer satisfaction?
2. Do you keep a personal customer database and how?
3. Do you do any customer follow-up?
4. Do you have a customer acquisition/retention strategy in place /implemented?

Section 8 – Information and Communication Technology

1. What information technology have you adopted - explain reasons why/why not? (Internet, email, CRS site-**why/why not**)
2. What do you consider to be the impacts of the internet? (**Perceptions and reality**). What do you think the internet can offer your business? (**PROMPT:** Marketing, client relationships, business to business, labour savings)
3. Have you considered using internet agencies? How do you feel that your business differentiates itself from internet agencies?
4. What are your perceptions of internet use by your clients? (**PROMPT:** Diffusion (how many people have got it), capabilities of use, efficiency for clients, security)
5. What do you consider to be the major benefits of information technology for the travel agents sector? What are the main advantages for your company of using information technology (i.e. to enhance your product, facilitate the marketing joint venture)?
6. What are the main disadvantages for travel agents sector and for your company in using information technology?
7. Have you had any problems with labour availability or finding skills to suit your changing IT requirements?
8. Do you feel that you know enough about IT and the travel agent sector, would you like to learn more? Do you provide any training programs (have you attended any programs) relating to IT?

9. Do you have an Internet access (all staff or split?): If not why (cost, co policy, no interest/value, no understanding/training, time). What do you do on the internet? (e-mail, research travel destinations, booking travel, financial transactions) Next level: visit wholesaler, airlines?
10. Websites: do you have one? Why (snake-oil, bookings, acts as a brochure)? Who designed your website? Who do you target with your website? What are the functions of your website?
11. Do you think that NZ market is ready to use the cyberspace to find and purchase a tourism product?
12. Do you think that New Zealanders are very comfortable with the internet?

Section 9 - Business Associations/Alliances

1. Do you consider forming networks/alliances to be an important feature in your business?
2. Have you formed any alliances within the travel agents sector or do you have any plans to make alliances in the future? (**TAANZ, NZTIA, International networks, localised regional networks, multi-sectorial alliances**).
3. Have you found difficulties in forming networks/alliances or in keeping them running (i.e. lack of commitment, domination by larger firms, idiosyncratic operations)?

Summary

1. What do you think about the current state of the travel agents sector in New Zealand and your business and their future prospects over the next five years?
2. How did relationships between travel agents and airlines evolve, and what are the future prospects for these relationships?
3. What do you think about the Internet impact on travel agent sector in New Zealand?
4. What is the ICTs role in the modern tourism market in New Zealand?
5. What kind of support from government do you think would be good for the future?
6. What are the main survival strategies for a travel agent?

Appendix 3

Questionnaire for consumers

Background Questionnaire

Thank you for agreeing to complete this questionnaire. Please rest assured that any information you provide will be treated in a strictly confidential manner. Data will be aggregated, no names will be used in any reports - and results will only be used for academic purposes. All data collected will be stored securely on the premises of Auckland University of Technology. Only the researcher and his supervisor will have access to the data collected.

1. Please, specify your age bracket (please circle):

20-35 36-50 51-70 >70

2. Please, specify your household income bracket per year (please circle):

Less than 20K 20-35K 36-50K >50K

3. Please, specify your highest education level:

Secondary education
 Tertiary education
 Post-graduate education

4. What is your family situation/status?

Non-married
 Married with no children
 Married with 1 child under 16
 Married with 1 child over 16
 Married with 2 children under 16
 Married with 2 children over 16
 Married with 3 or more children under 16
 Married with 3 or more children over 16

5. What kind of business, industry or profession do you work in?

6. What is / was your most recent job level?

7. Do you have a PC at home (circle please)? **Yes** **No**

If “yes” how many? _____

8. What do you use your PC for (please tick as many as needed)?

- word processing
 - your business
 - your children’s education
 - entertainment/games
 - e-mail
 - Internet
 - photo editing
 - your education
 - other (please specify)
-

9. Do you use the Internet? **Yes** **No**

If “yes”, what do you use Internet for (please tick as many as needed)?

- to get information
 - to play games
 - to buy online
 - other (please specify)
-

10. Do you buy online? **Yes** **No**

If “yes”, what kind of products (please tick as many as needed)?

- books, CDs
 - software
 - grocery
 - clothes
 - services
 - tickets (except for transport)
 - tourism products (including transport tickets)
 - other (please specify)
-

Interview Schedule.

