ICT and the New Zealand Outbound Retail Travel Industry:

Strategic Adaptation to the Threat of Disintermediation

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A thesis submitted to

Auckland University of Technology

in fulfilment of the requirements for the degree of

Master of Philosophy (MPhil)

2015

School of Business and Law

Abstract

Disintermediation is the displacement of market intermediaries within the supply chain allowing for consumers to engage directly with suppliers to purchase product. Widespread disintermediation of travel intermediaries was predicted as early as the 1990s, when it was felt that Internet technology would fuel competition and allow new online entrants easy access to the global travel market. More recently, increasing consumer demand for online retailing continues to threaten further the existence of traditional travel agency businesses within travel distribution channels. Furthermore, the rapid development of information and communication technology (ICT) has shaped an environment in which suppliers, wholesalers and intermediaries compete for the same customers. The aim of this study is, therefore, to understand how ICT has influenced changes in the structure of the New Zealand outbound retail travel industry and to investigate the strategic responses of businesses as they adapt to changing market conditions.

A case study design was used to collect data through in-depth interviews with senior managers and owners of retail travel businesses operating in the New Zealand market. In addition, industry publications and company documents were analysed and a comparison of the participants' businesses' websites undertaken to identify the current structure of the sector. A thematic analysis was completed, including an extensive coding process which led to the identification of the two emergent and interrelated themes: *technological capacity* and *adaptation*.

The study shows that the New Zealand outbound retail travel industry has experienced considerable structural change in the ten years between 2004 and 2013. This change has been influenced by the nature of strategic relationships and by increased access to ICT provided by Internet technology, two factors that have facilitated the emergence of a new breed of travel agent, the travel broker, who are now a significant sector in the market. In addition, the nature of business models in the market often dictate the strength and value of strategic relationships.

Key issues pertaining to the technological capacity of businesses have been identified including enhanced process efficiency and increasing opportunities for consumers to connect with businesses via websites and associated Internet technology. All retail

travel business are actively promoting travel to niche markets via email direct marketing, and specialisation in this type of travel by consultants and brokers contributes significant revenue for businesses. The need to use multiple supplier and wholesaler ICT systems in transacting a customer journey and the non-interoperability of these systems presents a problem for retail travel businesses, impacting on both efficiency and profitability.

These findings complement studies from other parts of the world where traditional travel agency businesses remain successful, having avoided disintermediation from the travel distribution chain. Further research is needed, however, to investigate the impact of the interoperability of information technology (IT) on the productivity levels of travel consultants, while research into the role ICT plays in traditional travel transactions would shed light on the level of expertise required to maximise efficiency. Finally, an understanding of the role played by ICT in the booking behaviour of loyal consumers would be of value for retail travel businesses to enable their continued success in a dynamically changing environment.

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Attestation 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 (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been sub mitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Megan Dee Roberts

15 August 2015

Acknowledgements

I would firstly like to acknowledge the guidance provided by my supervisors Dr Antonio Diaz Andrade and Professor Simon Milne who have been both supportive and encouraging throughout this thesis journey.

To my family, and in particular my children, who have put up with my mood swings, lack of homemade meals and a severe shortage of parental guidance over the years it took to complete this thesis: all I can say is that you have done a great job at surviving on your own – and in the process learnt how to cook and clean, which is not all bad. To my close friends, who I haven't actually seen for what seems like forever, thank you for listening through the many phone conversations and for the support and motivation to keep going.

I must acknowledge the support of Linda O'Neill, Head of School, AUT School of Hospitality and Tourism for allowing me the time, when needed, to work on my thesis and for her ongoing encouragement. Thank you to the Faculty of Culture and Society and Sharon Harvey, Dean of Research, for the opportunity to attend the faculty writing retreats, the time to focus on my writing was invaluable. A big thank you to Dr David Parker at the Auckland University of Technology Postgraduate Student Learning Centre who always gave his time freely to provide straightforward advice that gave me clarity just when I needed it most. To the team at Academic Consulting, in particular Racheal and Andrew, thank you for the direction you provided through a number of workshops in the early stages and for the advice and redirection as I moved towards the finish. To Sue Knox, thank you for your services in formatting my document, you are such a calm and caring person and even when I was pulling my hair out you calmly pointed me in the right direction. My acknowledgement, too, to Liz Stone from Shepston Editing Services for her expert advice and proofreading of the final version of this thesis. In addition, I would like to acknowledge both Academic Consulting and Sound Business Systems for their accurate and timely transcription of digitally recorded interviews.

To my colleague Helen, we have shared a unique experience and I couldn't have done it without you. I really do appreciate your motivation, organisation and ongoing support; it was so much better to feel that we were in it together.

Chapter 1 Introduction

1.1   Opening remarks

In the first decade of this century the global tourism industry faced major challenges to business success including rising fuel costs and fluctuating demand due to the threat of global terrorism and worldwide endemics such as SARS (severe acute respiratory syndrome) and bird flu (Travel Agents Association of New Zealand (TAANZ), 2004). At the same time, technological developments have changed the nature of customer and supplier relationships and have often underpinned organisation and structural changes within the industry (Law, Buhalis, & Cobanoglu, 2014). Continuous change is considered the norm by travel professionals worldwide, and according to New Zealand industry experts, the New Zealand travel industry is no exception.

This research is the result of a personal interest in the development and resulting impacts of information and communication technology (ICT) in the travel and tourism industry. My interest began when I started work as a travel agent in the United States (US) in the early 1980s, prior to the Internet and around the time computer reservation systems were starting to gain momentum in the travel industry. I travelled to Dallas, Texas, early in my career to complete training on the SABRE computer reservation system (CRS) at the American Airlines head office. As a young travel agent, I was impressed by the efficiencies and accuracy gained through the use of the SABRE CRS and the opportunities the system presented to automate many of the day-to-day tasks of a travel consultant. In the following years, as a travel manager, I used a number of different reservation systems as computer technology became an integral part of a travel agent's role.

The arrival of the Internet meant technology in travel businesses took on a new dimension and I embraced learning as much as I could about this new technology and how it could benefit the business I worked in. Moving into travel and tourism education meant I could utilise my practical skills in the operation of reservation systems and allowed me to research from an academic perspective the role of ICT within the travel and tourism industry. My early professional career has informed my teaching practice and pedagogical philosophy in presenting this story of the role of ICT in the New Zealand outbound retail travel industry.

The impetus for this study is the rapidly increasing use of the Internet by consumers to purchase travel and tourism products. This phenomenon has been studied extensively internationally and from a multiplicity of angles (Buhalis & Law, 2008; Standing, Tang-Taye, & Boyer, 2014). In the face of continuous growth in online sales, the profitability and survival of the traditional travel agent sector is threatened within the travel and tourism sales distribution system (Cheung & Lam, 2009).

1.2   Travel and tourism distribution

The travel industry is information rich and the variables associated with booking a trip are innumerable; therefore, the methods of distribution need to be capable of providing a large amount of information in a format that allows the consumer to make informed decisions to meet their needs. The growth of the sector from both the demand and supply sides has coincided with worldwide advances in information and communication technologies. This progress in information technology has revolutionised both the global economy and tourism enterprises (Buhalis, 2003).

There is much debate about the meaning of the term *tourism* and what it encompasses. The United Nations World Tourism Organisation (UNWTO) defines tourism as "a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes" (United Nations World Tourism Organisation (UNWTO), n.d.). The terms *travel and tourism* and tourism are used synonymously both professionally and in academia, and in many cases have the same meaning. Tourism can be further categorised as either inbound or outbound. *Inbound tourism* involves travellers received by a destination country while *outbound tourism* involves residents travelling away from their normal country of residence (UNWTO), n.d.).

For the purposes of this study, tourism is the overarching term that incorporates not only the product consumed but also the businesses and organisations involved in providing tourism product. This includes both public and private organisations that are involved in the promotion, planning and development of the necessary infrastructure to support and service visitors. This study investigates the outbound sector of the tourism industry, which includes suppliers and wholesalers of travel and tourism product, the intermediaries who onsell this product, and the end user or consumer. The outbound sector of the tourism industry in New Zealand will, for the purposes of this study, be defined as the outbound retail travel industry.

The traditional nature of travel distribution channels has meant that the suppliers of travel product, in particular airlines, have been reliant on their product being sold via intermediaries. Travel agents, wholesalers, tour operators and technology companies that supply CRSs all act as intermediaries to facilitate the sale of travel product to consumers (Buhalis & Zoge, 2007). The terms *tour operator* and *wholesaler* are used synonymously in tourism research and refer to companies that onsell travel product sourced from a variety of suppliers. In this study the term wholesaler is used and refers to those companies wholesaling travel product to the travel agent sector.

1.3   Technology and the threat of disintermediation

The airline industry was the first to realise the advantages of computer technology to both manage and sell their airline seat inventory (Maurer, 2003). The complexities of airfares meant early developments in reservation technology in the 1960s provided an easier and more efficient means for airlines to manage their product. Initially airlines developed computerised systems to distribute their own airline seats, and this distribution was predominantly via travel agent users of their systems (McNeill, 1997). This was followed, in the 1970s, by the development of computerised systems that enabled travel agents to simultaneously host inventories from multiple airlines, which contributed to their holding a dominant position as intermediaries in the travel distribution process. Rapid global growth and technological advances demonstrated that the travel industry could be efficiently managed by advanced computer systems (Buhalis, 2003).

The increasing availability of Internet technology and the World Wide Web (WWW) meant that by the 1990s the link between the consumer and suppliers was capable of becoming much closer. The gathering, processing and communication of information is essential to operations within the tourism industry, and the Internet provided unprecedented distribution opportunities (Buhalis, 1998). The future role of travel agencies has been widely discussed with the emergence of global electronic markets on the Internet and as potential travellers now have the opportunity to do business directly with suppliers, bypassing intermediaries in the distribution chain (Thakran & Verma, 2013). Consumer perceptions and the adoption of the Internet and electronic commerce, or e-commerce, have influenced the growth in both the use of Internet technology and the purchasing of travel products online (Eriksson, 2012). Consumers now have direct

access to suppliers and a greater depth of information that is transparent, convenient and flexible.

Disintermediation describes the elimination of middlemen in producer-to-consumer transactions in the presence of innovations in information technologies (Malone, Yates, & Benjamin, 1987). The concept of disintermediation and its applicability to the travel industry is of specific interest as the traditional travel distribution chain has been dependant on middlemen. Scholars predict large-scale disintermediation in the industry as a result of Internet retailing (Anckar, 2003). However, according to Werthner and Klein (1999), evidence of a *reintermediation* process was becoming evident as traditional intermediaries adjusted their businesses in recognition of the opportunities offered by electronic sales channels. The strategic transformation of travel businesses from the traditional "bricks and mortar" model to businesses operating in the "clicks and mortar" realm of e-commerce has been shown to be a successful adaptation in the changing ICT environment (Bédard, 2005). The challenge for travel agents exists in their ability to add value for the consumer and to communicate this value along with service levels that are as efficient and personalised as the facilities of online booking options (Mayr & Zins, 2009).

Studies highlighting the impacts of ICT on travel agency businesses have been conducted around the world and have identified a variety of issues and differing market environments. Research focused on New Zealand travel agents, however, is limited (Garkavenko, 2007; Reid & Pearce, 2008). Furthermore, the need for up-to-date data collection and analysis remains important within a rapidly changing environment so that the most recent responses to the threat of disintermediation in this market can be identified.

In New Zealand the number of travel agency businesses declined by 21% between 2004 and 2013 while the total number of travel consultants employed by businesses declined by 30% over the same period (TAANZ, 2013a). At that same time, online spending on travel products in New Zealand continues to grow, and in 2013 travel products accounted for 33.7% of total online spending at a value of $1.98 billion (Elliot, 2014). Travel and tourism products are a leading category in online sales in most parts of the world.

The unique characteristics of travel from New Zealand do, however, play a part in the structure and nature of the New Zealand travel industry. New Zealanders' high propensity to travel (Reid & Pearce, 2008) and, due to New Zealand's geographic position, their need for often multiple travel arrangements in a single journey influence where New Zealanders go and the way they book their trip. In addition, the cultural norm that sees many young people in their early 20s travelling and working overseas for a number of years at a time (Bell, 2002) influences their future travel decisions on their return home as they are by then often experienced travellers (Sönmez & Graefe, 1998). The challenge for travel agents in the future will be to continue to compete with online travel sales made by consumers, a competition that can only become more challenging as consumers have ever increasing access to the Internet with the proliferation of hand-held mobile devices (Service IQ, 2014). The strategies employed by travel businesses will determine success or failure in such a volatile market.

1.4 Research aim

The aim of this study is to understand how ICT has influenced changes in the structure of the New Zealand outbound retail travel industry. To remain successful in a challenging and competitive marketplace, travel businesses must continue to evolve. It is therefore important to investigate the strategic responses by businesses as they adapt to changing market conditions. Thus, my research questions are:

1. *How has technology influenced changes in the New Zealand outbound retail travel industry structure between 2004 and 2013?*
2. *What adaptive strategies have outbound retail travel agencies implemented in a dynamically changing market?*

The use of a case study design provides an organisational context by which to study the case of the New Zealand retail travel agency sector (Benbasat, Goldstein, & Mead, 1987). Interviews were conducted with industry experts from the major retail travel businesses currently operating in the New Zealand market; all were based in Auckland, New Zealand. Relevant industry publications and publically available company documents were analysed and a comparison of the participants' businesses' websites was completed, providing a triangulation of data sources. A thematic analysis of the data was undertaken with the aim of discovering themes and relationships that might explain the phenomenon of the New Zealand outbound retail travel industry and its relationship with ICT (Braun & Clarke, 2006).

1.5   Thesis outline

Chapter Two presents a comprehensive review of the academic literature that focuses on travel and tourism technologies. This includes studies concerning the travel distribution system and a description of research focused on the impacts of technologies on travel businesses in the Internet era.

The methodology used to frame the project is described in Chapter Three. This includes a discussion of the interpretive approach taken and the underlying philosophical assumptions. The New Zealand outbound retail travel industry is the focus of this study and a case study design was therefore appropriate to investigate this phenomenon. Next, the data collection process, including from both primary and secondary sources, is presented. This is followed by a detailed account of the thematic analysis and associated systematic coding process of the data.

Chapter Four examines the context and setting of the research – the New Zealand outbound retail travel industry. The unique characteristics of New Zealand outbound travellers are discussed including recent changes in the retail travel market. The current structure of the New Zealand travel industry is identified, including an explanation of the business models operating in the market.

A detailed description of the findings from the thematic analysis of data is presented in Chapter Five. An extensive coding process led to the identification of four conceptual categories that gave meaning to the data collected and which, in turn, led to the discovery of core themes.

A discussion of the core emergent themes arising from the analysis of data is presented as Chapter Six. An explanation is given of the relationship between the conceptual categories and the core themes they represent as identified by patterns within the data. This includes a discussion of the relationships between these themes from both an organisational and industry perspective.

The thesis concludes in Chapter Seven with a discussion of the contribution of the research findings to the existing body of knowledge. The discussion also highlights both the limitations of the study and possible future research opportunities.

Chapter 2 Literature Review

2.1 Chapter introduction

This chapter presents a review of literature highlighting the characteristics of the global travel and tourism industry. A discussion follows, in section 2.3, of the nature of travel and tourism distribution, highlighting the role of travel agents as intermediaries in the distribution chain. Section 2.4 focuses on the role played by ICT within the travel industry including a discussion of the electronic marketplace in which the industry operates.

A discussion of strategic responses employed by travel businesses to ensure they remain competitive in the changing environment of travel and tourism distribution is presented in section 2.5. Next, in section 2.6, I present a discussion of literature focused on the New Zealand travel industry which highlights the minimal amount of research to date that investigates the relationship between the changing structure of the outbound retail travel industry and developments in travel-related ICT within the New Zealand context.

By drawing on travel and tourism ICT literature, this research aims to ascertain both the attributes and influences particular to retail travel distribution and the strategies employed by these businesses to remain competitive in a dynamically changing market.

2.2 The travel and tourism industry

Tourism is a major player in the global economy, accounting for 9% of global gross domestic product (GDP) and 1 in 11 jobs worldwide. International arrivals continue to increase, reaching 1,087 million worldwide in 2013, while 6,000 million travellers made trips domestically within their own countries (UNWTO), 2014).

The tourism system consists of core players organised in a systematic flow of production whereby the producers of tourism deliver products and services to the tourist or consumer (Poon, 1993). Transportation, accommodation and the attractions and activities offered at a destination are the "products" of the tourism system. Suppliers of tourism product are, among others, airlines, hotels, transportation companies, attraction and activity providers (Collier, 2006). These basic products are aggregated by intermediaries who provide information and make bookings to meet the needs of their customers.

Tourism moves consumers to the destinations where products are on offer for consumption, the destinations where tourism experiences are produced. Tourism products are often purchased prior to arrival at a destination, with the promise of what the product offers underlying the decision to purchase. In comparison, in many other industries products are moved to the consumer, offered through supplier networks and purchased based on tangible attributes (Werthner & Klein, 1999). Many of these industries are dependent on complex channels of distribution involving transportation, retailing and wholesaling, among other activities (Buhalis & Laws, 2001). The separation of tourism product consumption and decision making, in time and space, necessitates the need for detailed information and therefore efficient and effective information systems.

The value chain of information flows from suppliers to consumers via intermediaries and sees each participant adding specific information or value leading to a consumer decision to buy (Benjamin & Wigand, 1995). Information systems not only provide product information to the market, they also incorporate information flows in a reverse direction providing suppliers with information about market structure, its needs and trends. Suppliers are able to utilise this inward flow of information for strategic planning including competitor analysis (Werthner & Klein, 1999).

Travel and tourism product is complex and is described predominantly by information which was, in the past, not often available to the public (Zhou, 2003). The industry is information rich - the variables associated with booking a trip, for example, are innumerable - and therefore the methods of distribution need to be capable of providing a large amount of information in a format that allows the consumer to make informed decisions to meet their needs (Fountoulaki, Leue, & Jung, 2015).

2.3 Travel and tourism distribution channels

A distribution channel can be defined as the process by which a product or service is made available to the consumer via a number of independent organisations (Kotler, 2006). Ford (2002) suggested the beginnings of general distribution research occurred in the 1950s, yet travel- or tourism-related studies did not appear until the 1980s. For the purposes of this study, the concept of distribution channels allows a focus on the role of intermediaries in the consumption of travel and tourism product.

A tourism distribution channel facilitates the sale and delivery of tourism services from suppliers to consumers via a system of middlemen or intermediaries (Buhalis & Laws, 2001). Figure 2.1 below illustrates a simple tourism distribution system where supplier product and services is distributed via intermediaries to the consumer.

Figure 2.1 Simplified tourism distribution channel

Supplier → Wholesaler → Travel agent → Consumer

Most commonly intermediaries are travel agents and wholesalers or tour operators who service both inbound and outbound travel markets, receiving a commission payment from a supplier for onselling their product. Tourism products, such as airline seats, accommodation and tours, are packaged by wholesalers and consolidators and distributed through travel agencies to be onsold to their customers (Barnett & Standing, 2001).

The nature of early tourism distribution channels meant suppliers, in particular most airlines, were reliant on their product being sold via travel agent intermediaries who acted as middlemen in the flow of tourism products from supplier to consumer (Buhalis & Laws, 2001). The number of intermediaries involved in the distribution of a specific product dictates pricing as each level receives a commission payment. The structure of tourism distribution influences business models and the strategies employed by tourism businesses.

Tourism distribution research has been conducted in different markets around the world; for example, in the United Kingdom (UK), Reinders and Baker (1998) predicted changes in industry structure due to suppliers' direct electronic retailing. Alamdari (2002) investigated the relationship between airlines and travel agents in the Asia-Pacific region, and findings of the study identified a continued role for travel agents who added value for the customer, particularly for more complex journeys. Wynne, Berthon, Pitt, Ewing, and Napoli (2001) studied the role of intermediaries in tourism distribution in South Africa and found the Internet to be a major threat to travel agent survival. More recently, Granados, Kauffman, Lai, and Lin (2011) investigated the balance of power in tourism distribution in the United States where airlines are implementing strategies to "regain control over distribution channels" (p. 40) in a highly

competitive online market. The evolution of tourism distribution structures reveals a growing number of intermediation layers since the early 1990s coinciding with the arrival of the Internet. Some 20 years later, a complex web-like network of tourism distribution structures can be seen (Kracht & Wang, 2010).

Since the increased demand for commercial flights after World War II, air transport companies have played a pivotal role within the travel industry and influenced the travel experiences of many international travellers (Maurer, 2003). Originally, competition and ticket prices in the aviation industry were closely controlled by governments; however, the 1978 deregulation of airlines in the United States led to an explosion of new airfares and new routes and majorly affected airline-agency relationships (McNeill, 1997). Deregulation meant airlines held the balance of power in deciding which companies distributed their tickets and thus began a sometimes hostile relationship between airlines and agencies over the payment of commissions.

Travel transactions were unique in that commissions were not added onto the selling price but were part of the total sale cost (Maurer, 2003). Deregulation had freed airlines from structured commissions and a period followed where commissions rose in response to competition. Airlines became dependent on agents once more as they distributed the majority of tickets leading to incentives and additional commissions paid by airlines to attract business (Zhou, 2003).

The cost of distribution was one of the fastest growing areas of expense for airlines (Alamdari & Mason, 2006; Inkpen, 1998), and in 1995, led by Delta Airlines in the United States, commissions to travel agents started to be capped. The incentive to control commission costs was driven by Delta Airlines' "strong traffic and limited new seat capacity" (Lewis & Talalayevsky, 1997, p. 27) and led to other competitors in the market following suit. International airlines were dealing with the cost pressures of competition and declining yield in addition to huge capital costs and increasing labour costs. IT was increasingly recognised as providing opportunities to reduce costs, particularly in reservations and distribution (Vasudavan & Standing, 1999).

Global events in the early part of this century also had an impact on the profitability and structure of the tourism industry. In particular, the airline sector was dealing with increasing fuel prices, inconsistent demand driven by events such as the 9/11 terrorist attacks in the United States, natural disasters and widespread epidemics (Quinby &

Sullivan, 2012). Airline companies were again looking at ways to cut costs, and in particular the cost of distribution.

2.3.1 The role of intermediaries

Tourism intermediaries, namely travel agents and wholesalers, have traditionally provided a variety of services to both the consumer and the supplier. The main functions of a wholesaler are primarily to reduce information and transaction costs for the consumer and to reduce promotional expenditure for suppliers (Sheldon, 1986). A wholesale business negotiates with suppliers to sell bulk quantities of their product and often combines products together to sell as a package. Wholesalers promote their packaged products by producing and distributing brochures and employing a sales force who serve travel agents to whom they pay commissions for selling their product (Reinders & Baker, 1998, p. 7).

Delivery of appropriate travel product, after searching and evaluating options, allows travel agents to then match customer needs in addition to reducing the traveller risk that can be involved due to the intangible nature of tourism. Suppliers benefit as travel agents disseminate supplier product information, create awareness for supplier product and influence consumer purchase decisions (Sarkar, Butler, & Steinfield, 1995). Travel agent intermediaries structure essential information to meet the needs of both the supplier and the consumer, at the same time creating greater efficiency (Pitt, Berthon, & Berthon, 1999).

Historically, travel agents were considered the leading intermediary between consumers and suppliers, playing an essential role in the travel distribution chain acting as both the retailer and promoter on behalf of travel suppliers and in return receiving a commission (Sheldon, 1986). Suppliers paid travel agents base commissions as a percentage of the total ticket price while additional commissions were also paid to agents based on sales volume and often linked to sales targets. A key reason that consumers dealt with travel agents was that they represented "more than one supplier" (Lewis & Talalayevsky, 1997, p. 28), while a travel agent's role was to balance the interests of both the supplier and the consumer. Travel agents needed to maximise revenues received from suppliers while providing product that met the expectations of their customers. Meanwhile the customer expected supplier product recommendations and travel bookings to be made that matched their requirements without the need to contact each individual supplier directly.

Initially travel agents sold the majority of all air tickets and relied on airline commissions to stay in business. Understanding airfare pricing and the complicated rules of air travel were specialised skills central to the agent-consumer relationship (Zhou, 2003). An early article by Bitner and Booms (1982) examined the structure of the United States travel and tourism distribution system shortly after airline deregulation in 1978 and sometime before the Internet. It was suggested that travel agent businesses needed to be sophisticated in a number of areas within their operation including the use of customer segmentation techniques in their marketing activities along with knowledge of specialised product and destinations. Important also was the ability to use information systems and automated equipment and to interact with suppliers. Nowadays, in the presence of the Internet and technological advancements, these same skills are needed: skills in marketing, product knowledge, supplier negotiation and in the use of technology.

2.4   ICT and the travel industry

The role of information and communication technologies in travel distribution has been a leading area of research since the early 1990s. Pearce and Butler (2010), in their review of tourism distribution research over 20 years, highlighted the major impact of ICT on tourism distribution as a contributing factor in the interest of researchers. A number of studies have focused on structural changes in distribution channels impacted by advances in ICT (for example, Bédard, 2005; Buhalis & Zoge, 2007; Garces, Gorgemans, Martinez Sanchez, & Perez Perez, 2004; Reid & Pearce, 2008) however, research focused on the role of intermediaries and in particular travel agents is limited and little research has been centred on the impacts of technological advances from a strategic point of view (Pearce & Butler, 2010).

Developments in ICT have stimulated a transformation of the global tourism industry. Tourism is dependent on the generation, gathering, processing and communication of information, and progress between the 1970s and the 1990s provided enhanced efficiency in these areas (Buhalis, 1998). Furthermore, the rapid expansion of the Internet in the 1990s revolutionised global organisations, changing the way business operated both internationally and locally (Buhalis, 2003). The transparency of information now available has affected, in particular, changes in structure, business practice and strategy. The role of ICT in affecting market structure and the transparency of information in electronic markets can be further explained in combination with an

understanding of electronic product representation and both institutional and competitive forces (Granados, Gupta, & Kauffman, 2006).

There are many early studies of the travel and tourism industry that predicted changes influenced by ICT. Poon (1988) examined the effect of technology on the industry value chain underpinned by Porter's (1985) research, describing the connection between competition, technology and the value chain. Poon argued, among other points, that a travel agent's proximity to the consumer gave them a strong advantage in delivering greater product differentiation in an increasingly fragmented market. Travel agents, she predicted, would gain greater influence over the industry's value chain (Poon, 1988). In contrast, ten years later, Reinders and Baker (1998) found that electronic resources could carry out most of the functions of a travel agent in the UK market and increasingly "electronically delivered information" (p. 4) is a rival for travel agent knowledge. They predicted a move towards a better informed, more sophisticated customer looking for added value from travel agents, at the same time predicting a substantial reduction in main street travel outlets.

A large majority of travel organisations have entered into strategic relationships, enabled by ICT, with the aim of achieving competitive advantage in the marketplace. "At the process level, IT is generally associated with increased productivity and process efficiencies. At the market (or industry) level, IT is associated with improved competitive advantage and enhanced relationships with the firm's partners in the market" (Chircu, Kauffman, & Keskey, 2001, p. 59).

The transparency of the WWW gave consumers the ability to compare prices through greater access to information, and now as mobile technology continues to evolve, the barriers of time and place are removed as travel planning can be completed anywhere at any time (Wang, Xiang, & Fesenmaier, 2014). The following section outlines the historical evolution of ICT in the travel and tourism industry from the technological advances of airline reservation systems to the technological innovations and resultant electronic marketplace brought about by Internet technology and the World Wide Web.

2.4.1   Evolution of airline reservation systems

At the beginning of commercial jet travel, air transportation and pricing was government regulated, and travel agents made flight bookings by telephone and hand wrote flight tickets. The first airline reservation systems were created by airlines in the

1960s in attempts to manage flight availability, schedules and pricing (Maurer, 2003). The complexities of airfares meant early developments in technology provided an easier and more efficient means to manage airline seat inventory. These airline reservation systems would be recognised as examples of early business-to-business (B2B) electronic commerce (Das, 2002).

The necessity for B2B systems to support the sale of air tickets to the consumer meant airlines not only recognised the benefits of travel agents being able to communicate directly with their computer systems but also the opportunities an increased distribution network provided (Sheldon, 1995).

The SABRE (Semi-Automated Business Research Environment) system, developed by American Airlines in conjunction with International Business Machines (IBM), was the first to be installed in travel agent offices in the United States to enable agents to reserve and ticket passengers at their premises rather than calling the airline to carry out this process (McNeill, 1997). In the late 1980s SABRE's host computer was the world's largest non-governmental real-time database in the world (McNeill, 1997). Realising the competitive advantage gained from this type of CRS, other United States airlines followed by developing their own systems, allowing the efficient sale of air tickets through travel agent distribution networks. Along with operational advantages, agents received commission on sales and hence developed a high level of dependence on airlines for business revenue (Maurer, 2003).

The deregulation of the United States aviation industry in 1978 led to a proliferation of routes and airfares and the CRSs provided an efficient means of managing the increased inventory. "The number of [travel] agencies more than doubled within ten years of deregulation, the number of airlines more than tripled" (Maurer, 2003, p. 5) along with a massive increase in passenger numbers. The changed structure of US distribution channels, in light of deregulation, was predicted to impact on the role of the travel agent (Bitner & Booms, 1982).

CRSs were provided by companies that were controlled by airlines, airline parent companies or companies owned by a consortium of airlines and generated substantial revenues. Along with reservation capabilities, the systems provided airlines with considerable information about the productivity of participating travel agents, market trends and valuable management information (Copeland & McKenney, 1988). Airline

frequent flyer loyalty programmes were first launched in the 1980s, a marketing initiative made possible by the collection of passenger information via CRSs.

The development of similar computer reservation systems in Europe cumulated with the launch of the Galileo system in 1990 and the Amadeus system in 1992, both owned by consortiums of European airlines. From there occurred a distinct geographical spread of travel-related technologies (Anderson, 2000).

This new global electronic distribution channel emerged as the backbone of the industry, controlling considerable market share and leading a standardisation of processes (Buhalis, 1998). The cost of operating what had become extremely large reservation systems triggered a number of mergers and alliances to create centralised databases, and four mega systems emerged: SABRE, Amadeus/System One, Galileo International and Worldspan. The rise of these mega systems gave travel agents access to sell thousands of airline seats in addition to other travel-related products and gave airlines and other travel suppliers, via the intermediary sector, access to millions of consumers worldwide. By 1996, the four global distribution system (GDS) companies were displaying one billion airfares, inventory from more than 200 hotel chains and rental cars at 13,000 locations throughout the world (McNeill, 1997). In the United Kingdom it was not just travel agents who connected to the GDSs, as other intermediaries, namely wholesalers, had also developed links from their reservation systems to the GDSs (McNeill, 1997).

Developments in technology, initially aimed at saving costs, led to GDSs offering products using a graphical user interface. For travel agents this would speed up the time it took to make a booking, resulting in greater productivity (McNeill, 1997). Towards the end of the 1990s and with the growth of Internet technology, global economic challenges, a competitive aviation market and the increasing cost of jet fuel continued to put pressure on airlines looking to reduce the cost of distribution. The early 2000s saw airlines selling off their shares in GDS companies as they refocused to concentrate on their core airline business (Das, 2002). A deterioration of the relationships between airline companies and GDS companies followed as airlines began an intense period of developing systems to bypass intermediaries, including travel agents, to foster the consumer direct relationship.

Business strategy for GDS companies at this time was all about consolidation and diversification, both from a market and product perspective. Competition for market dominance saw these systems increase the range of product available and the provision of incentives to travel agencies for using their system (Das, 2002). At the same time, GDS companies were "actively involved in utilising new technologies to develop distribution channels which would bypass the travel agent" (O'Connor, 1999, p. 20).

The development of the Internet increased airline bookings received directly from customers, thus improving revenue and bypassing intermediaries. At this time websites required technology and databases that only GDSs could provide, leading to a business strategy that included not only the "bricks and mortar" travel agencies but also online travel agents and their own booking sites. Many GDS companies developed online travel agency subsidiaries in an attempt to remain competitive in the online agency market and to develop alternate sources of revenue (Alamdari & Mason, 2006). The threat of airline websites, online booking sites and rapidly developing technology such as self-booking tools in the corporate market all contributed to a bypass of the GDS networks. The need to diversify was identified as important for GDS companies to reduce their dependency on airline revenues (Alamdari & Mason, 2006). GDS technology had provided the backbone for the Internet travel distribution system (Das, 2002).

Granados, Kauffman, and King (2008) endeavoured to explain the developments in e-distribution and the disintermediation of the GDS as new entrants came into the travel marketplace. Using the theory of newly vulnerable markets, which attempts to understand market changes in response to developing technologies among other factors, the authors suggested that the GDS companies' historically strong position in the travel distribution chain was threatened. Increased competition combined with lack of vision and investment in technology was predicted to further reduce market share and threaten margins.

2.4.2 The Internet and the World Wide Web

The development of the Internet and the World Wide Web (WWW) created a decentralised marketplace where a vast network of suppliers had access to a widely dispersed customer base and unprecedented distribution opportunities (Buhalis, 1998; Das, 2002). The emergence of global electronic markets on the Internet meant the future role of travel agencies was widely discussed as potential travellers now had the

opportunity to do business directly with suppliers, bypassing intermediaries in the distribution chain (Anckar & Walden, 2001).

