

Strategic responses to digital disruption in the
outbound wholesale travel industry:
A New Zealand perspective.

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Abstract

Tourism distribution has seen a shift from the traditional business-to-business (B2B) channels via intermediaries to direct business-to-consumer (B2C) distribution. Following the introduction of the World Wide Web in the 1990s, the new technology brought transparency to the market by allowing access to information that was previously the sole domain of the intermediaries in the travel industry. This study aims to understand how the evolving nature of information and communication technology (ICT), both past and current, is underpinned by a process of integration and consolidation in the New Zealand outbound wholesale travel sector.

This single case study focused its investigation on a key player in the New Zealand outbound wholesale travel sector, one which was the best representative of the evolving changes outlined above. This approach allowed an in-depth, intensive investigation of the process of both horizontal and vertical integration in the presence of ICT. The findings show that the establishment of strategic alliances was a protection tactic employed by businesses in the intermediary sector, when threatened by the possibility of disintermediation. The strength of the new, integrated organisation manifested in this study as increased leverage and buying power with suppliers, enhancing the role of the outbound travel wholesaler in their aggregation and provision of product to their affiliated retail network. This in turn leads to an interesting and challenging balance for the different stakeholders involved in the distribution process, with the travel wholesaler seemingly holding the power balance when product availability is limited.

The findings also show that while the wholesale sector acknowledges changes in consumer buying behaviour expressed by a preference for online booking, they are constrained by the cost of ICT development. Having already invested heavily in software development, it is becoming increasingly difficult to maintain the required level of system enhancement. In an attempt to gain more synergies with common ICT usage and development, further integration and consolidation within the sector is a likely outcome, given the history of such amalgamations outlined in this study.

This research makes an important contribution to theory by confirming the concept of reintermediation, showing the strength and value of the intermediary sector in the travel distribution structure. By exploring how ICT can be exploited by stakeholders to gain or regain control of their distribution channel, it is the focus on unique product and proprietary content that provides practical managerial implications, with the suggestion

of leveraging such content as a strategic solution for the outbound travel industry. When determining operational solutions for the wholesale sector, this study reflects the difficulty in maintaining the required level of system enhancement due to the investment required, without further collaboration within the sector itself.

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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 submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Chapter 1 Introduction

1.1 Chapter outline

This chapter presents the research problem and provides the rationale for the study. The background to the research is presented, along with an outline of the thesis.

This study draws upon my own first-hand experience of changes to information and communication technology (ICT) in the New Zealand travel industry, and stems from a quote in the travel trade press suggesting that “the traditional wholesale model in New Zealand is dead” (New Zealand Traveltrade, 2011, p. 11). From my own experiences in the industry, I wondered how this could be possible. The wholesale sector has always been the “powerhouse” of the New Zealand travel sector and has, in fact, also been the unofficial training ground for many of the current leaders of the industry. Having been a part of many of the changes which had occurred over my 15 years working in the industry, I began to ponder the possible reasons for these changes, as well as the reason behind the seemingly provocative statement made in the press. The Internet and its associated technologies were introduced during the 1990s and have been used by the industry ever since. It is therefore possible that the suggested changes could be associated with these new forms of ICT. Most studies in the field focus on the intermediary group as a whole, and so there is a need to research the changing structure of the wholesale travel sector and the associated role of ICT in this process. It was this broader need that set the direction for this study.

1.2 The evolving nature of ICT in the travel industry

Traditionally, most travel information was held by the suppliers and their agents. Since travel product is intangible, it is the availability of this information and knowledge that is the key. Wholesalers and travel agents tended to have far greater power to influence, direct and control demand, which in turn gave them more bargaining power in their negotiations with suppliers (Buhalis, 2001). Internet distribution has seen a shift from the traditional business-to-business (B2B) channels via intermediaries to direct business-to-consumer (B2C) distribution. After the commercialisation of the Internet during the 1990s, the new technology brought transparency to the market by allowing access to information that was previously the sole domain of the travel agent (Buhalis & Law, 2008). The restructuring of the industry as a result of the emergence of the Internet has led to increased price transparency (Porter, 2001), allowing the consumers to

determine the relative value of products themselves rather than relying solely upon the advice of the travel agent. Internet access, and the visibility of price, enables airlines and other suppliers to compete more openly.

The cost of distribution has always been a major factor for the travel and tourism industry, in particular the aviation industry. Buhalis (2001) defined the functions of distribution in these terms:

The primary distribution functions for tourism are information, combination and travel arrangement services. Most distribution channels therefore provide information for prospective tourists; bundle tourism products together; and also establish mechanisms that enable consumers to make, confirm and pay for reservations. (p.8)

The airlines sought alternative channels of distribution to bypass the global distribution systems (GDS) and their agents so as to avoid paying their fees and associated commission and to regain control of the distribution of their product. In 2001, airlines identified distribution as their third largest cost, after labour and fuel (Alamdari & Mason, 2006). Further developments in information technology and the emergence of the Internet, in particular, have provided such an opportunity. The Internet has changed the traditional structure of the tourism distribution channel and hitherto the role of tourism intermediaries (Buhalis, 2004). The interplay between society and information technology, especially with the emergence of the Internet, has led to fundamental changes to business practices. ICT is able to provide commanding tactical and strategic tools that can impact on businesses' competitiveness (Porter, 2001).

Following a review of previous research undertaken in the field of changing ICT in the travel industry, Buhalis and Law (2008) outlined that there have been significant changes to business practices. However, we know little about the subsequent changes in structure and processes in the outbound wholesale travel sector and this study provides an opportunity to advance our knowledge in this area. This research seeks to address the following question:

How is the evolving nature of ICT underpinning changes in the structure of the outbound wholesale travel sector in New Zealand?

1.2.1 Aims and objectives

Underpinning this question, and reflecting on the general themes and trends identified in the literature, this study aims to:

- outline the process of integration and consolidation by the New Zealand wholesale travel sector from the 1980s through to nowadays, and
- explore how ICT can be exploited by stakeholders to gain or regain control of their distribution channel.

1.2.2 Theoretical perspective

There are three main perspectives of the interplay between technology and society in management research. The first perspective is the *socio-centric position* whereby technology is essentially ignored by researchers and is therefore unreported in their studies. Orlikowski (2010) suggests that this *social deterministic approach* was dominant in management literature in the 1960s and 1970s; this is also consistent with Buhalis and Law's (2008) statement that very few publications were available on the topic of tourism and technology during this period.

The second approach, *technological determinism*, was the prevailing perspective in the literature during the 1980s and 1990s. A technological deterministic approach views technology as an exogenous force, with technology seen as an autonomous driver of organisational change (Orlikowski, 2010). Another term used to describe this approach is *technological imperative*, the essence of which is expressed by the word "impact". This view considers that changes in organisations are the result of external forces as opposed to conscious choice and that people have little or no control over the outcome. In essence, the technological imperative proposes that ICT constrains or determines organisational and human behaviour (Markus & Robey, 1988).

The third perspective sees technology as more of an emergent process, where developments in technology occur as a result of human actions and interactions (Orlikowski, 2010). This perspective on the interplay between people and technology was emergent in the literature towards the end of the 1990s and led to the alternative approaches of the *social shaping of technology* and the more radical variant of the social shaping of technology, namely the *social construction of technology* (SCOT). These approaches stem from the desire to acknowledge the role that organisational, social and cultural factors play in the development of technology (Vurdubakis, 2012).

Due to the fact that the study of tourism distribution does not have a strong theoretical foundation (Pearce, 2008), nor is tourism an acknowledged academic discipline (Prebežac, Schott, & Sheldon, 2014), many of the research traditions are based on a combination of business research approaches. The way in which people interact with ICT can also be affected by organisational structures and processes, which in turn can themselves be influenced by technology. This leads to an evolving and fluid interactive relationship (Orlikowski, 2010). Another consideration is the concept that the strong relationship between tourism and ICT results in the two being seen as an “integrated ensemble in which both a real physical component and a virtual one act in a strongly coupled way” (Baggio & Chiappa, 2014, p. 16).

This thesis examines the changing nature of ICT in the New Zealand travel wholesale sector through the lens of *sociomateriality*. In keeping with a sociomateriality approach, ICT needs to be considered within both the context of the industry and businesses in which they operate, and the ways in which people interact with the technology.

1.3 The global tourism industry

Although a relatively new industry, according to the World Tourism Organization (UNWTO) tourism has evolved to become the one of the world’s largest trade industries, and as a global export category, tourism ranks fifth following only fuels, chemicals, food and automotive products (UNWTO, 2014b). The importance of tourism at both a national and international level means that much emphasis is placed on the role tourism plays in a country’s economic development, especially given the number of emerging destinations investing in development of their own tourism product.

According to Ekanayake and Long (2012), “[M]odern tourism has become a key driver for socio-economic progress through the creation of jobs and enterprises, infrastructure development, and the export revenues earned” (p. 51).

Despite the effects of the global economic crisis in 2008 and the varying levels of more recent economic recovery from it, demand for international travel and tourism continues to grow. International tourism continued its growth trajectory in 2014, with the volume of international tourists (overnight visitors) growing by 5% in the first ten months of 2014 (UNWTO, 2014a). This growth equated to 978 million international tourists in the period January to October 2014, which is an increase of 45 million from the same period in 2013 (UNWTO, 2014a). For the first time in history, by the end of 2014 total international arrivals were predicted to reach 1.1 billion. Tourism’s direct, indirect and

induced impacts equates to 9% of the world's GDP, representing 1 in 11 jobs, US\$1.4 trillion in exports, and 6% of exports worldwide (UNWTO, 2014b).

Direct travel and tourism global GDP growth was recorded as 3.5% in 2014, which, in the current fragile global economic environment, is an impressive feat given that many of the world's economies are experiencing uneven growth. In the longer term, the outlook is even more positive, with annual growth forecast to be 4% per annum over the next five years to 2020 (World Travel & Tourism Council, 2014). Nevertheless, the international travel and tourism industry is characterised by uncertainty and, at times, volatility.

Figure 1.1 outlines the growth of both international tourist arrivals (overnight visitors) and tourism revenue since 1990.

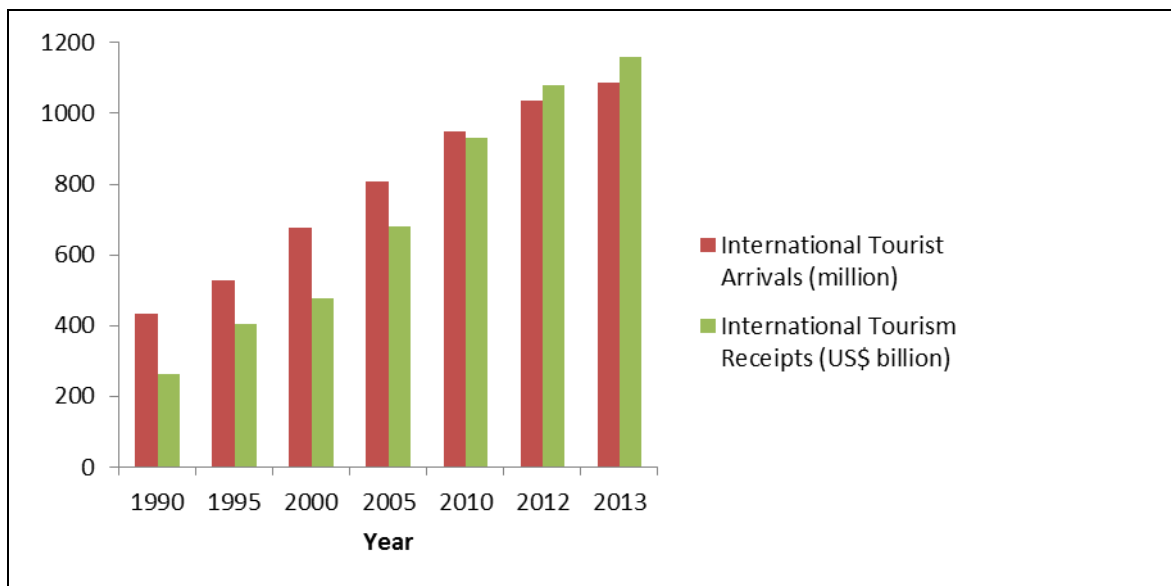


Figure 1.1: Growth of international tourist arrivals and receipts 1990–2013

Source: UNWTO (2014b)

1.4 Traditional structure of the tourism distribution channel

The tourism industry can be divided into three different types: inbound tourism, where non-resident tourists arrive into the country; domestic tourism, where residents travel as tourists within their own borders; and outbound tourism, where residents depart to offshore destinations. Given that some airlines and retail travel agents cater to all three sectors of the industry, the sectors often work together collectively, as opposed to being in a mutually exclusive environment (Collier, 2011).

Many scholars have attempted to provide a precise definition of tourism distribution channels. Buhalis (2001) defined the channels as “an operating structure, system or linkages of various combinations of travel organization, through which a producer of travel products describes and confirms travel arrangements to the buyer” (p. 8). The distribution of the tourism product differs from most other industries in that consumers of the tourism product travel to the location where the actual experience is produced. Logistical issues inherent with the movement of physical product from distant locations to the consumer are therefore not a prevailing consideration. Given the intangible nature of this product, all participants are dependent on the extent, accuracy and timeliness of the transfer of information (Buhalis, 1998; Poon, 1993).

Despite its relative youth, the tourism industry rapidly developed distribution systems and channels to deal with the complexities of international travel reservations (Buhalis & Laws, 2001). Historically, the distribution of product within the travel industry was organised in a hierarchical structure. Participants in the traditional tourism distribution system prior to 1993 were divided into three main sectors: the suppliers or principals, the intermediaries, and the consumers. The intermediary sector consisted of inbound and outbound wholesalers/tour operators, GDS, retail travel agents, incoming/inbound travel agents, and corporate or business travel agents (Kracht & Wang, 2010).

Integration is a common trend in the travel and tourism industry where one organisation is formally linked with another and generally takes two forms: either horizontal or vertical integration. Horizontal integration occurs where organisations at the same level of the distribution channel merge, allowing for the distribution of their products to become more effective and efficient. Vertical integration, on the other hand, is where organisations from different levels within the channel merge, a common example being airlines merging with accommodation establishments (Collier, 2011)). Vertical integration within the tourism industry is greater than it may appear to consumers on the surface, given that it is usually only the retail agency component, including retail agency websites, that are the public face of the integrated business (Reid & Pearce, 2008). Profit maximisation is often achieved based on the volume of business generated by the business in its entirety, rather than by each individual component. This, in turn, increases the overall buying power of the group, which in the travel and tourism industry is essential to maintaining competitiveness.

Suppliers provide the basic tourism products including transport, accommodation, attractions and activities. These products are consumed by the customer en route to or at the destination. The airline sector is the most technologically advanced and, having been early IT adopters, now use the most advanced IT applications and marketing methods (Buhalis, 2004). On the other hand, many of the accommodation providers are small to medium enterprises (SME) and so their size can be a disadvantage, with limited access to different distribution options. Large hotel chains, however, have sophisticated reservation centres, focusing on the higher-priced market segment (Jacobs, Chase, & Jacobs, 2011).

The use of intermediaries to facilitate the sale and subsequent delivery of tourism product and services was an operational necessity prior to the development of Internet technologies, given that most product information was held by the suppliers and their agents. This lack of publically available information gave consumers relatively little choice as to where they accessed material. As an example, up until the late 1990s 80% of all airline tickets sold worldwide were sold via GDS, wholesalers and travel agents (Merten, 2007). Both tiers of the intermediary group were used by suppliers to reach the consumer, as well as being the bridge between supply and demand (Buhalis & Zoge, 2007; Gartner & Bachri, 1994). However, this intermediary role does not seem to be the powerful and vital link between the supplier and consumer that it once was, given that new direct channels have emerged (Law, Buhalis, & Cobanoglu, 2014).

1.5 Role of ICT in tourism distribution and the potential for disintermediation

The GDS were developed in response to an increased demand for travel and the related logistical and operational issues. These systems are the main electronic interface between the tourism sectors, acting as a switch between suppliers and intermediaries on one side, and travel agents on the other (Werthner & Klein, 1999). Since travel product is intangible, information is therefore the “life-blood” of the travel industry and ICT play a critical role in the distribution of this information. The introduction of global communication access with the developments in ICT has brought new levels of interactivity to the entire tourism industry. The development of search engines and the increased speed of networks have contributed to the competitiveness of travel organisations by allowing businesses to compete on a global scale. Operational efficiency and effectiveness have increased with the use of ICT, allowing the seamless transfer of information between industry participants (Buhalis & Law, 2008). The

demands of managing the huge inventory of product information, including airline seats, hotel rooms and rental cars, led the suppliers of these products to embrace information technology (Lewis, Semeijn, & Talalayevsky, 1998; Wilson, 2000).

Once more at the forefront of the adoption of new technology, the airlines quickly identified the possible opportunities provided by the Internet. From the 1990s, most airlines developed their own websites, which began as basic, brochure-like information pages but quickly grew to become more sophisticated. Functionality such as individual itinerary building, the construction of fares, and finally real-time, instant reservation, payment and confirmation became common place. Noting the success of the airlines, other suppliers, including accommodation providers, also developed their own websites. In particular, the ability of websites to advertise and sell last-minute, distressed inventory made this channel extremely attractive and cost effective. These developments led to perhaps the most important change to the structure of travel and tourism distribution: the concept of disintermediation, whereby the suppliers bypass or cut out the intermediaries to sell directly to the consumer (Buhalis, 2004; Garkavenko, 2007; Palmer & McCole, 1999).

1.6 Thesis outline

Chapter 2 begins with an analysis of the trends in the existing literature, providing an overview of the current body of knowledge published on the evolution and use of ICT in the travel and tourism industry. This is followed by the methodology for answering the research problem and the introduction of the study's participants in Chapter 3. Chapter 4 develops the context for the study with the introduction of the critical case, the New Zealand operation of Helloworld Ltd. The data analysis and findings are presented in Chapter 5, including details of the coding process and the introduction of the categories that were created. The discussion as to how these findings compare to the existing literature together with the presentation of my theoretical propositions follows in Chapter 6. Finally, in Chapter 7, the conclusion provides a summary of the key research findings and elaborates on the contribution of this study to the body of knowledge as well as practical implications for the industry.

Chapter 2 Literature Review

2.1 Chapter outline

“Technology does not determine society. Nor does society script the course of technological change, since many factors including individual inventiveness and entrepreneurialism, intervene in the process...”
(Castells, 2010, p. 5).

Having outlined the research problem in the preceding chapter, this chapter systematically reviews a range of literature published on the evolution and use of ICT in the travel and tourism industry. The chapter begins with a description of the traditional structure of the travel and tourism industry from a global perspective, followed by an overview of the traditional roles of industry participants. This provides a framework of the way in which the industry operated prior to the major technological changes introduced by the Internet. An explanation of the evolution and role of ICT in the travel industry and its importance to the structure of the industry follows, since ICT has played a major role in the travel industry since its early beginnings.

The review discusses the introduction of the Internet and associated technologies and their utilisation by both the industry and the consumer, together with the concept of disintermediation and the subsequent evolution of the industry. The notion of the struggle for power and control within and between the distribution channels, as well as changes to the traditional industry structure, follows. The New Zealand perspective concludes the chapter, given that this is the focus of the research project, with the study providing theoretical insights for the New Zealand market and beyond.

2.2 Industry structure

Every industry has an underlying structure which frames its operational and competitive elements (Porter, 1979). Before outlining the underlying structure of the travel industry, it is important to first introduce its three main stakeholder groups: the suppliers, the intermediaries and consumers.

The *suppliers* are those organisations that supply the actual product; for example, airlines, accommodation providers, transportation companies, and attraction and activity providers. In some literature, suppliers are also referred to as “principals” (Collier,

2011; Fletcher, Fyall, Gilbert, & Wanhill, 2013). The second group of stakeholders, the *intermediaries*, includes *tour operators* or *wholesalers*, and the literature refers to this intermediary using both the terms tour operator and wholesaler. The differentiation in the two names stems from their development in different markets. The term tour operator is one generally applied to the Northern Hemisphere market, where its origin came out of the development of package tours. In the Southern Hemisphere, the term wholesaler is more commonly used to describe this intermediary (Collier, 2011). The intermediary group also consists of global distribution systems (GDS), retail travel agents, incoming/inbound travel agents, and corporate or business travel agents. The third group of stakeholders are the *consumers*, i.e. the end customers who are actually purchasing and consuming the product.