New Zealand Travel Agents in the Internet era: Impacts, Responses, and Relationships.

Part II: Consumers in-depth interviews.

The phrasing of questions and the order in which they are asked is flexible.

Not all the questions will be asked.

Introduction

- introduce myself (use some variant of the project outline)
- explain who is carrying out the research and who is financing it, introduce the consent form.
- methodology (discuss number of customers interviewed and my approach)
- emphasize confidentiality (no names used in any reports - ie customer X) and that results will only be used for academic and policy purposes.

Now, first of all, would you like to tell me a little about yourself?

Section 1: Travel patterns

1.1. How often do you travel? What kind of trip do you take most often?

- Prompt**
- domestic, overseas,
 - business, leisure, Visit Friends and Relatives etc.,
 - short, medium or long haul,
 - packages, point-to-point trips etc.

1.2. Do you prefer to use the Internet or a travel agent when you plan your trip?

- Prompt**
- domestic, overseas,
 - business, leisure, Visit Friends and Relatives etc.,
 - short, medium or long haul,
 - packages, point-to-point trips etc.

1.3. How do you buy tickets?

Section 2: Travel agents

- 2.1. What do you see as the role of a travel agent and has this changed over time?
- 2.2. Do you think the role of a travel agent has changed since the introduction of the Internet?
- 2.3. What do you see as the advantage of using a travel agent compared with the Internet?
- 2.4. Will consumers still need travel agents in the future? (Why “Yes” or why “No”)
- 2.5. What would be the ideal travel agent for you?

Section 3: Internet issue

- 3.1. Do you use the Internet in the planning, and preparation of your trip?

Prompt - domestic, overseas

- 3.2. What do you use the Internet for in preparing your trip?

Prompt

- to get the information,
- to book,
- to buy the tourism products

- 3.3. Do you use airline’s sites to buy tickets?

- 3.4. What are the limiting factors of using the Internet to plan your travel? To buy any travel product?

Prompt

- security of Internet,
- time consuming,
- unstructured data etc.

- 3.5. What are the limiting factors of using travel agents to plan your travel? To buy any travel product?

- 3.6. Do you have favourite travel agents? How do you choose travel agent?

Bonded TA? Do you know about them?

“Human touch” on the Internet?

Appendix 4

New Zealand Travel Agents National Survey

All responses will be kept anonymous. Results will only be reported in summarised form.

I. Firm background.

General information about your travel agency (TA) business

1.1. Where is your business located?

1.2. What is the current ownership structure of your company? (please choose the most appropriate)

- independent
- family business
- chain
- network
- franchise
- other (please specify)
-

1.3. How many branches does your business have:

in the Auckland Region _____

in New Zealand _____

1.4. Was your ownership structure changed over the past five years?

Yes. **No.**

If "Yes" what was your previous ownership structure?

1.5. How many employees does your company have in low/high season?

full time ___/___ part time ___/___

1.6. How long have you been in the travel agent business?

1.7. Are you targeting a specific market?

Yes

No

1.8. What market(s) are you targeting (please tick one or more as appropriate)?

- particular age groups
- particular ethnic groups
-

- particular socio-economic groups
 - business/corporate
 - leisure
 - high volume
 - high yield
 - others
-

1.9. What services do you currently offer (*please tick as many as appropriate*)?

what percentage of your revenue is related to each of them (approximately)?

- airfare _____ %
 - travel packages _____ %
 - hotel booking _____ %
 - car rental _____ %
 - other (please specify) _____ %
-

1.10. How does your business situation compare with the situation 3 years ago?
(*Circle the number, which most closely indicates your experience*)

Much worse 1.....2.....3.....4.....5 Much better

1.11. Who would you consider to be your major competitors and why?

1.12. What do you think your business advantages are compared to your competitors?

1.13. Do you consider forming networks/alliances to be an important feature in your business? (*Circle the number, which most closely indicates your experience*)

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

II. Major pressure factors on Travel Agents businesses

2.1. Are the following factors having a major impact on **your** business? (*Circle the number, which most closely indicates your experience*)

Commission cuts by airlines

No impact 1.....2.....3.....4.....5 Major impact

Commission cuts by hotels and car rentals

No impact 1.....2.....3.....4.....5 Major impact

More sophisticated (informed, experienced) consumer

No impact 1.....2.....3.....4.....5 Major impact

Competition with other travel agencies

No impact 1.....2.....3.....4.....5 Major impact

Competition with suppliers selling directly to consumers

No impact 1.....2.....3.....4.....5 Major impact

Competition with online travel agencies

No impact 1.....2.....3.....4.....5 Major impact

Lack of governmental support

No impact 1.....2.....3.....4.....5 Major impact

Lack of skilled staff

No impact 1.....2.....3.....4.....5 Major impact

Consumers use of the Internet

No impact 1.....2.....3.....4.....5 Major impact

Health concerns, health epidemics (e.g. SARS, bird flu etc.)