Global events in the first decade of this century had a huge impact on the profitability and structure of the travel industry. In particular, the airline sector was dealing with increasing fuel prices, as well as inconsistent demand driven by events such as the 9/11 terrorist attacks in the United States, natural disasters and widespread epidemics (Alamdari & Mason, 2006). Airline companies were looking at ways to cut costs, particularly the cost of distribution. The rising cost of distribution in an economically competitive market meant suppliers embraced any opportunity to reduce overheads. Airlines took measures to eliminate commissions paid to intermediaries and increase direct consumer sales via the Internet (Alamdari & Mason, 2006).

Online technology not only gave suppliers direct access to consumers but also presented scope for new entrants to enter the retail travel marketplace. On the one hand GDS companies still considered travel agents as the "key to their success" (Maurer, 2003, p. 30), while on the other hand they were rapidly embracing the opportunities developments in technology afforded. The strength of the Internet meant travel agents moved from being just ticketing and reservation agents to sales and marketing consultants and needing to deal with complex products that, at first, were not handled by online services that well (Maurer, 2003).

The Internet offers consumers access to detailed information and the ability to make reservations from the comfort of their homes. Travel agents are now not the consumers' only source of travel information.

> What seems clear is that the Internet as a new medium undermines many of the key assumptions on which traditional distribution philosophies are based and that it has the potential to transform and even obliterate some distribution channels (Wynne et al., 2001, p. 420).

The challenge for travel agents exists in their ability to add value for the consumer and to communicate this value along with service levels that are as efficient and personalised as the facilities of online booking options (Mayr & Zins, 2009).

2.4.3 The global electronic marketplace

ICT has increasingly empowered consumers and plays an important role in the competitiveness of tourism businesses. The globalisation of tourism has been supported

by ICT enabling suppliers to distribute, manage and develop products worldwide, supporting an array of both external and internal processes and turning the distribution process into an electronic marketplace (Buhalis, 2003; Buhalis & Law, 2008).

Tourism e-commerce, as defined by Garcés et al. (2004), is "the secure trading of goods, information and services using Internet technologies" (p. 603), enabling direct communication between tourism organisations and consumers. The emergence of global electronic markets presents a further opportunity for suppliers to bypass travel agents, threatening their role as intermediaries in the travel distribution system. The nature of electronic marketplace developments suggests changes in the organisational structure of travel distribution leading to a redefinition of the industry value chain (Sarkar et al., 1995).

The structure of e-commerce, being dominated by direct supplier-to-consumer relationships, will threaten, if not eliminate, intermediaries in the electronic marketplace. In addition, it was predicted that the development of e-commerce will lead to lower consumer costs and greater supplier profits and to the reduction in intermediary transactions (Benjamin & Wigand, 1995). Reinders and Baker (1998) used the terminology "direct electronic retailing" when researching the views of industry experts about possible future changes and causes with respect to IT in the UK travel industry. A more refined and more knowledgeable customer was foreseen along with increasing online or electronic retailing and a reduction in the number of travel agents. The opportunity for travel agents exists to take advantage of new technology and, due to their close proximity to the customer, to maintain their intermediary status within an electronic marketplace (Reinders & Baker, 1998).

Electronic markets in travel and tourism enabled by developments in information technology have progressively moved through various stages of transparency (Granados, Gupta, & Kauffman, 2007). Biased electronic markets based around the legacy systems of the CRSs and the GDSs have been replaced by more transparent systems, providing consumers with an increasing amount of both product and supplier information. Granados et al. (2007) argued that in the competitive online travel market sellers that implement transparent market mechanisms that reduce both "bias and opaqueness" (p. 70) will have an advantage in the market.

2.4.4 Online travel agents

Market transforming technologies have allowed new intermediary companies to enter the travel distribution market (Standing et al., 2014). Online travel agents (OTAs) were early entrants who used GDS functionality to provide travellers with a user-friendly interface by which to purchase their travel (Buhalis & Law, 2008). OTAs act as travel agents, operating solely online, providing real-time travel information and taking consumer bookings via their websites. Travelocity.com (powered by SABRE) and Expedia.com (by Worldspan) are examples of early OTAs; they were launched in the mid-1990s, giving consumers access to a transparent travel market and further challenging the role of offline travel agents (Granados et al., 2008). The continued pressure to reduce distribution costs led to a group of United States airlines launching Orbitz.com in 2001, which was powered by Innovative Travel Technology (ITA), Google pricing and availability software created by Massachusetts Institute of Technology (MIT) computer scientists. Compared with GDS technology, ITA Software allowed consumers even greater transparency and ended up costing airlines a fraction of the GDS cost for distributing the same product (ITA Software, n.d.).

The ability to purchase air tickets online has since seen consumers embracing the Internet as a distribution channel (Alamdari & Mason, 2006). Emergent electronic intermediaries increasingly challenge players in the traditional distribution chain and include organisations with very different business models; for example, auction websites, price comparison websites and websites offering consumer-generated content in the way of advice (Granados et al., 2011). Virtual travel communities and social media have made it simple for consumers to gain travel information, build relationships with other travellers and formulate travel-buying decisions (Stepchenkova, Mills, & Jiang, 2007).

The development of online capability by traditional travel businesses is seen as a strategic response to competition whereby "online retailers compete with storefront retailers, and for this reason most wholesalers and retailers have developed e-distribution arms" (Reid & Pearce, 2008, p. 583). Successful strategic management leads to the ability of traditional travel intermediaries to remain competitive in both online and offline markets. However, sustained competitive advantage is not possible for travel agencies offering Internet-only services as technological innovation is easily

imitated and therefore those companies would need to diversify to gain those skills found in a more traditional agency structure (Cheung & Lam, 2009).

2.4.5 Interoperability

Interoperability includes the ability, through suitable interfaces, of a system to work seamlessly with other systems. A level of standardisation is needed to deliver consistently high levels of customer service, and to share and exchange information with partners in a highly cooperative environment. "The future development of innovative technologies will support interoperability, personalisation and constant networking" (Buhalis & Law, 2008, p. 620). However, profitability, growth and the ability to provide quality customer service are dependent on efficient organisation, management and common standards of information processing. The standards allowing interoperability are nevertheless centred in the cooperation of stakeholders in the information system (Baggio, 2014).

The growing need to share and integrate information in a realm characterised by information systems "with different scopes, technologies, architectures, and information structures" (Fodor & Werthner, 2005, p. 12) highlights the benefits to be gained by interfaced information systems. The interoperability of such information systems ideally allows "for seamlessly integrated collaboration" (Legner & Lebreton, 2007, p. 177) between partners in the value chain. Development of collaborative technological systems is expensive and lengthy; however, the reality for many small to medium-sized enterprises (SMEs) is the high cost of operating systems that lack the ability to interface efficiently (Legner & Vogel, 2008). As technological development continues at a rapid pace, only organisations that are capable of responding efficiently and effectively will be able to outpace their competitors.

Early studies of information systems described the interoperable nature of technologies both within and between organisations (Sheth, 1999). More recent research investigating dynamic packaging of tourism products found opportunities were hindered by the lack of interoperability of systems primarily due to the non-standardised and heterogeneous nature of product (Cardoso & Lange, 2007; Legner & Vogel, 2008).

Interoperability in travel and tourism technology would "enable partners to interact electronically with each other by the most convenient method and to deliver the right information at the right time to the right user at the right cost" (Buhalis & Law, 2008, p.

614). The delivery and development of travel and tourism product relies on organisational interaction and hence interoperability is crucial to efficiency in the value chain.

Information systems that interact at all levels of the travel process would also benefit intermediaries needing to provide information and make reservations with a multitude of suppliers on a daily basis in a proficient and profitable manner. However, consumer demand for cross-organisational transactions puts pressure on industry partners to be synchronised in their delivery of travel experiences, pressure that particularly affects smaller players (Fodor & Werthner, 2005). The substantial number of SMEs that make up the travel and tourism industry are, however, characterised by their use of a significant number of different information systems, many of which are non-interoperable (Baggio, 2014).

The increasingly complex travel and tourism distribution structure requires a far greater level of interoperability to allow organisations to electronically share data as they cooperate within strategic alliances to service the consumer with an ever-increasing range of travel product (Berne, Garcia-Gonzalez, & Mugica, 2012). As a result, there is an increasing convergence of tourism software, hardware and netware supporting interoperability and interconnectivity, along with the Internet, extranets and intranets which enable dynamic communication between players (Buhalis, 2003). However, efforts to establish global standards have historically had limited success and so interoperability offers the travel and tourism industry an alternative to standardisation, enabling accurate information to be delivered electronically in the required time frame and at the right cost.

Numerous efforts have been made to counteract issues stemming from the non-interoperable nature of information systems. The Open Travel Alliance (OTA), founded in 1999 by a consortium of travel companies and based in the United States, is focused on finding solutions to facilitate communication by standardising the structure of electronic messages between travel companies. OTA has developed Extensible Markup Language (XML) schemas that provide details of the OTA implementation specifications, for use by the travel industry when developing interoperable software systems (Open Travel Alliance, n.d.).

A case study of hotel and car-rental suppliers, online intermediaries and GDS companies found that use of OTA standards had improved inventory distribution and offered potential for the delivery of value-added services. OTA standards led to operational efficiencies and competitive advantage due to ease of implementation; however, high costs of implementation discouraged investment by smaller organisations. Suppliers and intermediaries recognised the strategic advantage of enhanced interoperability between information systems; however, the study highlighted the different agendas of these groups in utilisation of this enhanced technology (Nayar & Beldona, 2010). The inclusion of smaller enterprises, in particular traditional travel agents, could have provided a useful insight.

A more recent initiative towards standardisation is the New Distribution Capability (NDC), announced in October 2012 by the International Air Transportation Association (IATA) as a new XML-based data transmission standard. According to IATA, the NDC will provide schemas to "enable airlines to distribute their full product offers" (International Air Transport Association (IATA), 2015, p. 2) including expanding the level of information available about airline products such as attributes and passenger reviews. The NDC will enhance product differentiation while providing innovation in airline distribution processes. Proposed as a new industry standard, the NDC will provide enhanced communications between airlines and travel agents and be available to be used by other intermediaries and IT providers (IATA, n.d.).

The continued development of customer-focused systems has allowed organisations to interact and manage their relationships with both their partners and their customers (Buhalis & O'Connor, 2005). For the tourism industry's many SMEs, development and even survival is dependent on further technological cooperation that is based on standardised digital protocols (Baggio, 2014). The integration of end-to-end processes from customer query and reservation to the destination experience and after-trip follow-up can only become a reality through information aggregation and industry coordination (Peterson, 2013).

The major challenges to the standardisation of heterogeneous tourism information are that it is both costly and complicated and requires cooperation between stakeholders in the distribution chain (Nayar & Beldona, 2010). The ability of travel agents, SMEs in the intermediary sector, to fund innovation in interoperable systems is limited, and

therefore initiatives to encourage the interfacing of tourism technologies would seem to be the domain of larger suppliers in the distribution chain (Baggio, 2014).

2.4.6 Disintermediation

The *intermediation-disintermediation-reintermediation* (IDR) framework is a means of understanding, both descriptively and predictively, the changes that occur to industry structure in the face of electronic commerce technology (Chircu & Kauffman, 1999). The IDR cycle is relevant to this study of the New Zealand outbound retail travel industry, in particular, as it investigates the change in industry structure in the presence of ICT. Disintermediation is the displacement of market intermediaries, allowing direct trade between suppliers and consumers and bypassing agents (Kling & Wigand, 1997). The disintermediation of travel and tourism intermediaries was predicted in many academic circles with some espousing that "intermediaries will die out, while new channels and new intermediaries will take their places" (Pitt et al., 1999, p. 19). Predictions of the disintermediation of travel agents emerged at the same time as travel and tourism businesses were migrating to the Internet. Consumers now had direct access to supplier products and suppliers recognised the potential savings in distribution costs provided by the Internet. It was widely published that the travel distribution chain, with its traditional dependency on travel agents, will be majorly affected by electronic commerce and the further development of the Internet. It was hypothesized that large-scale disintermediation will be experienced (Vasudavan & Standing, 1999).

Studies investigating disintermediation within the tourism distribution system have not discovered examples of large-scale disintermediation (Dilts & Prough, 2003; Kaewkitipong, 2010; Mayr & Zins, 2009) but rather a growing complexity of layers in the distribution process (Kracht & Wang, 2010) and the emergence of new online distribution channels (Thakran & Verma, 2013). Contrary to those predicting the "death of the travel agent" were others suggesting that travel agency businesses needed to enhance their level of service, embrace the opportunities offered by the Internet and focus on providing added value to their customers (Anckar & Walden, 2001). Aspects of personal contact, loyalty and trust have been investigated with respect to travel agents and their customers, and findings suggest consumers consider these aspects important in their travel booking experience (Lewis & Talalayevsky, 1997; Mayr & Zins, 2009). In a study examining the impacts of e-commerce on the roles of distributors, it was found that "there is a strong likelihood of e-commerce replacing the traditional distributors,

more so for less standardised products such as complex, technological, and architectural products" (Jantan, Ndubisi, & Ong, 2003, p. 432). Similarly, Mayr and Zins (2009) found that customers preferred to book shorter and more straight-forward reservations on the Internet. In contrast, other studies found simple travel bookings were considered to be more problematic than more complex travel bookings made on the Internet (Anckar & Walden, 2001; Law, Leung, & Wong, 2004).

Reintermediation is the result of changes to business strategy that enable organisations to continue to survive within the distribution chain. A reintermediation process was becoming evident as traditional intermediaries adjusted their businesses in recognition of the opportunities offered by electronic sales channels (Werthner & Klein, 1999). In the changing electronic market, new roles for intermediaries will appear along with the development of new intermediaries (Bailey & Bakos, 1997). More recently, innovative organisations taking advantage of emergent technology in product development are demonstrating a trend of reintermediation and adding value in the process (Law et al., 2014).

The continued success of virtual intermediaries, according to a study by Palmer and McCole (1999), will be linked to their websites providing relevant centralised travel information, booking functionality and value-added services. These virtual companies are examples of the reintermediation of travel services. Although the results of this study suggested early signs of a reintermediation process, sustained profitability of the businesses was not considered (Palmer & McCole, 1999). Recent research looking at virtual organisations in B2B environments would indicate the need to consider not only the intermediary role of virtual tourism organisations but also the role of these businesses within the value chain. Transformation of the organisational structure of virtual intermediaries within an electronic marketplace has seen the emergence of new types of intermediaries providing value for both suppliers and consumers (Rossignoli & Ricciardi, 2015).

2.5   Strategic responses

A strategy, as defined by Porter (2002), includes the activities of a business when "creating a unique and valuable position" (p. 18) in the marketplace. Strategic responses, in the context of this study, are therefore the activities of a business in response to a changing business environment. The changes recognised in the travel and tourism industry in the 1990s necessitated strategies to ensure both competitiveness and

continued survival (Poon, 1993). The impact of ICT changed the competitive environment, in particular for intermediaries, and the increasing importance of information technology induced structural change in the industry. There has been extensive debate as to the impact of ICT, and in particular the Internet and the WWW, on travel and tourism distribution. While many speculated as to the likely nature of structural changes, most agreed that advances in technology would bring about changes in network structure, consolidation, alliances and increased specialisation of industry participants (Werthner & Klein, 1999).

Porter (1985) discussed the important links between industry structure and an organisation's competitive advantage affected by technology. Technology impacts not only an organisation's product but also their *value chain*, the set of activities through which a product or service is created and delivered to the customer. Technological change is desirable when improving industry structure and is an important component in competitive strategy and competitive advantage. In a subsequent article, Porter (2001) emphasised the need to integrate technologies, in particular the Internet, into a business's overall strategy in order to gain competitive advantage.

Benjamin and Wigand (1995) used the term "industry value chain" to describe the stakeholders in a distribution chain and predicted, along with a transformation of structure, the formation of alliances in response to technological developments. It was suggested that all stakeholders are at risk of being replaced in the value chain and therefore they must carefully consider strategic responses to ICT developments.

The WWW offered increasing opportunities for customers to bypass travel agent intermediaries in the distribution chain, whereby travel agencies around the world faced impending disintermediation and ultimate financial ruin. Travel agent businesses needed to adapt to changes in the travel environment to protect their businesses and their markets; the need to adapt or die was imperative to survival. Hence travel agents have adopted strategies aimed at continued business survival (Tsaur, Liang, & Hsiao, 2006). Innovative strategies will be needed to survive and remain profitable in an e-commerce environment (Dilts & Prough, 2003).

Studies have suggested the need for specific responses to the threat of disintermediation, with many recommending travel agent businesses develop e-commerce capabilities as a viable strategy towards survival. The strategic response by travel agents to the threat of

disintermediation, according to Nik Hashim et al. (2014), should be focused on the development of e-commerce capabilities, the formation of strategic alliances, in particular with technology companies, and offering their customers both unique and specialised product. Additionally, travel agent strategies should create value by offering niche products and "improving their service through intensive interaction with their customers" (Almunawar & Anshari, 2014, p. 211), thus producing stronger customer relationships. Furthermore, travel agents must offer "intelligent, knowledge-based activities such as counselling, information brokering and package personalisation" (O'Brien, 1999, p. 419).

There are a number of limiting factors for traditional travel agencies starting to sell travel product online including travel consultant resistance to changing technology and the lack of foresight by managers to the strategic benefits of a "technology enabled business model" (Cheung & Lam, 2009, p. 91). The only way to survive and remain competitive in an advancing technological world is to adopt technology that allows agencies to compete in an electronic marketplace. The strategic transformation of a travel business from the traditional bricks-and-mortar model to operate in the "clicks and mortar" realm of e-commerce has been shown to be a successful adaptation in the changing ICT environment (Bédard, 2005). An organisation's business model needs to align with the goals and objectives of the business and support the need to adapt to increasingly complex and competitive environmental conditions (Al-Debei & Avison, 2010).

The concept of a *business model*, in particular in information systems research, is unclear and there is a lack of consensus regarding its theoretical foundations (Al-Debei & Avison, 2010). Early descriptions of the concept include a business's architecture in terms of products and information flows, the roles of a variety of business actors, and an explanation of revenue sources (Timmers, 1998). Dubosson-Torbay, Osterwalder, and Pigneur (2002) extended this description to include the network of partners involved in delivering value to customers. Furthermore, Hedman and Kalling (2003) termed a business model as describing the key components of a business, its "customers and competitors, the offering, activities and organisation, resources" (p. 49) and the external factors affecting strategic decision making. The concept of a business model, for the purposes of this study, is the framework by which to understand an organisation's structure, its customers and competitors, products and network of partnerships – all of which are involved in the organisation's overall value proposition.

2.5.1 Innovation

Hjalager and Cooper (1994) used Barras's (1986) theory of innovations to explain the impact of technology on organisational structure which often includes a change in staffing composition occurring after initial productivity changes. Hjalager's (2010) work further categorised types of innovation including innovation in process, management, marketing and institutional innovations. Process innovation, she argued, is often the precursor to improved services and as tourism is a service industry this is reflected in the quality of service provided. An example of process innovation, adding value, is seen in the developments in airport check-in automation, adding efficiency to the check-in process and enhancing the customer experience. In a study of the travel industry in the United Kingdom, innovations resulting in increased service quality also produced growth in productivity compared with benefits associated with cost-cutting alone (Blake, Sinclair, & Soria, 2006).

Innovations in marketing have also led to the co-promotion of tourism experiences by both tourism businesses and other often unrelated businesses. Changing alliances and relationships evident in the travel industry constitute institutional innovations which, along with franchise and cooperative business models, influence organisational structure (Hjalager, 2010; Michael, 2007).

The interplay between innovations in the different areas of a business needs to be acknowledged (Hjalager & Cooper, 1994). Adoption of developing technology has implications not just in the areas of marketing and process innovation but increasingly organisation structural changes are also linked to improvements in these areas (Buhalis, 2004; Weiermair, 2006). Hjalager and Cooper (1994) suggested an order to innovative change, in particular relating to technology, whereby organisational change often follows gains in productivity achieved through process innovation. It is acknowledged that ICT improves productivity; however, managerial and strategic decision making combined with ICT was found to produce more positive results for a tourism business (Blake et al., 2006).

2.5.2 Travel brokers or home-based travel agents

A *broker*, by definition, is "an agent who buys or sells goods", while an *agent* can be defined as "one acting on behalf of another" (*Collins English Dictionary (6th ed.)*, 2006). This leads to confusion when one compares the differences between a travel

agent and a travel broker, both whom act on behalf of suppliers as an intermediary to sell travel products. The term *travel broker* is more often used in a New Zealand context while *home-based travel agent* is the term used in the United States market. Surprisingly little literature has focused on this new breed of travel agent.

Developments in technology have led to a mobile sales force of independent travel agents. The ability to utilise ICT outside the confines of the traditional travel office has provided the opportunity to operate a travel business from just about anywhere (Monaghan, n.d.). Research focused on ICT as the driver of innovation in travel and tourism within the intermediary sector has identified a new breed of travel agent: the home-based travel agent (HBTA). It could be argued that the HBTA is an example of innovation and that this segment of the industry has further established itself as developments in ICT have progressed (Bowden, 2007).

Defined by Monaghan (n.d.) in the United States market as someone operating from a home office and engaged in the marketing and selling of travel products, HBTAs first appeared in the United States travel industry in the early 1970s. The sector at that time had no real legal identification and lacked credibility and structure. Initially called "outside sales agents", they were linked to accredited travel agencies, termed "host agencies", and many were primarily in business to gain the benefits of discounted travel, a perk of the industry. Nowadays, the majority of HBTAs are aligned to a host agency that provides access to technology, marketing resources, supplier contractual arrangements, training and education, and the necessary accreditation. The host agency takes a share of the commission earned from travel sales, a negotiated split reflective of the amount of work carried out by each the agent and the host agency (Bowden, 2007).

Improved communication technology, developments in reservation systems and commission cuts by airlines through the 1990s led to a surge in the number of HBTAs in the United States while at the same time numbers of traditional travel agencies have steadily declined.

> Freed from the heavy financial burdens of a storefront agency and also free to spurn the airlines that had spurned them, free to concentrate on selling higher-priced, higher-margin products. Many agents who took this route saw a dramatic increase in their take-home pay (Monaghan, n.d., para. 21).

Dependent on the amount of time and effort a HBTA puts into their business, the incomes earned by these agents can vary. Some HBTAs in the United States earn six-

figure salaries (Monaghan, n.d.). The loss of 75,000 travel agency jobs in the United States since 1999 has coincided with an increase in the number of home-based agents (Marshall, 2009). This growth coincided with acceptance and support from suppliers who recognised the potential of the group as a valuable distribution channel. A variety in the types of HBTAs has meant the sector has been hard to define (Bowden, 2007). There is a lack of understanding about the sector, and minimal academic research focused on HBTAs has been undertaken.

HBTAs are dependent on ICT, particularly due to three factors. Firstly, the information-centric nature of tourism product is influenced by the ground-breaking nature of travel and tourism technologies. Secondly, HBTAs partnerships with host agencies are defined by technology, indeed, a large number of host agencies in the United States are technology providers. Lastly, technology reduces operating costs and simplifies administrative processes which enables a focus on "niche segments in local communities" (Bowden, 2007, p. 93). In comparison to the traditional travel agency business, the HBTA has time to focus on building strong client relationships as the administrative and managerial functions of their businesses are often taken up by the host agency.

HBTAs have been categorised by the type of relationship they have with a host agency, by the income they receive and by the business model and strategies they employ to run their businesses (Monaghan, n.d.). Table 2.1 shows the type of HBTAs operating in the United States market. The variation in business models relates in part to the HBTAs' place of business, as some HBTAs operate from a home office whereas others operate from commercial premises. Many HBTAs operate independently, while some employ staff in the same manner as a traditional travel agency, albeit they are aligned to a host agency. HBTAs often specialise in specific sectors of the market; for example, the sale of cruise product, which often represents a significant portion of many HBTAs' revenue (Quinby & Sullivan, 2012).

Table 2.1 United States HBTA business models

Type	Description
Independent HBTA	Operate independently from a home office in conjunction with a host agency
Niche market HBTA	Specialise in particular sectors of the market; e.g. cruise, educational tours, condominium vacations. Deal directly with suppliers, no host agency
Referral HBTA	Refer business to a host agency, do not themselves make travel arrangements for customers
Non-HBTA	Operate in conjunction with a host agency but from commercial premises
Hybrid HBTA	Operate as a non-HBTA but with a team of agents working under them, usually from commercial premises

Source: Monaghan (n.d.), Quinby and Sullivan (2012).

Two distinctive types of HBTA exist: the independent agents and those affiliated to a host agency. Independent HBTAs are more likely to have come from a traditional agency background, to be older and to have a proven sales record. In comparison, the affiliated HBTA, representing 51% of the total number of HBTAs, are likely to "be younger, have less industry experience, and work part time" (Quinby & Sullivan, 2012, p. 23).

The United States HBTA sector is represented by a number of industry-based trade associations that provide education and training programmes to support and promote their members as a strong and productive sector of the industry (National Association of Career Travel Agents, 2013; Outside Sales Support Network, 2013). These representative organisations and their substantial membership numbers are evidence of an organised, professional sector with a significant share of the market.

HBTAs function as intermediaries but, rather than being displaced from the distribution chain and due to their desire to use new technologies, they have taken up a different place in the distribution system. "The rise of HBTAs and their close interplay with ICTs adds to the debate about the theory of disintermediation of the travel distribution channel" (Bowden, 2007, p. 93).

2.5.3   Added value

The term *added value* can be defined as the contribution a travel agent business makes to the overall value of a travel booking (Buhalis, 2003). Exclusive use of early tourism

technology, namely the CRS, meant travel agents were able to add value to the value chain through their specialised knowledge and skills when making travel bookings (Vasudavan & Standing, 1999). Today, that exclusivity has disappeared with the explosion of travel websites and the multitude of booking options available to consumers. The presumption remains, however, that travel agents are experts in their field and can add value to supplier product, enhancing the traveller experience. It is this point of difference that provides opportunities for travel agents to compete with online businesses.

The changing role of travel agencies has resulted in the need for process and function re-engineering to enable travel businesses to add value to the distribution channel. For travel agencies to remain successful, they will need to establish themselves more as professional travel counsellors focused on adding value to the booking process (Garkavenko, 2007). Taking advantage of the opportunities afforded by ICT allows travel agents not only to add value but also to gain efficiencies when focusing on specific market segments and entering into strategic partnerships (Buhalis, 2003). In order for travel agents to survive, ICT needs to be dynamically employed as agents focus on becoming more travel advisors than order takers.

A study from Switzerland suggested strategies to avoid disintermediation by strengthening customer relationships through the provision of expert destination knowledge and specialised product offerings (Dolnicar & Laesser, 2007). In the United Kingdom, Harris and Duckworth (2005) found that successful businesses aimed at a specific niche, and focused on servicing travellers embarking on more complex trips. In addition, investment in technology, market specialisation and consultant expertise can add value for the customer (Harris & Duckworth, 2005).

Traditional travel agents offering personalised service have the "potential for a strong competitive advantage" (Mayr & Zins, 2009, p. 175). However, online agencies offer efficient, personalised booking facilities and therefore traditional agents need to focus their marketing on the value-added characteristics they provide, including offering value for money, strong customer relationships and convenience. Travel agents, particularly when dealing with more complex travel itineraries, need to provide more added value to the booking process (Alamdari, 2002; Sigala, 2007).

Travel agents need to provide value-added benefits to their customers in order to differentiate themselves from the competition and, in particular, from online travel companies. Similarly, agents should utilise technology to enhance their customer offering, personalising service while adding value to the customer experience (Kracht & Wang, 2010).

2.5.4 Alliances and partnerships

Businesses now commonly form strategic alliances with other stakeholders in the distribution system as "few other industries depend on partnerships as much as tourism. ICTs empower networking throughout the industry and also improve the interactivity between tourism production and distribution partners" (Buhalis & O'Connor, 2005, p. 13). Internet technology has presented the opportunity to form relationships that enable travel businesses to access new products and compete with the proliferation of online product choice available to consumers within a challenging business environment (Barnett & Standing, 2001). Redefined boundaries between the different players in the distribution chain have changed levels of control as the industry integrates and alliances have become the norm in a competitive market (Poon, 1993).

Strategic alliances are "purposive tactical arrangements between two or more independent organisations that form part of, and are consistent with, participants' overall strategy, and contribute to the achievement of their strategically significant objectives that are mutually beneficial" (Pansiri, 2005, p. 1099). The reasons for alliance formation, according to Johansson (1995), include the intensity of competition, the structure of the industry, the speed of product development and the degree of globalisation in the market.

The benefits of strategic relationships include operational efficiencies, increased technological capacity and access to global networks (Howarth, 1994). The acquisition of new knowledge through technology enables "joint strategic planning [and] the sharing of databases" (Koza & Lewin, 1998, p. 89). In addition to meeting the needs of their customers, the formation of strategic alliances by travel companies is motivated by both internal and external factors and influenced by the characteristics of organisations (Pansiri, 2009).

Airlines are early examples in the travel and tourism industry of organisations recognising the benefits of inter-organisational relationships. The Star Alliance and

Oneworld airline alliances, formed in 1997 and 1999, respectively, were established to provide enhanced customer service and operational cost savings. The benefits of these alliances extend to increased access to new markets and improved market information (Beverland & Bretherton, 2001).

The resource-based view of organisations has been used to study the motivation of businesses in seeking strategic alliances to gain access to resources (Pansiri, 2009). A small business's lack of capital restrains investment in expensive technology and hence this lack of resource motivates small and medium-sized businesses to seek alliances that provide benefits in this area (Beverland & Bretherton, 2001; Mockler, 2001). A study of organisations in knowledge-based industries highlighted the characteristics of SMEs as reasons for potential alliance formation. Minimal resources, "limited access to capital, and specialisation in niche markets, along with increased globalisation and rapid technological change" (Chung, Luo, & Wagner, 2006, p. 210) contribute to a highly competitive marketplace. The outbound retail travel industry consists of a large proportion of SMEs which face similar challenges and the formation of strategic alliances provide these travel businesses with benefits larger organisations take for granted.

Strategic alliances that provide access to developing technologies and to research and development of such are of obvious value for SMEs in the travel industry. An organisation's expertise in these areas benefits alliance partners in product development and process and presents an opportunity to reduce lead-in times when releasing new products to the market (Pansiri, 2009).

A number of studies have focused on the benefits derived from relationships in a B2B context and suggest benefit typologies related to confidence benefits, social benefits and special treatment benefits (Gwinner, Gremler, & Bitner, 1998; Yen & Gwinner, 2003). A study of Spanish travel agents considered the perceived benefits from inter-organisational relationships with suppliers in that marketplace and the role played by information technology. Levels of customer satisfaction and loyalty were found to be stronger where technology use was more advanced although, contrastingly, links between customer satisfaction and social benefits within a relationship were stronger where technology was less advanced (Ruiz-Molina, Gil-Saura, & Moliner-Velázquez, 2010).

The positive impact of ICT adoption on supplier relationships has highlighted the strength of the relationship and the resulting positive sales growth and cost reductions (Bigné, Aldás, & Andreu, 2008). The complexities of supplier-agent relationships, the contractual nature of these relationships, and the integrated nature of ICT systems need to also be considered as these factors can affect both sales growth and cost reduction.

Focused on the Australian travel industry, Pansiri's (2009) study included interviews with travel agents, wholesalers and tour operators, and identified the industry as consisting of predominantly SMEs. There were a diverse range of motives behind a business forming alliances in response to rapid technological change in the market, and these motives were linked to characteristics of the business, including its size both in turnover and number of employees. The most important motives included "reputation and corporate image, strength of personal relationships, developing/creating new markets, economies of scale and learning from each other" (Pansiri, 2009, p. 164). Furthermore, the study found that the motivation for forming alliances was in response to rapid technological change in an unsettled market (Pansiri, 2009).

Franchise agreements are a form of strategic alliance commonly found in retail travel where small travel agencies pay to belong to a larger franchise brand. The work of Howard and Harris (as cited in Pansiri, 2008) considered the benefits for franchisees were increased supplier commissions through group bulk negotiations, increased brand awareness, combined advertising spend and increased buying power.

2.5.5 Customer relationships

The highly competitive nature of the travel industry has required travel agents to not only examine their business processes but also their relationship with their customers. Advances in technology have allowed for easier collection and analysis of customer data as the requirement to provide personal details to book travel products has meant companies have access to vast databases of customer information and hence the opportunity to gain a greater understanding of consumer behaviour.

Increasingly consumers are moving to online channels to book their travel arrangements and studies from around the world are highlighting the growth of online travel bookings. Eriksson's (2012) study of "Internet adopters" in Finland, a country with one of the highest rates of Internet adoption, found consumer preference for making travel bookings online had increased substantially between 2004 and 2011. Recently,

however, the lack of personal service while booking online has led to a decrease in customer satisfaction with online travel providers (Peterson, 2013).

Consumer booking behaviour investigated in 2006 in Austria found that consumers who used traditional travel agencies exhibited greater loyalty and a strong commitment to a particular travel agency and that an agency reputation was an important attribute for consumers when making a travel booking (Mayr & Zins, 2009). Increasingly, customer satisfaction is determined by the ability of an organisation and its ICT tools to be accurate, comprehensive and react instantly (Buhalis & Law, 2008). The consumer has greater access to information – but this doesn't automatically equate to increased travel expertise when planning and booking travel. Therefore, travel agents need to prove their value by providing expert, personalised product knowledge and planning expertise delivered quickly to a customer who is always online (Quinby & Sullivan, 2012).