Before the development of Internet technology, the distribution of product within the travel industry was organised in a hierarchical structure between the three main stakeholder groups. Within the intermediary group, there were two tiers of intermediation. Tier one included the wholesalers and GDS who facilitated the aggregation and distribution of product through to tier two, the travel agents, who in turn distributed the product to the end consumers (see Figure 2.1 for a visual representation of this distribution structure).

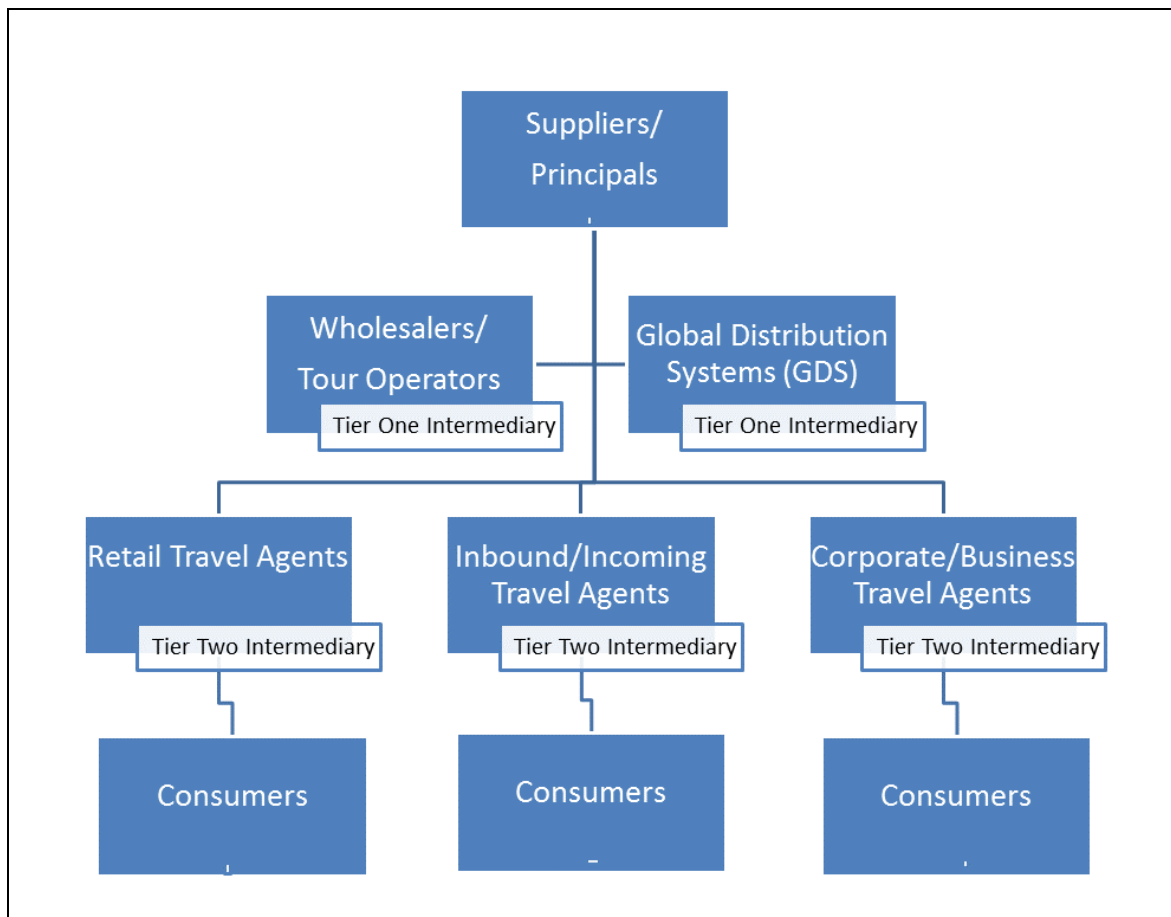


Figure 2.1: Hierarchical structure of tourism distribution channels

The essence of the distribution channel within the travel and tourism industry is captured in this 1975 statement by the World Tourism Organization:

A distribution channel can be described as a given combination of intermediaries who co-operate in the sale of a product. It follows that a distribution system can be, and in most instances is, composed of more than one distribution channel, each of which operates parallel to, and in competition with, other channels. (p.8)

Considering the above definition, one of the most challenging aspects of the tourism industry structure and its associated distribution channels is its dynamic nature, allowing participants to keep altering “partners” in an attempt to maximise both profitability and competitiveness (Buhalis, 2001). In the pre-Internet era, the distribution options available for the airlines were travel agents (intermediary), travel wholesalers (intermediary), airline sales office (direct), airport ticket desk (direct), and call centre (direct). Only the travel agency and travel wholesaler options could offer consumers a competitive comparison at that time, since the use of intermediaries facilitated the bringing together of buyer and seller, thus providing a physical location

for this process to take place. This therefore improved the industry's ability to meet the needs of the consumer. Commission payments to intermediaries for providing this service were seen as a more cost-effective distribution solution for the suppliers rather than managing large sales offices and call centres themselves (Fletcher et al., 2013).

One of the features of tourism distribution that sets it apart from other industries is the way in which the various products including accommodation, transport, attractions and activities, each provided by different suppliers, are packaged together, promoted and then made available for consumers. Subsequently, the industry relies heavily on the relative strengths of each of the organisations providing the different services to ensure the successful sale of these packages (Buhalis & Laws, 2001). The result of this expertise tends to be more product offerings catering for a wider range of tourists (Smith, MacLeod, & Robertson, 2010).

The nature of the global tourism industry leads to a large volume of information being generated which requires processing and dissemination. Noting the hierarchical structure of the traditional tourism industry as outlined in Figure 2.1, it follows that information needs to flow between the various sectors in the most efficient and cost-effective manner. Given the global nature of the tourism product and its intangibility, the critical issue is the transfer of information between these stakeholders. For the suppliers, the distribution of information regarding the availability and pricing of their product to the end consumer is essential, with the intermediary group facilitating the packaging, transfer and processing of this information. The important role of ICT within this process cannot be underestimated, and the search for the best way of efficiently and cost effectively disseminating this information set the scene for the evolution of ICT in the industry (Sheldon, 1997).

2.3 The role of the intermediary

A suggested definition of the principal role of the intermediary is "to bring buyers and sellers together, either to create markets where they previously did not exist or to make existing markets work more efficiently and thereby to expand market size" (Wanhill, 1993, p. 189). Up until the mid-1990s, intermediaries such as wholesalers and travel agents were used by suppliers to reach the consumer, and the wholesalers' main role was to package elements of the suppliers' services together. Primarily, this role meant a reduction in information and transactions for the consumer, and a reduction in the cost of promotion for the supplier. These packages were then sold, usually through another

intermediary, the travel agent, to the consumer (Buhalis & Zoge, 2007; Collier, 2011; Sheldon, 1986).

This structure meant that the position of the travel intermediaries was very strong. Wholesalers and travel agents tended to have far greater power to influence, direct and control demand, which in turn gave them more bargaining power in their negotiations with suppliers (Buhalis, 2001). This greater bargaining power in turn led to the wholesalers being able to offer packages at generally lower prices than those provided to individuals, hence providing travel economy and affordability for a significant segment of the market (Gartner & Bachri, 1994).

2.3.1 The wholesaler

The package tour industry had its beginnings back in 1841 with the development of package tours by Thomas Cook in the UK. Transportation at that time was in the form of railroad journeys; accommodation, a common inclusion of today's package tours, was not always included in these first iterations. The preference at the time was for a more "independent" arrangement, whereby the consumer would receive a hotel coupon which was accepted by more than 1200 hotels throughout Europe (Sheldon, 1986). The growth of the tour package industry really began more than 100 years later, however, with the development of commercial aviation and the increase in passenger demand after World War II, along with the critical developments in information technology to accommodate this demand (Copeland & McKenney, 1988). Prior to this, the industry was hindered by poor communication methods, given that information flow is an essential part of the efficient movement of passengers (Sheldon, 1986).

As the Northern European tourism industry developed, the majority of tourists purchased their leisure packages using at least three intermediaries. Their usual practice was to visit the first intermediary, a retail travel agency, to discuss their requirements and preferences; they would then go on to purchase a package constructed by a second intermediary, a tour operator/wholesaler; and, finally, this package was facilitated at the destination by a third intermediary, an incoming agent (Buhalis, 2001). Due to tour operating being a process of combining products, the negotiation process undertaken by the tour operator and the various suppliers differed between countries and markets. Prior to the development and introduction of Internet technology, European operators often pre-reserved and often pre-purchased travel products, including an allocation of airline seats on a set departure date, transfers at the destination and accommodation, and then

went on to sell a standardised package at a set price with the individual component costs not being revealed (Buhalis, 2001).

The way that a travel wholesaler functions in the New Zealand industry developed quite differently to other international markets. This development has been attributed to the physical remoteness of New Zealand, and additionally, as suggested by Collier (2011), “the demands that independent (and often fairly well-travelled) New Zealanders began to place on the New Zealand industry” (p. 249). In the case of the New Zealand wholesaler, the pre-purchasing or pre-reserving of products was not common practice. The wholesaler usually negotiated a promotional nett airfare with the airline with a range of departure dates that had to be sold together with land product, as opposed to purchasing an allocation of airline seats on one set departure date. The airlines at times approached the wholesaler with a proposed promotional fare when they found they had excess inventory available and needed to stimulate the market.

A similar process occurred with accommodation providers. The negotiation process involved the wholesaler negotiating a special nett rate based on previous or projected sales. The concept of “bulk buying” applied, which generated immense discounts, even though no actual physical product was being purchased at the time (Buhalis, 2001). Part of this process also involved the negotiation of an allocation of rooms for exclusive sale by the specific wholesaler. The concept is similar to that of pre-purchasing accommodation and guaranteeing availability and supply, but had the added advantage of not having to outlay any funds. If any rooms were left unsold at a specified release time prior to arrival, the rooms were simply released by the wholesaler back to the supplier for addition to the general pool of rooms available for sale (Collier, 2011).

An additional, important role of wholesalers is that of destination information provider (Gartner & Bachri, 1994). Traditionally, the main marketing tool used by the wholesaler was the brochure, which contained information on both the destination and selected tourism products (Buhalis, 2001). This concentration of information assisted the consumer by minimising additional external information sources required, thereby reducing the information search process (Gartner & Bachri, 1994; Sheldon, 1986). The brochure also gave the intangible tourism products a sense of tangibility, which could be personalised with the use of a simple highlighter. Whether or not consumers actually used the specific services of a given wholesaler, travellers often obtained destination information and subsequently formed a perception about, or image of, different tourist

areas from this disseminated information. However, the design and production of brochures was complicated and expensive and the conversion rate of “a looker to a booker” was difficult to measure (Buhalis, 2001).

The benefit of this traditional wholesale process to the suppliers included the ability to promote and distribute the various suppliers’ products to markets beyond their usual reach, with the combination of other products providing greater visibility and recognition. Visibility in a greater number of markets may also lead to a prolonged tourism season by increasing the occupancy rates for the suppliers, thereby reducing the impacts of seasonality (Buhalis, 2001). Today, it could be argued that Internet technology and the development of supplier websites also provide these benefits, but for a small supplier it is still difficult to gain visibility amongst the larger suppliers in a global market. The strength of the traditional wholesale model with its affiliated retail networks and visibility assists the suppliers to overcome issues such as seasonality by increasing demand, and furthermore, a degree of the risk is shared with the wholesaler (Buhalis & Law, 2008; Reid & Pearce, 2008). These are perhaps two of the key reasons why this traditional model of wholesale distribution is still maintained today, even with the advances in technology (Berne, Garcia-Gonzalez, & Mugica, 2012).

The traditional wholesale process also engenders positive outcomes and benefits for end consumers, particularly in the areas of price and product availability. The bargaining power of the wholesaler and their ability to negotiate substantially discounted product due to economies of scale and the bulk buying and negotiating process mean a lower price for the combined products is available to the end consumer. The negotiation of an exclusive allocation of rooms as part of the wholesale process means that consumers are often able to secure a reservation during busy peak seasons when availability can be problematic. Wholesalers are legally obliged to deal with reputable suppliers – suppliers that promote quality standards, service and performance. This process, along with many countries’ bonding requirements, provides the consumer with an assurance of quality, protection and safety (Buhalis, 2001; Travel Agents’ Association of New Zealand, 2010b).

2.3.2 The travel agent

The primary function of the tier two intermediary, the travel agent, is to facilitate the sale of the product of various principals (suppliers) to the agent’s customer (Travel Agents’ Association of New Zealand, 2010b). Historically, travel agents played an

essential role and were the leading intermediary between the supplier and the end consumer. Travel agents were well trained and not only had extensive knowledge of airfares and ticketing, but could also provide advice and give recommendations on all aspects of a customer's trip including everything from appropriate accommodation choices to information on passport and visa requirements. Notably, travel agents had access to information that the customer did not, and given that the bulk of travel transactions are based on the transfer of information, this access placed the travel agents in a very powerful position. They were able to provide customers with recommendations for selected products, thereby making the most of preferred supplier agreements and subsequent commission payments (Wilson, 2000; Zhou, 2003).

For the suppliers, travel agents acted as booking agents on their behalf and provided a convenient physical location for the sale and purchase of their services. Unlike retail outlets in other industries, travel agents did not hold any physical stock of products – the only tangible item being the destination or tour brochure. As a result, travel agencies carried limited financial risk given that the business model did not involve the purchase of tourism product in advance (Buhalis, 2001).

Similar to retail travel agents, corporate travel agents are responsible for processing and managing the travel requirements of business clients (Travel Agents' Association of New Zealand, 2010b). Given that their access to information was the same as that of the retail agent, they, too, had the benefit of lucrative agreements with suppliers, predominantly based on volume sales and market share.

Traditionally, travel agents relied heavily on commission payments from suppliers for the bulk of their remuneration. The mainstay of these commission payments were from the airlines, thereby making the relationship between the two mutually beneficial, given that the majority of airline tickets were sold via travel agents. Seemingly, one could not exist without the other, even though the commission payments added another distribution cost for the airlines (Zhou, 2003).

An additional layer of traditional intermediation comes in the form of travel agents focused on incoming visitors. This sector is also known as inbound agents, incoming tour operators, ground operators, and handling or receiving agents; it is arguably the least recognised participant in the distribution chain (Buhalis, 2001). The role of these agents is to act as the intermediary between suppliers and tour operators (wholesalers) by facilitating the reservations and sales of the tour packages constructed by the tour

operator (Kracht & Wang, 2010). Similar to the role undertaken by outbound wholesalers, incoming tour operators also act as a bridge between destinations and the other travel and tourism industry participants.

2.4 ICT in the travel industry

The decades following the end of World War II saw the development of jet aircraft engines and subsequently jet air travel. This development brought about mass international tourism, giving rise to the need for the development of distribution systems to deal with the intricacies of making reservations in spatially distant markets (Buhalis & Laws, 2001; Copeland & McKenney, 1988; Wilson, 2000). Figure 2.2 provides a visual, chronological overview of the evolution of computerised reservation systems in the travel industry up until the mid-1990s, with the four main GDS companies, namely Amadeus, Galileo, Worldspan and Sabre, at the forefront of distribution.

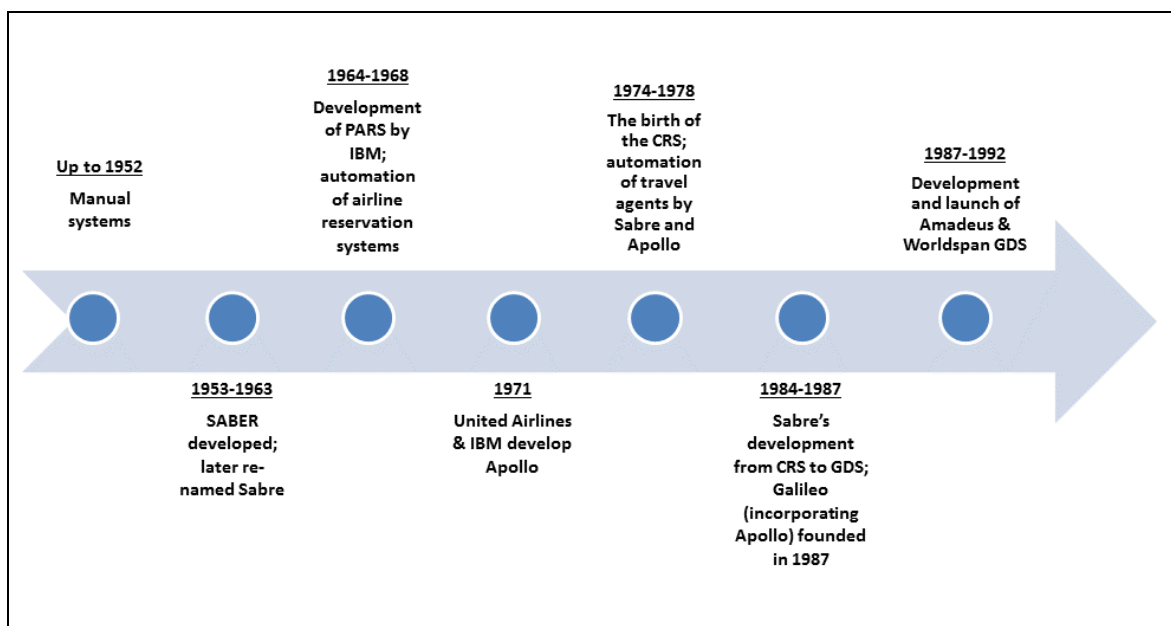


Figure 2.2: Timeline of CRS/GDS development

Initially, reservations were dealt with manually, with the pencil being the main tool utilised. In the 1940s, American Airlines (AA) employed a card system whereby customer reservation details were recorded on a card and then placed on a “lazy Susan” turntable located in the middle of a reservation table. Airline employees would control flight reservations by spinning the lazy Susan to match the reservation cards to a corresponding flight. A board for each scheduled flight was hung on a wall with corresponding slots for the physical number of seats available, and once all the slots

were filled, the flight was deemed sold out. The day before departure, a passenger manifest would be created and telegraphed to the airport (Sheldon, 1997).

These manual systems obviously had their limitations and drawbacks, not the least being their time-consuming nature and their inability to sell available seats to passengers wanting to travel at the last minute. It was reported that the processing required for a short-haul flight from New York to Buffalo within New York state needed 12 different staff to perform more than a dozen separate procedures and took more than three hours to complete – this was longer than the actual flight time (Wilson, 2000). Such inefficiencies led to the search for an automated solution.

American Airlines was at the forefront of this development, following a chance meeting in 1953 by its president and a senior sales representative from the computer development company International Business Machines (IBM) on a flight from Los Angeles to New York. Their partnership led to the development of the Semi-Automated Business Environment Research (SABER) system. The software was eventually renamed Sabre (Semi-Automatic Business Research Environment) to distinguish the AA's system from the standard IBM software. The first passenger reservation Sabre system was installed in 1960, and by 1964 it had become the largest private, real-time data processing system in the world (Sheldon, 1997).

While the development of the Sabre system met the initial primary goal of reducing the costs of processing reservations, further advantages soon became apparent. The ability to calculate accurate passenger numbers proved to be fundamental to effective airline operations, flowing on to the management of ancillary services such as baggage and meals (Copeland & McKenney, 1988). Given the competitive advantage that the Sabre system provided for AA, the airline's main competitors started to consider developing their own systems. IBM seized the opportunity to capitalise on the experience it had gained from working with AA, and went on to develop a new system known as the Programmed Airline Reservation System (PARS). The development of PARS introduced a new and important change in the structure of the industry in that it removed AA's prominence in this aspect of airline operations. A number of airlines signed up for the PARS system; however, both Trans World Airlines (TWA) and United Airlines (UA) attempted to develop their own – TWA called its system PARS, and UA named its system Apollo. Eventually both systems failed, and the two airlines later signed up with IBM (Vialle, 1995).

It was not until the 1970s that the airlines started to realise the full potential of these systems as a distribution and competitive tool. Trials of retail automation (the process of placing automated terminals inside travel agencies) began slowly, with both airlines and travel agencies investigating the possibility of a shared system that could be utilised by all industry participants (Copeland & McKenney, 1988). An attempt to create a single industry reservation system was made, with the automated systems now being referred to as *computer reservation systems* (CRS). However, following discussion that a single industry reservation system was viable, the project went on to fail after no agreement was reached between the airline and travel agency consortiums (Sheldon, 1997; Vialle, 1995).