No impact 1.....2.....3.....4.....5 Major impact

Terrorism

No impact 1.....2.....3.....4.....5 Major impact

others (please specify)

III. Travel Agents and airlines.

This section of questionnaire is focusing on the relationship between travel agent businesses and airlines.

3.1. What percentage of your revenue is generated from airline commissions?
_____ %

3.2. Commission cuts have/had a major impact on Travel Agent businesses **in New Zealand**

(Circle the number, which most closely indicates your experience)

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

3.3. Which airlines are the **most** constructive in building healthy relationships with Travel Agent businesses? (Please list with your first choice being the most constructive).

- 1. _____
- 2. _____
- 3. _____

3.4. Which airlines are the **least** constructive in building healthy relationships with Travel Agent businesses? (Please list with your first choice being the least constructive).

- 1. _____
- 2. _____
- 3. _____

IV. Information and Communication Technology.

This section of questionnaire is focusing on the Information and Communication Technology use by Travel agent businesses.

We are looking rather at digital data transfer, processing and distribution technologies, such as Internet, CRS/GDS, software or services, than devices or purely communication technologies such as telephone, TV or mobile phones.

4.1. What information and communication technologies (ICT) have you adopted *(please tick as many as appropriate)*

- CRS/GDS
- email
- Internet
- other (please specify) _____

4.2. What do you use the internet for in your business *(please tick as many as appropriate)*

What percentage is related to each activity? (Approx)

- e-mail _____ %
- research travel destinations _____ %
- booking travel _____ %
- financial transactions _____ %
- other (please specify) _____

4.3. How important are the following internet activities for your business? *(Circle the number, which most closely indicates your experience)*

e-mail
Not at all important 1.....2.....3.....4.....5 Very important

research travel destinations
Not at all important 1.....2.....3.....4.....5 Very important

booking travel
Not at all important 1.....2.....3.....4.....5 Very important

financial transactions
Not at all important 1.....2.....3.....4.....5 Very important

other (please specify) _____

4.4. Business website

Do you have a website? **Yes** **No**

Why do you have a website (please specify)?

How long have you had a website? _____

Who designed your website (Professional designer; Professional designer with tourism business experience; Tourism business expert; Travel Agent business expert; "Home-made"; Made by franchise/chain HQ; Don't know; Other)?

Did your Travel Agency play a role in the design of your website?

If "Yes", please describe the role your travel agency played in the design

How important is your website for your business? (*Circle the number, which most closely indicates your experience*)

Not at all important 1.....2.....3.....4.....5 Very important

4.5. How important are the functions of your website for doing business (*Circle the number which most closely indicates your experience*)?

information dissemination

Not at all important 1.....2.....3.....4.....5 Very important

email form to be used by customers

Not at all important 1.....2.....3.....4.....5 Very important

booking to be used by customers

Not at all important 1.....2.....3.....4.....5 Very important

financial transactions

Not at all important 1.....2.....3.....4.....5 Very important

4.6. Are you going to invest in new ICT?

Yes **No**

If yes, please specify, what kind of ICT _____

4.7. ICT provides a basis for a sustained competitive advantage for travel agents
(*Circle the number which most closely indicates your experience*)

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

4.8. Travel agents should develop computer search skills to add value to their product

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

V. Customers.

This section of questionnaire is focusing on the relationship between your business and its customers

5.1. Does your business use/have a consumer's database for marketing purposes?

Yes **No**

5.2. Does your travel agent business carry out customer satisfaction surveys?

Yes **No**

If "Yes", how often?