Travel agents who enhance service quality and therefore strengthen loyalty in their customer base are enhancing customer trust and commitment. Macintosh (2002) identified antecedents of client trust and satisfaction in a travel agent-customer relationship. Travel agent "expertise, familiarity and company reputation" (p. 59) were shown to lead to greater client trust in a travel agent, while factors of dependability and familiarity added to client satisfaction. Macintosh (2002) suggested that travel agents, by sharing their years of experience and more "tacit knowledge" (p. 71) compared with that available via the Internet, could gain competitive advantage.

2.6   The New Zealand travel industry

In New Zealand, the travel industry consists of those businesses that service the outbound sector of the market, namely travellers departing New Zealand for a holiday (leisure) or for business (corporate). The characteristics of leisure and corporate travel vary and traveller requirements are different; hence servicing the needs of these segments of the market require management and strategic processes specific to each area. Very few studies have been focused on the New Zealand outbound retail travel environment or have investigated the role of ICT in travel industry structural change and the responses by businesses to this phenomenon (Garkavenko, 2007; Reid & Pearce, 2008).

In a study investigating the impacts of ICT, which included interviews with New Zealand travel agents, Garkavenko (2007) explained the nature of travel agent

relationships with airlines and customers. The study identified commission cuts and suppliers selling direct to consumers as major pressure factors on travel agent businesses. Recommendations were that travel agents needed to reposition themselves as "consultants, information brokers or infomediaries and developers of personalised packages" (Garkavenko, Bremner, & Milne, 2003, p. 474) rather than just information and ticket providers. It was further suggested that the core duties of the traditional intermediary including transaction processing and information provision were being replaced by ICT (Garkavenko, 2007).

A key finding by Garkavenko (2007) was that the main pressures identified initially by travel agents were no longer considered major threats three years later and that many travel agents were refocusing their businesses. The emergence of a more informed customer and increased competition in the sector were now considered more important threats to travel agent businesses. Responses to these new pressure factors included a focus on niche markets and recognition of the importance of adding value to offer more personalised arrangements and increase customer satisfaction (Garkavenko, 2007).

A structural change seen in the New Zealand travel industry can be recognised as a response to a number of factors, namely the growth of the Internet, commission cuts, changes in airline ownership in the region, and evolving consumer expectations and demand. At this time, 2003–2004, the use of ICT by New Zealand travel agents was limited to information searching and email, while travel agent websites were used for marketing rather than e-commerce. Travel agents are facing challenges brought about by the Internet that include more knowledgeable consumers and suppliers, in particular the airlines, now having a direct link to the consumer (Garkavenko & Milne, 2007).

Travel agents recognised their competitive advantage in providing customer-oriented services and identified this as a major strategy for survival; however, these businesses employed no specific strategy to manage customer relationships. Travel agent businesses in New Zealand, it was proposed, need to emphasise their professional advice, financial reliability and ability to save clients time (Garkavenko & Milne, 2008).

In-depth consumer interviews were used by Garkavenko and Milne (2007) to identify discrepancies between travel agent and consumer perceptions of the role of travel agents in the New Zealand travel market. It was found that both groups, travel agent and consumer, perceived similar factors to be important. Consumer desire to find a better

deal correlates to travel agents recognising the need to add value to travel bookings and the provision of more individualised, personalised service by consultants could provide greater flexibility for consumers.

As part of a study of outbound travel distribution channels, Reid and Pearce (2008) identified the New Zealand travel industry structure as at December 2007 (see Figure 2.2). The alignment can be seen of wholesale and retail intermediary businesses operating in the market at that time. The Gullivers Travel/ Stella Travel Services group is the umbrella company for the two wholesale companies Go Holidays and Gullivers Holidays, as well as the aligned travel agent businesses Holiday Shoppe, United Travel and Travel Smart. The figure shows STA Travel and niche wholesalers as unaligned to any particular wholesale organisation and independent brokers as unaligned to any of the main retail travel businesses in the market.

Figure 2.2 New Zealand outbound travel industry, intermediary structure, 2007
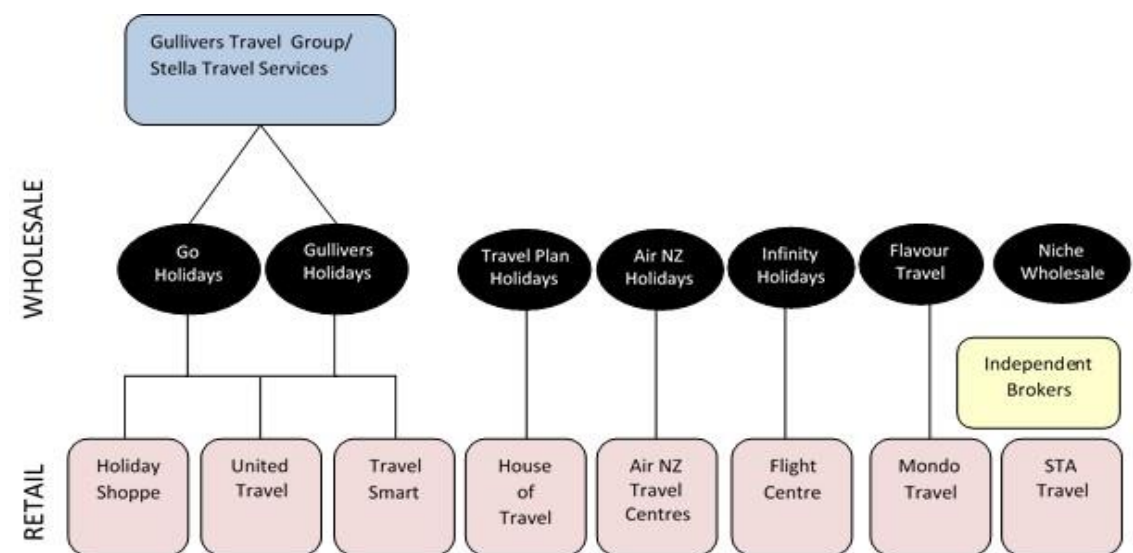
Source: Adapted from Reid and Pearce (2008).

Reid and Pearce (2008) conducted in-depth interviews in 2003 with 15 intermediaries from a range of New Zealand wholesale and retail travel businesses and found that the structure of the industry displayed considerable consolidation and integration. The level of integration undergone is far greater than it appears to consumers in that many of the storefront and online options are consolidated under the same integrated travel business, namely the Jetset Travelworld Group, based in Sydney, Australia. In 2010, the Jetset Travelworld Group and New Zealand-based Stella Travel Services Holdings Pty Limited, which includes the retail travel brands United Travel and Harvey World

Travel, merged to form the largest vertically and horizontally integrated travel business in Australasia. More recently, in 2012, the group was rebranded as Helloworld, at present only in the Australian market while much speculation exists as to when this branding will extend to the New Zealand divisions of the organisation (Jetset Travelworld Group, n.d.). Advances in technology have created the motivation for travel agents to in some cases close and in many cases to consolidate (Lewis & Talalayevsky, 1997).

Competition within the New Zealand outbound retail travel industry has led to the majority of retailers having an online presence and, with that, the emergence of a more multi-channelled distribution system (Pearce, 2008). Electronic distribution and the Internet were thought to have significantly affected New Zealand outbound travel distribution but there were differing opinions as to whether competition had been increased. An ongoing role for travel agents was acknowledged, particularly in a growing market and when customers requested more complex itineraries, although changing travel patterns were identified as having an effect on distribution (Pearce & Schott, 2011). The growing tendency for New Zealand outbound travellers to be more adventurous, wanting to experience new and different destinations and product, has meant complex travel arrangements have become relatively commonplace. Structural changes in the industry as a result of consolidation and mergers was highlighted as a major trend, with respondents acknowledging there were "too many retail brands in the marketplace" (Reid & Pearce, 2008, p. 589). It was predicted that globalisation and alliances would play a significant role in continued consolidation of the industry.

2.7 Chapter summary

This chapter has discussed travel and tourism technology from both an historical and contemporary perspective. An understanding of the evolution of travel and tourism technologies is important in comprehending the intricacies of the current industry environment. A global electronic marketplace has seen travel and tourism businesses adapting to increased competition from new online entrants and changing consumer demand. The extant literature suggests a disintermediation of travel agents from the distribution chain in response to continually evolving technologies within a dynamic marketplace and the development of Internet technology in particular. The need for travel and tourism businesses to strengthen their position in the distribution chain has stimulated innovation in business processes and seen the formation of alliances within the industry. The strategic responses by businesses to the threat of disintermediation

vary across different markets and are influenced by both the structure of the travel industry and the characteristics of the market in a particular country or region. The success of the New Zealand outbound retail travel industry is threatened by the forces of disintermediation on both a local and global level, and therefore its strategic responses to this phenomenon will determine its future.

Chapter 3 Methodology

3.1 Chapter outline

In Chapter Three I present the methodological approach used to conduct the research. This interpretive study employs a methodological approach designed to understand the influence of ICT on the structural evolution of the New Zealand outbound retail travel industry and the individual subjective world of participants working within this environment (Prasad & Prasad, 2002). As the researcher, playing a part in this process, I am investigating the role of ICT in the changing structure of the New Zealand outbound retail travel industry over the last ten years, and the strategies businesses employ to ensure profitability and survival in a rapidly changing marketplace. I discuss my philosophical position which underlies my inherent interpretive research paradigm and present justification for the case study approach taken. Next, data collection techniques are presented, including the process by which participants were identified. Finally, I describe the thematic approach taken to analyse the data collected, including a detailed description of the coding procedure.

3.2 Interpretive approach

Understanding the social world relevant to the research question is an important part of achieving the aim of an interpretive research project. Interpretive research focuses on the complexity of sense making as a situation emerges. Walsham (1995) proposed that interpretive methods aim to understand the context of the system at the same time as understanding the influence the system has on the context.

The aim of social research is "to understand the nature, process and consequences of … social interaction" (Denzin & Lincoln, 2011, p. 593). Interpretive research is focused on meaning in context, and an understanding of the historical and social setting of the research topic is necessary to comprehend the phenomenon being investigated. The subjects of a study exist in a socially constructed reality and a wide understanding of the context of this reality on the part of the researcher allows for understanding of the meaning of the social phenomenon.

The general philosophy of social construction, according to Berger and Luckmann (1991), recognises this social reality as a constructed world formed through purposeful, significant interpretation. The context of inquiry therefore determines the emergent

meaning of data and theoretical explanation is dependent on each participant's experience (Myers, 2010). Relationships between people, technology and organisations are constantly changing and thus the contextualisation of the subject from both a social and historical perspective allows for a more in-depth understanding of the subject of the investigation.

3.2.1 Philosophical assumptions

A *paradigm* is a collection of beliefs and principles that guide a researcher in their choice of a particular study, the manner in which the research should be carried out, and the analysis of the results (Bryman & Bell, 2011). We each bring valuable assumptions that are derived not only from individual experience but also from our view of reality. As Guba and Lincoln (1994) suggested, a paradigm "is the basic belief system or worldview that guides the investigator" (p.105). These views influence how researchers obtain knowledge and undertake research and are underpinned by certain ontological, epistemological and axiological philosophical assumptions that guide and predispose this search for knowledge. An acknowledgement of these assumptions precedes the decisions concerning both the methodology and method of this study (Guba & Lincoln, 1994). My philosophical position is guided by my experience and it is therefore appropriate to review those experiences that provide me with an "insider's sensitivity" to the subject of this inquiry.

My professional experience working in retail travel at a management level, both in New Zealand and in the United States, provides me a greater sensitivity to the issues that are relevant to this study. I have used a number of different computer reservations systems and associated back-office applications including SABRE, Travelport Galileo, Amadeus, Cross Check Travel, Travelog and the Maars switching system. Experience of these systems has been in a variety of environments including from a managerial and travel consultant perspective and within my teaching practice. I have been teaching for the last 15 years both the practical operation and theoretical relevance of ICT in the travel and tourism industry. Both my retail travel and teaching experience gives me an in-depth understanding of and enhanced sensitivity to the context of this study.

Ontology asks: "What is the form and nature of reality and therefore what is there that can be known about it?" (Guba & Lincoln, 1994, p. 108). The following assumptions influence the manner in which I approach the research problem. The social world can be viewed as numerous different realities where individuals within a society are influenced

by multiple factors; thus, not surprisingly, each one of us views reality differently. Bryman and Bell (2011) discussed whether people fashion their social world or are just external players. I am of the view that an individual's view of reality is influenced by both the social and physical characteristics of their country of upbringing. One could say that our view of the social world is shaped by the glasses we wear. These glasses are made from our experiences of life, both personal and professional, and influenced by where and how we live and our cumulative life experiences.

As this study is set in New Zealand, the participants' views of reality are influenced by the characteristics of the country including both the social and physical attributes of New Zealand as a South Pacific nation. New Zealand's small population and geographic location, in the south of the Asia-Pacific region, have an influence on both travel behaviour and industry structure and dynamics. The participants brought an individual understanding of the New Zealand travel industry, and their views, experiences and opinions formed the basis of this inquiry looking into the reality of their worlds.

When researching participant experiences, both a researcher's ontological and epistemological position play a part in the research design and the quality and type of data collected. *Epistemological* considerations, as Myers (2010) pointed out, concern the assumptions about knowledge and how it can be obtained. Guba and Lincoln (1994) suggested that the answers to these epistemological questions are constrained by the nature of the ontological position. The relationship between the researcher and the knowledge is hence dependent on the nature of reality. Thus, my epistemological assumption is that the interpretive researcher needs to relate to and interact with participants as the research proceeds to understand their experiences and the underlying meanings attached to those experiences (Grant & Giddings, 2002). Furthermore, to understand the data it is necessary to understand the language of the participants, to be able to look at the subject matter from the inside (Myers, 2010). My professional and academic experience of travel and tourism information systems allows an enhanced level of sensitisation to the subject of this inquiry and a greater depth of understanding. This intersubjective approach needs a degree of reflexivity inherent in the interaction between the researcher and the participants. This approach is important given the interpretive nature of the study.

Axiology studies judgements about value, including those of both aesthetics and ethics. The qualitative nature of this research allows for a detailed interpretation of the subject

which cannot otherwise be achieved through quantitative methods of enquiry. This interpretation is guided by what I consider is of value while interacting with participants involved, and because interpretivism specifically looks to include the values of the researcher as these values are seen as part of the inquiry outcomes (Guba & Lincoln, 1994). The values I bring to this study are influenced by my early career as a travel agent and then as a manager of travel agency businesses. The principles I promote as a travel and tourism educator and my adherence to ethical standards within an academic environment both underpin the values I espouse. I must also accept the role my experiences as a traveller or consumer in the travel process have on my judgements of value. The moral values of the researcher play a role in the inquiry process and are therefore impossible to ignore.

The influence of an individual's view of the world and how knowledge is perceived is the foundation of inquiry. According to Guba and Lincoln (1994), findings are created by the close relationship between inquirer and the phenomenon. The relationship between the inquirer and participant guides the depth of data collected and the overarching values of a particular axiological position underpins the research.

To sum up, I recognise that my worldview has been fashioned by my journey in life. I acknowledge that the relationship inherent in an inquiry process needs to include an understanding of a participant's reality and view of the world while all the time considering the values of both participants and researcher. Hence, based on my ontological, epistemological and axiological positions, I espouse *the interpretive research paradigm*. The conceptualisation and design of this study is therefore guided by the unique methodological considerations associated with this paradigm (Prasad & Prasad, 2002).

3.3   Case study design

It is my intention in this study to present a true and honest account of the analysed phenomenon (Guba & Lincoln, 1994) and to include a detailed explanation of the context of the investigation. It is in this context that a case study design is therefore employed to achieve an in-depth understanding of the phenomenon.

The characteristics of both this research project and its setting influenced the choice of research design. A case study method is appropriate in this instance as the focus of study is a modern occurrence within a real-life situation and the boundaries between the

context and the phenomenon are not easily understood (Yin, 2009). The New Zealand outbound retail travel industry is the focus of this study and, as such, is considered a single case for the purpose of the investigation. The characteristics of case study research, particularly relevant to this project, include that the research is conducted in a natural setting and that the focus is on a contemporary event. The interpretive nature of a case study approach relies on the skill of the researcher to explore and integrate findings without predetermined variables. The case study method is especially useful in an interpretive study where "why" and "how" questions deal with relationships and links over time rather than with "how many" questions which seek frequency or incidence information (Benbasat et al., 1987). A case study approach allows for a greater understanding of the depth and breadth of the phenomenon under investigation.

The research question, the purpose of the study, and the constraints of resources all need to be taken into account when selecting a sampling strategy (Patton, 2002). For all of these reasons, a purposeful, rather than random, approach to selecting relevant participants was appropriate. The sample needed to include a cross-section or range of businesses within the New Zealand retail travel setting and be representative of the major outbound retail travel agent brands operating in the sector.

A purposive sampling strategy was therefore most suitable and focused on those individuals based in Auckland, New Zealand who had worked in retail travel agencies in New Zealand for at least the last ten years and who at the time of the study were holding senior management positions within their organisations. Participants needed to be representative of the travel agent sector in New Zealand and have an in-depth understanding of the structure and functionality of their businesses. This knowledge and understanding is gained from the experience accumulated while working in positions of strategic importance to their organisations over an extended time period.

Representatives from senior management levels or owner operators of retail travel agencies in New Zealand were identified using publicly available information, informal discussions and an exchange of email communications with the chief executive officer of the Travel Agents Association of New Zealand (TAANZ). Seven individuals were invited by email to participate and all agreed to being interviewed as part in the study. At the time of the interviews, all seven were working within the main travel companies operating in the New Zealand market and all were based in the city of Auckland. The sample was guided by a desire to gain a level of diversity in terms of both participant

characteristics and the structure of their businesses. The criteria used when selecting this sample were therefore based on participants having more than ten years of experience, holding a management level position within their organisation or business, being representative of the major travel brands in the market and being based in Auckland. This can be termed *criterion sampling* (Patton, 2002).

3.4   Data collection

Prior to commencing the study, ethical approval was received from the Auckland University of Technology Ethics Committee (AUTEC reference 13/139). The ethics approval process included the requirement to provide the Participant Information Sheet (see Appendix A) and Consent Form (see Appendix B) to participants at the time they were invited to take part in the study.

The intended purpose of the data collection was to identify the complexities associated with the change in structure of the New Zealand outbound retail travel industry in light of technological developments in travel and tourism technology. A number of sources of data were used in the study to achieve this purpose (see Table 3.1). Primary data was collected from participants, along with field notes made, during semi-structured in-depth interviews. Multiple sources of secondary data were collected from a variety of sources. These secondary sources were useful to confirm specific company details and to establish and confirm patterns and trends from not just the sample but across the New Zealand travel industry as a whole.

Table 3.1 Sources of data

Primary data sources	Semi-structured interviews	Seven interviews conducted
	Field notes	
Secondary data sources	Industry publications	Directory of TAANZ members – 2013
		TAANZ annual reports from 2004 to 2014
	Published company documents	Flight Centre annual reports 2012 and 2013
	Websites	Six participants' businesses' websites
	Industry media publications	*Tabs on Travel Today*, relevant issues between March 2011 and July 2014
		Travelinc, relevant issues between December 2013 and January 2015

3.4.1 Primary data sources

Primary data was collected from two sources: semi-structured interviews and from field notes written during these interviews. Seven semi-structured, face-to-face, in-depth interviews were conducted in Auckland, New Zealand with experts from travel businesses operating across the New Zealand market. The choice of interviews as a method of data collection allowed for a level of interaction that enabled the researcher to understand and relate to each participant. All interviews were digitally audio-recorded.

The interview process was not without challenges. The verbal English language skills of the non-native-English-speaking participant meant that she was difficult to understand at times which led to me asking a number of questions to clarify the meaning of answers to my questions. Constant double checking of my understanding of the participants' responses gave me an assurance that I was interpreting their views and opinions in the manner they were intended.

I initially experienced difficulty confirming participants between July 2013 and September 2013, traditionally busy months for the outbound retail travel industry. Participants were hesitant about committing to the time frame in addition to their busy

work schedules and it was therefore decided to delay interviews until the participants could comfortably commit to the time needed. The scheduling of interviews therefore needed to be as flexible as possible in consideration of the daily pressures facing the participants in their positions of responsibility. I felt that it was important that the participants did not feel pressured about granting interview time for this study and that they could agree to be interviewed without any added stress in their day-to-day positions because this would allow them to be more relaxed, open and honest in their interview. All interviews were completed between July 2013 and January 2014.

Table 3.2 presents a comparative summary of the participants, their position title, organisation, and the number of years they have worked in the New Zealand travel industry. All of the participants have worked in the New Zealand travel industry for at least 15 years, and the majority for more than 25 years. Furthermore, all are in senior management roles within their respective organisations and are therefore involved in activities of a strategic nature within the business.

Table 3.2 Study participants

Participant	Title	Travel Business	Years in travel industry
Wendy D'Arcy	General Manager	The Travel Brokers	29+
Lisa Li	Managing Director	China Travel Service (CTS)	21+
Sue Matson	General Manager Retail Brands NZ	Flight Centre Limited	25+
Jeremy Shanahan	Managing Director	United Travel	25+
Derek Sullivan	General Manager	Travel Managers Group	27+
Brent Thomas	Commercial Director	House of Travel	15+
Wendy van Lieshout	General Manager	World Travellers	19+

All of the participants agreed to allow digital audio-recording of their interview and all but one participant gave immediate approval to the use of their name and business details in the published research. This particular participant asked to view results of the study before giving approval, and on reviewing the said results, subsequently gave approval to the use of their name and their business's name in the published research.

The interviews lasted between one and two hours. Verbatim transcription of the interview recordings, eight hours and eight minutes of digital audio files, were completed by two separate companies who provide professional transcription services. These companies both signed confidentiality agreements pertaining to the content of recordings and subsequent transcripts of interview data.

Information was sought from representatives of these different retail travel businesses on the structure of their organisations, the products and services they sold, the target markets they serve, and their relationships with other businesses and their customers. Questions were posed that concerned the ICT employed in their businesses and the role played by these ICTs with respect to business practices and strategies (refer Appendix C). The use of semi-structured interviews allowed for flexibility in the direction of the interview while at the same time I could respond to what the interviewee viewed as being important in their explanation and understanding of the subject of enquiry; this in turn produced rich and detailed data (Bryman & Bell, 2011).

Field notes were taken during interviews to record points within the participants' responses that I felt were of particular interest to the study. These field notes represented an interpretation of the interview from my position of experience and interest, in terms of both the individual interviewee and the industry they represented. This interpretation was the beginning of the analysis of the raw interview data. These notes were then compared with the interview transcripts in an attempt "to leave no stone unturned" while trying to interpret the participants' understanding and viewpoints relevant to the research question.

3.4.2   Secondary data sources

Secondary data was collected from a number of sources, as outlined in Table 3.1. Firstly, data from publicly available industry publications was collected. This included data from the *TAANZ Book* (2013 edition), an annually produced book listing details of all TAANZ members. This publication provides information about both corporate and leisure travel agency businesses throughout New Zealand. TAANZ annual reports between 2004 and 2014 were used to clarify certain points pertaining to the structure of the industry and its participants and also to clarify historic points of interest relevant to the study.

Next, a search of publically available company documents was carried out to provide additional insight. Flight Centre Ltd is a publically listed company and annual reports from 2012 and 2013 of this company were included in the analysis.

The websites of six of the participants' businesses were compared next to provide additional relevant information, including company structure, ownership and relevant partnerships. The website of one participant, China Travel Services, is presented in Chinese characters and so was not included in the website audit. In addition, this audit enabled investigation of the online presence and capabilities of businesses. This process continued over the period of the study to ensure the most up-to-date information was included.

Finally, media publications that focus on the New Zealand travel industry were examined. Relevant articles that appeared in the online daily publication *Tabs on Travel Today* between March 2011 and July 2014 were included with the aim to observe trends and patterns relevant to the research question. In addition, relevant articles published between December 2013 and January 2015 in *Travelinc,* an industry-focused monthly print magazine, were also included in the analysis. These articles were written by industry experts and journalists who specialise in the New Zealand travel industry. It should be noted that there was an overlap, at times, of authors of these articles and the interview participants.

3.5   Thematic analysis

Thematic analysis allows for the identification and analysis of themes inherent in the data and thus the ability to provide a meaningful and detailed account of patterns and relationships within and between these themes. As Braun and Clarke (2006) outlined, thematic analysis "works both to reflect reality and to unpick or unravel the surface of reality...[as it] examines the ways in which events, realities, meanings [and] experiences are the effects of a range of discourses operating within society" (p. 81). The choice of thematic analysis for this study allows flexibility in providing a rich interpretation of the data.

The individuals interviewed for this study were representative of particular businesses or parts of the New Zealand outbound retail travel industry. While considering the independent meaning of these parts, it is important to continue to consider the whole they form as a major part of the New Zealand travel industry (Klein & Myers, 1999). In

addition, I acknowledge my subjective role as a researcher and the role I play in interpreting meaning within the parts and the whole, a role that is influenced by my past and present experiences. This type of hermeneutic approach provides advantages to analysis, in particular, resulting in a greater "understanding of people in business and organisational settings" (Myers, 2010, p. 194).

A systematic approach to analysis was followed to ensure "analytical thoroughness" (Tuckett, 2005, p. 77). This is necessary in any thematic analysis and is comparable to processes most often associated with research using the *grounded theory* method. The adherence to certain procedural steps in analysis included the simultaneous collection of data and analysis and the continual comparison of the data and emergent themes (Glaser & Strauss, 1967/1999; Strauss & Corbin, 1998). This constant comparison of data allows for the identification of patterns and relationships as themes emerge which form the basis of analysis. The aim is to develop "a set of logical themes and associated characteristics" (Tuckett, 2005, p. 76) that together provide an explanation of the problem and an answer to the research question.

An *interpretive approach* was taken to acknowledge and accept the subjective nature of concepts that emerged from both the primary and secondary data. Particular acknowledgement must be made of researcher interpretation during these stages (Stokes, 2011). This approach allowed for the adherence to the principles of interpretivism in "allowing for the themes to emerge directly from the data using inductive coding" (Fereday & Muir-Cochrane, 2006, p. 83).

The steps adhered to in the data analysis ensured a systematic and thorough approach throughout this important process (see Table 3.3). Analysis began after each interview by reading, rereading and then typing up the field notes taken during the interview. Next, these field notes were emailed to participants, the day following the interview, to check accuracy of specific details and to allow for feedback in the case of misrepresentation of their points of view. Of the seven interviewees, five responded with suggested small amendments to my field notes, which confirmed accuracy and provided clarification of meaning in this data.

I then listened to each interview's digital audio-recording in its entirety to allow for identification of nuances of meaning that I may have missed while conducting the interview. These subtle meanings are not always obvious when just reading transcripts.

It was at this stage that I began memo writing to record thoughts, questions and ideas as the analysis process progressed. These analytical memos assisted in the development of thinking in relation to the research question and in the active search for themes.

Interviews were professionally transcribed which meant that I next needed to check the transcriptions for accuracy. Reading the transcript while listening to the digital audio-recording of the interview allowed a greater familiarity with the data. This auditing of the transcriptions allowed for an increasing level of familiarity and hence trustworthiness (Tuckett, 2005). Next I reread each interview transcript and my field notes pertaining to the interview as a final point of comparison. This meant I was able to further familiarise myself with the data before starting to code the data using NVivo, a computer-aided qualitative data analysis software (CAQDAS) program.

The objective of the coding process was to develop a set of valid and logical themes to guide the analytic process as these themes would form the basis of my attempt to understand the nature of the research question (Tuckett, 2005). It was at this point that I reflected on the past stages in an attempt to make sure the identified themes were representative of the original data and the first stages of coding. Table 3.3 presents a summary of the stages of analysis.

Table 3.3 Stages of analysis: A summary

Stage One	Field notes taken in the interview were read and reread then typed up immediately after interviews
Stage Two	Interviewee corroboration of field notes to check accuracy and meaning
Stage Three	Listen to digital audio-recording to identify nuances of meaning within the interview data, begin memo writing
Stage Four	Check transcripts for accuracy against the digital audio-recording
Stage Five	First stage coding of data, reread transcripts, identification of text segments, identification of initial codes. Refinement of interview questions to include emerging issues
Stage Six	Second stage coding, consolidation of codes, identification of focused codes, further refinement of interview questions
Stage Seven	Third stage coding, further consolidation and recognition of evident patterns leading to identification of higher level categories
Stage Eight	No new categories emerging, subsequent identification of themes
Stage Nine	Reflection on coding and analysis process, revisit aim of study

3.5.1 Coding procedure

Saldaña (2013) identifies coding as a method that enables the organisation or grouping of "similarly coded data into categories or families" (p. 9) based on similar attributes. Judgements are made to classify data based on intuitive sensitivity to the underlying meanings present in the participants' responses.

Systematic organisation of the data was necessary for analytical efficiency, firstly in the process of coding and secondly in the development of the analysis which comes from reading, writing and abstract thought. Coding is carried out both during and after data collection as an analytic method, the process of which plays a major part in the analysis of the subject of enquiry (Miles, Huberman, & Saldaña, 2014; Saldaña, 2013). A systematic coding process was followed in this study, the sequence of which was guided by the work of Glaser (1978) and Tuckett (2005). An explanation of the step-by-step coding process I followed as I progressed through the analysis of the data is presented next and outlined in Table 3.4.

Table 3.4 Stages in the coding process

Initial codes	First stage coding – Identification and labelling of meaningful pieces of text related to the research question, reduction and summarising of data
Focused codes	Second stage coding – Reorganisation and refinement of codes
Categories	Third stage coding –Consolidation of codes into conceptual categories reflective of emerging patterns and relationships
Themes	Third stage coding – Refinement and abstraction of themes through further identification of underlying patterns and relationships

3.5.2 First stage coding: Initial codes

Coding started after the first interview. Pieces of text or data were assigned to particular codes that were determined by the overall meaning within that particular chunk of data. General practices, strategies and relationships were coded along with meanings and concepts identified within the interview data as well as within the secondary sources of information.

Codes or concepts were assigned, as many as were deemed relevant, to understand the setting of each participant's reality. Data was also allocated to subcodes in an attempt to understand the characteristics or commonalities of each particular higher-order code or

concept. In turn, these subcodes were reviewed to understand the evident patterns and relationships that existed; these patterns led to the identification of higher-level analytical themes. I allocated pieces of data to codes that summarised and described the meaning of the allocated text.

Emerging concepts from the fieldwork informed the development of further codes as I continued this process. I maintained a detailed description of each new code, including examples of the type of data that would be included in that particular conceptual code. The first stage of the coding process, to identify initial codes, was completed at the end of each interview and allowed for the minor refinement of interview questions for subsequent interviews based on the emergence of concepts.

Next I reread the transcript, making notes in the margin about pieces of data that further struck me as relevant to the study. After working through the entire transcript making notes, I then reread the document and recorded my thoughts by way of memos within the NVivo software.

3.5.3 Second stage coding: Focused codes

A process of recoding was followed to refine and further interpret meaning in the data. A review of all concepts identified in the first cycle of coding was completed by rereading all pieces of data assigned to a particular code. Consideration of the original transcripts was given to clarify points of particular interest and to verify the most appropriate point at which to code such data. Comparison of data coded originally to more than one code was examined and either recoded or deleted to more accurately reflect meaning within the data set. This process of continual comparison of coded material allowed for a refinement in the number of codes and in the specific nature of each code. It was at this point that possible connections between codes were considered, a search for credible relationships between and within the coded material (Bryman & Bell, 2011). Careful consideration was given to the similarities within the coded data, including both implied and explicit meanings within the participants' responses.

This further reflection and interpretation of the participants' responses within the coding structure led to a far greater sensitivity to the meaning of the data and allowed for the development of more focused coding of the data.

3.5.4   Third stage coding: Categories

The third stage involved a reclassification of some pieces of data and the rearrangement of others into different and sometimes new categories (Saldaña, 2013). This further categorisation of data – an attempt to understand the greater meanings held within the data set – allowed for the refinement of codes from the more descriptive nature of the first and second stage codes to more analytical or conceptual categories.

At the same time I continued to read and reread the interview transcripts and my field notes, and I continued to create memos about my thoughts and recorded questions that came to mind as I worked through this process.

3.5.5   Fourth stage coding: Themes

A theme represents a level of meaning within the data set and indicates an area of importance to the research question at hand (Tuckett, 2005). Themes are recognised as patterns within the subsequent categories, often but not always prevalent across the entire data set. Prevalence should not be the only way of identifying themes as what is deemed important is sometimes not prevalent (Braun & Clarke, 2006). As I continued through the stages of coding, as outlined previously, I was mindful of both the emergence and prevalence of patterns as indicative of relevant themes within the study. Particular attention was given to recurring themes however constant comparison of the coded data also allowed for recognition of those themes that were not as frequently observed.