A further competitive advantage was achieved by AA when it installed its first Sabre terminals into travel agents in April 1976, since not only was the airline able to take reservations 24 hours a day, it was also able to reduce the number of staff employed to take manual bookings from travel agents. This installation of terminals followed an announcement from UA that it would be making its Apollo system available to travel agents in September 1976 (McNeill, 1997). The competitive element of these automated systems started to be used strategically by the airlines. Each airline followed a different track, depending on their strategic plan. Sabre treated its CRS as part of a true marketing policy, by deliberately distributing the system to the 100 largest AA accounts – the idea being that these agencies would be an example to other travel agencies and encourage them to subscribe to a Sabre system (Copeland & McKenney, 1988). Apollo, meanwhile, concentrated on automating agencies close to UA's main hubs to increase sales on the airline's most profitable routes (Sheldon, 1986; Vialle, 1995).

To encourage travel agents to book flights using the automated system rather than over the telephone, AA also introduced the concept of co-hosting on its Sabre system. This meant it could offer agents a comprehensive range of flights to sell, but AA ensured that its own services were always the first ones listed (McNeill, 1997). Realising that UA had a wider air network and as such dominated the travel agency marketplace, AA saw offering other airlines the ability to improve their display rankings in Sabre for a nominated fee as having dual benefits. The first obvious benefit was an increase in revenue, with the second being an increase in AA's network coverage by being able to offer the destinations serviced by these other airlines (Vialle, 1995). The end of 1978 saw five carriers signed up to these co-hosting agreements. This was a significant shift in the thinking about the use of automated reservations systems. Not only were they

obviously useful as processing tools, but their marketing and revenue potential was slowly being revealed.

The real advantage of these automated systems was not truly recognised until 1978 when the previously highly regulated United States aviation industry was deregulated virtually overnight. This meant that airlines were subsequently permitted to fly any route for any price, leading to an “explosion” of new routes and fares becoming available. Airlines that owned and operated their own CRS were able to update their systems three times a day, benefitting their agents by providing them access to the very latest information, thus giving them a significant competitive advantage over those agents still utilising paper guides (McNeill, 1997).

Although these CRS systems were more beneficial to travel agents than their previous methods of researching and reserving flights, the fact that each CRS was owned by a different airline or group of airlines made it impractical to subscribe to each and every one. A system was needed to collate all the various airline data from the different CRS into one mass database, easily accessed from one source (Zhou, 2003). Travel agents were also looking to access information on other products for consumption at destination (Buhalis, 2004). In the 1980s, these mass database systems were developed to become what we now know as *global distribution systems* (GDS). Sabre remained affiliated with American Airlines, as did Apollo with United Airlines. Three other systems were also active during this period: Delta Airlines’ DATAS II, Eastern Airlines’ SystemOne, and TWA’s PARS system (Merten, 2007).

Having saturated the American market by 1987, Sabre and Apollo began taking an interest in Europe, where airlines were still struggling with a cost-effective method to sell their seats internationally (Vialle, 1995). Sabre offered terminal access to European travel agents. Apollo followed, but the Association of European Airlines decided that Europe needed at least two CRS to maintain competition. Airlines joined together according to the technology they were currently using, and 11 European airlines bought into the Apollo GDS and founded the first fully operational European GDS known as Galileo in 1987. The GDS technology remained operating in the US market under the name of Apollo. Four remaining European airlines founded Amadeus in 1987, and the system became operational in 1992. Sabre and Apollo became the dominant systems in the United States, Galileo in the United Kingdom, and Amadeus in Continental Europe (McNeill, 1997). The development of Worldspan GDS arose from the merger of the

PARS and DATAS II systems in 1990, a merger resulting from the need for “technical and commercial economies of scale” (Vialle, 1995, p. 34). As a result of the emergence of these four GDS, the travel intermediaries continued the process of distributing airline product to the end consumer (Merten, 2007).

These information management systems became increasingly recognised as critical to overall airline profitability during the 1980s (Wilson, 2000). Airlines requiring worldwide distribution of their product needed to ensure that their flights were shown on every major GDS, giving the power of the distribution of airline product to the GDS and their agents (McNeill, 1997). A term used to describe these systems was that of a “travel supermarket”, such was the range of information and reservation capabilities (Buhalis, 2004). From these developments “GDS[s] emerged as the ‘circulation system’ or the ‘backbone’ of the industry by establishing a global communication standard and a new tourism electronic distribution channel” (Buhalis, 1998, p. 412).

The developments described show the inherent reliance of the travel industry on ICT. The evolution of the automated systems indicates that not only were these systems an irreplaceable tool for the distribution of product, but their ability to earn their owners significant profits was equally valuable. The development of computerised systems facilitated the production and management of travel and tourism enterprises by enabling them to handle their inventory and perform their business functions effectively and productively (Fletcher et al., 2013).

2.5 The Internet: A threat to intermediaries?

Given the importance of the distribution of information within the travel and tourism industry, a great deal of synergy is able to be generated from the use of information technology to distribute this information, which in turn leads to changes in processes and the structure of the entire sector (Merten, 2007). The developments in Internet technology as a means of product distribution have altered the working conditions of the market (Buhalis & Zoge, 2007; Garkavenko & Milne, 2007; Reid & Pearce, 2008).

During the 1990s, the intermediary sector remained in control of distribution with the GDS being used to support the stakeholders in the distribution model (see Figure 2.1. earlier). Traditionally the airlines viewed distribution primarily as B2B processes, seeing as the majority of sales were via sales intermediaries with travel agencies controlling approximately 85% of all airline sales (Alamdari & Mason, 2006). The

reality was that the suppliers needed the intermediaries to distribute their product and until there was a viable and cost-effective alternative, they could little afford to engage in conflict with such an integral partner.

The development of Internet technology allowed direct access, communication and eventually product distribution between suppliers and consumers. “The arrival of the Internet provided airlines with an alternative and potentially more cost-effective means of distribution” (McNeill, 1997, p. 26). This technological capability has been shown in studies to be a direct fit with the travel and tourism industry, offering the development of websites as a single electronic solution for both suppliers and travellers (Buhalis & Licata, 2002; Law, Leung, & Wong, 2004). The development of the Internet and related technologies made the B2C distribution model viable, and with their simplified airfare structures, it was the low-cost carriers who initially embraced the Internet as their primary distribution path (Austin, 2010). This model removed wholesalers, GDS and travel agents from the sale process, but the traditional airlines were slower to embrace the Internet as a distribution channel, seemingly because they did not want to annoy the group that controlled 85% of their business (Alamdari & Mason, 2006). The situation “wherein principals bypass the intermediary and sell directly to end-users is termed ‘disintermediation’” (Palmer & McCole, 1999, p. 37). These changes gave rise to new opportunities and threats for all participants in the sales distribution process (Buhalis & Law, 2008).

The developments in GDS went hand in hand with the evolution and subsequent expansion of the Internet and the World Wide Web. The GDS found themselves moving from their very dominant position to being just one element of a much greater system of networked travel information (Palmer & McCole, 1999). The Internet presented an unprecedented opportunity for the exchange of multimedia information and connectivity between suppliers and the end consumer via websites, without the involvement of both tier one and tier two intermediaries (Buhalis & Wagner, 2013). This connectivity manifested itself as new practices such as consumers shopping from the comfort of home, bridging the gap between supply and demand in a flexible and interactive manner. Therefore, ICT became essential to the industry’s ability to operate effectively and thus competitively in the new business environment (Buhalis, 1998).

For the wholesalers, new direct-distribution channels, coupled with consumers’ demand for a more individual style of holiday, posed a major threat to their survival with

disintermediation possibly making them redundant in the distribution chain. This reconfiguration of the traditional distribution channels led to the examination of the wholesalers' traditional business practices, with the aim to re-invent the way they operated to offset this threat to their survival and address the change in customer demand. The intermediation function performed by the wholesale sector faced constant change with the introduction of the Internet and its value as an integral channel member was challenged (Huang, Chen, & Wu, 2008; Kärcher, 1997).

For many of the leading European tour operators, this meant a complete replacement of their previous older in-house tour operator computer systems, with a view to leverage off the new technologies in order to meet the changing market conditions. Tour operators developed more flexible in-house computer systems in terms of data storage, reservation retrieval and processing. The newly developed tour operator systems offered the wholesalers the ability to arrange more individual tour packages by allowing the combination of supplier components, providing more flexibility than the older, inflexible tour operator reservation systems. It is argued that these new tour operator systems mitigated the effects of disintermediation by allowing the wholesalers to remain an integral part of the distribution chain, catering to the altered customer demand and enabling expansion into new markets (Kärcher, 1997).

ICT has fundamentally altered the distribution of the tourism product, forming an electronic business environment where access to information is immediate and where consumers and suppliers can experience previously unprecedented interactivity (Buhalis & Wagner, 2013). The result is a paradigm shift and re-engineering of the very basis of tourism product packaging and distribution, giving rise to a much more individualistic process and a somewhat inevitable degree of channel disintermediation and channel disruption (McCabe, 2014). The demise of the wholesaler as an integral part in distribution channels has been predicted time and time again (Rosenbloom, 2007).

The literature reveals contradictory findings as to the extent of disintermediation and channel disruption that arose as a result of the introduction of Internet technology. During the 1990s, some researchers argued that the traditional distribution system would in the least be threatened, if not eliminated, as a result of the conflicting channels (Buhalis, 1998; Sheldon, 1997), whereas others suggested that while the number of online sales was ever increasing, consumers would still continue to rely on the intermediaries for their professional services (Palmer & McCole, 1999). The findings in

more recent literature indicates that while travel and tourism businesses face unprecedented challenges with the developments in ICT, with those challenges come new opportunities such as the intensifying of both existing relationships and the ability to develop new relationships with channel partners and the consumer (Berne et al., 2012; Law et al., 2014). There is also the view that takes in both sides, where rather than channel disruption and conflict, participants need to cooperate with each other, with traditional and e-commerce channels supplementing one another to provide the best solution for the end consumer (Huang et al., 2008).

The strategic use of ICT can enhance the operations of travel and tourism businesses and can result in improved customer service. Buhalis and Law (2008) concluded that far from being eliminated in the distribution channel, industry participants are using ICT to assist them in developing new tools and services that allow global interaction between players all around the world. Developments in technology including search engines, carrying capacity and the increased speed at which data can be transferred, allow travel industry processes including reservation confirmation and ticket generation to be completed in a reliable and ever-increasing efficient and cost-effective manner.

2.6 Industry evolution

An overview of research undertaken by Buhalis and Law (2008) in the field of travel and tourism distribution reveals the emergence of a number of salient themes resulting from the advancement in ICT including industry transformation, adoption of technological innovations by industry stakeholders, and changes in travellers' consumption of travel products. The significance of these themes is confirmed by the latest review of papers published in tourism and hospitality journals between the years 2009 and 2013. The papers in this latest review were sourced from 23 different journals, with *Tourism Management* being the source of the largest number of papers (26), and the *International Journal of Hospitality Management* drawing the second largest number of papers (15). In addition, this latest review emphasises the importance of ensuring that the implementation of new developments in ICT remains an integral part of business planning (Law et al., 2014).

In changing market conditions, rivalry between existing competitors is intensified, which in turn leads to an evolving structural change within the industry. The changes to the market conditions brought about by the new Internet technologies may also potentially lower the barriers to entry, thereby increasing the number of competitors

(Porter, 2001). The resulting changes to the structure of the travel and tourism industry include revolutionised distribution channels such as the introduction of consumer-direct online distribution and new layers of intermediation. These new channels allow consumers instant access to real-time information that is accurate and relevant, and provides consumers with the ability to communicate directly with the supplier (Buhalis & Zoge, 2007). This access facilitates greater transparency, giving consumers the ability to compare different supplier offerings including price, thereby changing the conditions of competition. These fundamental changes are echoed in the broader distribution literature, both in a global (Buhalis & Law, 2008; Kracht & Wang, 2010) and regional context (Garkavenko & Milne, 2007; Reid & Pearce, 2008).

In the field of information systems (IS), the relationship between ICT and changes to organisations is an issue which stimulates much debate. Early studies argued that there is difficulty in producing reliable generalisations about the relationships between ICT and organisational change due to the mix of disciplinary approaches adopted by researchers (Markus & Robey, 1988). Buhalis and Zoge (2007) examined the concept of changes to the structure of the tourism industry as a result of the emergence of the Internet, by using Porter's (1979) model of industry analysis. This model is based on five forces, which together establish an industry's profitability and the intensity of competition within it. The varying degrees of these forces are dependent upon different factors, with three of the forces – the bargaining power of suppliers, the bargaining power of buyers, and rivalry among existing competitors – representing the current business environment. The other two forces, namely the threat of substitutes and the threat of new entrants, are based on future possibilities in the industry. Buhalis and Zoge's (2007) study concluded that the development of the Internet and associated technologies has effectively changed the market conditions to such an extent that all five forces have been affected. While it is important to acknowledge the ideas of the time, further analysis using Porter's model of industry analysis is beyond the scope of this review.

Even with the advances in ICT, after their initial introduction it is suggested that the very fundamentals of business strategy actually remain the same (Porter, 2001). This conclusion is consistent with Carr's (2003) statement that "as technology's power and ubiquity have grown, its strategic importance has diminished" (p. 41). Carr suggested that for businesses to maintain their competitiveness in the market, they need to focus on products and or services that only they can provide, thereby introducing an element

of scarcity. When considering the travel industry, it can be argued that it is their traditional strengths of sourcing unique products and proprietary content that adds this element of scarcity, thus ensuring their long-term competitiveness and survival.

Proprietary content in the context of the travel industry is where the intermediary holds either an allocation of rooms or the ability to confirm a reservation direct from a supplier's inventory. Consumers may very well research destinations and products and decide for themselves the best option to meet their needs; however, the ability to actually confirm the product for the desired time frame can be elusive. Access to propriety content during peak seasonal travel times is, and always has been, a valuable tool in the competitive arsenal of the wholesaler and the intermediary sector (Collier, 2011; Fletcher et al., 2013).

In terms of unique product, once again this is an area where the travel intermediary can come to the fore. The Internet has provided consumers with access to immense amounts of information, but herein lays a potential problem. The ability to elicit the desired information can take up vast amounts of time and effort on the part of the consumer, and once located, they cannot be sure whether there may be an alternative option better suited to their requirements (Law et al., 2014). The travel agent, however, can access wholesale content that has been scrutinised and deemed of sufficient quality to be on sold to the market (Collier, 2011).

When considering the intermediary sector within the travel industry, far from being eliminated, large numbers of wholesalers and travel agencies still exist worldwide. With a focus on adaptation, flexibility and innovation on the part of intermediary businesses, the services provided by these intermediaries are still in demand (Rosenbloom, 2007). The quintessential role of the wholesaler is to provide distribution services more effectively and efficiently than other participants within the channel. Should the operating conditions of the market change so that wholesalers cannot perform these tasks, then there can be no justification for their continued existence. Advances in technology may lead to wholesalers developing their own online presence in order to target consumers directly, thereby reducing their own distribution and operational costs.

2.6.1 Integration and consolidation

Perhaps one of the biggest changes to the structure of the travel industry has been the re-shaping of organisations that had previously been constrained by expensive communication and distribution costs, once again changing the conditions of

competition (Buhalis & Law, 2008). There is a general trend in the tourism industry to vertically and/or horizontally integrate businesses with the ultimate goal being profit maximisation by synergies (Buhalis & Laws, 2001). Integration occurs when organisations within the industry amalgamate so that the number of functions and services being performed remains the same while the physical number of participants in the process decreases (Collier, 2011). The airline practice of “code sharing” is a typical example. Horizontal integration was common amongst retail travel chains in the UK during the 1980s, with Thomas Cook and Lunn Poly as examples. The practice was also prevalent in the US travel industry with the amalgamation of American Express and Ask Mr. Foster (Cooper, Fletcher, Fyall, Gilbert, & Wanhill, 2005).

Examples of vertical integration include the larger European tour operators in Great Britain and Germany, where these organisations have applied this strategy quite extensively in the past few years. For example, Britain’s largest tour operator, Thomson Holidays, is a subsidiary of TUI AG, which is a German multinational travel and tourism company. In addition to their retail outlets, Thomson Holidays also operates Thomson Airways (formerly Britannia Airways), which has evolved into the UK’s largest charter airline (TUI UK, 2013). Vertical integration does not always occur through formal alliances. Franchise agreements offer an additional form of exercising control (Cooper et al., 2005). The aim of vertical integration is to gain a measure of quality control over the products being promoted by the tour operators and to maximise the profit to be made by taking advantage of the synergies the integration provides (Buhalis & Laws, 2001; Zehrer & Möschl, 2008).

The vertically integrated company structure is also prevalent in the New Zealand travel industry, although the integration structure in the New Zealand market differs to that from the Northern European market particularly in terms of size and scale. Rather than an integration of tour operators and airlines or accommodation providers, the New Zealand structure reflects integration of wholesale and retail travel businesses. The New Zealand-owned House of Travel Holdings, for example, comprises the wholesale division House of Travel Product, the retail stores House of Travel (which are franchise operations working in partnership with the parent company), Orbit Corporate Travel, and the online offering houseoftravel.co.nz (House of Travel, 2015). Similarly, the Australasian travel agency group Flight Centre includes its wholesale company Infinity Holidays, which has only recently merged with Flight Centre’s Air Tactics division to form Flight Centre New Zealand Product. The group comprises a number of retail

brands including its branded Flight Centre outlets as well as Cruiseabout, Student Flights, Travel Associates and CiEvents. The Flight Centre Travel Group also operates two brands in the corporate travel space – Corporate Traveller and FCm Travel Solutions (Flight Centre Travel Group, n.d.).

Due to the vertically integrated nature of the New Zealand industry, any merger or integration at a horizontal level had a flow-on effect to other parties within the organisation. An example of this phenomenon can be seen in the horizontal integration of the two wholesalers Atlantic and Pacific Travel and Gullivers Travel: following the merger, the organisation found itself operating two retail travel agency brands, namely Holiday Shoppe and Budget Travel. After the acquisition of the Passport United Group, the company added the United Travel retail brand to its portfolio. Economies of scale saw the merger of Budget Travel into the Holiday Shoppe brand in 2000. The benefits derived from horizontal integration include increased cooperation between the organisations, which leads to an increase in bargaining power compared with their original structure, as well as increased geographical representation (Collier, 2011).

The factors leading to vertical integration may be influenced by the product life cycle. It is noted by Cooper et al., (2005) that in the earlier stages of development (the product development and introduction stages), there is a high degree of vertical integration due to the scarcity of suppliers. Later, as the market develops, it is the competitive environment that leads organisations to form vertical associations to take advantage of the benefits such links engender.

The continued practice of integration, both horizontal and vertical, coupled with mergers and acquisitions have meant further consolidation, particularly in the intermediary sector. The influence of reducing commission payments and the subsequent competitiveness of the industry has led to widespread consolidation within the travel agency sector (Lewis et al., 1998). Smaller, independent agencies have more or less been forced to band together, both locally and regionally, in order to match the buying power of the larger consortia. It is argued, particularly by the governments of less-developed tourism destinations, that these large conglomerates drive the prices down below what would usually be the case in a more competitive market. It is further suggested that these organisations also exert their influence over the market by ensuring that consumers purchase the products where they make the most profit (Britton & Apostolopoulos, 1996). Accordingly, “this trend of consolidation and concentration

shows no sign of abating with most key players seeking greater economies of scale, market coverage and visibility, market presence, and in turn, greater control and influence in the marketplace” (Cooper et al., 2005, p. 433).

The travel agency and wholesale sectors are not the only participants in the intermediary group to be affected by integration. The GDS sector has also seen its share of this trend, as demonstrated by the acquisition of the Worldspan GDS by Travelport (the owners of the Galileo GDS) in 2007 (Travelport, 2013), and the partial ownership of the Asian GDS Abacus by Sabre Holdings (Videcom Airline Reservation Systems, 2013).

The effect of developments in ICT on the travel industry and the influence of ICT on the trend of integration is implicit throughout the literature. The suggestion that integration provides synergies for the organisations extends to the use of ICT, and at times it is argued that ICT is in fact the initiator of the integration process (Berne et al., 2012; Buhalis & Laws, 2001; Collier, 2011; Reid & Pearce, 2008). As evidenced by the earlier developments in airline computerised reservation systems, developing ICT is a very expensive process and calls for extensive investment (Copeland & McKenney, 1988). During the development of automated systems, the airlines tended to group together dependent upon the technology they were using, allowing for synergies in development (McNeill, 1997). Such synergies are also in evidence in the wholesale sector. An example in the New Zealand market is the purchase of Atlantic and Pacific Travel’s wholesale and consolidation (air ticketing) units by their competitor Gullivers Travel in 1992. Both companies were working on the development of a new wholesale and air ticketing computer system and their merger allowed for a consolidation of resources for this project (Stella Travel Services, 2007).