5.3. Do you think that a customer has changed over time (i.e. last five years)?

Yes **No**

If “Yes”, how did they change? *(please give as many features as appropriate)*

5.4. The consumer is becoming more sophisticated and more informed with regards to travel product choices

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

5.5. New Zealand Consumers are ready to buy a travel product on-line

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

5.6. Travel agents should charge customers for your services?

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

VI. Governmental support

6.1. Government should be a mediator in TA/ airlines relationships

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

6.2. Government does enough to support TA businesses in New Zealand

Strongly disagree 1.....2.....3.....4.....5 Strongly agree

6.3. What do you think the government should do to support TA businesses?

What do you think are the best strategies for Travel Agent business survival in New Zealand?

Appendix 5

Cluster analysis

Table 1: Ordinal variables used for cluster analysis.

Question No	Variable Labels	Variable Names
1.10	How does your business situation compare with the situation three years ago?	BusSituation
1.13	Do you consider forming networks/alliances to be an important feature for your business?	NetworksImportant
2.1	<p>Are the following factors having a major impact on your business?</p> <ul style="list-style-type: none"> - Commission cuts by Airlines - Commission cuts by hotels and Car rentals - More sophisticated (informed, experienced) consumers Competition with other TAs Competition with suppliers selling directly to consumers Competition with online TAs Lack of Governmental support Lack of skilled staff Consumers use of the Internet 	<p>FactorCommissCutsAirlines</p> <p>FactorCommissCutsHotels</p> <p>FactorNewConsumer</p> <p>FactorCompetitionTA</p> <p>FactorCompetDirectSales38</p> <p>FactorCompetitionOnlineTA</p> <p>FactorLackGovtSupport</p> <p>FactorLackSkilledStaff</p> <p>FactorConsumerInternet</p>

	Health concerns, health epidemics (e.g. SARS, bird flu, etc.)	FactorEpidemics
	Terrorism	FactorTerrorism
3.2	Commission cuts have/had a major impact on TA business in New Zealand.	CommissCutsImpactNZTAs
4.7	ICT provides a basis for a sustained competitive advantage for TAs	ICT_CompetitiveAdvantage
4.8	TA should develop computer search skills to add value to their product	ComputerSearchSkills
5.4	The customer is becoming more sophisticated and more informed with regards to travel product choices.	SophisticatedCustomer
5.5	NZ customers are ready to buy a travel product online	NZCustomerReadyToBuy
5.6	TA should charge customers for their services?	TAsShouldChargeForServices

Number of Cases in each Cluster

Cluster	1	36.000
	2	26.000
	3	47.000
Valid		109.000
Missing		.000

Table 2: Frequency of distribution between different clusters.

Final Cluster Centers

	Cluster		
	1	2	3
Business situation compared with 3y ago	4	3	3
Networking - important for your business?	3	3	4
Factors having impact on your Bus - commiss. cuts by Airlines	2	4	4
Factors having impact on your Bus - commiss. cuts by Hotels/Car rent	2	4	3
Factors having impact on your Bus - sophisticated consumers	2	2	3
Factors having impact on your Bus - competition with other TAs	2	3	3
Factors having impact on your Bus - competition with suppliers selling directly	3	4	4
Factors having impact on your Bus - competition with online TAs	2	3	3
Factors having impact on your Bus - lack of Govt support	2	2	3
Factors having impact on your Bus - lack of skilled staff	2	2	4
Factors having impact on your Bus - consumer use of Internet	3	4	4
Factors having impact on your Bus - Health concerns	3	3	4
Factors having impact on your Bus - Terrorism	3	3	4
Commission cuts - major impact on NZTAs	3	4	4
ICT - basis for sustained competitive advantage forTAs	3	3	4
TA should develop computer search skills	4	4	5
Customer - more sophisticated	4	4	4
NZ customers are ready to buy travels online	3	3	4
TA should charge customers?	5	4	5