Theoretical saturation is the term associated most frequently with the techniques used by grounded theorists (Glaser & Strauss, 1967/1999; Strauss, 1990; Strauss & Corbin, 1998) and describes the point when no new information is coming from the data. According to Ryan and Bernard (2003), knowing when theoretical saturation is reached is dependent on the experience of the researcher and the nature of the texts. After a rigorous coding process there came a point when no further themes were being identified; this was the most natural place to stop and consider the patterns and relationships evident within the data set. Data analysis "seeks to establish the existence of relationships on the basis of what people say and do" (Veal, 2011, p. 399). As analysis of the data continued, the emergent themes were found to have a conceptual relationship between them that, in turn, led to the overall findings of this study.

3.6   Chapter summary

This chapter sets out the methodological approach taken in this study. I have made explicit the philosophical assumptions that guide my quest for knowledge as an interpretive researcher. I have justified my choice of a case study design and explained both the data collection process and the following thematic analysis. It is in the next chapters that I present the findings from the processes explained which form the methodological framework that guides this study.

Chapter 4 The New Zealand Context

4.1 Chapter outline

This chapter presents the characteristics of the New Zealand outbound retail travel industry, including a discussion of the change in market conditions between 2004 and 2013. The change in structure of the outbound retail travel sector that has occurred over these ten years and the stakeholders involved are explained along with a description of the different business models operating in the market.

4.2 New Zealand outbound travel market

The New Zealand travel industry has serviced steadily increasing numbers of New Zealand resident departures (see Figure 4.1), with the number of departures reaching 2.3 million in 2014 (Statistics New Zealand, 2014). Pearce and Schott (2011) considered the increase in resident departures was due to "favourable economic factors and intense competition in short-haul air travel which has seen the cost of international travel decrease" (p. 112).

Figure 4.1 New Zealand resident short-term departures
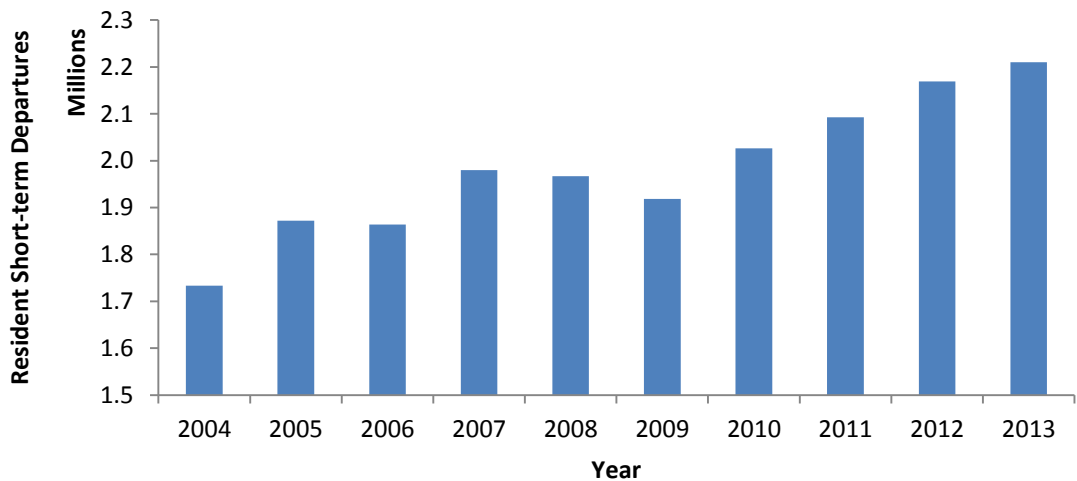
Source: Statistics New Zealand (2014).

The 2001 near collapse of Air New Zealand (Air NZ) was an early catalyst in stimulating the New Zealand outbound travel market (Air New Zealand, 2013). Following Air New Zealand's subsequent return to state control, the airline embarked on an intensified drive to cut distribution costs and return to profitability. This saw initiatives released to the market that included the restructuring of airfares to simplify

and enhance the airline's online offering and therefore encourage more customers to book with the airline directly. Increasing demand driven by greater economic prosperity combined with increased airline capacity and new airline schedules contributed to a buoyant marketplace (TAANZ, 2014).

Along with the absolute increase in departing travellers is a change in the relative proportion of visitors to the most popular destinations visited by New Zealand outbound travellers. Table 4.1 shows the NZ resident departure numbers to the top ten destinations between 2004 and 2013.

Table 4.1 New Zealand resident departures by top destinations, 2004 and 2013

Country of main destination	2004 NZ outbound market			2013 NZ outbound market			% Increase over ten years
	Rank	Number	%	Rank	Number	%	
Australia	1	880,286	50.8	1	1,017,540	46.3	15.5
USA	3	80,448	4.6	2	142,200	6.4	76.7
Fiji	2	98,752	5.7	3	112,260	5.1	13.6
UK	4	78,143	4.5	4	96,680	4.3	23.7
China	5	45,679	2.6	5	73,340	3.3	60.5
Cook Islands	6	32,494	1.8	6	72,820	3.3	124.1
Samoa	8	20,354	1.1	7	46,020	2.1	126.0
Thailand	7	22,286	1.2	8	42,060	1.9	88.7
India	13	16,992	0.9	9	40,760	1.8	139.8
Indonesia	16	13,334	0.7	10	25,100	1.1	88.2
Total for top ten destinations		1,730,307			2,193,434		28.7

Source: Statistics New Zealand (2014).

Visitor numbers to the short-haul destinations of the Cook Islands and Samoa have more than doubled while numbers to India have increased by 139% over the ten-year period, 2004 to 2013. The United Kingdom, Australia and Fiji, traditionally the more popular destinations for New Zealand travellers, have also shown increases, albeit on a smaller scale. Australia remains the destination most visited, receiving 46.3% of all departures from New Zealand in 2013 while the United States has surpassed Fiji as the second most popular destination, having experienced a 76.7% increase in visitors over the ten-year period. On a global scale, New Zealand's outbound market, in absolute terms, is small at approximately 1% of the global market (UNWTO, 2014); however,

New Zealanders' gross propensity for international travel, measured by departures as a percentage of total population, is high (Reid & Pearce, 2008). On a global scale, in 2013, New Zealand was ranked the seventh most-travelled country in the world for both domestic and international trips (Timetric, 2014).

The destinations and associated suite of products sold to outbound New Zealand travellers are often categorised by geographic region. Australian destinations are commonly termed as trans-Tasman travel, referring to the route crossing the Tasman Sea. Australian destinations are also often included with the destinations of the South Pacific and, taking into account their geographic proximity to New Zealand, categorised as short-haul destinations. Long-haul destinations are therefore those further from New Zealand; for example, Asia, the United States, the United Kingdom and Europe.

The participants in this study spoke about short-haul and long-haul travel, comparing these types of travel in terms of the complexity of travel arrangements. It was considered that the number of products purchased as part of the itinerary and the ensuing complexity of processes required as part of the reservations procedure were indicators of the type of travel. For example, short-haul destinations are, more often than not, only a single direct flight from New Zealand whereas long-haul destinations often require one or more connecting flights for a traveller to reach their destination. Long-haul itineraries also more commonly include a number of destinations, multiplying the total number of arrangements or reservations that make up the total journey. It is therefore common management practice to consider a particular business's market or product mix in terms of, for example, trans-Tasman or the Pacific.

In some retail travel agencies, although more commonly in wholesale businesses and corporate travel agencies, business units are organised around the destinations sold. The participants in this study referred to travel consultants by terms indicating the destination they predominantly sell; for example, a domestic consultant, a short-haul consultant or a long-haul consultant. This structural organisation is a recognition also of the characteristics of these particular markets. A younger less-experienced travel consultant more often than not starts their career as a domestic consultant selling simpler itineraries, whereas a long-haul consultant would normally have more experience and therefore expertise to arrange more complex travel itineraries.

4.2.1 Market changes

Increasing outbound numbers and shifting market conditions have changed the nature of travel agent markets in New Zealand. Whereas the Australian destinations have traditionally represented a large portion of overall business, this has changed as the dynamics of the trans-Tasman market have altered. According to Derek Sullivan of Travel Mangers Group, "Fifty per cent of [a travel agency's overall] business ten years ago would have been short-haul Australia and … that's nowhere near that now." Derek estimated that the Australian market is now down to 10% to 15% of an agency's overall business and the reason he gives is that "a big chunk of that market has disappeared to the Internet".

Changes to the trans-Tasman segment of the New Zealand market were mentioned by almost all of the participants, with a common view being that many customers now booked flights to Australia online. Jeremy Shanahan of United Travel views the reduction in the size of the market as directly linked to online sales: "Our access to the market is reduced, so we've got less of a market to chase because so much of it now goes online." Nevertheless, air bookings, traditionally a large percentage of a travel agency's sales, still make up a significant portion of an agency's business: "About 50% of our total revenue is from selling straight air" (Jeremy Shanahan).

All of the participants talked about their businesses now selling and marketing cruises, a market segment which has seen significant growth in recent years. The number of New Zealand travellers cruising has doubled since 2006 (when numbers were first recorded), reaching 59,316 passengers in 2013 (International Cruise Council Australasia Inc., 2013, p. 1). This increase has coincided with an increased focus by New Zealand travel agent businesses on selling this niche product.

Widespread use of the Internet has given the consumer direct access to the information that was once the domain of the travel agent. In the past, a customer would often request quotes from a number of different travel agents to compare pricing. Customers now have direct access to travel information, can compare prices and book their own travel arrangements. Participants agreed that the average customer now contacts the travel agent after doing their own Internet research and often to book just a part of their overall trip.

The participants talked about there being too many travel agent brands in the New Zealand market. In many areas around the country, and in particular in the regional centres, offices representing all the major brands can be found along the main street, just metres away from each other.

The growth in the number of Flight Centre stores in recent years gives Flight Centre a significant share of the New Zealand market (38%, as measured by the number of stores) (Flight Centre Limited, 2012, 2013). This, along with the fact that the wholly owned Flight Centre stores have access to the pooled finances of the entire Flight Centre group, would indicate a competitive advantage in the market.

Competition between the broker-based businesses, serving similar markets, is based around the level of support provided by the host organisation and the structure of the brokering contract. Recent years has seen recruitment drives by travel businesses to secure brokers as part of their business models. Wendy van Lieshout talked about World Traveller's focus in 2012-2013 to attract brokers to their stores: "...so there was massive campaign, trade campaign around the broker proposition." Mondo Travel and Air New Zealand have also been advertising for travel brokers to join their organisations (Dominey, 2013). This is recognition of the potential value of the broker sector to a business's bottom line and that these companies are looking to add broker structures to their current business models.

4.3   The New Zealand travel industry: Structural evolution

There was a marked change in the organisational structure of the New Zealand travel industry over the ten years between 2004 and 2013. Travel agents in New Zealand are not required by law to be licensed; however, Andrew Olsen, CEO of TAANZ, confirmed that 95% of travel businesses are members of this association, which represents agents, travel brokers and wholesalers within the New Zealand travel distribution system.

TAANZ is a self-regulating organisation which promotes high-quality service, performance and standards. The membership of TAANZ, which was established in 1962, includes travel agent businesses who sell 70% of the New Zealand outbound travel market (A. Olsen, personal communication, February 22, 2013). The value of business written by TAANZ members in 2013 was NZ$2.69 billion (TAANZ, 2014, p. 3).

Flight Centre Limited is the largest travel company operating in the New Zealand market that is not a TAANZ member. Flight Centre reported their 2012/2013 total transactional value (TTV) for the New Zealand market at close to NZ$754 million (Flight Centre Limited, 2013, p. 4). Thus the New Zealand outbound travel market in 2013 is estimated to be worth NZ$3.4 billion.

The number of people employed in New Zealand as travel consultants declined between 2004 and 2013. TAANZ membership details for 2004 show 3585 employed selling staff. Numbers declined sharply in 2008, to 2504 employed selling staff (see Figure 4.2), a decrease attributed to market conditions affected by the global financial crisis. Since then numbers have remained relatively constant, with 2480 employed selling staff recorded by TAANZ in 2013 (TAANZ, 2013a).

Figure 4.2 TAANZ membership – Number of employed selling staff
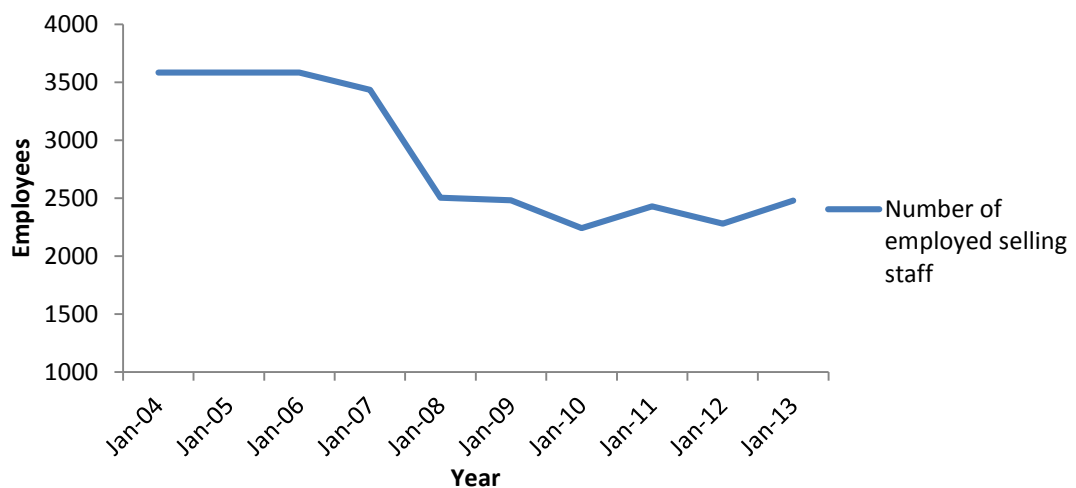
Source: Travel Agents Association of New Zealand (TAANZ, 2013a).

In 2013 TAANZ membership included 406 locations across the country (see Figure 4.3). This is a 21.7% reduction in the number of member locations between 2004 and 2013. However, there was an increase of 76.3% in the number of travel brokers or approved salespersons, with broker numbers in 2013 representing 21% of the market compared with just 8% in 2004 (TAANZ, 2013b). TAANZ defines travel brokers or approved salespersons as either employed or engaged as independent contractors by travel businesses, operating as travel agents and often operating in a different location to the business to which they are affiliated (TAANZ, 2012, p. 8).

Travel agency mergers along with an increasing number of brokers has meant a decreasing number of TAANZ member locations overall. Reid and Pearce (2008) argued that rationalisation of the sector has seen businesses rebranding and repositioning to target niche markets or to just remain competitive.

Figure 4.3 TAANZ membership – Number of stores and approved brokers
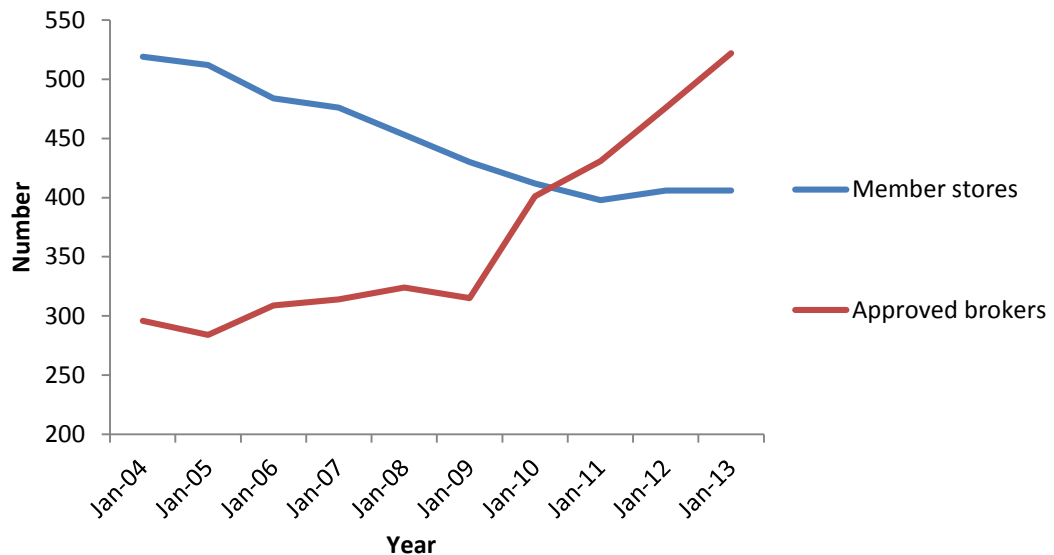
Source: Travel Agents Association of New Zealand (TAANZ, 2013a).

4.3.1 Travel agency businesses and brands

The largest business in the country, as measured by number of stores, is the Australian-owned and globally represented Flight Centre Limited. The business has operations in a number of countries including Australia, the United Kingdom, the United States and South Africa. Flight Centre (NZ) operates more than twice as many locations and employs almost twice as many selling staff or travel consultants as House of Travel, the second biggest player in the New Zealand market. A comparison of the main travel agency brands in the New Zealand market is shown in Table 4.2.

Table 4.2 New Zealand main outbound retail travel agent brands

Brand	Number of stores	Number of consultants		Number of brokers
		Total	Average per store	
Multi-location travel agent businesses				
Flight Centre	158	715	4.5	37
House of Travel	67	384	5.7	13
United Travel	50	205	4.1	30
Harvey World Travel	48	139	2.8	11
World Travellers	16	56	3.5	10
Multiple broker-based travel agent businesses				
The Travel Brokers	-	-	-	104
Travel Managers Group	4	7	1.7	164
(includes Travelsmart)	7	18	2.5	7
NZ Travel Brokers	1	6	-	84
Businesses serving predominantly Chinese market				
Worldwide Holidays	11	42	3.8	1
China Travel Service	8	23	2.8	21

Source: Flight Centre Limited (2013); Travel Agents Association of New Zealand (TAANZ, 2013b).

The remaining major travel brands are all New Zealand based. House of Travel has the highest average number of consultants per store (TAANZ, 2013b). The next largest businesses, as measured by number of stores, are United Travel and Harvey World Travel, both aligned under the umbrella of the Helloworld brand based in Australia ,and World Travellers, established in 2009 and so a relatively recent addition to the market. Worldwide Holidays and China Travel Service focus on the Chinese market which regularly travels to China to visit friends and family. In addition to these businesses there are three major groupings of multiple broker based businesses: The Travel Brokers, Travel Managers Group, and NZ Travel Brokers (TAANZ, 2013b).

Other brands in the market include the First Travel group, which includes 36 individually owned businesses aligned predominantly to maximise supplier negotiations and for marketing purposes, Air New Zealand Holidays which operates 22 locations, and STA Travel with 16 stores. There are also a number of smaller brands operating in the New Zealand market spread across the country (TAANZ, 2013b).

It is interesting to compare the average number of selling consultants and brokers in the major travel brands. The differences between these businesses are indicative of the variety of different business models operating in the market. The large agency brands show a range in average consultant numbers, from Harvey World Travel with an average of 2.8 consultants per location to House of Travel with an average of 5.7 consultants per location. However, House of Travel has the lowest number of travel brokers compared with consultants. In contrast, The Travel Brokers are a 100% broker-only organisation with no registered stores. The other two multiple broker brands, NZ Travel Brokers and Travel Managers Group, include a small number of stores in their respective groups. In comparison, the two organisations targeting the Chinese market, although of a similar size in terms of the number of stores, vary in that CTS has approximately 50% of their selling staff registered as brokers compared with 2.3% at Worldwide Holidays.

4.3.2   The New Zealand travel industry supply chain

The New Zealand outbound retail travel industry is dominated by its largest supplier, Air New Zealand. Travel agency relationships with Air New Zealand have varied over time and have been influenced by both the economic climate in New Zealand and internationally and the strategic direction of the company and its board of directors. Along with being the only national airline and the largest business within the New Zealand travel industry, Air New Zealand operates retail, corporate and online divisions in direct competition to retail travel agencies (Air New Zealand, n.d.).

Starting in the early 1970s there was recognition that the distribution of travel products by New Zealand travel agents could be more efficiently coordinated. This resulted in movements to integrate and consolidate organisations, creating buying groups or chains of travel agency businesses aligned to specific wholesale companies. For example, the United Travel group was originally formed when the wholesale company Passport Holidays (later integrated into the wholesale business Gullivers Holidays), wanted to expand its distribution network. This meant setting up travel agency locations around New Zealand under the United Travel brand to sell Passport United wholesale product. This stage of the industry's structural evolution has determined, to a certain degree, the face of the New Zealand industry today. The aim of this integration and consolidation was to achieve economies of scale with respect to the cost of administration and to maximise the remuneration received through supplier commissions. Consolidating

businesses and negotiating commissions as a group meant higher group sales and hence higher commissions received from suppliers.

All travel agent businesses have supply agreements with wholesale companies, their "preferred wholesalers" who provide product from a range of destinations to be onsold to the travel agency's customers. The strength of these preferred wholesale relationships is often related to the organisation's particular business model. Figure 4.4 shows the links between participant retail travel agencies and their preferred wholesale businesses. Participant businesses are indicated by a solid border.

Figure 4.4 Participant retail-wholesale structure, 2013
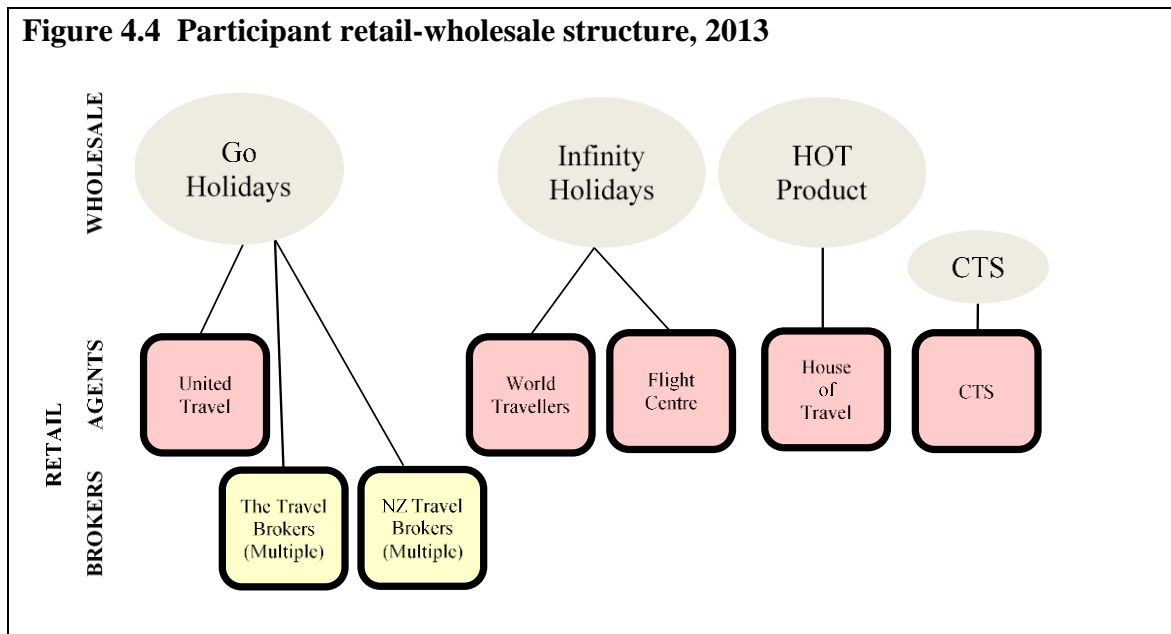
An in-depth review of the structure of the New Zealand travel industry in 2013 (see Figure 4.5), including participant businesses, reveals further affiliations of major retail and wholesale businesses in the market. The wholesale travel sector is dominated by the Helloworld-owned Go Holidays Limited, providing worldwide product to its aligned retail distribution network. This network includes United Travel (50 locations), Harvey World Travel (48 locations), Mondo Travel (12), the Independent Retail Travel Network (IRTN) (80 locations) and The Travel Brokers group (104 individual brokers). NZ Travel Brokers, another of the three broker-based businesses, also has a supply agreement with Go Holidays, meaning two-thirds of the broker-based business in the New Zealand market is aligned to the Go Holidays wholesale business. In addition, a number of independent agencies and the First Travel group, also have preferred

agreements with Go Holidays as their main wholesale supplier. These relationships give Go Holidays the largest share of the wholesale market.

The second largest wholesale operation, Infinity Holidays, owned by Flight Centre Ltd, services the Flight Centre chain of stores (158) in addition to the World Travellers group (16). Travel Managers, the third broker-based business in the market, has a preferred supplier agreement with both Infinity Holidays and Go Holidays and is the only business having a relationship with both these major wholesale companies. House of Travel Product is the wholesale division servicing the 68 House of Travel stores. Lifestyle Holidays is the wholesale division servicing the First Travel group and the NZ Travel Brokers. The remainder of the wholesale sector consists of a number of smaller specialist or niche wholesale companies supplying product to stores across the retail agency sector.

Figure 4.5 New Zealand outbound travel industry, intermediary structure, 2013
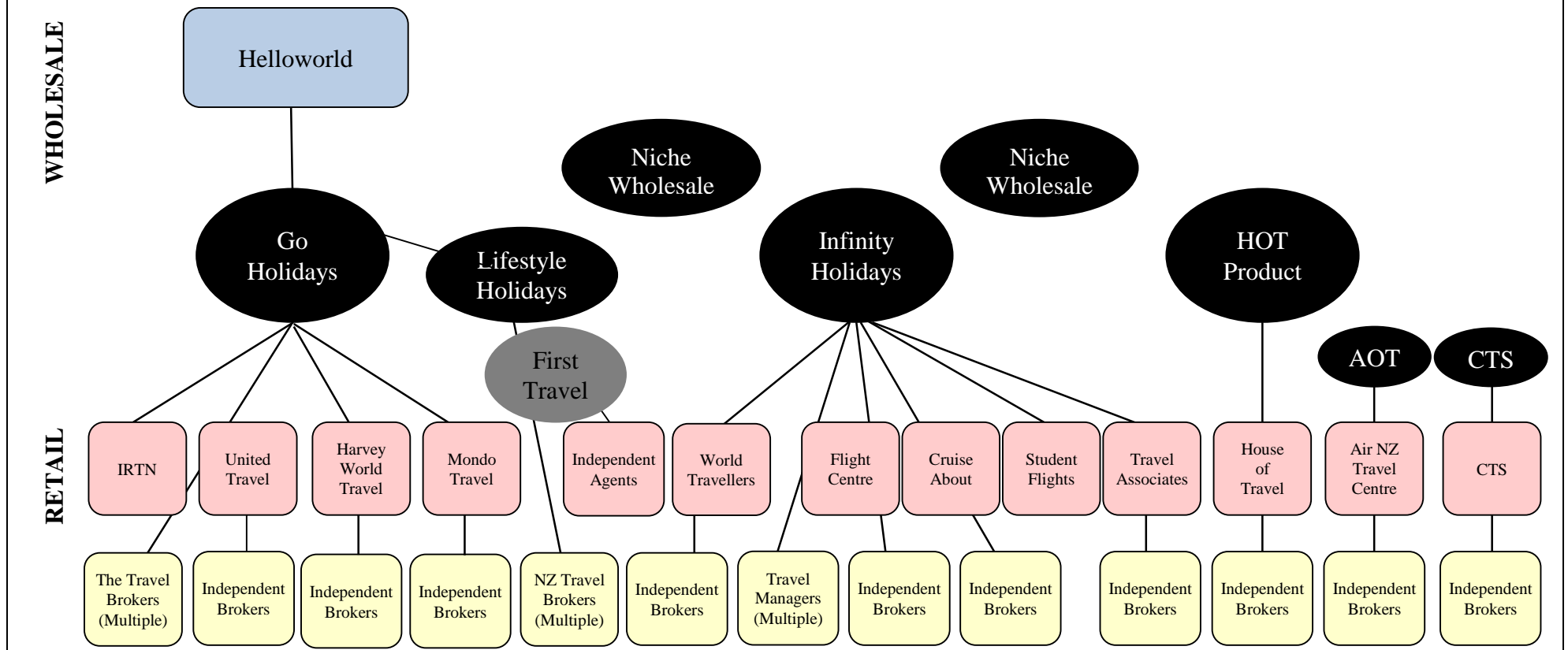
4.3.3   An evolving online market

Although all major retail travel businesses have websites, not all offer booking or e-commerce capabilities and website usability and appeal varies across the industry. OTAs are present in the New Zealand market and compete against the major retail brands and an increasing number of niche online sites focus on selling New Zealand-based activities and attractions.

The first OTAs appeared in the New Zealand market in the early 2000s. Travel.co.nz was part of an Australian company, travel.com.au which included the online travel brand lastminute.com (Australia). The company started in New Zealand in 1993 by purchasing an existing broker-based business, Jetsave Travel. This organisation of travel brokers was rebranded in 1999 as travel.co.nz and originally included 80 brokers with 40 support staff. Its aim was to gain a share of the New Zealand travel market, in particular the emerging online travel market. Travel.co.nz offered online flight reservation capabilities supported by travel consultants available to book packages and working from the one location (M. Neish, personal communication, April 15, 2002). The company was placed in liquidation in April 2007 after a number of unsuccessful years in the New Zealand market (NZ Companies Office, n.d.).

House of Travel (HOT) entered the online travel environment after the 100-day build of their website in 2006. Today www.houseoftravel.co.nz consistently sits near the top for Internet travel site visits by New Zealand residents (Experian Hitwise, n.d.), the closest competition in the major retail brands coming from www.flightcentre.co.nz. The online travel market in New Zealand appears highly competitive; however, Figure 4.6 shows that just a handful of companies maintain more than a 5% share of the overall market, as measured by the number of visits to websites by New Zealand residents.

Figure 4.6 Visits to New Zealand travel websites
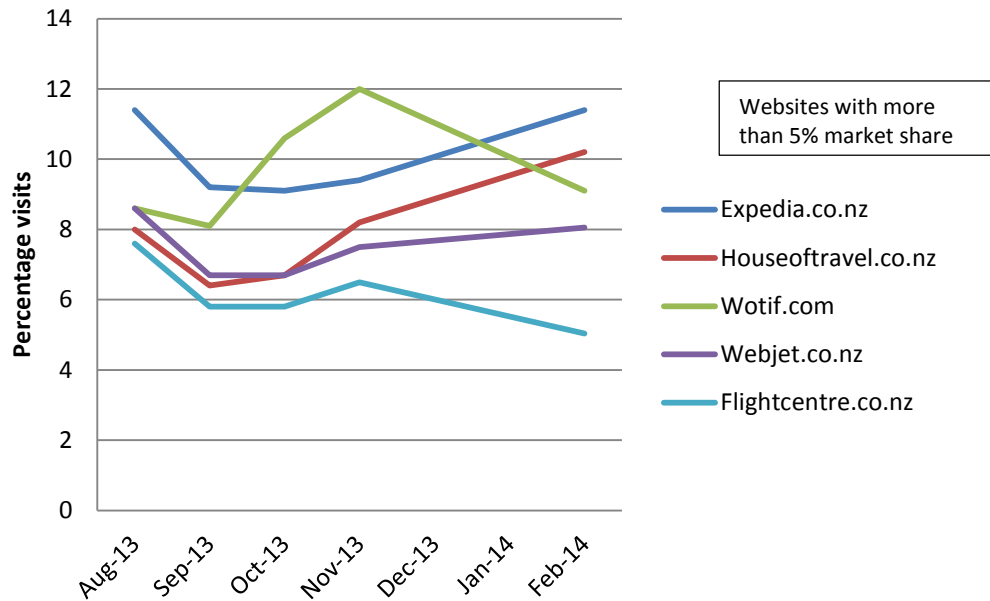
Source: Experian Hitwise (n.d.)

OTAs in the New Zealand market, defined as travel agent businesses operating in the online environment only, are mostly based outside New Zealand although some do offer content specifically for the New Zealand market on their .co.nz websites. Wotif.com, launched in Australia in 2000 and shortly thereafter in New Zealand, originally sold only accommodation, but the company now offer flights and packages for sale online, in addition to accommodation (Wotif, n.d.). Figure 4.6 indicates that the company has experienced a loss of market share over the past six months to the online websites of House of Travel and Expedia.[1]

In October 2007, Expedia.co.nz entered the New Zealand market as part of the global online travel company Expedia, Inc. which is listed on the US NASDAQ stock exchange. Expedia, Inc. operates as an OTA and includes in its portfolio of online brands hotwire.com, hotels.com and Tripadvisor.com, all of which are focused on the consumer-direct sector of the travel market (Expedia, 2007). In addition to their consumer-focused website, the company offers agents a commission and wholesale rates to book with them through their agent-only portal. All participant companies in this study use Expedia.co.nz to book travel products for their customers.

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[1]Expedia Inc. acquired Wotif.com in July 2015.

Other OTAs operate in the New Zealand market and probably the most prominent of these is Webjet, listed on the Australian stock exchange since 2000. Webjet purchased another OTA, Zuji, in December 2013 and provides a dedicated New Zealand website for consumer bookings (Webjet, n.d.). Recent additions to the online market include companies that didn't sell travel originally. Trade Me, an Internet auction website, launched Travelbug in 2007 (Trade Me, n.d.) and GrabOne, a group-buying daily-deal website owned by APN, a publishing company, (Grabone, n.d.), hold large databases to which they now offer travel deals.

Internet marketing for multiple broker businesses varies with organisations presenting central websites for their broker group and, in many cases, links to individual broker websites. Some brokers have extensive sites while others only a single webpage, a variation attributed to the differing Internet marketing skills of individual brokers (Wendy D'Arcy).