2.6.2 eMediaries

Internet technologies also increase competition by lowering the barriers to entering the market by reducing the amount of setup or operating capital a new company requires (Porter, 2001). The first eMediary to enter the worldwide online travel market that was not an existing travel company was Expedia.com. The definition of an *eMediary* is given as “intermediaries that offer streamlined intermediation services across the Internet” (Cooper et al., 2005, p. 437). First introduced to the American market by Microsoft in 1996, Expedia grew very quickly; it entered the UK market in 1998, and quickly rose to become Europe’s primary travel site by 1999. In the US market in 2000, Expedia was second only to Travelocity, which was the eMediary off-shoot of the GDS-

owning Sabre Holdings Corporation (Cooper et al., 2005). Expedia currently operates 30 global sites, including in China through its controlling investment in eLong (Expedia Inc, 2013). In a recent development, Expedia has just purchased Travelocity from Sabre for US\$280 million, following on from its purchase of the Wotif group in November 2014 (Vator News, 2015). This is yet another example of horizontal integration in the industry. Expedia has also announced its intention to purchase its rival Orbitz for US\$1.33 billion (Dastin & Bartz, 2015).

Earlier research focused on the transformation of traditional travel intermediaries including outbound wholesalers and travel agents, and the re-shaping of organisations that had previously been constrained by expensive communication and distribution costs (Buhalis, 2000; Garkavenko, Bremner, & Milne, 2003; Porter, 2001; Reid & Pearce, 2008). Reference has been made to the challenges these industry participants face especially with the introduction of new eMediaries and international online travel agents (OTA) such as Expedia (Expedia Inc, 2013) and Sabre's Travelocity (Sabre Holdings Corporation, 2013) in 1996, and Webjet in 2004 (Webjet, n.d.), which are seen as new and state of the art. The findings of these studies suggest that no industry participant will avoid the changes to the distribution chain, and traditional intermediaries need to act strategically to ensure their ongoing viability in this new environment (Buhalis & Law, 2008).

The advent of *eTourism* has provided new opportunities for businesses to expand and grow in all geographical, operational and marketing methods. According to Buhalis and Deimezi (2004), "eTourism reflects the digitalisation of all processes and value chains in the tourism, travel, hospitality and catering industries. It emerges as a term describing the entire range of applications of ICT in tourism and the implications for the tourism value chain" (p. 103). There is evidence that eTourism has developed and grown in several markets. "Online travel sales increased by 17% from 2007 to 2008 and reached EUR 58.4 billion in the European market in 2008 – or 22.5% of the market (up from EUR 49.8 billion or 19.6% in 2007)" (Marcussen, 2008, p. 1). The two most mature markets are the UK and Germany, which is consistent with previous figures presented in an earlier study by Marcussen (2008). In New Zealand, the Internet distribution channel evolved in two stages. The first stage was airline-centric websites; for example, airnewzealand.co.nz. These sites focused only on the proprietary product of the owner airline. The second stage was multi-view websites; for example, expedia.co.nz and

houseoftravel.co.nz. Such sites are termed “airline agnostic” due to their ability to aggregate content and show all available airlines on the specified route (Austin, 2010).

The emergence of new online intermediaries, or eMediaries, can be analysed from two different perspectives. One perspective is that eMediaries put at risk the very existence of the traditional intermediary, but the alternative perspective is that the emergence of eMediaries shows that if an intermediary is innovative, then there is room for them in the online space. The introduction of eMediaries suggests that far from being removed from the supply chain, indeed the need for an intermediary remains. The evolution of eMediaries shows that given the opportunity, consumers will use such sites to select different travel components dynamically, tailoring the products on offer to their own specific requirements (Buhalis & Zoge, 2007). The acceptance of the eMediaries by consumers has led to the phenomenon now referred to as *reintermediation*, a term used to describe the rearrangement or realignment of intermediaries within a distribution channel, as opposed to their demise (Carr, 2000). However, according to Kracht and Wang (2010):

Variation exists in different studies by different researchers. For example, some researchers use reintermediation to describe only the entrance of new intermediaries into the travel distribution system, whereas others use reintermediation to include both the re-entrance of disintermediated intermediaries and the entrance of new ones. (p. 738)

Regardless of which definition is applied, the concept of reintermediation indicates the strength and value of the intermediary group in the travel distribution structure. When looking at the hotel sector, it is suggested that rather than hotels reducing their reliance on traditional intermediaries to distribute their product, they have simply shifted control of their inventory to new online intermediaries instead (Buhalis & Zoge, 2007).

2.6.3 Evolving consumer preferences

By allowing suppliers a direct channel to the end consumer, the Internet has contributed to a change in consumer behaviour whereby consumers are embracing the Internet as a key distribution channel (Buhalis & Zoge, 2007). Traditionally, the distribution of products and services was mainly provided by location-based agencies, but the development of modern ICT has seen these channels change completely and the industry has become inherently global. Changes in ICT have inevitably led to a shift in market focus away from product-oriented business practices to customer-oriented practices, where success is determined by an organisation’s ability to sense and

subsequently respond to rapidly changing consumer wants and needs (Buhalis, 1998). The search for information is a significant part of the overall travel process, and this was revolutionised as part of the development of the Internet. The amount of information available to the customer has led to a better-informed traveller. However, a more recent study suggested that with increased access to a wide range of information from an ever-increasing number of sources, consumers now find that they are struggling to find suitable and trustworthy sources, making the process less efficient than previously thought. As a result, the search function has become a critical element for customer satisfaction (Law et al., 2014).

At first, the appeal for traditional wholesale packages appeared diminished (Buhalis & Licata, 2002), given the fact that consumers are able to combine the offerings of different suppliers and dynamically construct their own holiday packages (Daniele & Frew, 2005). A recent study has suggested that these new empowered, knowledgeable travellers are less likely to want to follow the crowds on pre-designed, package tours. The pursuit of their own researched interests becomes paramount, as travellers adhere to their own schedules and time frames. They seek value for money, and with leisure time becoming an increasingly valued commodity, this new breed of traveller looks for independently organised travel, which is facilitated by ICT in the form of dynamic packaging (Rose, 2013); this finding concurs with earlier work in this field (Poon, 1993). In another major study, Law et al., (2014) found that there are a number of different factors that influence consumers' adoption of technology. While demographic factors such as age, gender and level of education feature, the study also found that those consumers with a previous history of high Internet usage tend to adopt new technology readily. Conversely, those consumers who expressed a sense of apprehensiveness towards general Internet usage, tended to bring a similar negative attitude to the adoption of new technology when presented with the opportunity. In terms of the availability of mobile reservations, the study suggests that it is the quality of the available system that is deemed most influential for consumers.

Despite improvements in speed and website usability, the process of a customer visiting a website remained relatively unchanged following the commercialisation of the Internet from the mid-1990s until around 2007. A new, dramatic change has developed in the last six years, however, with the introduction of "smart" technology and its associated devices which allow mobile, on-the-go connectivity. This has led to a new type of consumer: the "always-connected traveller". A recent study by Rose (2013),

suggested that the development of these new smart devices signifies a dramatic change to the market conditions and one which will have a direct impact on the travel industry. The always-connected traveller is changing the way the entire travel experience is planned, purchased and serviced. No longer do consumers have to consider, pre-book and pre-purchase all aspects of their arrangements prior to departure. Smart mobile devices by their very nature become part of the travel process, allowing on-the-go research and booking capability. The challenge for the travel industry is “to insert the offline channel into this mobile, digital environment to provide expertise and added value to the travel experience” (Rose, 2013, p. 6). This view is supported by Law et al., (2014), who concurred that consumer behaviour has been changed with the adoption of newly available technologies such as smartphones and tablets. Together, these studies provide important insights into recent changes in consumer behaviour and the importance for the travel industry stakeholders to act on these changes.

There is a distinct shift in the focus of the literature after the emergence of smart technologies. Prior to this, discussion focused on the changes to the structure of the industry which tended to be driven by the changes and developments in ICT. More recently, however, it appears that the reverse is now true. With exposure to a wide variety of information and technology platforms, the now better-informed consumer seems to be driving the changes, and the technology is struggling to keep pace with these demands. Evidence of this shift is the New Distribution Capability (NDC) project recently announced by the International Air Transport Association (IATA) (International Air Transport Association, 2015). The NDC project seeks a common standard that will allow travel agents and consumers alike the ability to access the same range of products and services that are currently available from airline websites.

The concept of price transparency introduced by the Internet has led travel providers to virtually “unbundle” their product to allow for customer choice and selection. Examples include airlines, most of whom no longer include baggage, entertainment and meal choice as part of their standard offering. The product for sale is simply “the seat” itself, and everything else is available at an additional cost. Airlines have catered for this elective product selection well on their own native websites using current XML format. However, the ability to offer similar choices across an aggregate of airline offerings is not currently possible. According to the International Air Transport Association (IATA) (2013), “[T]he pre-Internet messaging standard (EDIFACT) used to deliver airline fare and schedule data to these partners cannot accommodate the way in which many airlines

want to market and sell their products today. As a result tickets sold via travel agents cannot offer fare bundles or a la carte products such as priority boarding, or a free checked bag or extra loyalty points” (para 2). Consequently, IATA has launched this NDC initiative.

The NDC is currently in a pilot stage, with IATA driving its development (International Air Transport Association, 2015). Concern about the project has been raised particularly by the intermediary group of the travel agents and, of course, the GDS since they currently provide the distribution ICT that IATA is looking to replace. The intermediaries see the NDC as yet another threat to their business models and perhaps further disintermediation driven by the airlines. Undoubtedly the intermediaries will seek their own solutions to these increasingly complex developments.

2.7 The shifting balance of power and control

In the literature, there is a focus on the relationship between the structure of the industry and the power balance of the participants within the distribution channels in relation to changes brought about by ICT (Buhalis & Licata, 2002). Prior to the Internet and other developments in ICT, channel members’ positions were clearly defined at specific levels within the channel, each with interdependence on the others. The structure of the value chain has been transformed by eliminating previous limitations imposed on participants (Buhalis & Deimezi, 2004; Buhalis & Law, 2008). However, not all members have been affected equally, and this imbalance has led to changes in the influence of each to the composition of the end tourism product. An increase in contribution to the value chain leads to an inevitable improvement in the position of power of that channel participant (Berne et al., 2012).

Various studies have looked at the evolving travel distribution structure, taking into account the perspective of different members in the distribution system, with an aim to recognise the roles played by and the needs of participants. Much of the literature supports the concept of an inherent interdependency, one that requires an integrated approach to ensure that the needs of all stakeholders are continued to be met (Pearce, 2002; Pearce, Reid, & Schott, 2009; Pearce & Schott, 2011). The bargaining power of suppliers has increased with the Internet, allowing the suppliers a wider range of distribution options and direct access to the consumers. The access to information has widened to include the consumer, thus also strengthening the bargaining power of the consumer (Porter, 2001). Interaction between the suppliers and the consumer allows for

the collection of valuable customer profile information and the subsequent development of customer relationship management (CRM) tools (Buhalis & O'Connor, 2005). Internet technology also decreases the significance of supplier distance and location as competitive influences, with the global nature of the Internet allowing for direct interaction between suppliers and consumers regardless of where the consumer is located (Buhalis & Zoge, 2007).

Changes to the traditional structure of the industry, particularly with the introduction of consumer-direct channels, means the suppliers are less dependent on the intermediaries. The position of the intermediary has changed significantly as a result of consumers being able to access product information and prices online. Consumers have increased bargaining power now that technology has provided them with the ability to select their own holiday components and dynamically construct their own packages. This, in turn, may lead to a reduction in the appeal of the packages constructed by wholesalers, thereby reducing their market share and their bargaining power (Buhalis & Zoge, 2007).

The rapid increase of Internet-based distribution channels has led to increased complexities in the interdependence between the channel members, and may have altered the power positions of the participants (Berne et al., 2012; Huang et al., 2008). Given that developments in ICT allow for a larger volume and control of the flow of information between suppliers and customers and a reduction in the cost of transactions, this allows suppliers to gather more information about their customers and, in turn, to form closer relationships. In the case of the travel industry prior to these developments, the customer relationship was between the customer and the retail travel agent, with the travel agent essentially "owning" the customer and their information. Often the first encounter the customer would have with the supplier (for example, an airline or hotel) would be at check-in. In many cases, customer loyalty lay with the intermediary travel agent, as opposed to the supplier. Subsequent developments in ICT have changed the balance of these relationships, providing the suppliers with direct access to the customers, allowing new direct relationships to form, from which new and ongoing business can be leveraged (Rose, 2013).

It is not only the relationship between the consumer and the travel agent that may be altered by the changing market conditions. Increased transparency enables the wholesaler to construct more individual, personalised experiences for customers (Buhalis & O'Connor, 2005), leading to dynamic packaging and pricing. This, in turn,

could lead to a reduction in the bargaining power of the wholesaler's current main buyers, the travel agents, since the wholesaler would be less reliant on them for product distribution. Increased transparency intensifies competition which, in turn, requires intermediaries such as the wholesaler to negotiate lower costs with suppliers in order to maximise their profit and remain viable (Alamdari & Mason, 2006; Buhalis & Zoge, 2007; Rose, 2013).

2.7.1 Unintended consequences

A common theme that emerges from the literature is one of unintended consequences. The evolution of new structures and processes has led to unintended consequences for participants. One of the first examples of unintended consequences was the automation of travel agencies by the airlines. By installing their computerised reservation systems directly into travel agencies, the intention of the airlines was to save money by transferring the task of keying-in customer details to the travel agents, thereby reducing the number of staff directly employed by the airlines (Copeland & McKenney, 1988; McNeill, 1997). However, this transfer of the reservation process and access to real-time selling essentially led to the transfer of power to the travel agents, who subsequently had the ability to influence the buying decisions of the consumer. The travel agents had access to information that was not readily available to the public, a fact enhanced by the intangibility of the travel product. As a result, the travel agents were able to take maximum advantage of higher commission levels procured via preferred supplier agreements (Buhalis, 2001). Due to the vertically integrated nature of the travel industry, the wholesale sector was equally empowered with the ability to promote preferred suppliers over other less preferred through their retail travel agency outlets.

A further example of unintended consequences is that of the GDS. Ironically, with the advent of the Internet, the GDS companies found that they were competing for business with the very same airlines that created them. As a result of the strategies employed by the airlines, such as the development of their own consumer-direct websites, the GDS companies moved from having 100% of displayable/sellable inventory to a much more limited display. The airlines' preference was to sell only their high-level fares via the GDS, and offer their lowest available fares for sale via their own website, providing an added incentive for consumers to bypass travel agents and GDS and book directly with the airline (Alamdari & Mason, 2006).

The process of integration and consolidation can also lead to unintended consequences. Given the structure of the traditional distribution system and the competitiveness of the participants, it was inevitable that a degree of channel disruption arose. The goal of every business is to maximise its profit margins, even if at times that goal comes at the expense of its channel partners (Buhalis, 2001). In order to resolve these conflicts, travel organisations often needed to re-evaluate and redesign their existing channels, with many looking to the evolution of new ICT to accomplish this goal. As an example, a large vertically and horizontally integrated outbound travel business that includes both wholesale and retail arms may also feature a consumer-direct online website (Reid & Pearce, 2008). The consequence of having a diverse offering can be conflict between channel members. The retail business may well view the online offering as a direct competitor, reducing their own buying power, which is in contrast to the best strategy as outlined by Porter (2001) with “the winners will be those that view the Internet as a complement to, not a cannibal of, traditional ways of competing” (p. 63).

2.7.2 Reducing margins

The threat of disintermediation and the shift in power were not the only issues faced by intermediaries with the introduction of the Internet. Technology has also facilitated the ability of the airlines to cut or cap the amount of commission paid to the intermediary now that they are not so heavily reliant upon them (Wilson, 2000; Zhou, 2003). This means that when the intermediaries are actually able to sell an airfare to the consumer, they are remunerated to a much lesser extent at point of sale, if they are remunerated at all.

The GDS companies, too, were affected by the changes. With the airlines looking to reduce their costs, their twofold strategy was to reduce or eliminate fees paid to intermediaries, and to increase their consumer-direct sales through the Internet. In the case of the GDS fees, whenever a consumer purchased an airline ticket via a travel agent, the cost of sale was billed to the supplier, which in this case was the airline. In the five years between 1990 and 1995, it was estimated that GDS fees increased at around 7% per annum, an increase which slowed between 1995 and 2001 to around 4.5% per annum due to the introduction of Internet technology and the availability of online distribution. By 2002, it was estimated that the “GDS fees were US\$12.20 per ticket, based on an average of 2.8 segments per ticket” (Global Aviation Associates, Ltd, 2003, p. 3). The airlines challenged the GDS fees, using the disparity of profit made between the two sectors as evidence of GDS monopoly, adding to the tension

between them. As an example, “In the financial year 2003 Amadeus and Sabre profit margins were 16.6% and 8.1% respectively, compared with European and US average [airline] margins of 1.9% and –2.8% respectively” (Alamdari & Mason, 2006, p. 122). Not satisfied with simply developing their own websites, the airlines also created regional online portals: Orbitz in the US, Opodo in Europe, and Zuji in Asia. These online portals were yet another strategy employed by the airlines to place additional pressure on the GDS to reduce their costs and fees.

The relationship between travel agents and the airlines, once described as mutually beneficial, also became increasingly confrontational. One of the initial challenges for travel agents was the imposition of commission caps, whereby the airlines limited the amount of commission paid, regardless of the price of the fare (Wilson, 2000). The market share of travel agents for point-to-point journeys moved from around 85% to around 20% by the mid-2000s (Austin, 2010). For the wholesaler, any impacts felt by travel agents inevitably had a flow-on effect to them, given that the travel agency sector are their main customers. The issue for the wholesalers was not so much a reduction in commission paid by the supplier, but rather a reduction in the volume of bookings, which subsequently had an impact on their bulk buying power (Reid & Pearce, 2008).

2.8 The New Zealand perspective

In New Zealand, percentage commission payments from airlines to travel agents steadily reduced (refer to Table 2.1) and by 2004, Air New Zealand no longer paid travel agents point-of-sale commission for selling product on their behalf for domestic and short-haul journeys. In addition, Air New Zealand imposed a GDS channel surcharge to customers who purchased their airline tickets through agents. This charge was previously incorporated as a cost component in the ticket and Air New Zealand did not impose this same charge when customers booked directly on their own website (Travel Agents’ Association of New Zealand, 2010a).

Table 2.1: The commission paid by Air New Zealand to New Zealand travel agents*

Year	Domestic Travel	Short-haul Travel	Long-haul Travel
Prior to 1998	5%	9%	9%
1998–2000	4%	7% - 5%	9%
2000–2004	0%	0%	9%
2004 to present	0%	0%	4%

Source: Travel Agents' Association of New Zealand (2014)

* Indicates commission paid at source via the Bank Settlement Plan (BSP) system.

The position of the travel intermediary in New Zealand has received little attention and “there is little empirical evidence to support any arguments and predictions relating to the future role of middlemen in the travel distribution channel” (Garkavenko & Milne, 2007, p. 56). The evidence that has been gathered has tended to focus on Europe, and to a lesser extent, the United States. It is therefore not clear whether trends identified in the international literature can be seen to be relevant when looking at the New Zealand context (Garkavenko, 2007). There is scarcely any research analysing the New Zealand outbound travel industry and the influence of ICT on this sector. One suggestion as to the reason for a lack of attention given to the outbound tourism industry, in particular, is that to date, the emphasis has been placed on establishing New Zealand as an international destination for inbound tourists (Reid & Pearce, 2008). Over the past decade, a comparative multi-stage study examined innovation in New Zealand tourism distribution channels, with a focus on gaining an understanding of their diversity and effectiveness. Each part of the project focused on different aspects of the distribution channel and from the different perspectives of channel participants (Pearce, 2008; Pearce et al., 2009; Pearce, Tan, & Schott, 2007; Pearce & Schott, 2005).

While these studies are dedicated to consumers' use of distribution channels in information search and consumption of tourism products and services, the majority of research in this area has largely focused on issues from the perspective of both suppliers' and intermediaries' attempts to reach consumers and the relationships between the participants. Most of these studies have examined the structure of the tourism distribution channel in its current form, without taking into consideration its historical evolution and contributing factors to this evolution. While it is important to understand the current position of the industry, it is equally important to acknowledge

where we came from so that we may gain insights into where we are heading to (Kracht & Wang, 2010).

The dearth of recent empirical studies of the New Zealand outbound travel industry and the influence of ICT on it suggests that there is a good opportunity to give further theoretical insights, especially from areas of the world outside Europe and the United States. Although the results of international research can be applied to the New Zealand industry in principle, this does not lead to an in-depth understanding of the strategic impacts on this market. Further research will also contribute to an understanding of the travel industry in general, since in order for an organisation to be successful, its leaders must have a good understanding of the strategic implications of structural changes in the industry (Buhalis & Zoge, 2007).