Table 3: The final cluster centres

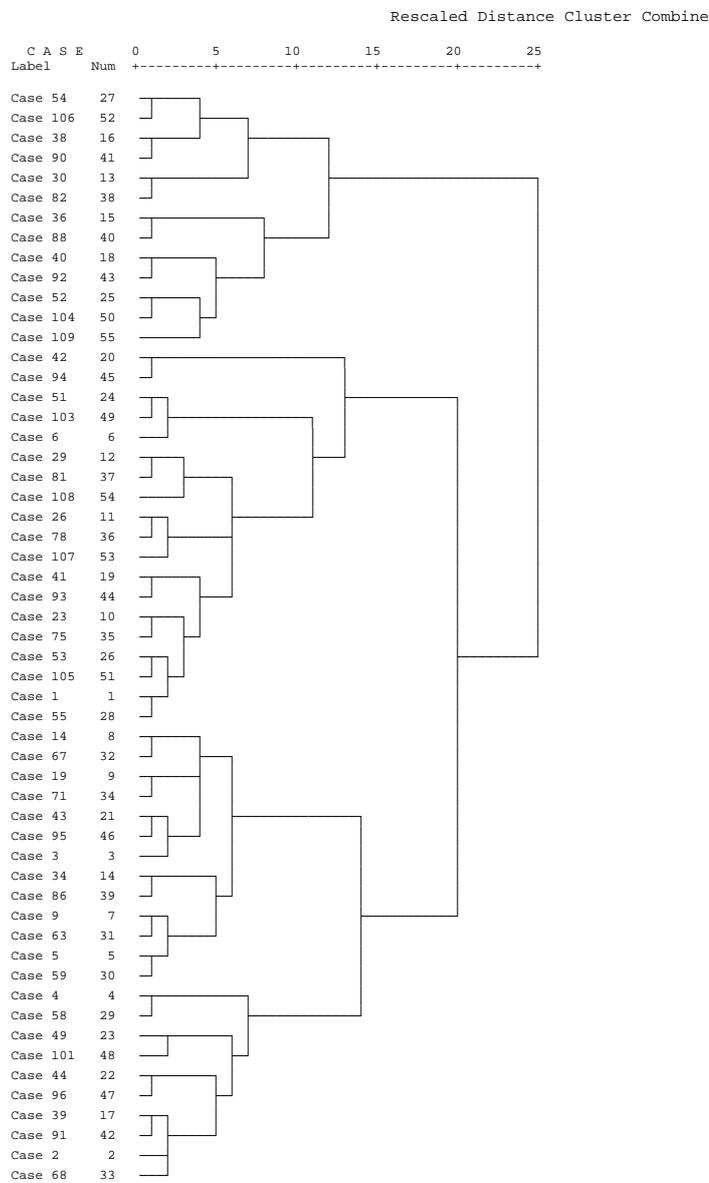
Distances between Final Cluster Centers

Cluster	1	2	3
1		3.818	4.582
2	3.818		3.275
3	4.582	3.275	

Table 4: Distances between Final Cluster Centers.

H I E R A R C H I C A L C L U S T E R A N A L Y S I S

Dendrogram using Ward Method



Dendrogram: Cluster Analysis.

ANOVA

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Business situation compared with 3y ago	9.655	2	.789	94	12.233	.000
Networking - important for your business?	7.885	2	.732	100	10.778	.000
Factors having impact on your Bus - commiss. cuts by Airlines	34.395	2	.981	100	35.066	.000
Factors having impact on your Bus - commiss. cuts by Hotels/Car rent	35.220	2	.935	100	37.660	.000
Factors having impact on your Bus - sophisticated consumers	14.948	2	.787	96	19.002	.000
Factors having impact on your Bus - competition with other TAs	2.641	2	1.018	100	2.594	.080
Factors having impact on your Bus - competition with suppliers selling directly	8.185	2	1.026	98	7.975	.001
Factors having impact on your Bus - competition with online TAs	21.422	2	.473	100	45.243	.000
Factors having impact on your Bus - lack of Govt support	10.704	2	1.385	98	7.729	.001
Factors having impact on your Bus - lack of skilled staff	32.122	2	1.282	100	25.063	.000
Factors having impact on your Bus - consumer use of Internet	18.713	2	1.105	98	16.936	.000
Factors having impact on your Bus - Health concerns	18.202	2	.679	98	26.804	.000
Factors having impact on your Bus - Terrorism	14.951	2	.686	100	21.805	.000
Commission cuts - major impact on NZTAs	8.532	2	.574	88	14.855	.000
ICT - basis for sustained competitive advantage forTAs	4.905	2	.963	74	5.092	.008
TA should develop computer search skills	7.281	2	.458	84	15.889	.000
Customer - more sophisticated	.515	2	.415	87	1.241	.294
NZ customers are ready to buy travels online	6.866	2	.802	85	8.562	.000
TA should charge customers?	.523	2	.491	87	1.064	.349

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Table 5: ANOVA table shows the significance between the different clusters.