4.4 Business models

Travel agents selling predominantly leisure travel are referred to in the New Zealand industry as the "retail" sector of the travel industry. This, however, is a simplification of the type of business travel agents deal with as most agencies, to a certain degree, service both leisure and corporate clients. All participant businesses sell to their customers either via consultants or brokers and all service a mix of corporate and leisure clients. However, each is organised differently, operates under different ownership structures and maintains relationships with customers and suppliers on a variety of different levels. In addition, its operational structure, resources and alliances within the sector influence strategic decisions while the size and structure of the travel market, including both the industry and its customers, are major considerations in the strategic direction of individual businesses.

The term *owner operator* refers to a travel business where the owner works on a daily basis within the business. The owner operator, in addition to managing the business, is a selling consultant and is often the highest performer in the office ("Highest performer" is a term widely accepted in the industry to mean performance as measured by the total value of travel sales). The owner operator, in most instances, has a large regular client base and many owner operators have worked in the travel industry for a number of years. Owner operators are represented in three of the businesses included in this study, namely United Travel, House of Travel and World Travellers. New Zealand travel

agencies are primarily owned and managed by owner operators (TAANZ, 2013b), and in most instances, the owner operated agencies belong to a variety of different brand groups which operate different business models.

The New Zealand travel industry has experienced an integration of businesses that includes both wholesale and retail levels of distribution. Participants agreed that the smaller operations needed to align with larger groups to attain the benefits of group-negotiated commissions, stronger supplier relationships and more visible branding. Access to a larger group marketing budget is also considered a benefit of alignment. Changes in industry structure and evolving business models have been influenced, according to the study participants, by major changes in remuneration, the competitive nature of the New Zealand market and changes in consumer booking behaviour as a result of Internet technology.

A variety of business models are identified in the New Zealand travel market including public ownership, the 50/50 model, the franchise model, cooperatives and broker business models. A comparison of the participant businesses included in this study is presented in Table 4.3, which provides a summary of business structure, head office location and wholesale affiliation.

Table 4.3 Summary of participants' business models and ownership

Business model	Retail travel brands	Head office	Locations	Wholesale alliance
Public ownership	Flight Centre Limited Established: 1987 (in New Zealand) Listed on the Australian Securities Exchange www.flightcentrelimited.com	Australia	NZ wide, both stores and brokers	Infinity Holidays
State ownership	China Travel Service (NZ) Limited Established: 2000 (in New Zealand) Branch office of China Travel Service (Hong Kong) Limited www.ctstours.co.nz and www.kiwiyou.co.nz	Hong Kong	Stores and brokers in major cities, some brokers in smaller centres	CTS Tours
50/50 ownership	House of Travel Established: 1987 Owned in equal shares by the owner operator and House of Travel Holdings Limited www.houseoftravel.co.nz	Auckland	New Zealand wide, both stores and brokers	House of Travel Product
Franchise	United Travel Established: 1973 Franchise brand jointly owned the United Travel Board of Directors and Helloworld Limited, Australia Owner operators www.unitedtravel.co.nz	Franchise operations: Auckland, division of Helloworld Limited, Australia	New Zealand wide, both stores and brokers	Go Holidays, division of Helloworld Limited, Australia

Business model	Retail travel brands	Head office	Locations	Wholesale alliance
Cooperative	World Travellers Established: 2010 Independently elected board of directors controls brand Owner operators and entrepreneurial brokers www.worldtravellers.co.nz	Head office/General manager: Auckland	New Zealand wide, both stores and brokers	Infinity Holidays, division of Flight Centre Limited
Multiple broker	Travel Managers Group Established: 2002 Mix of independent brokers and entrepreneurial brokers www.travelmanagers.co.nz	Head office support functions: Auckland	New Zealand wide, brokers and small number of stores	Infinity Holidays, division of Flight Centre Limited
Multiple broker	The Travel Brokers Established: 2002 Mix of independent brokers and entrepreneurial brokers www.thetravelbrokers.co.nz	Head office support functions: Auckland, division of Helloworld Limited, Australia	New Zealand wide, brokers	Go Holidays, division of Helloworld Limited, Australia

4.4.1 Public or state ownership model

This category of business model refers to businesses owned in shares by the public or government-owned organisations. Flight Centre is the largest publically owned retail travel company in the New Zealand market and is listed on the Australian Securities Exchange. The Flight Centre structure in New Zealand includes its wholesale division, Infinity Holidays, and wholly owned travel agency stores. Partial ownership through share purchases is offered to employees, mainly at management level, through the Employee Share Plan (Flight Centre Limited, 2013).

China Travel Service (NZ) Limited is an overseas branch of a Chinese Government-owned organisation that includes an inbound division servicing visitors to New Zealand and an outbound division which encompasses wholesale operations and retail travel services.

4.4.2 The 50/50 model

A 50/50 model of business refers to ownership by two different entities in equal shares whereby 50% of ownership is held by the owner operator of the business. The owner operator generally works in the business on a full-time basis. House of Travel is the only example of this model included in this study, with a 50% share of each store owned by the owner operator and the other 50% owned by House of Travel Holdings Limited. The House of Travel group includes House of Travel Product, the wholesale arm of the business owned by House of Travel Holdings. In comparison, the United Travel group and the World Travellers group, although operating as owner operators, conduct their businesses as a franchise and as part of a cooperative, respectively.

4.4.3 The franchise model

Organisations arranged under the franchise model operate via a network of independent stores. These stores are managed by owner operators who pay a franchise fee to their head office for use of the brand name, marketing and some management services, and they receive supplier commissions based on total sales negotiated as part of the entire franchise group. The New Zealand travel industry has seen the rebranding and merging of franchised groups in recent years.

The United Travel group is the oldest franchise organisation in the New Zealand market and was originally set up to offer increased distribution options for Passport United

Travel, a wholesale company no longer in operation. Jeremy Shanahan, Managing Director of United Travel, talked about the perceived motivation for setting up the franchise model in that the founder "recognised that if he had a group of like-minded agents he could also profit from that by having their business fed to a central wholesaler for land … reservations".

United Travel is now part of the Helloworld group of travel companies along with the franchised offices of the Harvey World Travel group, two groups which are of similar size when comparing store numbers. Head office, for the two chains of travel stores, provides centralised marketing activities, negotiates supplier commissions and is responsible for the strategic management of the brand. It was suggested that there is a need for a minimum number of travel stores belonging to a franchise group to achieve the desired return or level of profitability, in the form of franchise fees that are needed to fund head office operations. "So to run a head office… centralised marketing, centralised distribution of overrides and stuff like that, anything less than fifty becomes quite inefficient" (Jeremy Shanahan).

4.4.4 The cooperative model

World Travellers, the newest entrant to the New Zealand travel market, was established in 2010. The World Travellers group are members of the New Zealand Cooperatives Association, aligning themselves to the values and principles of this organisation with particular reference to its members having democratic control of the brand through an elected board of directors. The group comprises independent owner operator agencies across New Zealand who pay a fee to own a portion of shares in the "brand" or head office. The World Travellers model sees all profits from the group returned to the cooperative members based on the business conducted by that member (NZ.Coop Cooperative business NZ, n.d.). In comparison to models that see head office retain a percentage of the profits to fund their activities, this level of transparency around supplier negotiations and commissions received is relatively new in the New Zealand market. In addition, the lack of high overheads to support large head office functions would appear to be advantageous in a competitive market.

In comparison to other travel agency brands where head office functions are supported by teams of employees in areas such as marketing and finance, the World Travellers head office consists of just a general manager. Wendy van Lieshout, the general manager of World Travellers, considers her role in the organisation is to provide

strategic management for the overall group. According to Graeme Moore, Chairman of World Travellers Limited, "Large vertically integrated franchise models with costly overheads are no longer sustainable" (Moore, 2010, p. 5). The general manager of World Travellers carries out this role in a part-time capacity. World Travellers are not part of a larger organisation that includes wholesale operations but do partner with Flight Centres' Infinity Holidays for the provision of wholesale product.

Wendy van Lieshout talked about the idea of trust within the membership, and the ability to work together for a mutual good and to support others' business. Having worked in other organisations where this wasn't part of the business culture, she saw this as a major benefit of the cooperative model. She talked about businesses she had worked in previously where "people didn't trust each other because then they would take my client ... but because it's a co-op and everybody is in the same boat, there's a much higher level of trust".

4.4.5 Broker models

Travel brokers service their customers in the same way as travel consultants working within a traditional travel agency business. The difference, though, is that the broker, rather than being paid a salary, receives a share of the suppliers' commissions generated by their sales. The exact commission share amount varies across the industry and is negotiated as part of the contractual arrangements aligning a broker to a travel business. Included in the contractual arrangements can be various costs relating to the level of support the host business provides the broker operation.

Individual travel agents were starting to operate as brokers in New Zealand in the early 1990s. They aligned themselves to travel agencies primarily to enable them to sell IATA airfares, relying on the IATA license of the host travel agency to legitimise their ticket sales. In addition, this relationship guaranteed the broker access to wholesale airfares and wholesale product rates and provided both the broker business and their customers with the benefits of dealing with a TAANZ-bonded agent.

The 2001 decommissioning of SITA (Société Internationale de Télécommunications Aéronautiques) lines was the catalyst, according to Wendy D'Arcy, General Manager of The Travel Brokers, for the Travel Managers group and The Travel Brokers to enter the market; both businesses started operation in 2002. SITA provided international telecommunications for the air transport industry and supplied infrastructure and access

to the GDS for New Zealand travel agents. The arrival of the Internet meant businesses had access to GDS technology without the need for expensive office cabling and meant use of the GDS was no longer tied to the confines of a travel agency.

Although TAANZ, the industry's governing body, included broker criteria within its membership in 1993 (TAANZ, 2005), the industry and its national body did not originally recognise the broker sector and it was "a huge job gaining credibility" (Baker, 2011, p. 18). It wasn't until 2002 that TAANZ started to recognise brokers as a significant part of the industry and to report on the sector as "approved salespersons" in the organisation's annual reports.

Five different types of broker businesses can be identified in the New Zealand market. Firstly, the majority of brokers belong to a *multiple broker business*, namely Travel Managers, The Travel Brokers and NZ Travel Brokers. The second of the broker types are independent brokers who are *aligned to travel agencies*, both leisure and corporate agencies. The third type are independent brokers *aligned to travel suppliers*; for example, Air New Zealand. The fourth type are *ethnic brokers* who target, in particular, ethnic sectors of the market; for example CTS and Worldwide holidays service Chinese travellers. Lastly, the fifth type, the *entrepreneur broker*, is the most recent entrant to the market and represents new structures of the broker concept. Figure 4.7 shows a categorisation of the different broker businesses identified in the New Zealand outbound retail travel industry.

Figure 4.7 Broker types in the New Zealand market
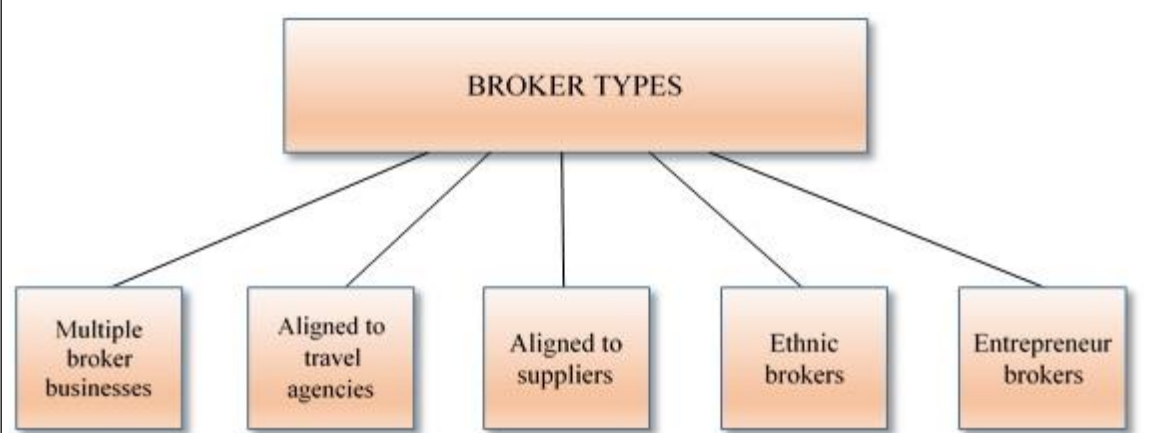
Multiple broker businesses offer independent brokers the benefits of aligning with a bigger organisation which provides efficiencies in administration and higher

commission levels than they would receive as an individual entity. These businesses offer support to their broker networks in the form of technology solutions, financial management, marketing, industry compliance and supplier negotiation. Multiple broker businesses represent 325 of the total 522 brokers registered in 2013 as TAANZ members, which equates to 62% of the broker market (TAANZ, 2013b). Wendy D'Arcy (The Travel Brokers) and Derek Sullivan (Travel Managers Group) both confirmed their businesses have experienced substantial growth over the last ten years at the same time as travel agent numbers in traditional travel agencies have declined.

An example of an ethnic brokerage is the one operated by China Travel Services' (CTS) Auckland branch. CTS in New Zealand acts as a wholesaler for both outbound travel from and inbound travel to China; it also operates as the head office for its 21 brokers and 23 travel consultants working in eight travel agency locations across New Zealand. Broker numbers in this organisation represent 47.7% of the total number of their selling agents (TAANZ, 2013b), and they largely service ethnic Chinese travellers.

A relative newcomer to the broker sector can be defined as the entrepreneur broker type. Entrepreneur brokers have entered the market operating a business model that is not atypical of the traditional retail travel agency but is also unlike any of the previously explained structures. This type of business structure often operates with a broker acting as the salesperson primarily, while the processing side of travel transactions are completed by other support staff. These are successful home-based brokers who employ staff in the same manner as a traditional agency but remain operating under a broker head office.

4.5   Chapter summary

This chapter has provided a detailed account of the New Zealand outbound travel market, outlining the changes in characteristics of New Zealand travellers, the destinations visited and changing consumer behaviour. The structure of the New Zealand outbound retail travel industry in 2013 is established including identification of the various business models operating in the market. It is in this context that I analyse the findings of the study and identify the prevalent themes that enable me to answer the research questions at hand.

Chapter 5 Findings

5.1 Chapter outline

This chapter presents the analysis collected from the seven interviews, the comparison of participant businesses websites and the review of multiple secondary data sources. The chapter is comprised of four main sections presenting the four categories that emerge from the data analysis, namely *ICT utilisation*, *interoperability*, *business model evolution* and *strategic relationships*. The construction of each category is articulated through a discussion of the focused codes identified at the second stage of the four-stage coding process. These focused codes resulted from a consolidation and refinement of the initial codes identified in the first stage of coding and are representative of the underlying meaning within the data. A further identification of patterns and relationships within these focused codes allowed for the emergent higher-level categories to be recognised within the third stage of coding.

The following discussion includes quotes from participants representing the primary data collected from interviews and further quotes identified within secondary sources, namely company reports and industry media publications. Quotes from secondary sources are shown in parentheses; for example, (*Travelinc*) and (*Tabs on Travel Today*). The initial codes used as part of the analytic process are shown in square brackets after each piece of relevant data; for example, [GDS use] and [partners in technology].

5.2 ICT utilisation

ICT utilisation represents the different ways information and communication technology is used within retail travel agency businesses in the New Zealand market. ICT plays a major role in day-to-day operations and is utilised across all areas of business process. During the interviews and from the comparison of participant websites I discovered the different types of ICT that participants use in their day-to-day operations and became aware of patterns of technological utilisation within the participants' businesses. Table 5.1 presents the construction of the ICT utilisation category.

Table 5.1 Construction of the ICT utilisation category

Initial codes ➡	Focused codes ➡	Category
Range of technologies GDS use Partners in technology	GDS dominance	
Website characteristics Online booking capability Move to mobile technology	Online presence	ICT utilisation
Customer connection points Geographic reach Filtering and sifting	Accessibility and connectivity	

5.2.1 GDS dominance

An explanation of the initial codes *range of technologies, GDS use* and *partners in technology* that make up the focused code *GDS dominance* enable an explanation of my thinking in establishing this higher level of categorisation. The use of GDS technology plays a dominant role within travel agent businesses; however, there is evidence of a wide range of technologies utilised in the New Zealand retail travel market. Table 5.2 presents a summary of the range of technological solutions utilised in participant businesses.

Table 5.2 IT solutions used in New Zealand outbound retail travel agencies

GDS reservation systems	Mid- and back-office solutions	Other technology use
SABRE Amadeus Travelport Galileo	Serko Tramada Amadeus Travelog Ticketing software Travelport Crosscheck Travel Omnus Quick Docs Travelport Universal Desktop	FareFinder Customer data management Email direct marketing Enquiry management Intranet Internet – website Skype Social media: Facebook, Twitter, Instagram, Pinterest YouTube LinkedIn

Participants in this study had business relationships with all three GDSs in the market, namely SABRE, Travelport Galileo and Amadeus. The role a GDS plays is acknowledged as an effective and "relatively unbiased distribution model" that provides "amazing access to the worldwide availability of airlines" (Jeremy Shanahan) [GDS use]. According to Jeremy Shanahan, a GDS provides a level of business through the New Zealand travel agent network that otherwise may not be attainable for airlines like Thai Airways that, in comparison to Air New Zealand, do not have a large supporting operation in the local market. Jeremy implied that the access to multiple airlines' inventory via a GDS is more efficient than accessing inventory via each airline website. He used the words "relatively unbiased" as acknowledgement of the much debated idea that GDS systems present airline information in a biased fashion, historically advantaging the GDS owner airline. While GDSs are no longer controlled by owner airlines, there is still informal discussion within the industry about GDS system bias. Jeremy is suggesting that the nature of GDS airline contracts might be open to display bias, benefitting some airlines and not others.

GDS-related technologies, as well as providing reservation capabilities, also provide what are termed "mid- and back-office" solutions [GDS use]. Reservation systems and mid- and back-office systems provide businesses with essential functionality for making and processing travel bookings. In the past, travel agent businesses were usually contracted to just one GDS and often this included front-, mid- and back-office systems. However, World Travellers, the youngest business in the market, utilises GDS technology differently within its business. The cooperative structure of the World Travellers group allows for member agencies to choose the GDS to which they subscribe whereas other businesses negotiate single GDS contracts for their entire group of agencies. Wendy van Lieshout talked about World Travellers stores using a variety of GDSs and the need, therefore, for mid- and back-office systems to integrate with other reservation systems [GDS use]. Advances in technology have required GDS companies to develop solutions that integrate with competing GDS systems.

Mid- and back-office systems allow for the production of customer documentation (i.e. itineraries) and also documentation confirming reservations made through a wholesaler. These systems are also used by businesses to provide accounting capabilities, linking customer bookings into the business's set of accounts. Although all travel agent businesses use a GDS system, not all use the GDS-associated mid- and back-office technologies. A number of participants use the specialist accounting software provided

by the Australian independently owned company Tramada to meet their needs in this area [range of technologies].

The back office system Travelog, developed by Amadeus, is used by most World Travellers stores and one which Wendy van Lieshout thinks is "proving to be quite good for our stores and because it's GDS agnostic ... I think there's a bit more future in those types of products" [range of technologies]. By using the word "agnostic", Wendy is meaning that the system does not just integrate with one GDS; rather, this type of back-office system does not dictate the use of a particular GDS. The World Travellers structure allows its members to choose which technologies they operate without the constraints of head office driven contracts. The benefit provided by travel-related technology that interacts seamlessly with other ICT systems is strategically important for this group.

Additional ticketing and documentation software – for example, Flight Centre's Quick Docs – is used to increase efficiency and accuracy when issuing tickets and passenger documentation. Other types of technology are used in the areas of customer information management, marketing and the management of customer enquiries. In addition, social media platforms are utilised by all of the participants' businesses [range of technologies]. Travel agent utilisation of such a range of technology systems requires a diversity of both experience and skill at all levels of a business.

The GDS remains the predominant method of making flight bookings; however, travel agents are also making flight bookings via the Internet using airline websites when the circumstance dictates. According to Jeremy, "The percentage of it would be relatively low but … we sometimes do it for internal flights in the States; for example, Southwest [Airlines]". Bookings made via airline direct websites occur when an airline is not represented in the GDS or when online fares are available cheaper than that available through the GDS [range of technologies]. Preferred wholesale product is now predominantly booked via online platforms; for example, agents booking through Go Holidays use the online reservation system Calypso [range of technologies]. Bookings made with smaller specialist wholesalers are still often via email, and although bookings made by phone do occur, these are less frequent.

The use by retail consultants of wholesalers' online booking and ticketing systems has increased; in 2013, for example, United Travel reported a 34% increase over 2012 in

tickets issued through their preferred wholesalers' automated ticketing system (*Tabs on Travel Today*). The presence of online agent-booking tools was highlighted by Jeremy Shanahan as a factor in the decision whether to use a particular supplier "where suppliers have an [online] agent-based distribution channel … then we will use those" [range of technologies]. The availability to travel agency businesses of agent-specific supplier ICT that allows agents to make bookings online plays a part in an agency's choice of strategic supplier relationships.

Although all travel agencies use GDS technology, Brent Thomas, from House of Travel, talked about his company's relationship with the GDS Amadeus as being more akin to a partnership than just a supply chain agreement. Brent said House of Travel's relationship with Amadeus provides advantages for both companies. He described the relationship as "strategically beneficial" [partners in technology], and as Amadeus have the financial resources available for development, "they appreciate the benefits of being able to put ideas into practice quickly via HOT" [partners in technology]. Brent spoke about House of Travel piloting new Amadeus technologies whereby the size of the House of Travel business and the size of the New Zealand market provided a positive environment in which to trial new travel technologies. Partnering with a GDS company that has considerable financial resource for investment and development in new solutions provides increased access to developing technology. House of Travel's partnership with Amadeus is an important strategy for its business.

New Zealand travel agent businesses all use GDS systems in their day-to-day activities, in addition to a range of other technologies. The dominance of GDS technology, however, is realised in that many of these different solutions either interact with GDSs or are solutions developed by GDS companies. Furthermore, the opportunity to partner with technology companies provides increased access to developing technology without the usual level of investment and contributes to the strategic direction of a business.

5.2.2 Online presence

An analysis of the initial codes *website characteristics, online booking capability* and *move to mobile technology* is now presented. The underlying meaning within these codes led me to identifying this focused code as *online presence*.

A comparison of the six participants' businesses' websites found a variety of travel product information, online booking capabilities and company details presented (see

Appendix D) [website characteristics]. General company information and current product offerings are shown on all six websites; however, the ability for the customer to book travel products online is limited to just three of these websites: House of Travel, United Travel and Flight Centre. The House of Travel website provides the facility to book international and domestic flights, packages, hotels and travel insurance, while the United Travel website provides the facility to book just international and domestic flights. The Flight Centre website, meanwhile, has the facility to book only domestic flights and travel insurance [website characteristics].

House of Travel was the first travel agency business in New Zealand to offer online booking facilities, in 2006. The House of Travel website, www.hot.co.nz, offers global flights for sale together with a toll-free number, available only within standard business hours, to assist those customers wanting to speak to a consultant while booking online. United Travel launched their online booking facility in June 2013, and Flight Centre, in October 2013, made available the ability to book domestic New Zealand flights online [online booking capability]. World Travellers are currently in the process of trialling online booking technology. According to Wendy van Lieshout, online booking "will never be the backbone of our business; that isn't the driver. The driver is to have it there if you have customers who want to book online and they want the backup of having the people they know behind it" [online booking capability]. Wendy was adamant that online booking would be provided as another service for the customer but it was not considered a major revenue-generating option.

There is a significant time difference in when businesses launched online booking capabilities – a gap of some seven years exists between when House of Travel first offered online booking and when United Travel and Flight Centre began offering online booking. This is indicative of the value these businesses have placed on online booking. An explanation of this can be seen in Brent Thomas's comment that House of Travel's "online distribution market is low value and short stay … and is predominantly to Australia destinations" [online booking capability]. This relates again to the significant percentage of New Zealand outbound travel that consists of more complex long-haul journeys and the higher value and longer duration of this type of travel. House of Travel was the first to invest in online booking technology and the dominant position of their website is evidence of a competitive advantage achieved in this market through this strategic decision.

In contrast, Derek Sullivan, from the Travel Managers Group, gave the high cost of development, low margins and the highly competitive nature of the online market as reasons his organisation would "never, ever" offer online booking [online booking capability]. This difference in attitude could well be attributed to the difference in the business model of Travel Managers, it being a multiple-broker organisation. Derek went further, saying, "Broker-based businesses are very much about repeat clientele who predominantly book more complex travel with their broker agents" rather than make bookings online [online booking capability]. This is further evidence of the business's long-haul, more complex target markets and the lower value placed on online business that consists of more simple, point-to-point journeys; for example, trans-Tasman travel.

Special interest travel is highlighted on all six companies' websites and is more visible on some than others [website characteristics]. World Travellers highlight special interest travel options on their home page (see examples boldly circled in Figure 5.1), and United Travel provide similar information within their website. Areas of special interest highlighted include food and wine travel, political tours, sporting events and train journeys.

Figure 5.1 World Travellers' website @ 24 July 2015
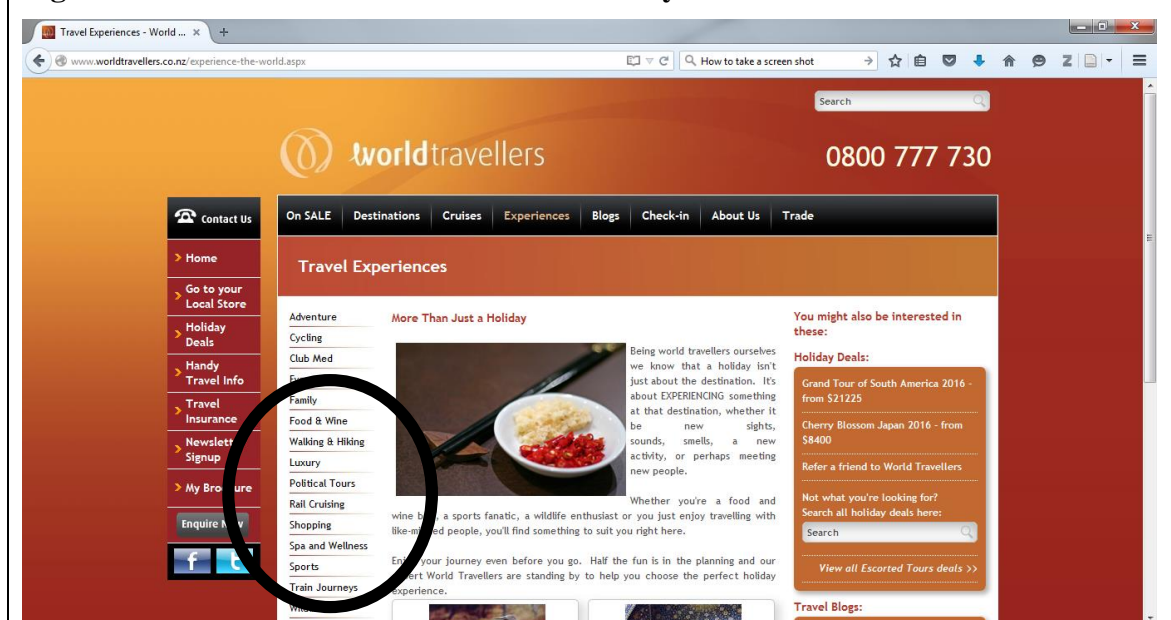
Multiple-broker business websites present information in a different way as their websites must also meet the needs of individual brokers wanting to promote their own businesses. These websites are branded with the name of the broker organisation and include product information and pricing on their home pages. In addition, these

multiple-broker websites provide search functions directing the consumer to individual brokers within their organisations (see area boldly circled in Figure 5.2) [website characteristics].

Figure 5.2 Travel Managers' website @ 24 July 2015
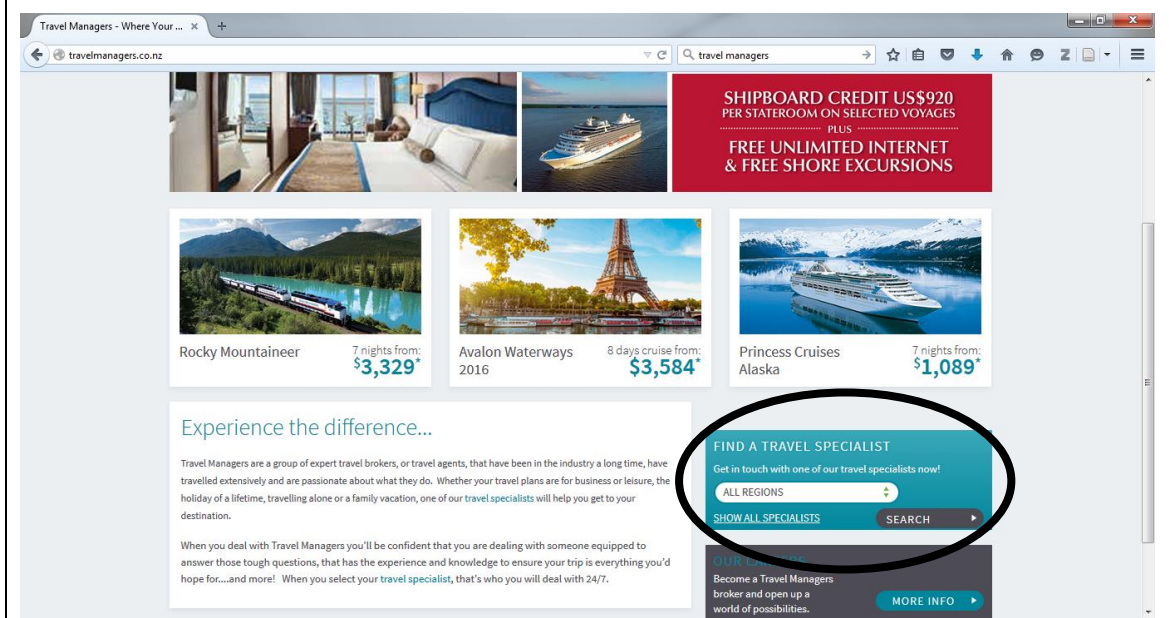
Information about individual brokers is presented in a variety of ways. A small number of brokers provide links from the broker organisation website to their own website while others provide very limited information; for example, just a short profile paragraph [website characteristics]. According to Wendy D'Arcy, individual brokers control how much or how little information is profiled [website characteristics], and the quality and quantity of such information, she suggests, is often linked to the level of technological skill of the individual broker. This may be explained by the fact that even though brokers are predominantly experienced sales consultants, they may not possess the skills associated with managing online information, a function inherently carried out by separate divisions in a travel agent business.

Travel articles, videos and travel blogs are used on websites to profile destinations and entice customers to travel. This content highlights travel experiences and stories rather than specific travel product and can be found on all except the multiple-broker organisation websites [website characteristics]. This provision of travel "stories" aligns with a comment made by Brent Thomas when talking about his company: "[We] need to continue to inspire customers through providing relevant product [but also to] inspire, motivate and educate them as to the value of [using our] consultants." These comments

were made in the context of the requirements to compete in the current marketplace and are an example not only of the characteristics of travel agent websites but of the different ways businesses are engaging with their customers.

The variation in the participants' businesses' website capability and content can be linked to the business models in the market. When management and marketing are carried out at the store level (for example, World Travellers) and at the individual broker level (as seen in the multiple broker organisations), there is less provision of online booking capabilities. Investment in online booking technology is the domain of organisations that operate under the fully owned model (for example, Flight Centre) 50/50 model (House of Travel) and the franchise model of United Travel. Those organisations whereby the brand is secondary to the individual consultant, as in multiple-broker businesses, have not made the same investment in online booking technology compared with those organisations where the brand supposedly carries more weight than the individual travel agents or brokers within the organisation.

House of Travel is the only business offering booking functionality via a mobile-enabled website. As Brent Thomas said, "We pick mobile and smart technology to be the dominant channel in the next ten years" [move to mobile technology]. Flight Centre, United Travel and The Travel Brokers are the only other businesses examined in this study with mobile-enabled websites, although the websites do not have the option for customers to book using their mobile or smart phones. Interestingly, the [move to mobile technology] is seen in the fully owned (Flight Centre), and the 50/50 owned (House of Travel) businesses and those aligned to the Helloworld parent company (United Travel and The Travel Brokers). These organisations have invested in mobile technology where others, World Travellers and Travel Managers, have not. Only House of Travel has technology that gives customers the option of booking via this mobile channel, another example of the strategic importance the organisation places on this area of their business.

There is a distinct variation in the online presence of New Zealand travel agent businesses. Website characteristics are related to a type of business model and the provision of online booking capability by some businesses is a direct reflection of their target market. Furthermore, there is a gradual move to mobile technology which provides further opportunities for customers to connect with travel agent businesses.

5.2.3 Accessibility and connectivity

ICT provides travel agent businesses with an enhanced level of *accessibility and connectivity* to both their customers and supplier partners. The initial codes, *customer connection points, geographic reach* and *filtering and sifting*, identified within the data have similar attributes that relate to accessing information by both customers and travel agents. This access to information in turn provides opportunities for customers to connect with travel agent businesses in multiple ways.