2.9 Chapter conclusion

This literature review has discussed the current state of knowledge of the interaction between tourism businesses and ICT, with a focus on the intermediary sector. The literature suggests a trend towards the transformation of the industry with changes in structure and the integration and consolidation of businesses. These changes have implications for travel organisations in terms of the introduction of new participants including eMediaries and revolutionised distribution channels. The introduction of a direct channel between suppliers and the end consumer enabled by ICT has led to a change in consumer behaviour, with the search for information becoming an inherent part of the travel process and a critical element of customer satisfaction.

The evolution of technological innovations has seen a change in relationships between channel participants, and the occurrence of unintentional consequences, leading to a shift in the power base. Far from being disintermediated, recent studies have shown that the concept of reintermediation proves the strength and value of the intermediaries as integral channel members.

It is important to recognise that a review of the relevant literature provides a conceptual understanding of the research problem, and this understanding allows me to use the emergent concepts from the extant literature to become theoretically sensitive.

However, these concepts should not be seen as a rigid set of ideas on which I base my study since I am taking an inductive, analytical approach. As such, I am not committed to any specific outcome prior to commencing my fieldwork.

Chapter 3 Research Design and Methodology

3.1 Chapter outline

This chapter introduces and discusses the research design and methodological approach of the study. Since the choice of methodology ultimately stems from the underlying philosophical assumptions held by the researcher (Bryman & Bell, 2011; Guba & Lincoln, 1994; Myers, 2010), I begin with a presentation of both my ontological and epistemological assumptions. I then provide a justification for the adoption of an interpretive approach for this study.

The next section outlines the reasoning for the use of the single case study design approach, followed by details of the case and data collection process. I then explain why thematic analysis is my choice of data analysis method and provide details of the coding procedure I applied to the data.

3.2 The researcher's paradigm

Before planning my fieldwork, I needed to understand my own beliefs and world view. It was an interesting journey in self-discovery having to sit down and determine my own understanding of the world. After much contemplation, I have identified myself as an *interpretivist researcher*, and as such, my aim in this research project is to gain an interpretation of the evolution of ICT within the wholesale travel sector and the experiences of various people within this context.

My ontological position is that when we are dealing with people in the social world, the very fact that each person may have a different perception of events taking place means that there are potentially multiple realities of a given situation. People cannot be considered as separate from events, but must be regarded as an integral part of such events, with their actions having a direct impact on the events themselves. The very word “individual” means that each person may have a different mind-set, and understanding of events by an individual can only come through the meaning that each individual assigns to the situation.

When looking to study participants interacting within the social world, it is my epistemological position that I must become involved with the participants so that I may gain a deeper understanding as to why ideas or events are occurring in a particular way.

The reason for this is that one can only understand the meaning that has been assigned by a specific social or cultural group by becoming a part of that group. This is supported by Grant and Giddings (2002), who argued that being a part of the research does not entail just re-playing what the participants have related, but also entails interpreting the meaning of what has been expressed. This act of interpretation could in fact lead to an understanding that the very participants were unable to see for themselves.

Therefore the research process must take into account the very distinctness and diversity that one finds within a group of people, which requires a somewhat subjective and empathetic approach (Bryman & Bell, 2011). In this study, given that much of the data collected include the words expressed by the subjects, I must also consider the social construction and shared meaning in place and must, therefore, be looking at this data from the inside so as to understand the context (Myers, 2010). People act in a way that holds meaning to them and they also attribute meaning to the acts of others. Thus it is critical for me to interpret these actions from the subjects' point of view so that the meaning that has been attributed is clear (Bryman & Bell, 2011).

My axiological assumption is that my personal values definitely assist me to interpret the data and the subsequent conclusions that are drawn from them, and that equally, the values of all the participants are to be considered. It can be assumed that the values that a person holds form an intrinsic part of the whole person and so a person's values influence their interaction in all social contexts. Therefore, one's values frame the context and interpretation of a given situation. Each individual's interpretation of meaning or what is acceptable is determined by the values that they hold, so inevitably I bring these subjective influences to my research.

Following my examination of my own beliefs and world view, as explained above, I propose that an *interpretivist approach* be adopted for this study. The interpretative paradigm is characterised by the belief that knowledge is made up of multiple different realities. These realities are shaped by context – the group, their culture and the location. Understanding is gained through the use of qualitative methodology which does not deal with quantifiable numbers (Bryman & Bell, 2011; Myers, 2010).

A consideration that I must bring to my research is recognition that some of my background will inevitably influence my work. The idea that social researchers actually become a part of the world being investigated also contributes to these influences (Gibbs, 2007). In particular, my professional career and experiences in the New Zealand

wholesale travel sector mean that I cannot be completely objective and unbiased; however, for the same reasons, I also bring sensitivity to the data.

3.3 The case study approach

When deciding on an appropriate approach to use for this empirical study, there are a number of factors I need to consider. Reflecting on my ontological and epistemological position, as stated above, I seek an approach that provides an in-depth understanding of the research problem. The idea of using case studies to address questions such as “How?” or “Why?”, as opposed to seeking answers to questions with quantifiable answers such as “How much?” or “How many?” is supported by Benbasat, Goldstein, and Mead (1987) and Yin (2014). The notion of “controlling the events” can be said to be based in the *positivist paradigm*, whereas the interpretivist researcher seeks to gain an understanding of the events. The case study approach is preferred particularly when the research focus is based on current issues set within a real-life context. The adoption of a case study approach is key to exploring and explaining current industry practices, obtaining the necessary practice insights, and addressing the research problem (Neuhofer, Buhalis, & Ladkin, 2015).

Yin (2014) defines case studies as “an empirical inquiry that investigates a contemporary phenomenon (‘the case’) in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident” (p. 16). This definition confirms the concept that case study design attempts to gain an understanding of the processes undertaken in a group or area that have not previously undergone in-depth analysis (Benbasat et al., 1987), thereby giving the researcher the ability to gain an holistic comprehension of the phenomenon being studied (Diaz Andrade, 2009).

The case study research method is used in many different situations including analyses of the structure of specific industries and/or economies. The case study method also crosses different disciplines in order to add to our understanding of “individual, group, organizational, social, political and related phenomena” (Yin, 2014, p. 4). In addition, a further strength of the case study approach is its ability to cope with a diverse range of data including primary sources of data such as interviews and observations as well as secondary sources including documents and artefacts (Yin, 2009).

Considering that ICT has played such an important part in the development of modern tourism, the travel industry lends itself to being a prime candidate for this type of approach. This is a view shared by Wilson (2000), who stated, “As a leader in technological innovation and online sales, the travel industry offers a valuable case study to investigate how the Internet may affect a retail industry” (p. 43). Additionally in the field of information systems research, the case study approach has been shown as an appropriate choice by providing an in-depth understanding of the interaction between people and technology in real-life social contexts (Orlikowski & Baroudi, 1991).

I determined my research question to be:

How is the evolving nature of ICT underpinning changes in the structure of the outbound wholesale travel sector in New Zealand?

This contemporary real-life situation would best be understood with an in-depth, intensive investigation of a single case/organisation (Bryman & Bell, 2011; Myers, 2010; Yin, 2014). Studying one specific case does not confine the insights to that one case, however; the theoretical generalisation can be used to understand the broader context (Yin, 2009) and the case itself can provide a context that effectively facilitates understanding of the problem being investigated (Siggelkow, 2007; Stake, 2003). Drawing on the experiences of my intended participants, together with my own involvement within the industry, I deemed the single case study to be the approach that best meets this goal.

Having defined my research question, and given that the single case study was the approach I determined for the study, the next step was to select the case and identify possible participants in the research.

The review of the extant literature determined that one of the dominating trends is one of integration and consolidation within the worldwide travel industry. Therefore, an organisation that represents this trend in the New Zealand market was required for this study. With this in mind, a form of purposive sampling was needed when selecting the appropriate case. Critical case sampling was necessary since this approach permits the selection of a crucial case allowing “a logical inference about the phenomenon of interest” (Bryman, 2012, p. 419). In addition, the role of evolving ICT on the structure of the travel sector needed to be considered so an organisation that reflects this was sought. An investigation of such an organisation will provide a good opportunity to

provide logical generalisations (Patton, 2002) and give further theoretical insights on the topic.

When examining the current structure of the New Zealand travel industry, there are three main companies or organisations that dominate the outbound wholesale travel landscape: the New Zealand operation of Helloworld Ltd, Flight Centre Travel Group, and House of Travel Ltd. With one of the aims of the study being to outline the process of integration and consolidation within the New Zealand wholesale sector, this context is a deliberate part of the research design. Therefore the case selected needed to provide this context to enable the analysis of this process to take place.

While all three organisations are vertically integrated businesses with representation in the wholesale and retail sectors, only the New Zealand operation of Helloworld Ltd is representative of the process of ongoing consolidation within the sector. Thus the organisation that meets this critical case criterion is Helloworld Ltd. The company has a history of mergers and acquisitions, some of which I myself have been a part of during my professional career, and so is an ideal company to investigate given that I am interested in trends of integration and consolidation. In addition, the evolution of Helloworld Ltd's New Zealand operation, from a privately owned New Zealand company to becoming part of one of Australasia's leading integrated travel companies, makes it an interesting case on which to base this study. The origins of Helloworld Ltd's New Zealand operation began with Atlantic and Pacific Travel and Gullivers Travel, and my own professional experience began with Atlantic and Pacific Travel, a company I joined in 1986.

While this case study investigates the integrated business Helloworld Ltd, the emphasis of the study is on the wholesale travel sector and the changes in its structure over the last 30 years, and how the evolving nature of ICT correlates with these changes. An in-depth investigation of one case such as this allows me to reflect on, and revise meanings of, what has occurred and what is occurring, and to develop late-emerging issues (Stake, 2003). The use of the case study approach can also "get much closer to theoretical constructs and provide a much more persuasive argument about causal forces than broad empirical research can" (Siggelkow, 2007, pp. 22–23).

3.4 Data collection

With the evolving nature of the ICT utilised, together with the changing structure of the travel industry, this study seeks to understand how the way in which people interact with technology has affected the New Zealand wholesale industry. Rather than quantify and measure, a qualitative, interpretivist approach best suits this objective, allowing for an in-depth understanding that “enables the appreciation of all aspects of the subject” (Buhalis, 2004, p. 809). A number of authors have suggested collecting different sources of data to increase the breadth and scope of the research (Benbasat et al., 1987; Bryman, 2012; Yin, 2014). I decided to combine primary and secondary data sources by using in-depth interviews and field notes, as well as published information. Table 3.1 outlines the sources of data used.

Table 3.1: Sources of data

Primary sources	1. In-depth interviews
	2. Field notes
Secondary sources	Publicly available information

3.4.1 Commencing the fieldwork

Following the receipt of ethics approval for the project from the Auckland University of Technology Ethics Committee on 04 June 2013, I was ready to commence my fieldwork. The primary sources of data consisted of face-to-face interviews conducted in Auckland during the period June to August 2013.

I employed *purposeful criterion sampling* of participants for this project, whereby individuals meeting a particular criterion were selected (Bryman, 2012). Participants needed to have at least ten years’ experience within the New Zealand wholesale travel sector, as this long-term experience would enable them to discuss the effects of changing patterns in distribution over a period of time. Participants also needed to have knowledge of the various developments and functions of the wholesale sector, which would allow for the identification of long-term trends and a discussion of the changes to structure. Furthermore, in order to fully explore the interplay between the people within the case study organisation and technology, participants were required to be working or have worked for a minimum of ten years within the business that was the focus of the case study, i.e. Helloworld Ltd; again, this 10-year criterion was purposefully chosen to allow for an in-depth understanding of their experiences.

Bearing in mind that in qualitative research, the actual size of the sample is determined by the purpose of the study (Patton, 2002), the target sample was drawn from both current and past employees of the case; i.e. Helloworld Ltd and/or its preceding New Zealand incarnations (Atlantic and Pacific Travel and Gullivers Travel). There are six participants, who range from having 25 years' experience in the outbound travel sector in New Zealand to having more than 40 years' experience, and all have held, or currently hold, either a middle- or a senior-management position. Having been previously employed by both Atlantic and Pacific Travel and Gullivers Travel myself, I was in the fortunate position of being able to draw upon my personal knowledge and networks when selecting the participants. Prior to commencing this project I had discussed the research idea with some of the intended participants and received positive feedback from them, each expressing an interest in my future findings. Prior to the commencement of the interviews, each of the participants was provided with a Participant Information Sheet (see Appendix A).

Prior to entering the field, I again reflected on my own personal bias as a past practitioner in the field. While I have previously acknowledged that some of my prior experience would inevitably influence my work, I needed to consider how to assume the position of an independent observer to mitigate this bias during the data collection process. To be sensitive to the differing perspectives potentially held by the participants, the approach I adopted, and one recommended by Gibbs (2007) which is key to qualitative data analysis, was to view events through the eyes of the participants.

3.4.2 Participants' profile

Table 3.2 details the profile of the selected participants, giving a brief summary of their involvement with the case organisation, Helloworld Ltd, and their career in the New Zealand travel industry. To ensure anonymity, which was one of the requirements of the ethics approval, a pseudonym is used in place of the participants' actual name.

Table 3.2: Profile of interview participants

Participant	Profile
Participant 1 (Iris)	Former middle-management-level employee of both Atlantic and Pacific Travel and Gullivers Travel during the 1980s and 1990s, with 30 years' experience in the New Zealand travel industry. Currently the managing director of an independent travel alliance.
Participant 2 (Violet)	Current employee of Helloworld Ltd at an executive level. An entrepreneur in the early part of their career, now with close to 40 years' experience in the New Zealand travel industry.
Participant 3 (Azalea)	Current employee of Helloworld Ltd in a middle-management position. Has worked through an integration and consolidation phase of the company's New Zealand development and now has some 25 years' experience in the New Zealand travel industry with the group.
Participant 4 (Rose)	Current employee of Helloworld Ltd in a middle-management position. Has worked through a number of integration and consolidation phases with the New Zealand operation of the company and held a number of different roles within the organisation. Close to 40 years of industry experience with the different incarnations of the group.
Participant 5 (Lily)	Current employee of Helloworld Ltd at a middle-management level with a focus on ICT systems. Has held a number of different roles within the organisation throughout the phases of integration and consolidation; now with 30 years' experience with the group.
Participant 6 (Daisy)	A former employee of Gullivers Travel at a senior-management level during the mid-2000s. Has close to 40 years' experience in the travel industry, both in New Zealand and offshore, all with an ICT focus.

3.4.3 Semi-structured in-depth interviews

Semi-structured in-depth interviews, a primary source of data (Yin, 2014) are the key component of this research project. Considering that the purpose of this study is to understand how the evolving nature of ICT has underpinned the changes in the wholesale sector, interviews allow the participant to describe the world as they experience it. This participation by the interviewee is particularly important because the environment of the interview acts as an extension of everyday conversation. Thus, semi-structured interviews allowed me to reach a deeper level of understanding, and add a richness to the data (Rubin & Rubin, 2012). I also decided that it was more appropriate for the participants to freely decide their answers, as opposed to presenting them with

predetermined answers for them to choose from, as is the case with a quantitative questionnaire (Gillham, 2005).

Qualitative data were collected by conducting a series of face-to-face interviews with six expert participants. The interviews, held in Auckland, ranged from one hour to one and a half hours in duration. The interviews used open-ended, semi-structured questions (see Appendix B) to allow me flexibility to interact with the participants. With the aim of the research project being to provide theoretical insights using an *inductive process* (see section 3.5: Method of Analysis), the interviews needed to be as flexible as possible to allow emerging themes, as perceived by me, to be fully explored. Each of the participants were explicitly asked for their voluntary consent to my taking notes during the interviews and for their interview to be recorded on audiotape.

Interviewees were first asked about themselves; for example, their length of time in the industry, their career progression, etc. The idea behind commencing with this type of question was to allow me to build a rapport with the participant and for them to relax and feel at ease. Having the tape-recording device in plain view on a table seemed initially unsettling to some of the participants, so beginning the interview in this way meant that the recording device was soon invisible. The personal narrative also provided an opportunity for me to ensure that each participant met the criteria as outlined previously.

During my first attempt as a “novice” interviewer, I tried to follow the order of the questions as I had them laid out in my schedule. The nature of the interviews, however, where I was actively encouraging the participants to share their experiences and feelings, meant that this strategy was flawed from the outset. Given the opportunity to express their own unique interpretations of events, participants tended to move to the next topic based on what they were focused on relating. I decided that rather than interrupt the flow of the interview, I would see where the discussion led. This was a strategy that I also employed during subsequent interviews. At the conclusion of each interview, I allowed time to explore any emergent ideas that I felt needed further explanation or depth. There was also an opportunity for the participants to add anything that they might feel was important to be included in the study.

Qualitative data in the form of interviews create a large volume of data and so I needed some way of systematically organising this data. I first created and organised electronic files using the cloud storage facility Dropbox, ensuring that my account was only

accessible via username and password, thereby safeguarding my data (another requirement of the ethics consent). Utilising cloud storage has the added benefit that I can access my work from both my home and office systems, allowing me to easily update and complete further analysis when the opportunity arises. Once I had completed the interviews, I downloaded the audio file to my laptop, ready for the process of transcription. I made the decision to have the audio files professionally transcribed, to ensure that this process was completed within an acceptable time frame. I selected a reputable organisation to complete the transcription, one which has an ongoing relationship with Auckland University of Technology. The transcription was completed using the intelligent verbatim protocol, whereby it is a full and accurate transcript but omits repeated and unnecessary filler words such as “um” or “ah”, uncompleted words and “meaningless” statements such as “you know”.

3.4.4 Field notes

During each of the interviews, I made notes of observations and emergent ideas that I deemed to be important and emphasised by the participants. These notes are the second primary source of data I collected. At the conclusion of the interviews, I reviewed these notes and then typed them up as an MS Word document, while the interviews were still fresh in my mind.

3.4.5 Secondary sources of data

I also collected secondary sources of data, namely published information. The secondary data includes documents produced by the case organisation, Helloworld Ltd in its varying forms, depending on the date of publication. My initial quest for information on Atlantic and Pacific Travel led me to discovering an employee induction booklet printed in 1985, which I had received as a new employee when commencing my employment in 1986. I was also given access to company documentation by some of the participants in the study. This documentation includes company profiles and structures at various stages of Helloworld Ltd’s development, as well as the initial share offer document produced by the Gullivers Travel Group prior to the company’s public stock offer on the New Zealand stock exchange.

I also analysed the company websites of the various brands that form the New Zealand division of Helloworld Ltd. My intention is to provide an historical account of the changing structure of the outbound wholesale sector of New Zealand by examining the changes that have occurred with Helloworld Ltd.

3.5 Method of analysis

The aim of the analysis is to draw insights that may be meaningful beyond this specific case study and to contribute to the existing knowledge in the field. Since the majority of data collected in this study is in the form of participant interviews, analysis is not straightforward because there are not hard and fast rules when it comes to analysing qualitative data (Bryman, 2012). In this thesis, I am not looking to create theory; instead, my aim is to generate theoretical generalisations that are grounded in the data – although I do plan to utilise some analysis techniques commonly associated with grounded theory. Following my epistemological beliefs, I intend to take an inductive approach to the data analysis whereby initially I seek to identify key themes emerging from the data and look for relationships and patterns between them. Miles, Huberman, and Saldaña (2014) suggest the analysis “moves from one inductive inference to another by selectively collecting data, comparing and contrasting this material in the quest for patterns or regularities” (p. 10).

3.5.1 Thematic analysis

According to Braun and Clarke (2006), “Qualitative approaches are incredibly diverse, complex and nuanced, and thematic analysis should be seen as a foundational method for qualitative analysis” (p. 78). Thematic analysis allows for an inductive approach, which is similar to the epistemological principles of the interpretivist paradigm with which I have identified (Bryman & Bell, 2011). Having conducted an extensive review of the extant literature prior to commencing the fieldwork, I acknowledge that I am aware of the theoretical concepts that are present in the body of existing work. That said, however, I am not committed to identifying or confirming any specific concept prior to the analysis of the data from this study; rather the concepts allow me to be theoretically sensitive to the data. Thematic analysis is seen to be a flexible approach to analysing qualitative data, which in turn can potentially give a rich and thorough interpretation of the data while also providing complexity (Braun & Clarke, 2006). The process whereby the emergent concepts are constantly compared during the generation of categories associated with thematic analysis is also a useful tool when it comes to the stage of determining *theoretical saturation*. This term is used to describe the point where nothing new is discovered in the data (Bryman & Bell, 2011; Gibbs, 2007).

Once I received the completed transcripts, I then listened to each of the audio files at the same time as reading the transcript as a double check to ensure that the interview had

been transcribed correctly; i.e. as I myself would have transcribed them. Once I was satisfied with the transcription, I uploaded the MS Word file into the computer-assisted qualitative data analysis software (CAQDAS) program NVivo 10®, ready for the analysis process. During this process I also referred to my field notes, adding any further notes and ideas that came to mind. I then uploaded these field notes into NVivo 10. I scanned the company documents that I had obtained as secondary sources of data and uploaded them as image files into my NVivo database to ensure I had all the documents conveniently and securely located in the one database.

The next step in my qualitative thematic analysis was to read through each of the transcripts from beginning to end to familiarise myself with the data. From this initial browse, I was already able to gain a sense of meaning from the words expressed. I then re-read each transcript for a second time, this time making pencil notes in the margin and highlighting specific points I deemed were important. I used the password-protected software Evernote to record my analytical memos after this second reading of the transcripts. These analytical memos allowed me to note the main points from the data which were the beginnings of my initial codes. The use of Evernote allowed me to store my notes in one place while still being able to access them via multiple devices, which gave me immense flexibility. The next step was to re-read each of the transcripts for a third time, this time line by line in NVivo – and thus the coding process began.

3.5.2 Coding procedure

A feature of qualitative data is the large volume of data generated, and the first step to analysing the data is what Miles et al. (2014) referred to as “data condensation” (p. 12). The authors strongly emphasised that this is not a matter of data reduction since the word “reduction” lends itself to be a negative connotation of taking something away. In terms of volume of data generated, this study is comprised of six and half hours of recordings, which corresponds to 132 pages of transcription. I began the process of coding with the first transcript using an inductive approach. I read each line and assigned a label to identify my interpretation and understanding, thereby allowing the labels to emerge from the data, rather than imposing pre-conceived ideas (Miles et al., 2014). I then applied this same process to the remainder of the transcripts. To ensure coding consistency, during this process I compared the text I was currently working on with other text that I had previously coded (Gibbs, 2007).

Figure 3.1 reveals the coding process undertaken in this study. Each step of the process is then explained in the following paragraphs.

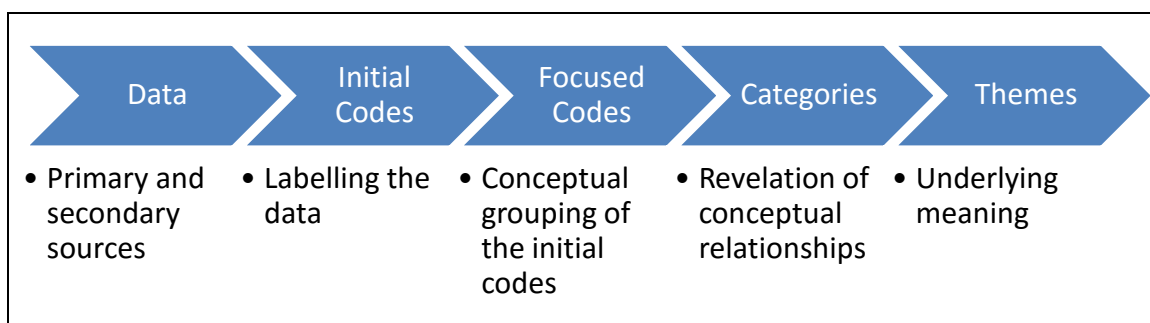


Figure 3.1: The coding process

The first cycle of coding produced 68 initial *descriptive codes*. On reviewing these codes, I moved from these descriptive labels – which admittedly had a low level of abstraction – to more *conceptual codes*, which better represented my analysis and understanding of the data. During this review process, I needed to ensure that the codes were as analytic and theoretical as possible (Gibbs, 2007). I then reconsidered the number of codes I had created, looking to combine common ideas and interpretation. This first step in the coding process condensed the initial 68 descriptive codes down to 53 conceptual codes, which I then analysed in the next step in the process, the development of the *focused codes*.

Once the initial coding had been completed, I was aware that I now needed to move to a higher level of analysis and abstraction to be able to conceptually group the initial codes together (Bazeley, 2009; Miles et al., 2014). This analytical process led to the creation of nine focused codes.

During this process of categorisation, I compared and contrasted the focused codes with one another, seeking to discover the emergent categories. Three main categories were developed as a result of assembling these nine conceptually related focused codes and the inductive thinking process, namely *resilient industry*, *synergistic partnerships* and *ICT regime*.

There is an inherent danger when following the coding process of viewing the data in a broken-down, fragmented manner as opposed to a culmination of ideas (Bryman & Bell, 2011). Therefore to avoid such a pitfall, I re-played the recordings of the interviews and re-read their transcripts prior to taking this next step in the analytical process. The analysis was undertaken at a higher level in order to find the conceptual

relationships between the categories. During this analysis I looked for a patterned response and meaning within the data (Braun & Clarke, 2006). Again following an inductive thinking process, two core themes were revealed as a result of grouping the emergent categories together.

3.6 Chapter conclusion

After identifying myself as an interpretivist researcher, I adopted the case study approach for this study. I used critical case sampling to select the case organisation, Helloworld Ltd. Following the identification of the participants, I conducted six semi-structured interviews for my primary data, and reviewed published information as my secondary sources of data. The data were then analysed using thematic analysis until theoretical saturation was realised. The following chapter introduces the case, Helloworld Ltd, because the background informs the research, developing the context for the study.

Chapter 4 The Case

4.1 Chapter outline

This chapter provides the background context for the New Zealand outbound tourism industry and introduces and discusses the case organisation for this study, the New Zealand operation of the Helloworld Group.

4.2 The New Zealand outbound tourism industry

New Zealand's geographic location was historically seen as a big disadvantage for the outbound tourism sector (Collier, 2011). However, recent statistics reflect a well-travelled New Zealand population.

Outbound statistics for the year ended November 2014 show that New Zealand residents made 2.26 million trips – an increase of 3% from the November 2013 year. In terms of destinations, almost half of all the trips made were to Australia (1.09 million), the United States (162,600), Fiji (128,200), the United Kingdom (102,200), China (76,600) and the Cook Islands (76,400). In particular, the United States and the Cook Islands have grown in popularity over the past decade. Since the November 2004 year, the number of trips taken to these countries has more than doubled (Statistics New Zealand, 2014).

According to the Travel Agents' Association of New Zealand (TAANZ), the importance of the outbound travel industry can be measured by the number of short-term departures by New Zealand residents. Table 4.1 shows the total number of New Zealand residents departing for short-term purposes over the 25-year period of 1990 through to 2014 (measured as at May to provide a relevant comparison). Table 4.1 depicts a steady growth of departures over the 25-year period, with an increase of more than 200% from 1990 to 2014 (Travel Agents' Association of New Zealand, 2014, p. 2). The growth in departures over this 25-year period reflects the demand for outbound travel and thus the importance of this sector to the travel and tourism industry as a whole. Yet, despite the importance of this sector, there is little research available examining the outbound travel industry, and in particular, the ways in which this expanding demand is being accommodated in terms of product distribution (Reid & Pearce, 2008).

Table 4.1: Total number of New Zealand residents departing (short term)

Year	Total New Zealand residents
1990	717,278
1995	920,107
2000	1,282,791
2005	1,777,939
2010	1,943,330
2014	2,213,059

Source: Travel Agents' Association of New Zealand (2014).

4.2.1 The case: The New Zealand operation of Helloworld Limited

The structure of the three main outbound wholesale travel organisations Helloworld Ltd, Flight Centre Travel Group, and House of Travel Ltd, differ. Flight Centre Travel Group is comprised of more than 2500 stores and businesses in 11 different countries, with more than 130 stores located throughout New Zealand. Flight Centre Travel Group operates a number of different brands within the business and the business is a publically listed company on the Australian stock exchange (Flight Centre Travel Group, n.d.). House of Travel is a New Zealand-owned and operated travel business. Their structure differs to that of Flight Centre Travel Group in that each of their stores is a business partnership between the local owner-operator and House of Travel Holdings in a 50/50 relationship (House of Travel, 2015). Helloworld Ltd and its retail brands of United Travel and Harvey World Travel operate under a franchise arrangement (Helloworld Ltd, 2013), as opposed to the wholly owned or partnership models of Flight Centre and House of Travel, respectively. Helloworld Ltd itself developed from more than 40 years of integration and consolidation within the New Zealand wholesale and retail sectors.

Atlantic and Pacific Travel was established in 1956 as Oliver's (Adelphi) Travel in Christchurch. Soon after, it changed its name to Atlantic and Pacific Shipping and Air Agency, obtaining IATA accreditation in 1957, and opening an Auckland office in 1958. As an early example of the trend of consolidation, Atlantic and Pacific Travel acquired Fiji Tours in 1970 and merged with White Heron Holidays in 1975. Retail travel offices were purchased from Carr Stretton Travel in 1981, and ASB Travel, a joint venture between Atlantic and Pacific Travel and the Auckland Savings Bank, was formed in 1984 (Atlantic and Pacific Travel, 1985). By the 1980s, Atlantic and Pacific Travel had grown to become one of New Zealand's largest travel companies.

Atlantic and Pacific Travel embraced the concept of having a strong brand presence in the market, and “Explorair Holidays” was launched in 1972 as a result of the re-naming of South Pacific Holidays. Likewise, “Gitaway Holidays” to Hawaii, the United States and the Far East (Asia) was launched in 1973, followed by the establishment of the market leader “London Shoppe” in 1974, in association with Air New Zealand and British Airways. The company Gitaway Holidays Ltd was formed in 1977, with equal ownership between Atlantic and Pacific, United Holidays (part of United Airlines) and Air New Zealand (Atlantic and Pacific Travel, 1985).

The importance of ICT as a valuable tool for use in the travel industry was identified early by Atlantic and Pacific Travel. As its business grew and developed, the company leased an IBM Series 10 computer and subsequently developed an in-house computer system in 1974 to cope with the increase business volume. This system was upgraded to an IBM Series 34 computer with a VDU screen in 1978. By 1980, the need for further ICT development was identified, and the company purchased a Wang VS2200 mainframe computer (Atlantic and Pacific Travel, 1985). This system was housed in a series of large, soundproofed rooms which encompassed nearly an entire floor of office space. The system had to be backed up overnight and client documentation (printed vouchers and itineraries) and business reports were also generated overnight. Any errors encountered during this complex backup process had a lasting effect on productivity the following day, with the system being “down” or unavailable, meaning employees would have to revert back to manual processes.

The development of new technology and the increase in the demand for travel services led Atlantic and Pacific to further develop their ICT systems. They entered into an arrangement with Solutions Group Ltd to develop a new reservation and accounting system named Pegasus. This system automated most processes and, most importantly, would allow for the automated generation of airline tickets and the correct reporting of airline sales. I myself was seconded to this IT project in June 1991, whereby implementation of this new reservations system was user tested. At the same time, this same new system was also being developed for Gullivers Travel, which at the time was one of Atlantic and Pacific Travel’s main competitors.

Gullivers Travel was founded as a wholesale travel company in 1976 by entrepreneur Andrew Bagnall, a former employee of Atlantic and Pacific Travel (Stella Travel Services, 2007; The National Business Review, 2014). In line with industry trends,

Gullivers moved to become an integrated travel business with the launch of its leisure retail brand, Budget Travel, in 1980. The purchase of major corporate travel business Signature Travel from Diners International in 1987 saw the company continue the integration trend. In 1995, Signature Travel was selected by global travel company Carlson Wagonlit as its New Zealand associate (Gullivers Travel Group Ltd, 2004).

In 1992, with Atlantic and Pacific Travel struggling to recover from crippling debt following the restructure of its business by then owners Corporate Investments Ltd, Gullivers Travel acquired Atlantic and Pacific. This acquisition included Atlantic and Pacific's wholesale brands of London Shoppe, Gitaway Holidays and Explorair Holidays, the retail travel franchise Holiday Shoppe and the business travel company Atlantic Pacific. The new business was renamed Gullivers Pacific Ltd (Gulpac), and very quickly the two organisations came together in the same premises in Queen Street, Auckland. The internal structure of the new organisation is outlined in Appendix C. Further developments took place with the Pegasus system to reflect the integration of the two businesses, as well as the development of an automated air ticketing database some 12 months later. At this critical time in the company's redevelopment, I was appointed to the role of team leader of the Asia division, with the challenge of bringing the original two divisions with distinctly different operating process together as one newly formed department.

The GDS markets in Australasia were controlled by Qantas and Air New Zealand up until 2000, and to maintain a leading position in the marketplace, Gullivers Pacific "invested in developing a range of software applications for leisure, corporate, online and integrator products with access to both GDS and online fares" (Gullivers Travel Group Ltd, 2004, p. 26). These software applications were GDS neutral, and made available to all participants in the travel industry, being suitable for global use and deployment. By 2004, the group's technology businesses included specialist travel management software development company Interactive Technologies Ltd (ITL), which included the highly regarded Serko software product range, and Access Interactive which distributed the specialist software developed by ITL (Gullivers Travel Group Ltd, 2004; Serko Ltd, 2014).

The changing nature of the business environment with the introduction of Internet technology and its associated challenges meant that the trend of consolidation and integration of travel businesses continued. In 2000, the corporate business Atlantic

Pacific acquired a 40% share in an Australian corporate travel business (Gullivers Travel Group Ltd, 2004). The group then decided that the continuation of two distinct retail leisure travel brands in New Zealand was no longer viable, so merged and renamed the Budget Travel chain into the Holiday Shoppe chain, ending the Budget Travel brand after 20 years of operation. This change also led to a change in business practice and focus for the group, moving from the wholly owned retail model to the Holiday Shoppe franchise model. Also in 2000/01, Gullivers Pacific merged with its former competitor Passport United Holidays, at the same time bringing the retail travel franchise United Travel into the business (Stella Travel Services, 2007). Formed in 1986 from the merger of United Holidays Limited and Scholes Oakley Limited, at that time Passport United Holidays was one of New Zealand's largest independently owned and operated integrated travel companies (Passport United Holidays, n.d.).

Following this latest merger, the newly expanded company sought to develop a new in-house reservation system that could handle the increased volume of wholesale business and integrate with an online air database. After researching many options and much deliberation, the company selected the Calypso wholesale reservations system, provided by the technology company Tourism Technology, as their new technology platform. The Calypso system had a sound track record in wholesale operations with companies such as Qantas Holidays, Garuda Orient Holidays, Creative Holidays and Adventure World already utilising the software (Tourism Technology, 2011). Following maternity leave, I returned to Gullivers Pacific as a business improvement consultant, and part of my role was to load and test wholesale supplier contract information into the Calypso database in preparation for the system to be implemented in each wholesale department. The Calypso system operated on the concept that all data had to be loaded into the database prior to use by a reservations consultant. This was quite a move away from the previous Wang system where manual loading of data by reservations consultants, particularly in the calculation and imputation of contract rates, was commonplace. This pre-loading of the database therefore presented quite a challenge for the business since reservations could not be completed in the system until the database was fully completed.

Ever cognisant of the changing nature of travel distribution, Gullivers Pacific entered an agreement with the Asia/Pacific online portal Zuji in 2004 which provided the company the licence to use Zuji's technology platforms and their global brand to operate in the consumer-direct online space (Gullivers Travel Group Ltd, 2004). Zuji was owned by

the international online company Travelocity, a subsidiary of the GDS Sabre, and the use of Zuji technology allowed Gullivers Pacific to market their traditional wholesale product both in New Zealand and globally (Zuji, 2006). Online users were first directed to Gullivers Pacific's Calypso database when searching for product, and if they selected the "show more" option, they were then directed through to Travelocity's global database.

The next part of the company's journey saw the privately owned Gullivers Travel Group listing on the New Zealand and Australian stock exchanges in November 2004¹. The stock offer document stated that the "Gullivers Travel Group (comprising Gullivers Travel Group and the Subsidiaries it intends to acquire) is the largest vertically and horizontally integrated wholesale, retail leisure and corporate outbound travel services group in New Zealand" (Gullivers Travel Group Ltd, 2004, p. 3). The founder of the group, Andrew Bagnall, indicated in the share offer document that he intended to retain a 35% ownership of the group post float, confirming his own continued passion for the industry.

The public listing on the stock exchange did not mean that the merger and acquisitions of companies with the Gullivers Travel Group was complete. In 2005, the group purchased the PIL Group, which included wholesale brands such as GO Holidays, Club Med, Talpacific Holidays UK & Australia, as well as the retail leisure brands of Harvey World Travel (an Australian franchise group), Travel Smart and GO Travel Brokers, plus the online travel business of travel.co.nz (Gullivers Travel Group Ltd, n.d.).

Mid-2006 saw the beginning of a volatile period in the ownership journey of Gullivers Travel Group. In May, a Queensland-based property group, S8 Ltd, launched a takeover bid for the group. Following this bid, an Australian-based funds management and investment group, MFS, announced their intention to acquire S8. Subsequently, MFS became the new owners of the Gullivers Travel Group, and in 2007 established Stella Travel Services. This umbrella company encompassed the two travel divisions of the group, wholesale and retail, plus the Stella Hospitality Group under which their hotel brands were grouped² (Stella Travel Services, 2007). The Serko software product range assets were purchased back from MFS by their original founders in 2007 (Serko Ltd, 2014).

¹ For the group structure as it was at the time of stock market listing, refer to Appendix D.

² Appendix E provides an overview of these outlined company structures.

Further horizontal consolidation within the Stella Travel Services New Zealand divisions took place in 2008 with the retail brand Holiday Shoppe being rebranded as Harvey World Travel. The two wholesale operations Gullivers Holidays and GO Holidays, which had initially been run as two separate entities, were merged together under the GO Holidays brand, and relocated into one building. The move was driven by concerns about whether the wholesale model made strategic sense and to ensure it was meeting demand from the retail side of the business. 2008 was a difficult year for Stella Travel Services with a majority stake in its parent company, the Stella Group, sold to private equity company CVC Asia Pacific, making CVC Asia Pacific the New Zealand-based business's fourth owner in less than five years (Helloworld Ltd, 2013).

The latest merger was in September 2010, between Stella Travel Services Holdings Pty Ltd and Jetset Travelworld Ltd, one of Australia's leading travel services groups. Jetset Travelworld's integrated business of travel brands included Jetset and Travelworld, QBT, Qantas Holidays, Viva! Holidays and Orient Pacific. This merger led to the formation of the Jetset Travelworld Group (The Jetset Travelworld Group, 2010). On 02 December 2013, Jetset Travelworld was officially renamed Helloworld Ltd and listed on the Australian Securities Exchange³. According to Helloworld Ltd (2013), "This change of name reflects the transformation of our business, the formal launch of our new identity, and our goal to unite under one strong travel brand, *Helloworld*" (para. 2).

Figure 4.1 shows a summary timeline of the mergers and acquisitions of Helloworld Ltd, from the merger of Atlantic and Pacific Travel and Gullivers Travel in 1992 to the formation of Helloworld Ltd in 2013.