New Zealand retail travel businesses provide numerous avenues for customers to access company details and travel information online including options to connect with individual travel consultants and brokers. An investigation of the options presented on company websites (see Appendix D) and promoted to customers as ways to "get in touch" show all businesses provide email and phone details on their websites including a toll-free phone number [customer connection points]. Location maps and store-finder functionality is used by all of the participants' businesses with the broker organisations also providing the ability to connect with individual brokers located across the country. The ability for the consumer to send email enquiries directly from the business's website is provided by all the businesses. These multiple connection points increase options for customers to engage with a business when searching for general travel information and when booking travel product. In addition, House of Travel offers fare comparison capability via their FareFinder product, providing customers with the option to compare the best fares over the previous 24 hours while searching on their website. This type of technology is similar to that available from some OTA websites with the ability to "comparison shop". By House of Travel investing in this technology and making it available to their customers, they are competing to some extent with online competitors in the market.

All businesses are engaged with social media and all use Facebook as a means of profiling and encouraging customers to contact their stores and brokers. In addition, there is use of Twitter, Instagram, LinkedIn and Pinterest. Furthermore, Flight Centre and The Travel Brokers promote a variety of destinations and travel products via their YouTube channel [customer connection points]. This is further evidence of the promotion of travel experiences, enabled by an online presence, which offer additional options to inspire and connect with their customers. The growing use of social media and the multiple options to connect with customers is reiterated in comments made to

the industry media by Andrew Parke from Fuzion Travel, part of the World Travellers group:

> Now the client wants to dream, look and book on their terms; whether it's in-store, a café, or in their home. They're also asking for advice and ideas through social media. (*Travelinc*) [customer connection points]

Customers are provided with multiple connection points through which to ask advice from travel businesses; this enables more opportunities for the business to engage with these customers which, in turn, leads to increasing sales potential. Creating the notion of increased accessibility for the customer no matter when or where they connect with the travel agent business is a positive strategy. Furthermore, businesses, in recognising the growth of people using social media globally, are connecting with customers via these channels, thus increasing opportunities for promotion and brand awareness. According to Wendy van Lieshout, the World Travellers stores are using social media "to build a sense of community and to build their client base", and in doing so, are promoting their services.

The growth and geographic spread of the broker sector across New Zealand has meant it is difficult for suppliers to physically call on brokers who predominantly work from home. Webinar technology, available over the Internet, is used to deliver supplier product information and training and is now widely used in the New Zealand travel industry. In the past, supplier sales representatives would visit travel agency businesses in person to update travel consultants, whereas the availability of webinar technology has provided opportunities for consultants to receive supplier product information via the Internet and without the need for personal sales calls [geographic reach].

All of the participants spoke about the benefits provided by webinar training, both in time-saving efficiencies and the ability to deliver product training directly to the desktops of their consultants who are spread across the country in their network of offices. These benefits, which provide up-to-date product knowledge directly to a consultant desktop, were emphasised in particular by the participants from the two broker groups. As brokers are spread across the country and work mostly from home, this form of training was considered more cost effective than bringing all their brokers together in one place for training [geographic reach]. This evidence is supported by statements in the industry media that highlight the number of suppliers that are increasingly utilising webinar technology to deliver product training and sales calls (*Travelinc*). The cost savings for suppliers is another obvious motivation in this process.

The importance of high speed Internet connectivity was highlighted by Derek Sullivan when he talked about the implementation of ultrafast broadband capabilities currently underway in New Zealand.

> "The roll out of ultrafast broadband couldn't happen quick enough, because what that does for a broker business that's spread all over the country is provide real power and speed … so that's really important I think and what it does is it provides businesses like ours that are primarily home-based businesses a real advantage." [geographic reach]

The speed of Internet connection is an important factor for a business where brokers operate from residential areas and are located nationwide. High-speed Internet connections allow for more efficient and more cost-effective ways of accessing product information and booking systems.

There is no doubt that the information-rich nature of the travel and tourism industry has been enhanced by Internet technology. In the past travel agents had sole access to information necessary to make decisions concerning a customer's travel requirements, including timetables, pricing and destination information. Some of this information was, to a limited extent, available via reservations systems; however, information was provided mostly in print format as innumerable travel brochures. The proliferation of information available on the Internet has provided an easy entry point for travel agents to access this same information. Wendy van Lieshout compared an agent's job using the Internet with past methods where information was provided in supplier brochures: "Having the Internet … is no different to in the past … there were 25 brochures on Africa and you had to know, based on what you asked the customer, which [brochures highlighted] the right thing for what their expectations were" (Wendy van Lieshout) [filtering and sifting]. This statement relates to the need for a consultant to have excellent selling skills, extensive product knowledge and advanced Internet search skills to meet the needs of their customers.

The role of the travel agent, to filter and sift travel information enabling a buyer decision, remains the same. It is, however, the amount of information available and the access to such that has now created a change in the way this role is carried out. Jeremy Shanahan described this when he said, "As an agent behind the desk, you are having to sort all that different information and efficiently deal with it" [filtering and sifting]. The necessary knowledge and skills associated with filtering and sifting through information presented in travel brochures is now needing to be applied to searching the Internet. "The [advanced] skills that we have for Internet searching … that's a good reason why

people come to us; to be fair, we do it all day, every day" (Jeremy Shanahan) [filtering and sifting]. Wendy van Lieshout described this as an agent "taking away the clutter" [filtering and sifting] of the Internet, giving the customer confidence in the recommendations they are making. The travel agent must also have confidence that they are providing the customer with the best possible advice and advanced Internet search skills are an essential component of this part of the job. As Wendy van Lieshout stated, "You need to know which of the five sites you need to check for your customer to make sure that they're getting the best deal, otherwise they're not going to come back to you" [filtering and sifting]. Extensive product expertise is now not enough – travel agents must also have superior Internet search skills to be able to provide specific and relevant recommendations from the voluminous amount of travel information available via the Internet.

The skills of sifting and filtering are not just needed by travel consultants, however. For example, Derek Sullivan spoke about the role the head office of his organisation plays in disseminating information to their range of agent and broker businesses: "So we're a filterer really rather than … anything else; we filter everything that comes in and then we send it [out to our people] and hopefully we filter the right stuff and that tends to be experience" [filtering and sifting]. Constant promotion of supplier and wholesaler product means this information is constantly communicated to the industry, often to the head office of a travel business, through email direct marketing and print media. Identification of relevant product information received by The Travel Managers head office requires the same skills of filtering and sifting to meet the needs of their brokers and their customers.

ICT provides customers with more accessibility and connectivity to travel agent businesses than ever before. The provision of multiple customer connection points via a business's website and through social media platforms, in particular, are strategically important for a travel agent business in counteracting the 24/7 availability of competing online travel businesses. ICT has increased the geographic reach of communication between travel agency businesses and their suppliers at the same time as providing cost savings. Furthermore businesses and individual agents have developed enhanced skills required for the filtering and sifting of the large amounts of information they access via the Internet.

In summary, the category ICT utilisation describes the dominant position of GDS technology in the New Zealand market. The provision of online booking functionality to capture specific segments of the market is part of the strategic direction of some businesses but not all, and can be related to the business model of an organisation. It is found that the use of ICT provides numerous opportunities for businesses to connect with their customers and their suppliers. Furthermore, a need to efficiently access information has meant businesses and agents have developed enhanced skills in searching the Internet.

5.3 Interoperability

The second category, which I have labelled interoperability, represents the issues faced by travel agent businesses when having to complete transactions using multiple ICT systems. As developments in technology have progressed, the number of ICT systems travel agents use in their daily activities has increased markedly. Travel businesses continue to develop systems to manage inventory and distribute their products and travel agents are faced with the need to understand, operate and integrate information from multiple ICT systems. Table 5.3 presents the construction of the interoperability category.

Table 5.3 Construction of the interoperability category

Initial codes ➡	Focused codes ➡	Category
Multiple entries Inefficiencies Impact on productivity	Need for integrative systems	Interoperability
Centralised systems Agent-specific needs	Information integration	

5.3.1 Need for integrative systems

The characteristics of this focused code are defined through the analysis of the initial codes *multiple entries, inefficiencies* and *impact on productivity.* An understanding of the underlying meaning within these initial codes has led to their grouping under the focused higher-level code *need for integrative systems*.

In New Zealand, wholesale companies have adopted technologies to manage product inventory and to assist in the distribution of these products to their agent network. Recognition of efficiencies gained by providing travel agents with direct access to

wholesaler systems has meant these solutions allow agents to sell wholesale product directly from a wholesalers' reservation system. For example, travel agents selling Go Holidays wholesale product to their customers are provided access to the Go Holidays wholesale inventory contained within the Calypso system and accessed via the Internet. The Calypso system is the most prominent wholesale system in the New Zealand market and is used by Go Holidays, Infinity Holidays and a number of other smaller wholesale companies.

Travel agents currently sell product from many different suppliers and wholesale companies and the issue of non-integration of technology has a direct impact on consultant efficiencies. Even straight forward itineraries departing New Zealand may involve integrating product and booking information from more than one airline and more than one wholesaler or supplier [multiple entries]. Table 5.4 illustrates the multiple booking channels used by a travel agent to book a trip from New Zealand to the United States. This is a relatively straight forward itinerary but includes four types of travel product – flights, accommodation, a tour and insurance – and is booked via six different reservation systems.

Table 5.4 Itinerary example with multiple booking channels

Product	Typical booking channel
International flights: AKL/LAX/SFO/AKL	GDS
US domestic flights	Airline direct website
Accommodation – Los Angeles	Wholesaler system, e.g. Calypso
Escorted tour	Tour operator - agent portal e.g. Contiki Holidays
Accommodation – San Francisco	OTA agent portal, e.g. Expedia
Travel insurance	Travel insurer – agent website

Participants talked about the need for the integration of systems to avoid multi-loading of passenger information. The example above illustrates the multiple systems that often require both passenger and travel agency information to be loaded into each system or booking channel individually [multiple entries]. According to Jeremy Shanahan, "That's where the productivity for us is poor ... it's very inefficient that every new site you go to you have to reload information" [inefficiencies]. Sue Matson, of Flight Centre, reiterated this by saying, "It is ridiculous, the amount of, not paperwork, but just the amount of double-ups that consultants have to do. It is ridiculous. It is stupid"

[inefficiencies]. This is evidence of the time-consuming process required to input the same passenger information multiple times when arranging a single journey. Jeremy Shanahan implied that with increased system integration and the subsequent time efficiencies realised, consultant productivity would be improved. This could ultimately translate into greater productivity and sales for the business as a whole.

To provide optimum customer service and to maximise productivity, a travel consultant must be a proficient user of technology. The need for consultants to make fast and accurate reservations with a multitude of suppliers and wholesalers is therefore extremely important. Brent Thomas talked about the productivity his company had achieved from supplier product being provided directly to a consultant's desktop by API (application programming interface) connections or "connections in the supplier chain". API connections are used to streamline a consultant's ability to sell product and minimise the use of multiple booking systems [impact on productivity]. Brent Thomas explained that the use of this system enabled agents to make bookings with no need for rekeying information "meaning no need for reloading info between wholesale and retail – one system, one booking, no rekeying" (Brent Thomas) [impact on productivity]. This is evidence of House of Travel's investment in technology systems to counteract the impacts of multiple booking systems, which has resulted in greater productivity levels from their consultants. Another example of technology improving productivity is the FareFinder software used by House of Travel consultants and available for use by their customers on their company website. FareFinder lessens the search time when researching flight possibilities as well as allowing for the comparison of fares across multiple airlines.

Brent Thomas believes that the technologies used within House of Travel agencies have produced increased sales for the business, making House of Travel consultants more productive than other New Zealand travel consultants. He states that the "average [HOT] consultant productivity [is] 40% more than [the] average New Zealand [travel consultant] due to IT" [impact on productivity]. Although there is no publically available evidence to support this claim, all of the participants spoke about House of Travel as a strong and successful competitor in the market. Furthermore, Brent Thomas was the only participant to highlight the use of productivity-increasing technology within his company when the industry as a whole faces a prevalence of multiple booking systems. This is another example of House of Travel's early adoption and investment in developing technology.

This analysis of the initial codes of multiple entries, inefficiencies and impact on productivity has contributed to the overall meaning within the higher-level focused code need for integrative systems, and provides an explanation of my thinking as I continued through the analytical process.

5.3.2 Information integration

A lack of system integration within the New Zealand travel industry can be identified in relation to the need for *centralised systems* to meet *agent-specific needs*. An analysis of these initial codes is presented next and articulates the attributes of the focused code *information integration*.

More customers are using the Internet to purchase parts of their travel itinerary online while still using a travel agent for other components of their trip. An issue raised by the interview participants was the desire to integrate all products purchased by the customer into one itinerary. In Jeremy Shanahan's opinion, "The biggest refinement that's required for retail travel is integration of multi-sources of information into a centralised management system in your own agency" [centralised systems]. This statement indicates a need for a central system to integrate details of bookings made through multiple systems. A part of a travel agent's role is to provide a full itinerary containing all products booked for a customer journey. When these bookings are made through multiple systems there is a requirement to manually enter booking information into a central itinerary. The ability to digitally integrate this information would both increase the productivity of consultants and provide integrated management information.

Obvious issues exist when supplier systems are unable to provide information in a form that integrates with either the GDS systems or other information systems. As Wendy van Lieshout said:

> "There's this massive disconnect between trying to integrate the wholesaler itinerary into your agency itinerary – the travel management system can't deal with it, the wholesale system can't deal with it, there's just no product that manages that. And the GDS can't manage it, it's absolutely the biggest challenge." [centralised systems]

Travel products booked via multiple channels are, at present, unable to be integrated to allow access by either the agent or the customer via a central point. To be able to provide an itinerary that includes all parts of a customer's journey, whether booked with the agent via a GDS or supplier online system or by the customer online themselves,

would provide an enhanced level of customer service and contribute to increased agent productivity.

World Travellers are keen to find a solution that works. "Well what we're really looking for is a product that will pull together all of that into an app or a programme, or something ... that will dynamically upload" (Wendy van Lieshout) [agent-specific needs]. The additional need to maintain up-to-date information, even while a customer is travelling, requires a system that can dynamically upload data. It would seem that travel technology companies are not interested in consumer-booked product or in developing solutions that integrate all possible products into a single itinerary. According to Wendy van Lieshout, when talking about developments by GDS companies towards this goal, "They hadn't got that far, because they're concentrating on their own world" [agent-specific needs]. Wendy is inferring that although GDS companies continue to develop systems to meet the needs of their subscribed airlines and travel agent partners, this does not, however, include all suppliers in the travel distribution chain. Understandably GDS companies are developing technology to support their own business rather than technology solutions that meet the complete needs of the travel agent and their customers.

The necessity for meaningful and accurate information is also important for strategic and day-to-day decision making. Jeremy Shanahan highlighted this as a factor for his business: "So that's our biggest threat because our system's quite inefficient; it's multiple handlings of monies and multiple handlings of information" [centralised systems; agent-specific needs]. The integration of information is not just important within the reservation and accounting areas of businesses but also when considering business management practices. Jeremy thinks that "the integration of ... software is the biggest problem" his business faces. He further suggested this was due to a lack of investment his business had been able to make in new technology, and that productivity was directly impacted because of this.

 Analysis of the initial codes – centralised systems and agent-specific needs – provides an understanding of the impacts associated with the focused code I have identified as information integration within travel agent businesses in the New Zealand market.

In summary, the interoperability category describes the need to integrate booking information into an online format for both travel agent and customer access. The

multiple booking systems provided by supplier and wholesaler systems effectively facilitate travel bookings from the travel agency sector but do not, however, meet the complete needs of travel agency businesses or their customers. It is difficult to expect companies to invest in the research and development of new systems that aren't focused on their own business. Nevertheless, the intermediary position of travel agent businesses dictates their vulnerability to the continued impacts of the lack of system integration.

5.4   Business model evolution

The third category, which I have labelled business model evolution, represents the evolution of the traditional travel agent model in the New Zealand market that now includes a new breed of travel agent, the independent travel broker. The availability and mobility of reservation system technology has provided a *technology enabled opportunity* that has given rise to the emergence of brokers in the New Zealand market. This opportunity, combined with an increasing desire by traditional travel consultants to work for themselves and the growing costs of owning and operating a travel agency, have led to a broker sector comprised of *innovative entrepreneurs* who are becoming significant players in the New Zealand travel industry. Furthermore, all businesses are now focused on *specialisation* through a focus on niche markets and servicing such through specialist knowledge of specific products. This specialisation is a response to meet the needs of an increasing number of customers categorised as special interest travellers.

Table 5.5 presents the construction of the business model evolution category.

Table 5.5 Construction of the business model evolution category

Initial codes	Focused codes	Category
Gaining market share Diversity in broker structures Levels of support Repeat and loyal clientele	Technology enabled opportunity	Business model evolution
Independence Earning potential Flexibility	Innovative entrepreneurs	
Niche markets Specialist product knowledge	A move to specialisation	

5.4.1 Technology enabled opportunity

The initial codes I have identified as *gaining market share*, *diversity in broker structures*, *level of support* and *repeat and loyal clientele* articulate the characteristics of the technology enabled opportunity that has led to the emergence of the broker sector in the New Zealand travel industry.

The emergence of the broker sector can be linked to when GDS technology became available in New Zealand, in October 2001, outside the normal constraints of the travel agency office. This development appealed to the growing number of consultants wanting to work for themselves outside the traditional travel office environment. This new mobility of travel reservation technology meant travel consulting didn't just have to be performed from an actual travel agency office. Wendy D'Arcy stated, "Technology has allowed us to [exist] and grow exponentially" [gaining market share]. It could be said that increased access to GDS technology is a major catalyst in the growth of the broker sector.

Many travel agencies across the country now have individual brokers aligned to their businesses. Operating from home but having the support of a store location provides benefits for the broker and extends the distribution channel for the travel agency; as Wendy van Lieshout stated, "[Agencies] see it as a way to grow their business" [gaining market share]. Leisure agencies in all the major travel businesses (see Table 4.2) have brokers who are aligned and so receive the benefits proffered by association with a specific travel brand but who work from home. The recruitment of brokers to align with an agency increases total sales for that business without the associated expense and liability of employing staff.

The advantages of aligning brokers to a travel business to generate increased revenue has also more recently been recognised by travel suppliers and corporate travel agencies. The industry publication *Tabs on Travel Today* reported that large corporate agencies are now actively recruiting brokers to "take advantage of the changing market dynamics and the rise ... of the travel broker concept" *(Tabs on Travel Today)* [gaining market share]. Travel suppliers such as Air New Zealand and large corporate agencies are now actively competing to diversify their business models by offering brokers an alternative to the existing broker-based businesses *(Tabs on Travel Today)* [gaining market share]. The variety of broker models operating in the market are evidence that it

is not only traditional retail travel businesses who recognise the potential gains from aligning brokers to their organisation.

Strategic growth was the objective when the wholesale business Go Holidays formed Go Travel Brokers (now The Travel Brokers) in 2002. As Wendy D'Arcy commented,

> "Go Holidays didn't have a distribution chain around New Zealand, ... the vision that they had was that travel brokers around the country would obviously be able to support their product [and they were looking to establish] a structure to take travel brokers to another level." [gaining market share]

Go Holidays was looking to increase its distribution in the New Zealand market, but without a retail arm to its business, the establishment of a broker structure offered greater support for their wholesale operation. In 2013, the large majority of travel brokers in New Zealand were aligned to one of the three major multiple-broker-based businesses: The Travel Brokers, Travel Managers Group or NZ Travel Brokers. The Travel Brokers is the only business that operates as part of a larger travel company, Helloworld, while the other two businesses are sole entities.

There is a diversity in broker structures in New Zealand with several targeting specific markets. Ethnic brokers can be categorised by the particular market they service; for example, those servicing the Chinese migrant community [diversity in broker structures]. Lisa Li, Managing Director of China Travel Service, talked about new migrants who found language a barrier to using the services of traditional agents, particularly in regional areas of New Zealand: "There is [not a] single Chinese [person] to do travel ticketing and … some people who have language issue[s] hesitate to go to Flight Centre or to House of Travel because those people don't understand [when] they are talking" (Lisa Li). Chinese travel agencies and Chinese brokers specialise in servicing outbound Chinese VFR (visiting friends and relatives) travellers and international student segments of the market. Since 2002, Chinese have been the largest migrant group entering New Zealand (Statistics New Zealand, 2013), and the steady increase in this category can be linked to the increase in travel agencies and individual brokers specialising in this particular market segment. This increase in non-English-speaking travellers who are often faced with language barriers when dealing with established New Zealand agencies has provided opportunities for Chinese agents, in particular where Chinese agents are scarce in regional areas of the country.

Another example of the diversity in broker structures is a move by some successful independent brokers to expand their businesses by employing staff to work within their

own brokerage, as described by Derek Sullivan: "One individual broker … might have three or four processors or helpers. So in essence that is effectively a business. … that business might be turning over five million dollars" [diversity in broker structures]. These types of brokers are growing their own businesses by employing staff in the same way as a traditional travel agency does. Processors carry out the administrative tasks associated with travel transactions while allowing the broker "boss" to focus on selling. These entrepreneurial brokers are able to own and grow their own businesses without the risks associated with starting up a new travel agency or the expense of traditional office premises.

Yet another type of entrepreneurial broker model opened for business in Auckland in late 2013. While many brokers operate from a home office, this new structure offers brokers the increased flexibility of operating their business from a street-front store location while still maintaining the freedom of broker mobility. "They are completely operating with brokers only, but in-store brokers and out-of-store brokers; that's their model" (Wendy van Lieshout) [diversity in broker structures]. This model of business is offering brokers further options in where they conduct their business, essentially providing greater flexibility for those brokers wanting an office environment to work from in addition to their home base. This is another example of the growing diversity in broker models within the market.

The level of support provided by travel businesses to aligned brokers varies within the market. The multiple-broker organisations, Travel Managers and The Travel Brokers, negotiate and manage supplier contracts while often providing day-to-day support to assist brokers with marketing and business management. Wendy D'Arcy, from Travel Managers, described their head office by saying, "Our whole existence here in the operations division is servicing and supporting a team" [level of support]. This multiple-broker organisation espouses the notion of independent brokers being part of a team, an interesting concept for a group of individual brokers. Although the broker "has very little to worry about apart from selling travel" (Derek Sullivan), there is a desire by some brokers to still be part of a team and for the associated comradery and emotional support that this brings [level of support]. The multiple-broker businesses provide these aspects through the level and nature of support they provide.

In contrast, brokers aligned to Flight Centre retail travel agencies are provided a lower level of support. Flight Centre has an appointed team leader to support their brokers;

however, there is an expectation for them to work independently compared with a travel consultant located in a traditional travel agency. "They [brokers] don't require the same level of care and attention. It is just ... having that support and that backup when they need it" (Sue Matson) [level of support]. Brokers aligned to Flight Centre, although working independently, still receive support from the administrative head office but not to the same degree as an employed agent. The comradery that exists in the multiple-broker organisations would also be found by working within the greater Flight Centre structure.

The majority of broker customers are interested in long-haul, more complex travel options and, according to both Wendy D'Arcy (The Travel Brokers) and Derek Sullivan (Travel Managers), to service this type of customer, a successful broker must have exceptional organisation skills, self-motivation, discipline and experience in the travel industry. Furthermore, there is a need for brokers to have a client base of repeat customers and be focused on networking within their communities while operating their brokerage as a small business (*Travelinc*) [loyal and repeat clientele]. "To be a successful broker involves utilising your database, looking for new opportunities, learning to embrace the Internet and maintaining a service standard, and with that comes the ultimate goal – to be your own boss" (Derek Sullivan, as cited in *Travelinc*, January 2014). Derek built on the comments he had made in the industry media about the skills expected of a successful broker by stating in our interview that brokers within Travel Managers "have got extensive experience and a good database" [loyal and repeat clientele]. The need for a "good" database relates to the potential level of sales possible from a large database of repeat customers.

The emergence of the broker sector has been facilitated by technology enabled opportunities, in particular with the arrival of Internet technology. The sector's recent growth has been underpinned by recognition of the level of business generated by successful brokers with an extensive repeat and loyal clientele. This, in turn, has created a diversity in broker structures, which are supported at different levels in the market by suppliers, corporate and leisure travel businesses, and multiple-broker organisations.

5.4.2 Innovative entrepreneurs

When analysing the data from interviews conducted for this study it became evident that the emergence of the broker sector is directly related to developments in ICT and, in particular, to Internet technology. Experienced travel agents wanting *independence* and

flexibility recognise the opportunity for greater *earning potential* that operating a travel brokerage presents. The analysis of these initial codes provides an explanation as to the characteristics of the emergent higher-level focused code *innovative entrepreneurs.*

The study's participants talked about various motivations for becoming a travel broker but all noted the desire by brokers to independently run their own business. It was when "travel brokering was being launched in New Zealand and there were more and more people like myself who had been in the industry a while wanting to run their own businesses but align themselves to bigger operations" (Wendy D'Arcy) [independence]. Becoming a broker means independence, the freedom to run your own business and the freedom to service clients outside normal office hours. "When they take on a brokering role ... they are independent" (Sue Matson) [independence] and most brokers "work hours to suit and the business is transportable, ultimately giving ... a better work/life balance" (*Travelinc*) [flexibility]. According to Derek Sullivan, "Most people have got laptops or tablets and basically they've got all of their required technology sitting on those, so they can come to your home and actually consult with you at a time that suits you" [flexibility]. The mobility of technology means brokers are better able to meet the needs of their customers who often work normal office hours themselves which restricts the time they have available to make travel plans. In addition, being your own boss means working your own hours, which provides flexibility outside the constraints associated with working in a traditional travel agency. These factors are considered important in attaining a positive balance between one's personal life and the requirement to work.

Derek Sullivan predicted a continued growth in the broker sector: "It will continue … whilst rents and things continue to rise, staff costs continue to rise, commissions get lowered and the owners [of stores] age." The cost and risks associated with operating a broker business when compared with that of operating a travel agency business are a lot lower. This, combined with the freedom of operating an independent brokerage and working for oneself, is attractive to current agency owners; in particular, to those who have been in the industry for some time. Developments in technology have enabled the establishment and operation of broker businesses from almost anywhere. Furthermore, it is also found that extrinsic factors relating to the rising costs associated with running a business have influenced the continued growth in the broker business model.

The opportunity for greater earning potential, compared with that of a traditional travel consultant, was given as further motivation for becoming a travel broker. Wendy D'Arcy said that an experienced broker can make up to 70% more than a traditional travel agent, even when the commission is split between the broker and their head office. This was reiterated by Derek Sullivan when he said, "Working in a retail shop … you're turning over a million dollars' worth of business, and you knew that that million dollars would walk with you; you'd be far better being a broker" [earning potential]. Without the overhead costs associated with running a travel agency business, travel brokers have the potential to earn more than a traditional travel agent, in addition to having the freedom that comes with working for oneself. Knowing that a loyal clientele would most probably follow a consultant's move to brokering is added motivation for a successful travel consultant to become a travel broker.

Access to reservation systems, email communication and travel information across the Internet means brokers are able to service their clients from anywhere. Brokers can visit a client's home, conduct business in a local café, or consult from their own home-based office. This flexibility aids a broker's accessibility for clients by removing the barriers associated with working from a traditional travel agency which operates only between the hours of 9 a.m. and 5 p.m. It is thought that this contributes to a more positive work/life balance. Greater flexibility and independence are benefits attained by travel brokers when working for themselves, in addition to the earning potential presented by operating a successful brokerage. These benefits have seen innovative entrepreneurs establish themselves as a significant force in the New Zealand market.

5.4.3   A move to specialisation

The promotion of specialised travel products to niche markets and the development of travel consultant product expertise in these areas are strategies employed by all the businesses in this study. A move to service *niche markets* and the need for more *specialist product knowledge* were talked about by all of the participants and led logically to the focused code *a move to specialisation.*

When asked about strategic changes within their businesses over the last ten years, all of the participants talked about servicing more niche segments of the market. All spoke about the variety of special interest or niche market travel their businesses now serviced. For example, Wendy van Lieshout said that World Travellers has "a wedding specialist, a motor sports specialist, a golf specialist, a theatre specialist, skiing – and when I say

that, they don't just say, 'Oh we're the specialist', they literally live and breathe [it]" [niche markets].

According to Wendy van Lieshout, a focus on niche markets provides opportunities for increased revenue: "Very much around that special interest area and the escorted group exclusive product … because that's actually where … you can make more margin. It's also very hard for competitors to copy" [niche markets]. Margin in this case refers to the profit added to the special interest package or escorted group tour. In comparison with purchasing product packaged by wholesalers and receiving a set commission, the travel agent business sets the margin received for this type of special interest package. Furthermore, as this type of travel is more complex, it is believed that special interest travel is more difficult for competitors to duplicate.

Businesses are now servicing and promoting a wide variety of special interest travel (see Table 5.6).

Table 5.6 Examples of niche and special interest travel

Arts and culture	Self-drive holidays
Cruising	Shopping
Cycling	Spa and wellness
Escorted tours	Sporting events
Family holidays	Stage shows
Food and wine	Train journeys
Groups	Walking and hiking
Luxury product	Wildlife
Political tours	Women only

Group travel is a segment of the market providing good returns for businesses. Jeremy Shanahan talked about organising school groups, conference groups and groups travelling for a specific purpose, and stated that this sector of his business "sustains your turnover to a far higher degree" than in the past. The Travel Brokers have "brokers that work in group travel all the time, and they often escort them as well" *(*Wendy D'Arcy) [niche markets]. In addition, agents in the World Travellers group specialise in arranging and escorting groups to a variety of destinations globally. "And we hugely promote that whole special interest thing, … flyers are sent to each store, there's a quite strong cross promotion, it's on everybody's websites, it goes in all the email

newsletters"(Wendy van Lieshout) [niche markets]. These comments from the participants are recognition of the value of group business to a travel agency. Furthermore, the cooperative structure of the World Travellers group leads to special interest travel developed by one store being promoted across all World Travellers stores. Promotion of special interest travel via individual store websites and through email direct marketing provides an efficient and effective way to increase the level of product distribution.

According to the participants, a majority of brokers are focused on particular niche segments. Wendy D'Arcy gave examples of brokers originally not from New Zealand who focus on selling travel to the ex-pat community of their country of birth and those who concentrate on selling to particular destinations. CTS brokers target the Chinese community, a segment, according to Lisa Li, who are extremely active travellers, with many returning to China to visit friends and family once, if not more, each year [niche markets].

Cruising is another growing niche segment of the market for outbound New Zealand travellers, and is considered a particularly lucrative sector on which to focus. Travel Managers operate a separate division for brokers who wish to promote themselves as cruise specialists. Brokers pay a membership fee which head office uses to advertise cruising to the business's client database. Other brands in the market are also focusing on cruising; for example, "United Travel has outlined plans to further grow its niche and cruise segments – and says the brand's operating model will need to evolve to meet changing market trends"*(Tabs on Travel Today)* [niche markets]. As yet the brand hasn't revealed its evolving operating model to meet the needs of this growing market.

A large percentage of the cruise market are repeat customers and, according to Sue Matson, "once they have cruised they won't stop". This awareness combined with growth in the outbound cruise market have influenced Flight Centre's strategic response in establishing the Cruiseabout brand, a chain of stores in New Zealand and Australia. Cruiseabout has ten locations around New Zealand, often in close proximity to the red-and-white Flight Centre branded offices. According to Sue, the company is looking to open more Cruiseabout stores in the near future: "We've got another two to open [in 2014]. We'll probably open another three next year. They are really important to our growth. Like I say, the Flight Centre model, not model but that red-and-white store, there are limited places we can put it in New Zealand, whereas Cruiseabout…" [niche

markets]. The idea Sue is conveying is that there are more opportunities for growth within the niche cruise market than in the market of their traditional stores. Growth in the outbound cruise market has presented an opportunity for Flight Centre to develop an additional brand that focuses on a particular niche market.

An enhanced focus on niche markets has led to travel agents who sell all destinations but specialise in particular product areas. According to Sue Matson, "To be a good retailer is to narrow down the product we offer, but get better at selling that particular product. We can sell everything, but be really good at specific things" [specialist product knowledge]. An anticipated growth in niche markets has been met by businesses investing in staff development to provide their customers with greater specialist knowledge. Jeremy Shanahan talked about the degree of specialisation now needed when he said, "So you're having to niche or specialise to a higher degree, and the specialisation for us has really gone around the staff quality rather than what we provide" [specialist product knowledge]. The focus for Jeremy's businesses is more about employing staff with specialist product knowledge than promoting to niche markets. Lisa Li talked about incentivising consultants to become destination specialists whereby enquiries for a particular destination are directed to a certain consultant. Lisa felt this developed expertise and allowed the consultant to generate more commission [specialist product knowledge]. According to Wendy van Lieshout, the World Travellers business is "doing so much work around the whole, we represent knowledge in travel, that when people are searching for, especially niche stuff, they're finding us" [specialist product knowledge]. The value of employees with expertise and knowledge of niche markets is recognised by businesses employing new staff with specialist knowledge and developing incentive structures to encourage current staff to become more specialised. The participants' comments demonstrate a focus for businesses on the promotion of specialist product knowledge targeted at an array of niche markets.