For an overview of Helloworld's global brand profile, refer to Appendix F. ³

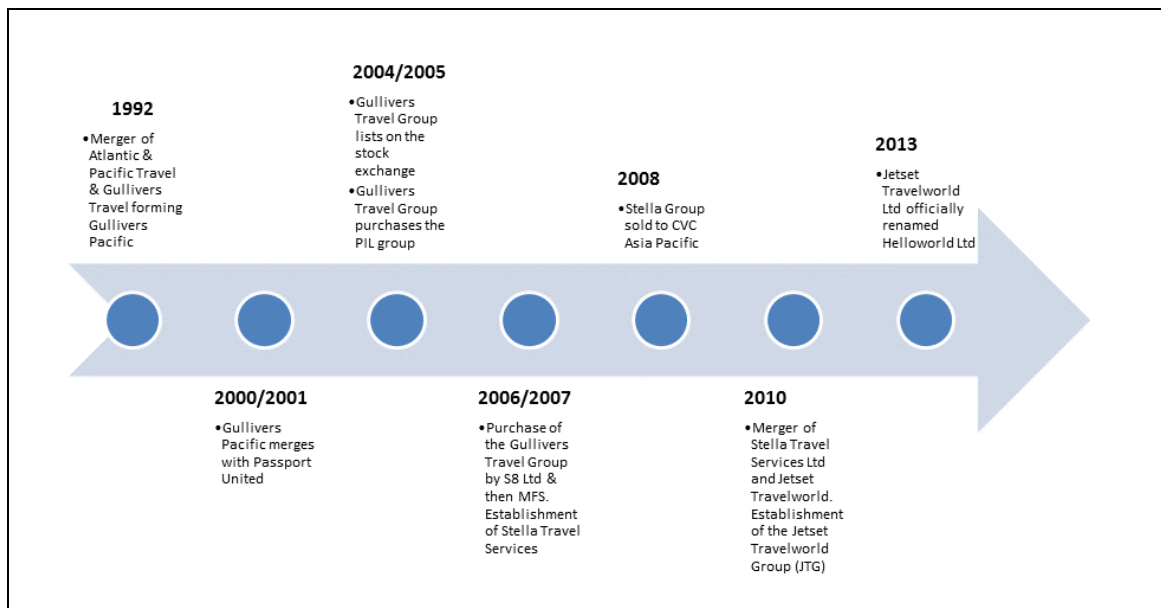


Figure 4.1: Summary timeline of mergers and acquisitions

4.2.2 The Helloworld Limited global organisation

To provide further context for the study, I now provide more in-depth information about the Helloworld organisation and, more specifically, the New Zealand operation's place within the structure. Helloworld has developed to become a prominent integrated travel company in Australia and New Zealand, operating a number of businesses in all categories of the outbound travel sector including leisure retail, corporate, wholesale and online. The company has operations in Australia, New Zealand, Laos, Vietnam, Cambodia, the United States, South Africa and the United Kingdom. Branding is a big part of the travel business and the company's current global brands are outlined in Table 4.2.

Table 4.2: Helloworld Limited's global brands

Australian brands		
Helloworld	Travelscene	American Express
Harvey World Travel	Jetset Travel	Travelworld
Qantas Holidays	Viva Holidays	Travel Indochina
BestFlights.com.au	Rail Tickets	ReadyRooms.com.au
Harvey's Choice Holidays	QBT	Atlantic Pacific Travel
Air Tickets		
United States of America brands		
Qantas Vacations	Islands in the Sun	
Asia brands		
Travel Indochina		
United Kingdom brands		
Travel Indochina		
South Africa Brands		
Harvey World Travel		

Source: Helloworld Ltd (2013).

Helloworld Ltd's New Zealand brands form four broad categories: retail, wholesale, air, and travel management (or corporate travel). Table 4.3 provides an overview of these New Zealand-based brands, which are the focus of this study.

Table 4.3: Helloworld Limited's New Zealand-based brands

New Zealand consumer retail brands		
Harvey World Travel	United Travel	The Travel Brokers
New Zealand wholesale brands		
GO Holidays		
New Zealand air brands		
World Aviation	Air Tickets/Smart Fares/Smart Tickets	
New Zealand travel management brands		
Atlantic Pacific American Express (APX)		

Source: Helloworld Ltd (2013).

Each of the brand's websites was examined to see where the brand positioned itself in terms of both Stella Travel Services and the greater Helloworld Ltd.

When analysing the “About us” section of each of the brand’s websites, there is a discrepancy as to which global company each brand indicates it belongs to. Harvey World Travel describes the company as being “backed” by Stella Travel Services (Harvey World Travel, 2014), whereas United Travel’s position is that it is in “partnership” with the Jetset Travelworld Group and its “backbone is Stella and its wholesale division” (United Travel, 2014, para. 1). The Travel Brokers is “a division of Stella Travel Services” (The Travel Brokers, 2014, para. 1), with GO Holidays’ consumer website describing the company as having “expanded into a diverse travel group comprised of specialist travel divisions based in Auckland” (GO Holidays Limited, 2014, para. 1), giving no reference to any involvement with the Helloworld or Stella Travel Services groups. GO Holidays’ trade travel agent website, which has username- and password-restricted entry, does not have an “About us” section.

World Aviation’s affiliation to the wider group is clear with the statement that it is “now an integral part of Jetset Travelworld Group” (World Aviation Services, 2014, para. 1). Air Tickets describe its transition as becoming “a member of the Jetset Travelworld Group in the 2010 merger with Stella Travel Services” (Air Tickets, 2014, para. 1). The final New Zealand participant, the travel management company Atlantic Pacific American Express (APX), clearly states that it is “a wholly owned subsidiary of Helloworld Limited – a global travel company operating in 12 countries, encompassing over 2100 offices and 3000 staff” (Atlantic Pacific American Express, 2014, para. 1). To conclude, the seven brands have a different description as to their affiliation with the parent company, Helloworld Ltd, with only APX clearly acknowledging their relationship.

Noting the use of the name “Stella Travel Services” by the New Zealand-based brands, one might wonder where the original company Stella Travel Services is featured and the role the company plays in the Helloworld Ltd structure. The perception of each of the study’s participants is now interpreted in terms of the brands they recognise in the current New Zealand outbound travel industry, including Helloworld and its subsidiaries. Rather than just the industry’s structure, consideration is given to the terminology used by the participants when referring to organisations by name. From their descriptions of the main stakeholders, comparison can then be made with the information given on the websites of the seven brands. Table 4.4 provides an overview of the companies and brands identified by the participants as being the main operators within the New Zealand outbound sector.

Table 4.4: Participants' perceptions of the New Zealand outbound travel sector

Participant	Main operators in New Zealand outbound travel sector
Participant 1 (Iris)	"There are the big players of course, Flight Centre, the Stella Group, so I guess it depends how you... Stella made up of United and Harvey World Travel. House of Travel Group of course."
Participant 2 (Violet)	"The big three are really the House of Travel, Flight Centre and Stella, as far as New Zealand goes. And the New Zealand market is very vertically integrated in terms of the three, the three main groups. Once you get outside of that, you've got First Travel Group and outside of that the rest of them are all just rats and mice really."
Participant 3 (Azalea)	"I would say obviously ourselves [Stella], Flight Centre and House of Travel I guess are the three main directly related to us... Flight Centre and House of Travel are no different to what they were ten years ago. You can argue neither is Stella."
Participant 4 (Rose)	"I'm employed by Stella of course. I'm like everybody in the building, a Stella employee... House of Travel are probably the biggest one. People would probably point normally to Flight Centres as being the bigger threat, but they're almost in another segment of the market."
Participant 5 (Lily)	"So I guess obviously for us GO Holidays is one of the main brands... Obviously the other main brands would be the Infinity or Flight Centre and House of Travel."
Participant 6 (Daisy)	"It would be Gullivers or Stella as it is today and they basically have pulled along with them obviously the retail brands of United and the Harvey World and those sorts of things. There is Flight Centre, which I think they call Infinity, and then you have some independents like GO, that basically got bought up by Stella... You have got House of Travel that do their own buying as well."

All six participants are in agreement as to which organisations are the main stakeholders in the New Zealand outbound travel sector. They all identify Stella Travel Services (with their associated wholesale and retail brands), Flight Centre and House of Travel as being in control of this sector of the New Zealand travel industry, with Violet in particular alluding to the strength that the vertically integrated model brings to the organisations. From their descriptions, the participants still refer to the company as Stella as opposed to JTG (noting that the interviews took place prior to the rebranding of JTG to Helloworld).

Chapter 5 Findings

5.1 Chapter outline

After following an inductive process, I now interpret the opinions and reflections expressed by my participants plus analyse the secondary data collected. During the analysis process, I am mindful of my research problem: *How is the evolving nature of ICT underpinning changes in the structure of the outbound wholesale travel sector in New Zealand?* While attempting to stay close to the data, I once again acknowledge my own professional experience within the New Zealand wholesale sector and how this inevitably influenced my work.

This chapter presents the analytic process, providing details of the coding process and introduces the categories that were created. The chapter concludes with a review of how these categories were developed from the initial codes and the focused codes.

5.2 Construction of the categories

During the coding procedure, as outlined in subsection 3.5., I identified three main categories as a result of assembling conceptually related focused codes (Miles et al., 2014). The three categories that developed from this inductive thinking process are *resilient industry*, *synergistic partnerships*, and *ICT regime*. These three categories, together with their focused codes, are displayed in Table 5.1.

Table 5.1: Construction of the categories

Categories	Resilient industry	Synergistic partnerships	ICT regime
Focused codes	Changing market conditions	Materialisation of unconventional associations	Recognising the value of IT
	Growing consumer sophistication	Emergence of new channels	Embracing IT-driven processes
	Emergence of innovative entrepreneurship	Incompatibility of people and systems	Keeping pace with IT-enhanced consumer demands

I first introduce the categories that were created and then proceed to elaborate how these categories were developed. The headings of the following subsections represent the focused codes, with quotations from the data that support their classifications being included and the contributing initial codes shown in brackets.

5.3 Resilient industry

The category *resilient industry* can be defined as the way that the outbound travel sector, and the intermediary group in particular, adapted to the changing business conditions over a period of time. Whether these changes were initiated by the market, the consumer, or a combination of factors, the outbound travel sector showed persistence in adapting to, if not exploiting, the shifting environment. This category also represents the participants' own experiences of changes, both in the structure and processes undertaken within the travel sector during their time working in the industry.

When I interviewed the participants, they each explained their own journey through the evolution of the outbound travel sector and gave consideration as to what they viewed were the contributing factors that led to these developments.

During the analysis process, a close conceptual relationship between the focused codes of *changing market conditions*, *growing consumer sophistication* and *emergence of innovative entrepreneurship* was revealed. This relationship creates the *resilient industry* category. The construction of this category, including the focused codes and the contributing initial codes, is displayed in Table 5.2. A summary of the analytical memo written during this creation process to support the analysis is also presented.

Table 5.2: Construction of the resilient industry category

Initial codes	Focused code	Analytical memo summary
<ul style="list-style-type: none"> • Industry governance • Appearance of new entrants • Emerging opportunities • Competition • Structural changes in the market • Pressures generated by an aging workforce 	Changing market conditions	<ul style="list-style-type: none"> — NZ economic conditions played a part in the changes in the industry, in particular with deregulation and free market policies which also lower the barriers of entry to the market. — A very dynamic and exciting time of development and change, where businesses were able to grow and flourish.
<ul style="list-style-type: none"> • Changing buyer behaviour • Passion for travelling • Inflexible product • Piecemeal shopping 	Growing consumer sophistication	<ul style="list-style-type: none"> — New Zealanders have always had a passion to travel and technology has simply enhanced and encouraged this. — The consumer has matured and become worldlier and the industry has had to adapt to this new consumer behaviour. — No longer happy for scheduled departures and group travel, the growth in free and independent travel (FIT) saw the need for the wholesale sector to change the way they did business to accommodate this growing market.
<ul style="list-style-type: none"> • Gaps in the market • Market expansion • Leadership styles • Maverick • Power shift 	Emergence of innovative entrepreneurship	<ul style="list-style-type: none"> — Andrew Bagnall challenged existing thinking and his business practices were new and revolutionary. — The entrepreneurs were aggressive in their approach to the market – quick to spot and fill a gap, and make a great profit in doing so.

5.3.1 Changing market conditions

When considering the contributing factors of the evolving structure of the New Zealand travel industry, one of the first reasons attributed by Iris is that of changing regulations governing the industry: “The country became much more sort of deregulated and more sort of free-market sort of philosophy” (structural changes in the market). Rose gave an example of the business conditions in the aviation market during the period of regulation: “In the days of fixed pricing, so if a return ticket to Sydney was \$700 it was \$700 whether you bought it from the airline or from the travel agent” (industry governance). Between 1984 and 1995, successive New Zealand governments implemented policies of extensive deregulation, which included deregulation of the aviation industry. Violet described the opportunities that these changes presented for the travel industry as “We saw another gap in the industry” (emerging opportunities), together with “It was just at the time of where we could see that deregulation was about to emerge” (industry governance). The aim of these policies was to liberalise the economy and open up the market, allowing for more competition, a sentiment with which Iris concurred: “It was around that time that the new players started to emerge” (appearance of new entrants).

These changes meant that airlines and airfares were no longer regulated by the government which gave the airlines the freedom to compete in a free market, opening up opportunities they did not previously have. The airlines then needed an extensive distribution network to take advantage of these opportunities and were willing to heavily subsidise both wholesale and retail businesses to obtain and grow this network. Iris elaborated on this concept by saying: “Where Budget [Travel] started, was that they got awesome support from Continental Airlines ’cause Continental had no distribution so they [Continental Airlines] were going to pay way over the odds” (emerging opportunities). Daisy also agreed that both the wholesale and retail travel sectors were heavily subsidised, saying: “They [the airlines] were paying good commissions back then” (emerging opportunities). Rose concurred, giving this example:

“All the other people who controlled the industry at that stage were making quite large amounts of money; it was because the airlines wanted to keep the other players out – so Air New Zealand in particular to keep people like Qantas and others out, they used to throw large amounts of money around” (competition).

Deregulation initiated a new market for other airlines, meaning a reduced “grip” on the market for Air New Zealand who, as the national carrier, had enjoyed a somewhat protected existence. Daisy described the situation: “Air New Zealand has dominated the market and so in terms of outbound, ever since I’ve been in New Zealand there has always been the bigger stick scenario. But it was about control. It is the politics of a small industry, too” (competition). Those industry participants who did not enjoy a preferred relationship with Air New Zealand now had other opportunities with other carriers, as Violet explained: “We didn’t really want a brand that was totally with Air New Zealand at that stage” (competition).

The changing business environment not only allowed for more competition, but also the development of new business relationships and new sectors within the market.

According to Violet: “So we actually grew a whole segment of the market in New Zealand quite quickly” (emerging opportunities). It was a period of dynamic change and exciting developments where the faster a business adapted, the better able they were to take advantage of the opportunities being presented. This period was described by Iris as, “It became sort of speed to market... where things are changing so often, almost hourly, you’re just flat out trying to keep up” (structural changes in the market).

Another change in market conditions was one discussed by Daisy regarding the GDS companies and their pricing structure. According to Daisy, the pricing model of the GDS in the 1990s was wrong for the New Zealand market, adding additional pressure on profit margins because:

“It was ‘one price fits all’. You paid X dollars per sector, whether it was Auckland–Wellington or Auckland–LA. So the pricing structure was incorrect back in those days, so the airlines felt that now they didn’t own it [the GDS] and it was a cost to them, not a profit. Rather than seeing it as a marketing expense or a distribution cost, because it was an alternative distribution cost” (industry governance).

Many of the changing market conditions outlined happened historically, but participants also commented on changes they perceive that could eventuate in the near future. One such change to the business environment is the issue of future succession. Many of the current retail travel businesses in the New Zealand industry are operating under the owner-operator model, whether they are part of the Helloworld Ltd 100% franchise model or the House of Travel 50/50 franchise model. The mature age of the current

owner-operators and the subsequent viability and future of this model was a focus of discussion in the interviews. At the heart of the issue is the fact that a travel business holds no stock and that the commercial reality is that the business may only be as good as its client database. Participants raised the question of what happens to those clients once the owner-operator retires and is no longer part of the business. Rose suggested that “it’s the person they [the consumer] are loyal to, not necessarily the brand” (pressures generated by an aging workforce). All the participants commented on this issue to varying degrees, and Daisy summed up the sentiment with this statement:

“The retail agencies, again I see the same names as the managers of retail agencies another decade on. So the industry is aging, in terms of the professionals that were in it. I see there is a reluctance still, I believe, to bring in new blood or educate because they have the cost of education, then they [the new staff] move on after two years or a year because they can get a better pay cheque from somewhere else. The industry struggles to get the continuous education process and getting people involved. Smaller agencies will start to go out of business, and therefore the distribution channel for the wholesaler gets reduced” (pressures generated by an aging workforce).

5.3.2 Growing consumer sophistication

All participants reflected on changes in the New Zealand consumer, which were seen to contribute to the evolving structure. Historically New Zealanders have always had a passion for travel, as verified by Daisy’s comment that “New Zealanders love to travel and New Zealanders do travel” (passion for travelling). This opinion is reinforced by the outbound statistics for the year ended November 2014 which show that New Zealand residents made 2.26 million trips – an increase of 3% from the November 2013 year (Statistics New Zealand, 2014). In the past, consumers were usually content with purchasing and travelling on organised group tours, many with a tour guide for the duration of the tour. Iris also noted: “The generation we grew up in... is that it was all about scheduled tours, packaged tours, it was all quite regimented” (inflexible product). The packaged tour provided security to a less-experienced traveller but this slowly began to change, with Violet suggesting the reason for this change is “a generational thing, they [travellers] became a lot more confident” (changing buyer behaviour).

These changes in the consumers’ confidence meant that the travel decisions they were making were altering. No longer willing to just purchase a group tour, more travellers

were looking to build their own FIT experiences. As Violet suggested, “No longer were people necessarily wanting to go on fixed dates and do this and do that” (changing buyer behaviour). This change in the consumer provided the incentive for the outbound wholesale sector to develop in order to be able to showcase the product options and so allow consumers greater flexibility in their choice of travel product. Violet described this period in the industry as “a quite exciting, dynamic period where you had a change in the consumer” (changing buying behaviour).

The outbound travel industry had to adapt to this new consumer behaviour, with Iris suggesting that consumers became “a lot more worldly wise and aware of what can be done and can’t be done” (changing buyer behaviour). Violet also acknowledged this change, indicating that this consumer maturity came about following a trend of “the big OE” (overseas experience) where groups of young New Zealanders ventured offshore to work and travel: “You’d had a whole group of people who’d gone and lived overseas after they were at university... so they kind of knew what they wanted and they didn’t want to be on group tours” (changing buyer behaviour). Upon their return, many entered the workforce and Violet noted that they began looking for more independent options when it came time to take a holiday break: “Now we just live in the age of the FIT traveller, the modular approach and maximum sort of flexibility” (changing buyer behaviour).

Daisy highlighted that changes in available technology may also have had an influence on the consumer, providing them with new, seemingly endless sources of information: “Nowadays quite often the traveller is more educated or more informed than the agent” (changing buyer behaviour). No longer confined to receiving select information from travel intermediaries such as travel agents, changes in ICT provided consumers with the ability to plan and select their own holiday options, giving them as much (or as little) flexibility as they desired. Daisy went on to suggest that there was also a marked difference in consumer loyalty because “the people that shop with metasearch sites aren’t brand loyal”⁴ (changing buyer behaviour), with consumers having the ability to choose where and when they purchased each individual component since “they’re buying a bit here and a bit there” (piecemeal shopping).

There was also a significant change in the way the airlines marketed their airfares. Historically, the earlier a passenger booked their ticket, the cheaper it was. This practice

⁴ Metasearch sites conduct searches across multiple websites.

allowed the airlines to better gauge their forward bookings and yield, often selling their airfares through the wholesale process. Changes in technology allowed the airlines to monitor their bookings far more dynamically, thus alleviating the need for the extensive lead-in time. These changes also manifested as a major change in the buying trends of consumers as Daisy noted that: “They varied in terms of lead time to purchase or destination chosen. Traditional packages were still king but a slow transition on reducing average length of stay and shorter booking times might have been just as significant” (changing buyer behaviour). This change in buyer behaviour therefore had a substantial influence on the wholesale sector since it was this sector’s role to construct those traditional packages.

5.3.3 Emergence of innovative entrepreneurship

One of the key individuals in the New Zealand travel industry identified by all the participants was Andrew Bagnall, a travel industry entrepreneur who founded Gullivers Travel in 1976. He challenged existing thinking and his business practices were new and revolutionary. Andrew Bagnall shaped wholesale travel distribution in New Zealand during the 1980s, 1990s and early 2000s, and according to Violet, “Gullivers was always considered to be, we were always quite entrepreneurial and kind of out there, pushing deals, pushing the envelope” (market expansion). Participants spoke of Andrew Bagnall’s leadership and vision, with Rose noting that “Andrew was such an analytical genius really; he was so incredibly strategic with everything that he did” (leadership styles). Andrew Bagnall’s desire to push current conventions was confirmed with Iris’s statement that “Andrew Bagnall’s initiative was, he was the first one to discount airfares when actually, I think it was illegal to discount” (maverick). Rose captured the essence of the sentiments of the participants with this comment: “He [Andrew Bagnall] was definitely an amazing talent and I guess that is why he has ended up with private jets and private yachts and everybody else in the industry hasn’t!” (maverick).

Changes to the business environment provided an opportunity for those willing to take a risk and venture into the market. During their interview, Iris revealed that “where Budget [Travel] started was that they got awesome support from Continental Airlines, ’cause Continental Airlines had no distribution” (gaps in the market). In addition, there was the chance to grow something new and dynamic, as suggested by Violet “There

was a huge gap... it was the beginning of bucket shops⁵ in New Zealand” (gaps in the market). The traditional outbound industry had been seen as somewhat restricted – as Violet said, “Probably a little staid.” But now, said Violet, “was another exciting time of growing a wholesale business, and one that had some very established brands in it” (market expansion), so the new free market environment and these enterprising businessmen and women saw the developing gaps in the market and seized their chance.