In summary, the business model evolution category describes how technology enabled opportunities have led to the emergence of a new breed of travel agent, the travel broker. These innovative entrepreneurs operate their own successful businesses, providing them with independence and flexibility which contributes to a better work/life balance. Furthermore, there is a move to specialisation, into niche markets and by travel agents and brokers having specialist product knowledge, both of which are providing valuable revenue gains for travel agent businesses.

5.5 Strategic relationships

The fourth category, strategic relationships, describes the numerous alliances, partnerships and relationships that retail travel agent business have with other businesses within and outside the travel industry. The benefits provided by these different relationships are focused on maximising revenue and a desire to attain efficiencies that enable the delivery of a high level of customer service. Table 5.7 presents the construction of the strategic relationships category.

Table 5.7 Construction of the strategic relationships category

Initial codes ➡	Focused codes ➡	Category
Maximising commission Benefits and special treatment	Preferred status	
Supplier and competitor Collaboration	Dynamic relationships	Strategic relationships
The online customer Customer feedback Power of the database	Customer focused	

5.5.1 Preferred status

The focused code *preferred status* relates to the underlying nature of travel agent businesses' relationships with certain preferred supplier and wholesaler businesses. *Maximising commission* and receiving additional *benefits and special treatment* are identified as initial codes and are acknowledged as characteristics of a preferred relationship.

Retail travel agencies purchase product on behalf of their customers from numerous suppliers and wholesalers both inside and outside New Zealand. The same travel product can often be sourced from a number of different businesses in the market; for example, a flight to Fiji could be purchased from Air New Zealand or Fiji Airways, while accommodation in Fiji could be purchased directly from a hotel in Fiji via a GDS or nights at the same hotel purchased through a New Zealand-based wholesaler. By channelling business, where possible, through specific suppliers, travel agencies maintain a buying power that comes with negotiated mutually beneficial sales targets [maximising commission]. All of the participants referred to these arrangements as "supply" agreements or "preferred" agreements. Preferred, in this context, means that the business is the preferred company from which to purchase product. Preferred

relationships firstly offer travel agents commission at the point of sale. In addition, extra commission or "override" commission is received based on total sales volume. Furthermore, incentive commission schemes are offered which aim to encourage individual consultants to sell more of the preferred suppliers' product [maximising commission]. For the majority of businesses, sales of preferred companies' products represent a significant portion of their business; for example, in Jeremy Shanahan's business, "Eighty per cent of what we do would be with preferred relationships and 20% would be outside of that." A travel agency business can maximise commissions received by placing as much of their business as possible through preferred suppliers and preferred wholesalers.

The nature of business models operating in the New Zealand market dictate the form of relationships with preferred suppliers and wholesalers. All retail travel agencies have contractual agreements or supply agreements with at least one main wholesale business and for some businesses this is the wholesale division within their parent company (see Figure 4.5). Preferred agreements are mutually beneficial, providing not only financial returns for retail businesses through bulk negotiated purchase of travel products but also benefits in process efficiency and product training [benefits and special treatment]. Likewise, suppliers and wholesalers benefit from a preferred relationship through increased sales from their preferred travel agent network.

Preferred supplier agreements have remained constant for most of the businesses included in the study, although Travel Managers Group stands out as an exception - Derek Sullivan spoke of a reduction of the number of suppliers his business has agreements with from approximately 300 in 2012 to just 25 to 30 agreements in 2014. The reason given for this reduction in numbers was the greater financial return to head office that a lesser number of suppliers provided [maximising commission]. To effectively meet agreed sales targets and maximise revenue, it would seem logical that businesses had as few as possible preferred agreements in place. The complexity and sheer scale of available travel product means businesses need to be strategic about whom they partner with and to be sure that preferred relationships continuously contribute to meeting the needs of customers.

Preferred supplier relationships are strategically important not only for financial reasons but also to enable travel agencies to maximise process efficiency. According to Jeremy Shanahan, "The agent's ability to coordinate and arrange [bookings], those skills come

with the relationships with suppliers" [benefits and special treatment]. This statement reflects a travel agent's frequent reliance on suppliers for detailed product information, often gained through firsthand recent experience of travel products, which allows for the construction of multi-product itineraries. The relationship World Travellers has with their main preferred wholesaler, Infinity Holidays, was described by Wendy van Lieshout as "a very open relationship in regards to understanding what we're working towards jointly, to get the best return" [maximising commission]. Wendy is inferring that not all preferred relationships are open or working towards joint revenue goals. This can be partially explained be the changing nature of relationships within the distribution chain whereby suppliers act as both preferred partners and competitors. There is obvious value to a travel agent business in relationships that are focused on openly working together towards mutually beneficial goals. For Jeremy Shanahan this is around greater efficiencies within the transactional process: "That's the challenge in terms of [long-term] survival [for] a business like ours, who you align yourself [with] as to who provides you with … efficiencies" [benefits and special treatment]. Recognition of the importance of strategic relationships in the New Zealand market is again demonstrated by Christopher Luxon, the Chief Executive of Air New Zealand, when he was quoted in the industry media as saying, "Forming the right alliances with the right partners allows us to deliver on our strategy of profitable growth as a Pacific Rim airline" *(Tabs on Travel Today).*

Preferred relationships also provide benefits to a travel agent business in other areas. The participants spoke about receiving support in terms of financial contributions to marketing initiatives, financial contributions towards and attendance at retail travel businesses annual conferences, and the allocation of a dedicated sales support team [benefits and special treatment]. Personal visits to agencies by supplier representatives and the increasing number of webinars provided by suppliers to update consultant product knowledge were also mentioned as benefits of preferred relationships [benefits and special treatment].

Jeremy Shanahan gave an example where a supplier is able to bend the rules, sometimes to fix consultant errors but also by doing "just favours"*,* an acknowledged benefit of some preferred relationships [benefits and special treatment]. The example he gave was if a consultant was wanting to secure a lower airfare than was available, the preferred airline might give authority to the consultant to issue the airfare at the lower price. A situation such as this provides the customer with a price they may not have received

otherwise had the travel agency business not had the same preferred relationship with that airline. It would seem that preferred suppliers and wholesalers are willing to break the rules for their preferred partners.

Travel agent businesses are maximising commission levels received from suppliers and wholesalers through sales agreements that afford certain suppliers and wholesalers preferred status. This type of relationship, although mutually beneficial, provides travel agent businesses with a range of benefits and special treatment in many areas of their business, which enhances their ability to provide a higher level of service to their customers.

5.5.2 Dynamic relationships

This next focused code, *dynamic relationships*, is described through the following analysis of the initial codes I have termed *supplier and competitor* and *collaboration.*

Air New Zealand's dominance of the outbound airline market is understandable in a market that is supported by just one New Zealand-based international airline. All travel agency businesses have preferred supply agreements with Air New Zealand, and for some, Air New Zealand transactions contribute substantially to their businesses; for example, Jeremy Shanahan stated that "Forty per cent of our total transactions … would be with Air New Zealand." The nature of Air New Zealand's relationship with New Zealand travel agents has traditionally been tense and influenced somewhat by the power imbalance created by the airline's control of a commanding share of the country's inbound and outbound air travel market. The relationship travel agent businesses have with Air New Zealand is described as a "love-hate relationship" by Sue Matson, a term that is consistent with other participants' description of their relationship with the airline over the last ten years. Participants described their relationship with Air New Zealand in a somewhat negative manner; for example, Sue described the relationship as "a very strange relationship" and "it got very frosty there for a while". The move to reduce and even eliminate commissions paid to travel agencies by airlines, which started in the mid-1990s and continues today, has contributed to a slightly volatile relationship between New Zealand travel agents and their biggest supplier.

In 2002, Air New Zealand introduced online fares, a move travel agent businesses considered to be in direct competition with their own. At the same time, the "gradual creep" (Derek Sullivan) of airlines away from paying any form of commission became a

reality for New Zealand travel agents. By 2013 there was an acceptance from travel agency businesses of the loss of revenue through cuts to commission and a recognition of Air New Zealand as both a supplier and competitor. "Air New Zealand [is] our most important supplier, without question; [however] they are also one of our biggest competitors and that makes a very strange relationship" (Sue Matson) [supplier and competitor]. On one hand, the relationship with Air New Zealand is important as a significant portion of an agency's sales are Air New Zealand flights and hence a significant portion of the agency's revenue is from this source; on the other hand, though, the agency is in direct competition with this supplier for the same business. Brent Thomas talked about House of Travel being in competition with Air New Zealand for the online market [supplier and competitor] while Jeremy Shanahan highlighted Air New Zealand directly approaching companies to secure their travel business, a process traditionally left to the travel agent [supplier and competitor]. The broker organisations also had concerns that Air New Zealand was attempting to shoulder tap their brokers to encourage them to work for Air New Zealand within the airline's own broker model [supplier and competitor].

Participant opinions, although seemingly positive about the future relationship with Air New Zealand, still have an air of tension to them. According to Jeremy Shanahan,

> "[Air New Zealand] work in the background to try and encompass as much business direct as they possibly can. Yet at the same time a huge arm of their business is about dealing through agents and supporting agents to get that business." [supplier and competitor]

Sue Matson agrees and commented,

> "Air New Zealand have acknowledged that they need the retail travel business to help them sell their product; that is without question, [but] it is to what degree? They say, 'Yes we need you, but we'll try and take it off you as well.' It is fascinating." [supplier and competitor]

The early move by Air New Zealand into the online space, enabled by Internet technology, impacted on the airline's relationship with New Zealand travel agent businesses in the market. The dominance of Air New Zealand in such a small market has meant this impact has been felt by all travel agent businesses and continues to evolve and change as businesses react to the changing environment.

Participants were, however, of the view that the travel agencies' relationship with Air New Zealand had started to change. This change, they agreed, coincided with a change in management at Air New Zealand in late 2012. In early 2013, the newly appointed

chief executive announced plans for discussions with the airline's trade partners, including travel agents, to talk about the airline's "range of sales channels and his plans to maximise growth across all of those channels" (*Tabs on Travel Today*) [collaboration]. Taking a more personal stance, the new CEO seems motivated to engage with the agent distribution channel, stating that he would be "spending time with many of [Air New Zealand's] sales people to get their ideas on how we can deliver more revenue in our home market sales channel" *(Tabs on Travel Today)* [collaboration]. This change of stance sees the airline acknowledging the value received from the retail agent distribution channel as part of a multichannel proposition and represents a change from its past focus on online distribution.

In contrast to the relationship with Air New Zealand, a number of the "off-line" carriers in the market, those airlines based outside New Zealand, have a more positive relationship with the travel agency network (Jeremy Shanahan). Strategic pricing of their product is used to attract customers and penetrate the market and hence compete against the strength of Air New Zealand and its market dominance. It was thought that these off-line carriers need the distribution model offered by travel agents to a greater extent because they don't have the profile within New Zealand or a domestic network to generate passenger numbers [collaboration]. It was felt that for these second-tier airlines in the New Zealand market, the cost of distribution via the GDSs through the travel agency network is more efficient than distributing their product by way of online websites.

An analysis of these two initial codes – supplier and competitor, and collaboration – provide an explanation of the underlying meaning of the focused code I have termed dynamic relationships.

5.5.3   Customer focused

This last focused code reflects the increasingly *customer-focused* activities carried out by the large majority of New Zealand travel agent businesses. The analysis presented next explains the characteristics of the initial codes – *the online customer, customer feedback* and *power of the database* – that contribute to this higher-level focused code.

There is unanimous acknowledgement that the majority of customers now have more travel knowledge than ever before. In the past, travellers would visit a travel agency to obtain information to enable them to start the research process, to gain advice and begin

making decisions concerning their travel arrangements. In some ways, travel agents were like the gatekeepers of information. Indeed, I have experience of travel offices not displaying any information that a customer could readily pick up themselves; instead, brochures were stored in back rooms, needing a consultant to hand them over to a potential customer. This was considered a selling technique because it meant that the customer needed to first have a conversation with a consultant, presenting the consultant with an opportunity to sell.

The study participants overwhelmingly stated that the biggest change in customer behaviour has been the amount of information a customer gathers prior to first meeting the agent. Derek Sullivan felt that "the biggest change that's happened is that the customers have access to more information than they had ten years ago". Sue Matson stated that a study by Flight Centre had found that "most of our customers will spend an average of seven hours researching their holiday online before they come in and see us". These statements reflect tourist behaviour research internationally that has highlighted the increased level of access to information now enjoyed by travellers in both the preparation and bookings stages of the travel process.

All of the participants recognise that their customers not only book travel online but that many of them also want the service and expertise a travel agency can provide. "[If] it's easier for them to go online and get their tickets and it's cheaper, well good on them, they should do that. But if they need our support and help, come to us" *(Jeremy Shanahan)* [the online customer]. Brent Thomas termed the collaboration between the client and the customer as "co-creation", and added that "there's a recognition of how the customer uses the Internet; sometimes for booking and just about all the time to source information" [the online customer]. Jeremy Shanahan suggested that this change in awareness has altered travel agents' behaviour: "I think understanding what online can provide, or what information sources people have, has changed our behaviour" [the online customer]. These comments suggest an acceptance by travel agents of the role of the Internet in the travel booking process. By utilising this understanding of their customers' online booking behaviour, together with in-depth experience of both travel product and destinations, agents are refocusing their businesses. The idea being conveyed is that the agent can work with the customer and together they can create travel experiences through the efficient use of Internet technology.

An enhanced awareness of the potential for a customer to book online brings with it the necessity for travel agents to make sure that what they are quoting is not available online at a lower cost. The suggestion is made that the Internet has made travel agents more competitive as customers have the option to "test your price, or at least compare your price really quickly and easily" (Jeremy Shanahan) [the online customer]. It would seem that not only are agents acutely aware of their potential customers' increased access to online information and bookings but that this also means the agents must sharpen their pricing to remain competitive. There is further recognition of the joint role that both online offerings and travel consultants play within the travel planning process.

Repeat customers are acknowledged as being a large part of each business's customer base. The service provided to these customers was referred to by Wendy van Lieshout as a form of "one-on-one marketing" and "very high touch". For example, welcome home phone calls are standard practice by which to encourage customer feedback. In one rural agency the owner operator was known to drive high-spending customers to and from the airport, quoted as being "no better way to get feedback on the trip or be of service" (Wendy van Lieshout) [customer feedback]. Informal feedback concerning customer experience is also gained by telephoning clients on their return, a standard practice in agencies. Information about a client's trip is "the best education for consultants to understand ... how trips went" (Jeremy Shanahan) [customer feedback]. Quoted as ways of "looking after repeat clients" (Wendy van Lieshout) these customer-focused activities encourage loyalty and are in addition to planning and booking a customer's travel arrangements.

The importance of gaining formal customer feedback is also recognised by travel agency businesses, although none of the participants' businesses has consistent or formal processes in place to do so. Brent Thomas spoke about his business carrying out irregular customer surveys, but admitted that "We don't do it well" [customer feedback]. This was reiterated by Sue Matson, who said, "One of our previous marketing GMs did some great work with us on customer feedback, but we haven't done anything for possibly three years – actual formal surveying" [customer feedback].

The intangible and inseparable nature of tourism product and the intermediary role of the travel agent means measurement of customer satisfaction is complex and a key challenge for travel retailers. "We cannot control what people have as an experience on an airline or in a hotel. We can control whether we recommend that [product] or

whether we get them there in the right time ... the [actual] experience of travel is not in our control, so it's our service" (Jeremy Shanahan) [customer feedback]. Difficulties in measuring their own service as a part of the overall travel experience could be a reason why travel agent businesses are not soliciting regular customer feedback. Another factor is probably the level of success and increasing sales that agents have experienced over the last five years. Often it is when business is not thriving that the need to measure customer service is recognised as being more important.

Maintaining and managing an accurate customer database has become an important factor in the maintenance of strong customer relationships. The size of a company's database is considered important in today's marketplace, a reflection of the size of their client base. Flight Centre reported in their 2013 annual report that their "database … grew by 18% and enhanced communication to more than 160,000 new and existing subscribers" (Flight Centre Limited, 2013, p. 9) [power of the database]. A greater number of customers in a client database enables a wider distribution for email direct-marketing activities.

The structure of a business dictates how a client database is utilised and some businesses put far greater focus than others on growing their database for marketing purposes. According to Jeremy Shanahan, United Travel's electronic direct marketing is carried out in two tiers: "We do it through our database through United Travel head office and they will communicate … current market initiative specials. And we also do a local one from our own agency … but that's not very periodic" [power of the database]. The franchise model of United Travel operates with head office controlling most of the direct marketing to United Travel clients. Jeremy Shanahan also highlighted the database marketing activities of online competitors when talking about the weaknesses of his own business's database marketing:

> "Air New Zealand [and] Expedia … are miles ahead of us because people are coming … online, they capture that information and they're database marketing, massively communicating outside of that. Whereas … we can do that but it's … very poorly done." [power of the database]

In comparison, brokers at The Travel Brokers maintain their own databases and carry out any email direct-marketing activity themselves. As Wendy D'Arcy said, "We don't hold their [the brokers'] email database ... they market to their database, they know what their clients are looking for and what their clients do or do not want to receive on a regular basis" [power of the database]. Database marketing for this multiple-broker

business is the domain of individual brokers who are responsible for their own marketing activities. The basis of a good broker business comes down to their database and what they actually do with it, according to Wendy D'Arcy: "It is building a database and servicing that well, getting recommendations. That is the strongest way to grow your business, your referrals" [power of the database]. This comment recognises the perceived importance of a large, efficiently managed customer base and the opportunities this presents to create a successful brokerage.

Wendy van Lieshout related the continued growth of World Travellers to the management of their client database: "The database is hugely important in our world and its growing hugely because we put such a massive focus on it" [power of the database]. Wendy spoke about the marketing of specialist product which was made easier and was more targeted by the efficient use of their database. "So the growth is very much around that database, special interest type of thing" [power of the database]. The focus on growing their database extends to collecting names at community events (for example, school fairs and sporting events) and is considered important for community engagement. There is recognition of the importance of business generated from an agency's local area and the benefits of an agency forming strong links with its local community by keeping in touch via its customer database.

The use of electronic database marketing by travel agent businesses to target niche segments is considered to be both efficient and effective. Database marketing initiatives extend to joint marketing efforts with other businesses in a travel agency's local community. These relationships were thought by Wendy van Lieshout to be increasing and becoming more diverse. She gave examples of travel agencies partnering with "their local foodie shops [to] have a foodie travel evening". The partnership includes "sharing of databases and bringing each other's customers [together] talking about food and travel" [power of the database]. Another example Wendy gave was that of a travel agency working closely with a cycling store in their community, "cycling enthusiasts pushing cycling travel in a cycling shop". Efficiencies provided by technology in using targeted database information for cross-marketing purposes have provided opportunities for travel businesses to work closely with businesses outside the travel industry. The fostering of these relationships, through both promotional and public relation activities, creates closer links for businesses within their local communities.

Analysis of the three initial codes – the online customer, customer feedback, and power of the database – allowed for the identification of characteristics that describe the focused code I have labelled "customer focused".

In summary, the strategic relationships category describes the multiple relationships that travel agent businesses have with numerous different businesses in the travel industry. The strength and depth of preferred relationships provide benefits to both parties and is often influenced by the market share of one or both businesses in the relationship and their place in the distribution chain. Dynamic relationships exist with airline suppliers, in particular with Air New Zealand, the New Zealand travel industry's biggest player. A shifting and often challenging environment sees travel agent businesses adapting to the fact that their biggest supplier is also a major competitor. Businesses are extremely customer focused although there is an absence of formal processes to measure how customers feel about their service. Retail travel businesses are utilising digital marketing techniques focused on their client databases at the same time as working with other businesses outside the travel industry to generate sales opportunities in their local communities.

5.6   Chapter summary

This chapter has presented the analysis of data collected from seven interviews, a comparison of the participants' businesses' websites, and from multiple sources of secondary data relative to the New Zealand retail travel agency sector. The analysis has followed an inductive thinking process to identify four categories relating to the two research questions. Variations exist between different businesses in the New Zealand retail travel agency sector and this is demonstrated in the prevalence of categories relative to some businesses and not others. The four categories are, however, representative of theoretical sufficiency for this particular thesis and provide a framework for the analysis and discussion of the two emergent themes. The following chapter presents a discussion of these two emergent themes: *technological capacity* and *adaptation*.

Chapter 6 Discussion

6.1 Chapter outline

This research set out to investigate how ICT had influenced changes in the structure of the New Zealand outbound retail travel industry over the ten years from 2004 to 2013 and to discover the adaptive strategies businesses have implemented in a dynamically changing market. A previous study examining the structure of the New Zealand travel industry identified key players in the outbound distribution network in 2007 and gave the consolidation and integration of businesses as the reasons for structural change in the market (Reid & Pearce, 2008). Since that study, the impacts of Internet technology have further influenced changes in customer behaviour and competition in the market, and have meant retail travel organisations are now utilising ICT within all areas of their business. Furthermore, the mobility and accessibility of ICT has created opportunities for new entrants to the market and seen travel businesses establishing partnerships to take advantage of a digital marketplace.

The structure of the New Zealand outbound retail travel industry in 2013 (see Figure 4.5) is quite different to that identified by Reid and Pearce (2008) earlier (see Figure 2.2). A number of retail business brands have disappeared while new entities have entered the market. Multiple-broker businesses are now a significant force in the market. These changes have led to a diversity of business models all servicing a similar customer market; however, ownership and access to financial resources play a major role in a business's response to market changes.

In this study a thematic analysis is used to identify themes that represent patterns and relationships evident in the data collected. These themes emerge from the logical grouping of ideas into categories of understanding and are representative of the collective thoughts of the participants together with my own interpretation of issues relevant to the research problems at hand. It is in this context that I present a discussion of the key findings of this study that have shaped the emergent core themes. A diagrammatical depiction of the relationship between the emergent themes and categories within the collected data is shown in Figure 6.1.

Figure 6.1 Emergent themes and related categories
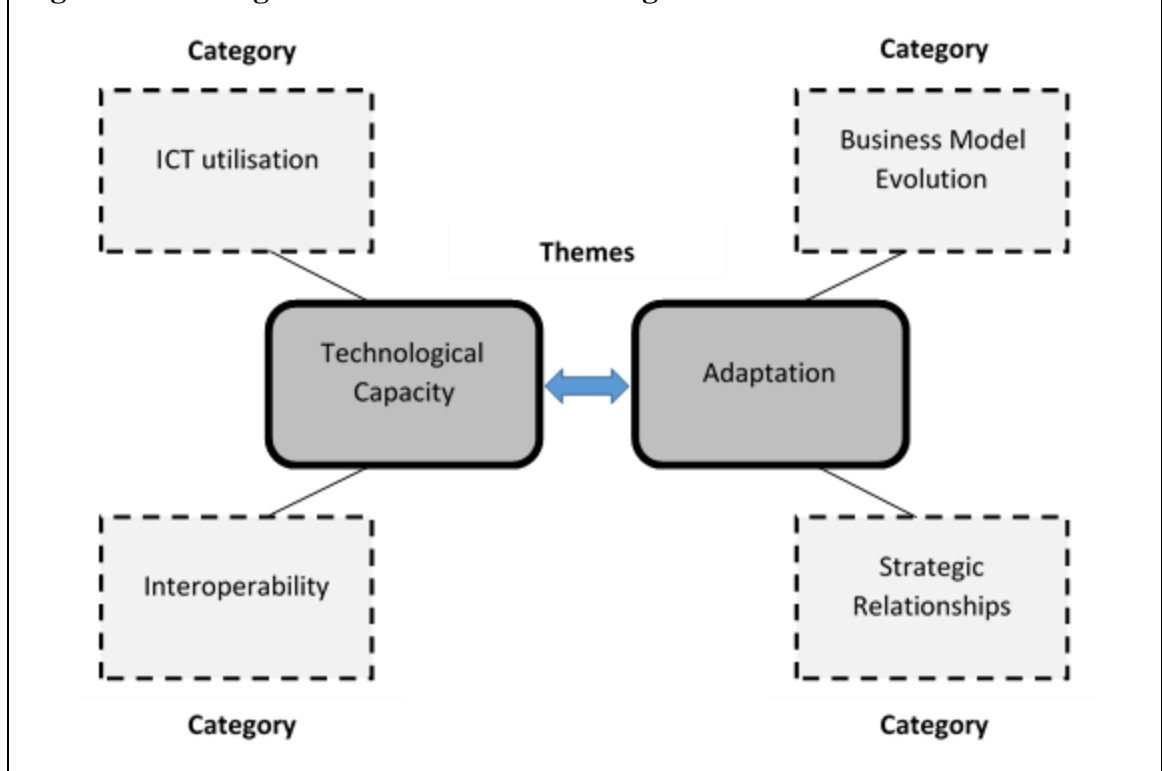
In the next section I discuss the first emergent theme of this study: technological capacity. The technological capacity of retail travel businesses relates to the ICT utilised within a business and the role of technology in day-to-day activities and is impacted by the need for ICT systems that are interoperable. In section 6.3 I present the second theme: adaptation. This theme represents the nature of strategic relationships across the sector which are often defined by a company's business model. The relationship between these two themes is discussed both from a business and industry perspective in section 6.4. The last section presents the concluding remarks of this chapter.

6.2 Technological capacity

The first two emergent categories, ICT utilisation and interoperability, describe the technological capacity of a retail travel business and are focused on the use of ICT and its role in businesses over the last ten years. Internet technology has provided opportunities for suppliers to establish direct links to customers in addition to providing a platform for the establishment of a myriad of online travel agents to enter the market (Bailey & Bakos, 1997; Buhalis, Jun, & Cooper, 2011; Granados et al., 2011). This situation has increased competition and created a distribution structure that could essentially bypass the traditional travel agent. The cycle of disintermediation has been triggered, in particular, by developments in technology that have created more options

for consumers to buy travel products online. Faced with being disintermediated from the travel distribution chain, retail travel agents around the world have needed to reinvent themselves to be able to compete in this changing market and New Zealand travel agency businesses are no different.

In 2004, a statement by TAANZ indicated the industry's ongoing need for awareness of the importance of technology to their businesses, since "only the customer and technology will determine our future at the centre of distribution on a global scale" (TAANZ, 2004, p. 16). The efficient utilisation of ICT within a business has meant agents are able to service their customers by providing accurate travel solutions that meet the needs of travellers who are increasingly requesting more complex travel arrangements. In 2012 the complexity of the industry and the position of technology at the core of travel agency businesses was again highlighted by this statement in an industry publication: "Each and every TAANZ member should regularly appraise itself of the multiplicity of buying channels at its disposal, the effectiveness of the media it uses to reach the customer and the technology it uses to fulfil the reservation" (TAANZ, 2012, p. 14).

New Zealand travel agency businesses use a multitude of supplier and wholesaler systems to complete the necessary transactions for customer bookings. These systems deliver efficiencies in day-to-day operations and provide access to an ever-increasing range of travel products. The dominant position of GDS technology in the facilitation of airline bookings is influenced by the need for agents to efficiently access a wide variety of available airline product. Alternatives to GDS use, namely airline direct websites, are time consuming when searching and do not provide agents with commission on sales. The GDS systems therefore provide relatively non-biased access for travel agencies to global airline product via just one system.

The majority of businesses have contractual agreements with just one GDS, the exception being the World Travellers group whose stores utilise a number of different GDS systems. The cooperative structure of the group does not dictate the use of one GDS over another and therefore owner operators are free to choose their GDS supplier. This creates a scenario whereby technology systems used in other areas of the business need to integrate with a number of GDS systems used within the group. For example, the choice of back-office and mid-office technologies, which provide functionality in documentation and accounting areas, need to integrate with multiple GDS systems.

Software that allows for the integration of information relating to reservations, client documentation and the relevant accounting data is recognised as having greater value in today's market. This has seen an increased use of mid- and back-office technologies provided by other travel technology companies.

During the period 2004 to 2013 just one business had developed online booking capabilities to facilitate the sale of travel products online. There was a seven-year gap between when this first business offered online booking and the more recent arrivals in late 2013. Although all retail travel businesses operate websites profiling both company and product information, only one of the businesses in the study offers a booking system capable of processing worldwide flight reservations. The new entrants to online booking still only offer options to book domestic or trans-Tasman bookings.

The development of online booking technology is not currently a strategic priority for travel agency businesses in New Zealand primarily due to the characteristics of this country's market. The high proportion of complex and long-haul travel bookings, characteristics of the New Zealand market, have contributed to the decision by some businesses not to invest in online booking systems. This contradicts the findings of Law, Leung, and Wong (2004) that travellers in Hong Kong purchasing long-haul products were more likely to purchase from online sources than short-haul travellers.

An explanation for the lack of e-commerce adoption by businesses is the price-driven nature of the online travel market which consists predominantly of point-to-point short-haul transactions. A good portion of visitor trips departing New Zealand, however, consist of multiple flights and travel to long-haul destinations. The adoption of e-commerce capabilities is, therefore, targeted towards those travelling on simple itineraries and focused on getting the lowest price. Businesses with the capacity to invest in online booking solutions have a competitive advantage in capturing sales from this segment of the market.

The youngest business in the market, World Travellers, does not presently offer online booking facilities although the business is trialling online booking technology. Instead the company relies on freely available technologies to drive multiple areas of their organisation with a focus on personal selling rather than sales from website bookings. According to Wendy van Lieshout, "To be honest, I don't think World Travellers could have been successful if it had been founded three years prior to when it was. The

technology wasn't available at the level it is now." Successful entry to the market by this business could be also, in part, attributed to their cooperative model of business which operates head office activities at minimal expense to their members.

The information-rich nature of the travel and tourism industry and the importance of providing customers with the information that meets their needs has not changed with advances in technology. However, the skill required to access this information has changed. A consultant must now have superior Internet search skills which include both filtering of and sifting through large amounts of information. The greater the consultant expertise, the more efficient and timely the comparison of offerings that can be completed within the search process. An experienced consultant is able to recommend product that consistently meets customer needs while providing the customer considerable time savings compared with booking online.

The advantages for travel businesses of a standardised technological environment, as argued by Baggio (2014), include the ability to add value within the supply chain. This study finds that the majority of travel businesses face issues concerning process efficiencies that are related to the interoperability of ICT systems. Businesses make reservations via supplier and wholesaler technology systems and then aggregate these reservations together with detailed product information sourced from a multitude of mostly non-integrated online and in-house technology systems. This requires the same customer information to be entered into a number of different systems, which is time consuming and contributes to a loss in productivity. Businesses that have adopted technology to address issues of multiple entries of customer information have realised increased profitability; for example, House of Travel. To resolve the issue of interoperability of IT systems, which impacts on process efficiency and productivity, a level of resource is required that is unavailable to most businesses in the market.

The idea that ICTs used by travel businesses can operate in a seamless interface is reliant on the cooperation of stakeholders in the distribution system to be able to exchange, share and reuse information (Baggio, 2014). Buhalis and O'Connor (2005) suggested that electronic sharing and linking of processes and data between organisations leads to strategically beneficial relationships based on collaboration. The competitive nature of the New Zealand travel industry has been enhanced by the integration of businesses at the different levels of the distribution chain. Strong competition between companies represented at all levels, including the intermediary

level, has led to the development of a variety of technological systems. The development of technology to allow aggregation of booking information from competitor organisations does not provide obvious advantage to wholesalers and suppliers and therefore motivation for these organisations to build integrative technological solutions is not high (Nayar & Beldona, 2010). Furthermore, it would seem that no one player has enough power to impose an accepted standardised system that provides for the needs, in particular, of the intermediary sector, or the desire and available resources to develop such a standard.

Collaboration is needed to provide a more coordinated experience throughout the travel booking process and not just one focused on the marketing of travel product (Reino, Alzua-Sorzabal, & Baggio, 2013). It is apparent that there is a need for stakeholders in the industry to share data and "collaborate in the delivery of travel services across the entire travel value chain" (Peterson, 2013, p. 8). Evidence from this study supports the need for the urgent development of a "technological cooperation strategy" (Baggio, 2014, p. 53) which would provide increased productivity and enable more streamlined information and communication processes between travel businesses.

6.3 Adaptation

The third and fourth categories, business model evolution and strategic relationships, are intrinsically linked and shape the second emergent theme: adaptation. The changing nature of strategic relationships with suppliers and wholesalers operating in the market dictate the form of New Zealand travel distribution.

Developments in ICT have presented businesses with both challenges and opportunities. "For companies … that were older, or have been around prior to the Internet coming in as a form of distribution, they've been struggling with the new and old [business] models" (Jeremy Shanahan). It appears that the arrival of Internet technology was a turning point which required companies to adapt to a new way of doing business. The availability and subsequent adoption of new and developing technology has influenced a variety of business models now identified in the New Zealand outbound retail travel industry. These findings match those observed in earlier studies where the adoption of a certain business model can be linked to the time of establishment in the market, the ownership structure of the business, and the adoption of more advanced technologies (Deeds, Mang, & Frandsen, 2004; Gomezelj Omerzel & Antončič, 2008; Hjalager, 2010).

This study has identified that the smaller franchised retail travel businesses, operating in the market the longest, have been less likely to invest in new technologies even though there is recognition of the benefits these technologies can provide in process efficiencies. The franchise model, which is made up of small owner operator businesses, was established in New Zealand prior to the availability of the Internet. Retail travel agencies operating within this business model appear to be competitively disadvantaged by the lack of available financial resource for investment in technology. Although franchise agreements provide benefits in brand recognition and increased buying power, strategic decision making is at the individual store level and remains the domain of the owner operator of the business. As franchised organisations consist of numerous small businesses, this can mean that group decision making and related investment decisions are often fragmented.

In comparison, businesses that are fully owned or the 50/50 owned business models in the market provide a forum for managerial decisions to be made for the group as a whole. The franchise head office, however, does not resource technological development on behalf of franchisees and therefore the expectation is that the owner or managers of each franchise facilitate this for their business. This is a dangerous situation as a limited ability to adapt to the changing technological needs of the industry could seriously impact on a business's continued success and could ultimately lead to business failure (Deeds et al., 2004). Furthermore, Spencer, Buhalis, and Moital (2012) suggested that owner operators in older, small travel businesses were less likely to adopt new technologies as they did not recognise the need for change. The United Travel franchise is the oldest group in the market and this, combined with limited financial resources for investment in technology and fragmented decision making, could put it at risk of losing market share in the future.

A major change in the market in the ten years of this study's focus has seen the emergence of the travel broker sector and its growth to become a significant player in the New Zealand industry. A key factor in the emergence of the travel broker sector is the availability and mobility of Internet technology including the provision of GDS technology outside the confines of the traditional travel office. Innovations in processes and associated ICT solutions have contributed to the growth of this new "breed" of agents (Bowden, 2007).

When considering the characteristics of travel brokers in relation to home-based entrepreneurship, Bowden (2007) concluded that the rise of HBTAs in the United States was in response to social and economic changes in work patterns. Similarly, the results of this study identified the leading motivation in becoming a broker is the opportunity to work for oneself without either the costs of operating an office location or the demands of working for someone else. Additionally, the sharp decrease in travel consultant numbers in traditional travel agencies, coinciding with the global finance crisis of 2008, provided added impetus for entrepreneurial travel consultants to go out on their own.

The multiple-broker business model in New Zealand is similar to that described by Shillinglaw (2014) as the "pure host" agency, a business existing to support multiple independent brokers. The head office, in multiple-broker organisations, plays the role of the host agency in negotiating supplier contracts and providing appropriate accreditation. The broker business models provide experienced agents with the opportunity to work within a structure that encourages both independence and entrepreneurship.

A strategic response to the direct competition of Internet travel sales by both suppliers and online intermediaries has given rise to a retail travel agency sector actively engaged in promoting and selling special interest or niche travel. Travel businesses, individual travel consultants and travel brokers are specialising in niche markets and special interest travel and are heavily focused on marketing their specialist expertise. The marketing of specific products (e.g. cruises), specific destinations (e.g. South America), specific types of travel (e.g. weddings) and travel to particular events (e.g. sporting events) is widespread. In addition, marketing of the associated specialist knowledge and skills required for planning special interest travel is now commonplace. A variety of IT platforms is used to communicate information to niche markets and, in World Travellers case, to their member agencies. The ability to market and deliver targeted information through simplified processes and by cost-effective means to niche markets offers opportunities for increased revenue. These findings confirm those found in other markets where specialisation was considered a potentially successful strategy for the reintermediation of a travel agent business (Dolnicar & Laesser, 2007; Viljoen, 2014). These findings do, however, contradict those of Reid and Pearce (2008) who found very few specialised intermediaries in the New Zealand outbound market, although their findings only concerned business specialisation rather than individual consultant or broker specialisation.

The efficiency and speed of communicating with the consumer provided by ICT has also enabled travel businesses to connect directly with and market specifically to the special interest customer. The specialised knowledge of trained and experienced consultants is thus a strategic advantage in securing sales and customer loyalty. Specialisation within businesses and by broker agents is common place and is a strategic reaction to market forces and the threat of disintermediation.

The travel and tourism industry exhibits an abundance of strategic relationships both "within the industry [and] with other sectors in the economy" (Pansiri, 2008, p. 102). The formal or contractual relationship a retail travel business has with another business is often termed an alliance or a partnership, and as such provides benefits to involved parties that include both financial and strategic advantages. Evidence from this study indicates that retail travel businesses in New Zealand have positioned themselves by forming strategic relationships, more commonly described as preferred relationships. The consolidation and vertical integration of wholesale and retail businesses into distinct groupings has dictated the majority of preferred wholesale-agent relationships. The benefits of strategic relationships are realised in numerous ways, not least of which is increased profitability. Therefore, the decision about which companies a business aligns with is an important element for business survival.

Preferred agreements are mutually beneficial, providing not only financial returns for retail businesses through bulk negotiated purchase of travel products but also benefits in process efficiency and product training. Preferred suppliers and wholesalers benefit also from increased sales as a large proportion of sales to travel agencies are attributed to preferred relationships (Bigné et al., 2008). In the New Zealand market, the move by wholesalers, in particular, to afford travel agencies access to their online reservation systems has provided time savings and increased accuracy in the transactional process. Adoption of IT systems by suppliers and wholesalers is widespread and the decision by retail travel agencies to enter into a preferred relationship is often influenced by the nature of the supplier's or wholesaler's IT system. Furthermore, the availability and accessibility of the related management information contributes positively to strategic decision making.

The nature of strategic alliances between retail travel businesses and technology companies vary within the industry. This variation is related partly to the size and ownership structure of organisations and partly to the level of investment available for

technological development. All travel agency businesses have supply agreements with GDS companies which provide, first and foremost, a front-office reservation system. The larger organisations in the market, however, have alliances that go beyond just that of GDS provision. House of Travel's relationship with the GDS Amadeus includes the piloting of new technology through their agency businesses. The nature of this alliance provides House of Travel with access to new technology while providing the GDS company with an appropriate-sized sample on which to test new IT systems (Koza & Lewin, 1998). This is thought to provide technological advantage in the marketplace as the ability to remain competitive in the dynamically changing business environment is determined to a large degree by access to technological resources.

Strategic relationships extend to those relationships businesses have with their customers and the adage "The customer is everything" is an overriding motivation for retail travel businesses in New Zealand. IT has enabled closer relationships with a wide circle of potential customers through regular email communication and direct-marketing activities. In addition, ICT facilitates the gathering of detailed customer behaviour data, enabling more targeted segmentation marketing.

Retail travel businesses have adapted to an environment where ICT systems are utilised in all areas of business practice. Although GDS technology still plays a major part in transactional aspects of a business, use of the Internet now plays a significant role in travel consulting. The need to access online product information has necessitated travel agents to have advanced search skills to enable the agency to both maintain competitiveness and meet changing customer needs. The evolution of business models in the New Zealand outbound retail travel industry can in part by attributed to the nature of existing strategic relationships. These findings support Pansiri's (2009) idea that relationships are, for the most part, defined by the ownership structure and characteristics of businesses, which therefore dictate from which wholesale business a travel agent purchases travel product.

6.4   Relationships between themes

The emergent themes in this study, technological capacity and adaptation, are mutually linked and cannot be fully evaluated independent of each other. The technological capacity of a retail travel business can be explained by the central role ICT plays in business activities and the associated high level of ICT use within organisations. Businesses have adopted Internet technology, in particular, for use in the areas of

transactional processing and marketing. Travel agents are providing additional value to their customers by utilising their skills in Internet search, and specialist product knowledge (Dolnicar & Laesser, 2007; Harris & Duckworth, 2005). Businesses have adapted by focusing on the promotion of product and consultant specialisation, and this has been augmented by the efficiencies of electronic direct marketing. The facility to personalise electronic communication provides opportunities to target specific customer markets and to market specific travel product (Kracht & Wang, 2010). The use of email direct marketing to customer databases has stimulated niche segments of the travel market and they are considered an important revenue stream for all businesses.

The New Zealand outbound retail travel industry predominantly consists of SMEs, and the formation of strategic relationships for these businesses provides greater access to resources; in particular, technological expertise and investment in developing technologies (Pansiri, 2009). The increasing adoption of B2B IT systems in the process of customer bookings is strengthening the supplier-agent relationship, which, in turn, sees businesses adapting their structure and business models. Preference in aligning with suppliers that can provide compatible reservation systems creates strength in these relationships in both communication and procurement areas (Bigné et al., 2008).

The level of adoption, investment and development of ICT within businesses in New Zealand differs and seems linked to the financial assets of an organisation and, in many cases, to the time of its establishment in the market. The organisations with more centralised ownership structures and greater financial capacity have invested in new technologies aiming to improve productivity. These businesses were established in the late 1980s at the beginning of Internet technology infiltration into the New Zealand travel industry and their strategic responses are intrinsically linked to the opportunities presented by the Internet.

Furthermore, the technological capacity of travel businesses has led to the emergence of new intermediaries who have adapted their systems and workplace to operate as travel brokers supported by a variety of innovative business models.

6.5 Chapter summary

In this chapter I have considered the relationships between the four categories that make up the two emergent themes. This discussion provides an answer to the study's two research questions which seek to understand how ICT has influenced changes in the structure of the New Zealand outbound retail travel industry. This study confirmed the findings of earlier research by identifying the strategic responses of businesses to the threat of disintermediation. The findings represent an aggregated outcome of the individual responses and reinforce the themes discovered at an individual level through the interviews. ICT has played a major role in the strategic evolution of the New Zealand outbound retail travel industry, in particular with the greater focus on specialist markets, the extensive promotion of specialist skills, and the development of strategic relationships.

Chapter 7   Conclusions

This study set out to investigate how ICT has influenced changes in the structure of the New Zealand outbound retail travel industry and the strategic responses of retail travel agency businesses to a dynamically changing market. A case study design was employed to gain an in-depth understanding of the research problem. Data was collected using in-depth semi-structured interviews conducted in the later part of 2013 and early 2014 in Auckland, New Zealand, with leading industry experts from a cross-section of New Zealand retail travel businesses. In addition, an investigation of industry publications, company documents and a comparison of the participants' businesses' websites was undertaken to discover information relevant to the research problem. A thematic analysis of findings was completed and included a detailed coding process to identify relevant themes that emerged from the data.

7.1   Research findings

This study provides insights into the ways ICT has influenced the change in structure of the New Zealand outbound retail travel industry between 2004 and 2013 and an explanation of the strategic direction undertaken by businesses within this sector. I present the main findings of this study in answering the following research questions which were introduced in Chapter One:

1. *How has technology influenced changes in the New Zealand outbound retail travel industry structure between 2004 and 2013?*
2. *What adaptive strategies have outbound retail travel agencies implemented in a dynamically changing market?*

Two themes, technological capacity and adaptation, emerged from the collection and subsequent analysis of data. These themes are intrinsically linked as retail travel businesses have continued to adapt in an increasingly technology-focused industry. The technological capacity of retail travel businesses has driven their individual strategic objectives over the ten-year period and has played a major role in the emergence of a new type of travel agent intermediary, the travel broker. At the same time, retail travel businesses have adapted to a changing industry structure that has them competing with the biggest supplier in the market, Air New Zealand.

A range of business models exist in the market which demonstrate different levels of investment in ICT and different levels of sophistication in technological adoption. Furthermore, the structure of the retail travel landscape in 2013 includes a number of new travel agency businesses. A significant decrease since 2008 in the number of travel consultants working in New Zealand travel agencies has coincided with a substantial increase in the number of travel brokers. The availability of technology that supports travel-transaction processes outside the constraints of the traditional travel agency has facilitated the growth of the broker sector, the new intermediary in the market. Recognising the value that brokers potentially bring to their organisations sees businesses adapting to include this new breed of travel agent in their model of business. Multiple-broker businesses operate a structure that provides independent brokers with a collective level of management, in particular with preferred agreement negotiations and with a collegiality sort by those working for themselves.

This research has shown that in 2013 travel agency businesses were increasingly utilising Internet technology to connect with their customers, both via their websites and through email direct-marketing activities. Travel agency websites offer customers opportunities to access travel agency services via numerous points of contact which, in turn, provides detailed customer information which facilitates extensive and targeted direct-marketing activities. However, not all businesses in the market are e-commerceable (Chircu & Kauffman, 1999) and for some organisations there is no desire to offer online retailing. The main reason businesses give for not investing in e-commerce solutions is the characteristics of the outbound market. At present the New Zealand outbound traveller market consists more often of complex long-haul journeys, and these do not align with the New Zealand online market which predominantly comprises simple, price-driven, short-haul journeys. Furthermore, the New Zealand travel industry consists predominantly of SMEs and therefore the necessary investment in technological development is somewhat limited, in particular for those businesses operating franchise, cooperative and multiple-broker business models.

The findings of this study have identified businesses that are now focused on special interest or niche markets. These markets make up a large percentage of business sales and the promotion of skills and expertise of individual consultants and brokers to service these sectors features consistently in marketing activities. Consultants and brokers in the market service a high number of repeat clients, with expertise and

specialised skills playing an important role in their ability to attract and retain customers.

The technological capacity of businesses is influenced by pressing issues concerning the interoperability of information systems used by travel businesses, which in turn have direct impacts on business profitability. The reliance on diverse technological systems to amalgamate travel arrangements while providing a high standard of customer service is both time consuming and inefficient. The ability to efficiently aggregate travel information and bookings made through numerous suppliers and wholesalers is identified as a major factor in providing enhanced levels of customer service, which in turn contributes to a more seamless travel experience for the customer. The use of information technologies to define and assemble tourism products is an essential element in the distribution process, and the inoperability of systems identified in this study creates issues for travel businesses in their intermediary role (Baggio, 2014).

Adding value is a term used throughout the New Zealand industry and is reflective of the understanding by the travel agency sector of the need to be more than just "order-takers". As with other travel markets around the world, the ability of travel consultants to add value to the booking process by providing specialised knowledge is seen as a strategy for reintermediation. The complex network of businesses in the market connected in their use of ICT contributes to an enhanced level of competition between suppliers and intermediaries. Travel agency businesses are highlighting the value they provide within the booking process by differentiating themselves from the competition in terms of their expertise and specialist knowledge.

The complex nature of many travel bookings in the New Zealand market requires skilled and knowledgeable consultants to meet the travel needs of their customers. This, in turn, provides value to the customer when compared with booking online and generates a loyalty which results in high levels of repeat bookings. Therefore, there is a need for travel agency businesses to continue to employ consultants with experience in special interest markets who can add value to the customer experience. To realise the potential opportunities from investment in Internet marketing, businesses must ensure they have consultants who are specialised and need to align their marketing efforts with these specialist product areas and market-segment expertise.

The evidence from this study shows both travel agency businesses and individual consultants have developed and sustained strategic relationships and alliances both across the travel industry and with their customers. Strong preferred supplier relationships exist within the industry and are considered an essential element for ongoing profitability. Relationships with preferred suppliers and wholesalers provide mutual benefits in process efficiency and increased profitability and are often driven by the adoption of technological systems that facilitate the booking process. Alliances with technology companies provide further benefits that enable businesses to take advantage of the opportunities provided by new travel technologies.

Travel agency businesses continue to develop relationships with businesses outside the travel industry that provide access to new markets and added value for their customers. Relationships with companies linked to special interest groups are examples of the type of relationships actively sort to grow a travel agency's customer base and increase sales.

In summary, the findings of this research complement studies in other markets that have found no real evidence of large-scale disintermediation of the travel agency sector (Dilts & Prough, 2003; Mayr & Zins, 2009). In contrast, it has found that new retail travel businesses had entered the market, facilitated by the accessibility and mobility of Internet technology. In addition, the findings present evidence of strategies employed by businesses that are instrumental in the continued success of retail travel businesses within the travel distribution chain. A strategic move to offer specialisation in both product and travel consultant expertise continues to provide returns for businesses in the New Zealand market, together with the alignment with businesses that provide multiple benefits from these strategic relationships.

7.2   Contributions of this research

The value of this research is realised in its findings which contribute to the body of knowledge in the area of ICT and travel intermediaries in that it has provided an explanation of how ICT has influenced changes in the structure of the New Zealand outbound retail travel sector. The sectoral setting of this study allows a comparison with other studies of retail travel agencies in different areas of the world and provides insight to understanding the adaptive strategies implemented by travel agent businesses in response to market changes.

This study contributes to theory by challenging the concept of disintermediation of travel agent intermediaries within travel distribution in response to ICT. It has been found that travel agent intermediaries in New Zealand have not experienced large scale disintermediation, confirming findings in other markets around the world (Kling & Wigand, 1997; Mayr & Zins, 2009). Developments in ICT and in particular internet technologies have influenced outbound retail travel agencies in adapting their businesses models in response to a challenging and highly competitive environment. Rather than travel agent intermediaries being disintermediated from the travel distribution chain these businesses are utilising their technological capacity in addition to developing strong strategic relationships to maintain their position in the market.

Furthermore, this study extends research which identifies a process of reintermediation now occurring in travel markets around the world (Dilts & Prough, 2003; Kaewkitipong, 2010; Mayr & Zins, 2009) by showing the responses to the threat of disintermediation in the New Zealand outbound retail travel sector. By adapting business models, in an attempt to remain viable, the sector has strengthened their intermediary position in the New Zealand market.

In contrast to research that suggests travel agent businesses need to be e-commerceable in order to avoid disintermediation (Nik Hashim et al., 2014), this study found most travel agency businesses in New Zealand actively adapting to the threat of disintermediation by employing strategies that are focused on strengthening relationships with both their customers and their industry partners. This study finds travel agent businesses entering into strategic relationships that provide advantages in areas of customer service and process efficiency and increase revenue. The findings of this study identify businesses and individual travel consultants taking advantage of the increasing mobility of technology to operate business models that include a new breed of intermediary, the travel broker. This study makes an important contribution to knowledge by expanding the understanding of adaptive strategies implemented by retail travel agency businesses in a dynamically changing market.

The future for retail businesses in the New Zealand travel industry lies with continued investment in technology to produce efficiencies in process and innovative customer communication strategies. The need to be e-commerceable is not recognised as urgent at present; however, this will probably not remain so for much longer considering the expected developments in consumer-centric technologies. As the market changes and

the next generations of more Internet-savvy travellers emerge, moves to provide online booking facilities will need to be considered. Businesses that are not adequately resourced to enable investment in and adoption of developing ICT could find their customer base decreasing as competition in a small market becomes more intense.

Businesses would be wise to consider the benefits of strategic alliances both inside and outside the industry; in particular, partnerships that offer potential to access innovative technologies. Strategic relationships that include the use of technological systems with increasing levels of interoperability will provide benefits in process efficiency and increased productivity and would, therefore, have an immediate and positive impact on the business. These benefits can also translate to greater customer satisfaction and enhanced customer loyalty. This study offers some insight into the power of customer loyalty earned through travel agents' experience and expertise. The benefits of strong customer relationships should not be underestimated and experienced travel consultants and travel brokers who take advantage of continuing developments in IT will be in a powerful market position.

The increased provision of technology solutions that facilitate the booking process outside the confines of the traditional travel agency will contribute to an increasing number of travel brokers and continued growth in multiple-broker businesses. Those businesses that invest in technology or align with technology companies to provide their broker groups with IT solutions that provide efficiencies in process and marketing have an opportunity to lead the market.

The continued adoption of online travel booking by the consumer and the rapid pace of technological developments in the industry will remain a challenge to the profitability of retail travel businesses. The increasing number of travel consultants working as brokers in the sector and the formation of strategic relationships will further change the structural landscape of the sector. Travel consultants and brokers who specialise in niche markets and are experts in promoting the benefits of their experience and expertise to the consumer will have an advantage in the marketplace.

7.3 Limitations and recommendations for further research

The study has confirmed the structure of the New Zealand outbound retail travel industry in 2013 and investigated the strategic direction businesses are taking to avoid the effects of disintermediation from the travel distribution chain. This research

explored just one sector of the travel industry in New Zealand, the outbound retail sector, and it is not known whether findings would differ for other sectors of the same industry or in other countries over this same time period. The level of consolidation and integration in an industry, the utilisation of technology and the skills of a workforce might influence findings in other settings. Different patterns of communication, alliance formation and business model structures could, therefore, be found in varying contexts.

A further study, to broaden the scope of this thesis, could involve owner operators located outside Auckland; this would be useful to test the applicability of the current findings across the country. A wider study of New Zealand travel agent businesses may identify further themes specific to the regional localities of these businesses and their communities.

Research needs to be carried out to further understand the role of ICT in the establishment of brokers in the retail market and to determine the characteristics of a successful travel broker, including the required skills and expertise. An understanding of why travel brokers choose to align with a particular travel business would help to explain the continued growth of broker numbers and, in particular, the multiple-broker businesses.

Furthermore, a future study investigating customer loyalty to both travel brokers and traditional travel consultants would be of interest to further understand the characteristics of the New Zealand outbound retail sector. This, in turn, would shed light on the loyalty of customers to the different brands in the market in comparison with the loyalty to individual consultants or brokers. It would also be interesting to compare the skills and expertise of travel brokers compared with those of traditional travel consultants.

7.4   Concluding remarks

This thesis has shown that the New Zealand outbound retail travel industry underwent significant structural change in the 2004–2013 period, changes that have been influenced by the adoption of ICT across the travel industry. The threat of travel agent disintermediation continues, however, due to the increasing number of consumers purchasing travel products online. The persistent rapid pace of technological development in the global travel industry will no doubt present further challenges to the disintermediation of the travel agency sector in the New Zealand market. New Zealand

outbound retail travel agents, at present, appear to be riding the storm of change and responding strategically to these threats. However, further research is needed to explain their continued responses to the dynamically changing travel marketplace.

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Glossary of abbreviations

Air NZ	Air New Zealand
AKL	Auckland
API	application programming interface
B2B	business to business
CAQDAS	Computer-aided qualitative data analysis software
CRS	computer reservations system
GDP	gross domestic product
GDS	global distribution system
HBTA	home-based travel agent
IATA	International Air Transportation Association
ICT	information and communication technology
IDR	intermediation-disintermediation-reintermediation
IRTN	Independent Retail Travel Network
IT	information technology
ITA	ITA software by Google (Innovative Travel Technology company)
LAX	Los Angeles
NDC	New Distribution Capability
NZ	New Zealand
OTA	1. online travel agent 2. Open Travel Alliance
SABRE	Semi-Automated Business Research Environment
SARS	severe acute respiratory syndrome
SFO	San Francisco
SITA	Société Internationale de Télécommunications Aéronautiques
SME	small to medium-sized enterprise
TAANZ	Travel Agents Association of New Zealand
TTV	total transactional value
UK	United Kingdom
UNWTO	United Nations World Tourism Organisation
US	United States
VFR	visiting friends and family
WWW	World Wide Web
XML	Extensible Markup Language

Appendix A: Participant Information Sheet

Participant Information Sheet

AUT
UNIVERSITY
TE WĀNANGA ARONUI O TAMAKI MAKAU RAU

Date Information Sheet Produced:
15 May 2013

Project Title
ICT and the NZ Travel Industry: Disintermediation or not?

An Invitation
Hello, my name is Megan Roberts and I am the Programme Leader for the Diploma in Travel & Tourism at AUT University of Technology in the School of Hospitality and Tourism, Faculty of Culture and Society. I have 16 years experience teaching subjects in the area of travel and tourism information systems including the development, implementation and use of global distribution systems including Sabre, Amadeus and Galileo products. Prior to having a family I held a number of management positions in retail travel both in New Zealand and in the United States.

As a key individual working in the New Zealand travel industry you hold a wealth of up to date, relevant knowledge of the structure and management of the industry. You are invited to participate in an interview as part of my research looking at the strategies employed by travel businesses to ensure success in the changing travel industry environment. Participation is voluntary and you may withdraw at any time prior to completion of data collection.

What is the purpose of this research?
The purpose of this research is to discover the recent nature and impacts of disintermediation in the New Zealand (NZ) travel agency sector and to investigate the strategies employed by travel businesses that have ensured they remain competitive in this changing environment.

The outcomes will be a thesis to satisfy the requirements of the Master of Philosophy, conference papers and potential journal articles.

How was I identified and why am I being invited to participate in this research?
You have been identified as a key individual working at management level and/or an owner/operator of a travel business in New Zealand. You have a deep knowledge and understanding of the functionality of your business or organisation gained through a minimum of 10 years in the industry. I obtained your contact details from the TAANZ Directory 2013.

Your participation is voluntary and you may withdraw at any time without any adverse consequences.

What will happen in this research?
This research involves interviews with experts from travel businesses operating in the NZ market. Representatives from management level or owner/operators of travel agencies in NZ will be invited to participate. These 'experts' will have an in depth understanding of the structure and functionality of their businesses gained through a minimum of 10 years in the industry. Data collected from participants will be analysed to discover the recent nature and impacts of disintermediation in the New Zealand (NZ) travel agency sector and the strategies employed by travel businesses that have ensured they remain competitive in this changing environment.

What are the discomforts and risks?
You are giving your valuable time and information to help with this research and I can assure you that I have considered your well-being and that of your business or organisation. It is unlikely that you will experience any risk or discomfort as part of this research.

This version was last edited on 23 April 2013

How will these discomforts and risks be alleviated?

Your participation is voluntary and you may withdraw at any time. All questions are optional, and you may choose not to answer some questions. However, the interview is designed to gain an understanding of the strategies employed by NZ travel agency businesses that have ensured they remain competitive over the last ten years, and the nature and impacts of disintermediation in the industry, so there are no right or wrong answers. Any information you provide will be interesting. I am strictly bound by my University's ethics procedures and will not pass on any information to others.

What are the benefits?

This research will make an important contribution to the knowledge and understanding of the strategies employed by NZ business in the face of disintermediation of the industry. It will provide an understanding of the structure and functionality of New Zealand travel business over the last ten years.

This research will provide me with the data needed to complete a Masters in Philosophy thesis.

How will my privacy be protected?

All answers are confidential and your answers can in no way be linked to you personally or to your business or organization unless you give approval. You can give approval to be identified personally and for your business or organization to be identified, on the attached Consent Form.

How long will the interview take?

This interview will take approximately two hours. If necessary I may need to ask you to participate in a one hour follow up interview.

What opportunity do I have to consider this invitation?

I will contact you after a week to see if you would like to be interviewed, and if so, to make an appointment at a time that suits you. You will have time to consider the invitation before accepting. The interview will be recorded but only with your written consent.

How do I agree to participate in this research?

To participate in this research, I will ask you to sign a Consent form (copy attached) that gives me your written consent to participate in the interview.

Will I receive feedback on the results of this research?

The results of this research will be included in my Masters thesis. I will inform you by email when results are published and provide a URL link for you to access thesis.

What do I do if I have concerns about this research?

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Dr. Antonio Diaz Andrade, Antonio.diaz@aut.ac.nz, 09 921 9999 ext.5804.

Concerns regarding the conduct of the research should be notified to the Acting Executive Secretary, AUTEC, Madeline Banda, ethics@aut.ac.nz, 921 9999 ext 8316.

Whom do I contact for further information about this research?
Researcher Contact Details:
Megan Roberts
Megan.roberts@aut.ac.nz
09 921 9999 ext. 5144

Project Supervisor Contact Details:
Dr. Antonio Diaz Andrade
Antonio.diaz@aut.ac.nz
09 921 9999 ext. 5804

Approved by the Auckland University of Technology Ethics Committee on *20 June, 2013 AUTEC Reference number 13/139.*

This version was last edited on 23 April 2013

Appendix B: Consent Form

Consent Form

For use when interviews are involved.

AUT
UNIVERSITY
TE WĀNANGA ARONUI O TAMAKI MAKAU RAU

Project title: ICT and the New Zealand Travel Industry: Disintermediation or not?

Project Supervisor: Dr. Antonio Diaz Andrade

Researcher: Megan Roberts

○   I have read and understood the information provided about this research project in the Information Sheet dated 15 May 2013.

○   I have had an opportunity to ask questions and to have them answered.

○   I understand that notes will be taken during the interviews.

○   I understand that the interviews will be audio-taped and transcribed.

○   I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.

○   If I withdraw, I understand that all relevant information including audio recordings and transcripts, or parts thereof, will be destroyed.

○   I agree to take part in this research.

○   I agree to be identified by name within the research.

○   I agree, and have authority, to have my business or organisation identified by name within the research.

Participant's signature: ....

Participant's name: ....

Participant's Contact Details (if appropriate):

....

....

....

Date:

Approved by the Auckland University of Technology Ethics Committee on 20 June, 2013 AUTEC Reference number 13/139

Note: The Participant should retain a copy of this form.

This version was last edited on 13 October 2010

Appendix C: Indicative Interview Questions

1. <u>**Background/Company Structure**</u>

1) Tell me about your travel industry experience?

2) How would you describe your business/company in terms of:
   - Ownership
   - Product offering Prompt: % split

   How has this changed in the last 10 years?

3) How would you describe the present status of your company? Prompt: just surviving, in growth phase.

4) What are the factors affecting your business at present? In the future?

2. <u>**Client/Market**</u>

1) How would you describe your target market/s? (i.e. business/corporate, leisure, niche , luxury, budget, repeat clientele)

2) Has your target market changed over the last ten years? How? Prompt: more niche, higher value, more complex?

3) Who would you consider to be your major competitor/s and why?

4) How do you distribute/sell your product? How has this changed over the last 10 years?

5) How do you market your product and why? (Advertising? brochures? Email?)

6) Describe the changes in your business/company marketing strategy over the last 10 years?

7) How do you measure customer satisfaction?

8) How do you communicate with our customers? Do you maintain a customer database, how do you manage and use this?

9) Where do you source product?

3. Relationships/Alliances

1) Are you part of any marketing/business alliances? Prompt: formal or informal

2) Tell me about your preferred supplier relationships? How valuable are they to your business?

3) How would you describe your company's relationship with airlines operating in the NZ marketplace? How has this changed over the last 10 years?

4) What impact has suppliers push for customer direct business had on your company? (Prompt: online presence, changing business structures, commission cuts)

5) How do you deal with competition from online travel agents?

6) What strategies does your company employ to create/manage revenue streams? Prompt: Brokers?

4. ICT

1) What ICT's do you use in your company?

2) How have advances in ICT's impacted on staff numbers/company structure/company productivity/revenue? Prompt: Changes in GDS functionality, changes in communication technologies

3) What do you consider to be the impacts of the internet and WWW on your business?

4) How do you utilise the internet within your business? Do you have an online strategy?

5) Has information technology impacted on consumer demand for your services? How?

6) What are the main advantages and disadvantages for your company of using information technology?

7) How do you see the continued development of mobile enabled technology impacting on your company?

8) How do you utilise consumer generated content into your online offering?

Summary

1) What do you think about the current state and future prospects of the travel agency sector in New Zealand?

2) What are the major problems and prospects for your business over the next five years and where do you see your business at the end of that time?

Appendix D: A Comparison of the Businesses' Websites

Website Comparison – September 2014

WEBSITE FEATURES	House of Travel	United	Flight Centre	Travel Managers	World Travellers	The Travel Brokers
About us	√	√	√	√	√	√
Help & FAQs	√	X	X	X	X	X
Store location map & details	√	√	√	√ Broker	√	√ Broker
Privacy statement	√	√	√	X	√	√
Site map	X	X	√	X	X	X
Terms & conditions	√	√	√	√	√	√
Individual store info: Management profiles Consultants profiles Separate website	√ √ X	√ √ √	X X X	Broker info Some brokers	√ √ √	Broker info Some brokers
Toll free	√	√	√	X	X	X
Job opportunities	√	X	√	√	√	X
Affiliations	TAANZ	TAANZ	X	TAANZ, IATA	TAANZ, NZ Coop	TAANZ, IATA
Partners	Q-card	Flybuys Q-card	X	X	Store level	X
Testimonials	√ for airlines	√ consultants	X	X	X	X
Travel blog	√	√	√	X	√	X
Online flights	√ D & I	√ D & I	√ D & I	X	X	X
Online packages	√ D & I	X	X	X	X	X
Online hotels	√	X	X	X	X	X
Online insurance	√ Alliance	X	√ Covermore	X	X	X
Online help	√	X	√	X	X	X

WEBSITE FEATURES	House of Travel	United	Flight Centre	Travel Managers	World Travellers	The Travel Brokers
Other products	X	Travelsim Giftcards	Giftcards Foreign Ex	X	X	X
Special interest	Cruise Sport Club Med OE Weddings	Cruise	Cruise Events Gay & lesbian Groups Weddings Green travel	Broker specific	Long list	Broker specific
Product sale/deals	√	√	√	√	√	√
Online brochures	√	X	X	X	X	√
General information	√ Airline & destination	√ Product	√ Airline & destination	X	√ Product	X
Promotional activities	Netball NZ NZ Olympic committee Hospice	Some stores	Flight Centre Foundation	X	Enquiry needed	Kidscan
Travel ideas	√ Get inspired	√ Travel Blog	X	X	√	X
Mobile site	√	X	√	X	X	√
Search function	√	√	√	X	√	X
Email sign up	√	√	√	X	√	X
User generated content	√ Photos	X	X	X	X	X
Awards	√	X	X	X	√	√
Contact options/ Connection points	Email, phone Flight deals (Mix and Match) Fare comparisons (Farefinder) Facebook Twitter Pinterest Instagram Mobile app Text alerts Photo share Email newsletter	Email, phone Facebook Product enquiry Email newsletter	Email, phone Facebook Twitter Youtube Specialist consultant Enquiry Email newsletter	Broker specific: Email, phone Linkedkin Facebook	Store specific: Email, phone Facebook Twitter Email newsletter	Group: Facebook Twitter Youtube Linkedin RSSFeed

*China Travel Service (CTS) participant website – only available in Chinese language, not included

X indicates the feature in not present on website, √ indicates the feature is present on website