The entrepreneurs took advantage of the market conditions to grow their businesses at a very rapid pace, and according to Violet: “We grew that retail franchise chain quite rapidly actually...it was very, very profitable” (market expansion), re-shaping the structure of the industry with this expansion. Business methods changed, too, as the entrepreneurs were no longer constrained and dictated to by the traditional market players – the power and control of the distribution channel was now in the hands of the intermediaries. This was evidenced with a comment from Daisy that “the managing directors of the wholesale companies [intermediaries] would arrive for a meeting with the airlines in a Ferrari, BMW or Mercedes, whereas the managing directors for the airlines would arrive in a Toyota Corolla” (power shift). The entrepreneurs pushed the boundaries and challenged the rules, agreed Violet: “We could quote stuff, we used to do deals” (maverick). The participants also commented on the different management styles of the entrepreneurs, with Rose recalling that “Barry was much more charismatic, he knew everybody, he could remember people’s names,”⁶ (leadership styles) whereas others, suggested Rose, seemed more enigmatic and strategically driven: “Andrew [Bagnall]... did everything by remote control; he never came down on to the floor” (leadership styles).

Decisions made by the entrepreneurs led to changes in the structure of the New Zealand wholesale industry when, according to Violet, “Andrew decided he was going to buy Atlantic and Pacific Travel, which gave us a big wholesale business” (market expansion). The strategic nature of their decisions meant that former competitors essentially became new business allies. As Rose explained, “Andrew [Bagnall] had Holiday Shoppe and Barry [Fenton] had United Travel so they were competing brands, so to be able to bring them together and consolidate the wholesale operation into one was a good solution all around for everybody” (market expansion). While Violet

⁵ A travel agency that specialises in providing cheap air tickets.

⁶ Barry Fenton, owner of Passport United

acknowledged the extensive planning that went into these decisions, commenting that “Andrew was always very strategic, which was one of the great things about working with him” (leadership styles), it can also be noted that not all the decisions made were for the purpose of growing the business. After some 30 years in the industry, Andrew Bagnall decided it was time for new challenges, with Violet saying that “[Andrew] always had a game plan that in the end he needed to have an exit strategy” (maverick). According to Violet, the move had been in the pipeline for some years prior to the actual public float of the company because “[Andrew] started planning that exit strategy in the, probably ’90s” (maverick). These tactical mergers and acquisitions within the New Zealand wholesale sector mirrored an international trend of integration and consolidation.

In the present business structure of Helloworld Ltd, Rose identified one of the current leaders of the company as having similar entrepreneurial traits: “Actually Peter Lacaze is a similar vein to Andrew Bagnall; he is a strategic thinker” (leadership styles). According to Rose, the Jetset Travel Group (JTG) had embarked on an ambitious strategy to grow their business, because “if you only ever look in your own home turf you’re never going to grow, so if you want to grow your business you’ve got to look internationally” (market expansion). Unfortunately, as Rose went on to elaborate, this move to rapidly expand the business nearly had disastrous consequences: “I think it was just too ambitious without the right financial structure in behind and it got the speed wobbles for sure and ended up that there was no money left in the pot at the end of it. It was as close as anything to ending up with nothing at all” (market expansion). Fortunately for JTG, the entrepreneurial skills demonstrated by Peter Lacaze allowed the business to survive this crisis since “he was able to sell them the concept and ultimately save the day and it was in a much reduced format at that stage, and then left the door open to the most recent move which was the JTG merger with Stella” (leadership styles).

5.4 Synergistic partnerships

Acknowledging that Helloworld Ltd and its predecessors have undergone a number of instances of horizontal integration and consolidation, the category of *synergistic partnerships* represents this process in a New Zealand context. The amalgamation of businesses, some of which were previously fierce competitors, was characterised by tension and conflict at times, with a need to rebuild relationships. The subsequent emergence of new channels in turn led to its own set of challenges. This category also

considers the experiences of the participants and their thoughts on the factors that may have contributed to this trend of integration and consolidation.

During their interviews, the participants gave personal accounts of their involvement in the various stages of the business amalgamation process, and the reality of adapting to the subsequent changes.

A relationship between the focused codes of *materialisation of unconventional associations*, *emergence of new channels* and *incompatibility of people and systems* was identified. This relationship creates the *synergistic partnerships* category. The construction of this category, including the focused codes and the contributing initial codes, is displayed in Table 5.3. A summary of the analytical memo written during this creation process to support the analysis is also presented.

Table 5.3: Construction of the synergistic partnerships category

Initial codes	Focused code	Analytical memo summary
<ul style="list-style-type: none"> • Reluctant amalgamation • Economies of scale • Competitive environment • Defensive move • Calculated repositioning • Dominant players • Belonging to an international network • Disparate strategy • Lack of brand recognition 	Materialisation of unconventional associations	<ul style="list-style-type: none"> — Unusual alliances coming together to allow for some sort of synergy/cost efficiency to meet market conditions. — Crowded market where no one was making any money. — Strength of vertical integration; i.e. product from the wholesaler going to dedicated retailer. — Brand synergy with the introduction of Helloworld but the company's Australian management slow to acknowledge the huge benefits of vertical and horizontal integration
<ul style="list-style-type: none"> • Diminishing margins • Bottom-line pressure • Symbiotic relationship • Need for multiple channels • Reluctance to adapt • Diverging strategies • Travel agent as an aggregator of content 	Emergence of new channels	<ul style="list-style-type: none"> — Changes in the way that airlines remunerated led to changes in structure. — Incidences of integration and consolidation led to changes in structure and distribution patterns and the emergence of a new distribution channel.
<ul style="list-style-type: none"> • Conflicting business cultures • Differential contractual arrangements • Lack of transparency • Rebuilding trustful relationships • Need for ICT governance structure • System conflict • Differential IT privileges • Internal competition • Lack of IT coordination 	Incompatibility of people and systems	<ul style="list-style-type: none"> — Clash of business cultures arises with the bringing together of two organisations. — Confusion with suppliers – used to dealing with one or other of the organisation not the new entity causes difficulty and uncertainty for all concerned. — Conflict with the use of technology between organisations.

5.4.1 Materialisation of unconventional associations

Strategic moves by companies and individuals is a concept echoed by the participants in relation to many facets of the changing wholesale business environment. Iris noted unusual alliances occurred when businesses that were once rivals came together to form new organisations: “JTG [Jetset Travelworld] and Stella were arch rivals so that’s a classic isn’t it” (reluctant amalgamation). The merger of JTG and Stella was not the only example provided. Gullivers Travel and Atlantic and Pacific (A&P) were also rival companies, operating in the same sectors of the industry. With Gullivers’ desire to grow their business and increase their market share, Atlantic and Pacific Travel was purchased by Andrew Bagnall, the owner of Gullivers Travel, and Iris noted that “of course, Andrew Bagnall who owned Gullivers had come from A&P and knew the company well and his timing was probably quite immaculate” (calculated repositioning).

Iris also suggested a purely economic motivation to these alliances, allowing the businesses some sort of synergy or cost efficiency to meet market conditions as “we live in a capitalist society and it’s all about making a profit” (economies of scale).

Alternatively, Iris proposed it was possibly more of a defensive strategy. It could be to offset a strong competitor, suggested Iris: “The reason why they merged was ’cause Flight Centre is a million miles ahead of them [JTG and Stella] and the only way that they can ever hope to catch up is by sort of working together, which is quite smart” (calculated repositioning). Another possibility could be the challenge of new technology being introduced into the market. Essentially, the motivations behind this defensive strategy were summed up by Lily: “If some of these companies didn’t pool their resources they were going to go under. It was a matter of surviving” (defensive move).

Azalea suggested that the wholesale sector was a crowded market because “there just wasn’t enough business to go round” (competitive environment). Rose agreed, saying “GO Holidays wasn’t making any money, Gullivers Holidays wasn’t making any money, and United Holidays or Passport United Holidays wasn’t making any money” (competitive environment). Consolidation increases the business’s scale, merging together similar streams of business by selecting the best of each and leveraging that. The wholesale business is all about volume according to Daisy, and therefore increasing the volume of business achieves the goal of securing better wholesale rates, “so for a wholesaler the better deal was the bigger the volume” (economies of scale). In the wholesale environment, an increase in volume ultimately leads to higher margins since

the bottom line costs of the business remain the same. The participants had differing views on the significance of Stella Travel Services as part of a global alliance. Some spoke of the organisation as having market dominance, whereas Iris suggested that they were more of a “dominant player but they don’t have it all their own way” (dominant players).

The strategic decision-making of the early entrepreneurs also led to the consolidation of several travel businesses and not specifically for the reasons outlined above. Violet spoke of a deliberate strategy of growing the Gullivers Holidays business as the company moved towards the public share float: “The framework became clear that he wanted to float it” (calculated repositioning), so to make the business more attractive to potential investors, “a lot of the plans started to get put in place in terms of, you needed volume, you needed scope and breadth” (calculated repositioning). Violet went on to explain that the mergers and acquisitions that occurred during the 1990s and early 2000s were part of a deliberate plan and “Andrew decided that we would buy the United Travel group. So it gave us another retail chain, plus the United Travel wholesale business. So again we increased our scale” (calculated repositioning) as opposed to just implementing a protective or defensive business strategy.

In the case of Helloworld Ltd, Lily acknowledged that the strength of the buying power of a large international network was established after the merger of a number of wholesale businesses, since “we went from four companies to 40 companies under the umbrella” (belonging to an international network). As an example, Lily explained that each division of the organisation had access to wholesale rates based on the volume of business sold by the entire organisation, even if sales from that specific division were historically small, so that “it was more about the scale of the brands” (economies of scale). New Zealand wholesalers’ traditional markets include Australia, the Southwest Pacific, mainstream Asian destinations such as Bali and Thailand, the US and Continental Europe. Therefore, for a New Zealand wholesaler selling a package to Mauritius, traditionally they would have had little volume on which to obtain a competitive rate:

“It is quite hard to get to Mauritius from New Zealand, but it may not be from India, where we have companies. So they will sell tonnes of bookings to Mauritius which New Zealand wholesalers wouldn’t, so as a group we are

actually doing pretty good business in somewhere like that which ordinarily is not a big market for us” (belonging to an international network).

So according to Lily, by being an international network, Helloworld Ltd is able to leverage a competitive rate on the basis of sales made by the entire group.

In terms of a fully integrated travel business, participants suggested that Flight Centre Travel Group is an example of a fully vertically integrated business given that there is no distinction between wholesale and retail, just “brand” Flight Centre. The participants also confirmed that this same integrated business approach is utilised by the House of Travel group. A common view among the participants was that the strength of vertical integration is that the product developed by the wholesaler goes to dedicated retailers, making the process relatively simple and cost effective for all channel members. The overriding principle is that transparency and open communication channels are the keys to making this structure work. When considering Helloworld Ltd, while an integrated business, participants suggested that their business approach was more fragmented, seeing as they have a number of different retail brands. Violet suggested that one of the difficulties of being a part of an international network is that the strength of vertical integration was not necessarily understood by the organisation at a strategic level:

“The strategies in Australia, to me, that group, they were a long way behind the strategic thinking in terms of the way New Zealand had been structured... paid a bit of lip service, I thought, to vertical integration and didn’t really understand the massive benefits of it, in terms of pushing hard for it” (disparate strategy).

Horizontal integration has been part of the New Zealand retail travel landscape for a long time. An example is the merging together of retail brands into one, thereby ensuring that one strong retail brand promotes and sells the associated wholesale product. Historic examples provided by the participants include the retail brands of Dalgetty Travel, Focus Travel, and Thomas Cook – none of which are part of the New Zealand travel retail landscape now. In the case of Helloworld Ltd, the integration of retail brands left the New Zealand operation with the brands United Travel and Harvey World Travel. The latter’s acceptance in the New Zealand market was less assured, as reflected in the following comment from Iris: “Harvey World Travel’s not a good name. It’s not; it just says old and staid” (lack of brand recognition).

The idea of brand synergy is beginning to be recognised in the Australian market, as according to Daisy: “They’re doing that now with their Helloworld [brand], they’re doing that because they’re now saying we can’t support four different brands” (calculated repositioning). However, Iris suggested that such a move in the New Zealand retail market has its challenges for the Helloworld Group. Currently they may have more than one retail office in various city locations, so hard decisions as to which ones stay and which ones go would need to be made because “if they all go to one name, they’re going to have six stores in the same city all called the same thing” (disparate strategy).

5.4.2 Emergence of new channels

The incidences of integration and consolidation within the New Zealand wholesale sector led to changes in the traditional structure of the industry. Prior to the development of the consumer-direct channel, the wholesale sector did not have pressure on their margins, given their dominant role in the distribution channel. However, the business environment changed. The product differential diminished and the volume of sales subsequently dropped; therefore the joining together of organisations increased the volume of sales again. Rose suggested that the changing structure and consolidation within the wholesale sector was also directly related to the changes in the way that airlines remunerated industry participants: “There was a huge squeeze from the airlines at that stage” (diminishing margins). Daisy provided the example of altered commission payments whereby rather than percentage commission payments at source, the new remuneration model was based on volume of sales and/or sales targets with a percentage growth and “in New Zealand, as pressure went on margins... the way that agency agreements were done, too. It was last year plus a percentage growth” (diminishing margins).

The airlines, notably Air New Zealand, also reduced the amount of marketing support they offered to the wholesalers, according to Daisy: “... and that is cost pressure – airlines are reducing the amount of marketing dollars that they’re giving them” (bottom-line pressure). In addition, Daisy commented that this cost pressure led to businesses seeking the largest customer base possible, incorporating as many retail agencies as possible to make the most of the combined marketing spend: “What they wanted was volume because individual retail travel agents were going in and out of business” (bottom-line pressure).

As previously identified, the strength of a fully integrated travel business lies in the ability for the wholesale product to be distributed to the retailer who is aligned to that wholesaler. Therefore, the retail agencies are an integral part of this structure because, according to Daisy, “They [the wholesalers] can’t afford for that retail network to collapse” (symbiotic relationship). One of the most telling changes initiated by the consolidation of New Zealand wholesale businesses was the establishment and then disestablishment of a new distribution channel, namely the consumer-direct portal Zuji.

Zuji was launched in 2004 as a joint venture between Sabre GDS-owned Travelocity and Gullivers Holidays. This new channel was the first time that one of the large New Zealand travel wholesale companies had established a wholesale-to-consumer distribution option, deviating from the traditional structure, and according to Daisy, “It was a case of people are going to book online whether you like it or not” (need for multiple channels). This online portal allowed Gullivers Holidays the ability to sell wholesale product including rooms, packages, and weekends away, etc., direct to the consumer without the involvement of the retail agent. Daisy explained: “We were preferencing [sic] obviously locally sourced content first” (need for multiple channels). Strategically, this meant an increase in the volume of sales for the wholesaler, thereby increasing their buying power with the suppliers.

According to the majority of participants, the reaction from the retail brands affiliated with Gullivers Holidays to this new online channel was one of resentment, anger and mistrust. Violet commented that many of the retail agents felt that the new channel competed directly with their business, saying, “They saw it as a threat. They didn’t like it one little bit, basically. They didn’t like it one little bit and couldn’t stand the fact that we were in competition with them and there were a lot of issues” (reluctance to adapt). Indeed, many seemed to struggle with the concept of an online channel. Violet elaborated that there was an air of resentment when the senior management of Gullivers Holidays attempted to persuade the retail franchisees of the merits of an online booking portal as “the retailers even in New Zealand had their head in the sand about the Internet, for a long time and still some of them do” (reluctance to adapt). Many of these franchisees had been in business for many years and seemingly they felt that the best way forward was to continue doing business the same way they always had. This sentiment was captured by Iris with an analogy of a mouse talking about “having his cheese moved”.

“It’s about this mouse that is in a maze and every day he goes to the same spot in the maze to find his cheese and someone just puts it there. And then one day someone moves the cheese in the maze and this mouse is aggrieved ’cause he’s going: ‘Well I always get my cheese from that bit.’” (reluctance to adapt).

The new industry structure including this new consumer-direct channel was altered once again with the acquisition of Gullivers Holidays by MFS and the subsequent establishment of Stella Travel Services in 2007. The Zuji portal joint venture with Travelocity was negated, and the participants had differing views as to the reasons behind this disestablishment. Violet suggested that it was a simple case of the new owners not understanding the value and future importance of this new channel because “I don’t believe that the guys in Australia who were setting the strategy at that time actually were really up with the play” (diverging strategies), whereas for Daisy, the reasons were more of a contractual nature:

“[Zuji] closed because the agreement with Travelocity, which had the Zuji rights, it was a joint venture with Gullivers as it was then and in the agreement they weren’t allowed to own or operate a competing online consumer [channel]. When they [Gullivers] delisted and Stella bought them, Stella owned Best Flights in Perth” (diverging strategies).

The disestablishment of the Zuji portal was not the end of the debate regarding consumer-direct online channels within the Stella Travel Services group. According to Violet, senior management were adamant that there needed to be a change of attitude by the franchisees, in order for them to be successful in the new, challenging retail environment:

“‘Well guys, you need to have online as part of your mix’. Well I remember doing big presentations to them and showing them all the numbers about how many people were buying online and then how much of that was travel and the demographics of it and all of that, to convince them that on their websites they needed to have an online option. But as it was, I didn’t ever really get them across the line to embrace it” (diverging strategies).

Violet also spoke of a more “blended” offering in the retail sector, where the retailer becomes the ultimate aggregator of content for the consumer. This process entails bringing together all the options sought by the customer into one branded booking: “So

that's where there is still room for the travel agent; it's what I call the facilitation role" (travel agent as an aggregator of content).

The consensus of the participants was that the New Zealand travelling public were well educated on the use of the online channel option. They started out with air only bookings with Air New Zealand, with Violet acknowledging that "Air New Zealand educated the New Zealand traveller amazingly well on booking flights and stuff on the Internet. They were very strategic; they were very visionary; embraced it as an airline and actually did a bloody good job, I thought, and still do" (need for multiple channels). The overriding sentiment from the participants was that the online channel should be seen more as an opportunity to bring those customers who want to book online back into the brand or group, and it is simply just a different way of doing business.

According to Violet:

"They stay with your brand. And that's what it has to be about for me, in that in the retail space is to try and capture them under the brand, not necessarily always in a traditional face-to-face or just email-type environment. You mightn't even know other than the CRM would show that they booked a flight to Sydney" (need for multiple channels).

As much as the participants agreed on the importance of the online channel, there tended to be an overriding sense of frustration with Helloworld Ltd's perceived unwillingness to commit to this channel. This was alluded to by Violet when she commented

"Well I sat in a meeting yesterday, and I sit there and I go, 'Oh my God, guys, you've got to move on.' It's about now, it's about really multichannel and as a brand, a retail brand, you have to be multichannel and if someone has booked something online, if you can get them to book on your site, etcetera, you have to be able to access it and be able to deal with it" (need for multiple channels).

5.4.3 Incompatibility of people and systems

The process of integration and consolidation brings about a seemingly inevitable sense of conflict between organisations and the people working within them. In many cases, the process involves organisations that were at one time fierce competitors, and so naturally there can be difficulties merging different practices and ideologies – essentially merging requires a cultural exchange of two different businesses. When

discussing the participants' experiences of integration and consolidation (whether historically or more recently), all commented in varying degrees on elements of incompatibility that arose.

Azalea spoke of clashes of different personalities and difficulty with people who seemed to have different ideas: "...bringing those two businesses together at that point in time with the personalities involved and the agendas behind everybody and all the business that was carrying on" (conflicting business cultures). The differences in leadership styles of new management compared with the old were given by Azalea as an example of the difficulties encountered: "Yeah. It changed a lot. The ownership changed a lot, although Bill was there for the majority of it.⁷ Once he left, we had all sorts of people after that – [Andrew] Bagnall, Wafer,⁸ all the Australians – four, right through to where we are now" (conflicting business cultures). There was also the perception of unfairness and inequality, where staff from one business seemed to receive better or more benefits than staff from the other company(s). As an example, after the acquisition of Atlantic and Pacific Travel by Gullivers Travel, the Atlantic and Pacific Travel staff commenced their employment with the new organisation from the date of the acquisition. On the other hand, the staff formerly employed by Gullivers Travel had their previous employment history carried through. Rose noted that this situation following the merger of Gullivers Holidays and Passport United as "probably only inflamed it [the tension of the merger]; when Passport came over we were given recognition of our existing contracts – Barry [Fenton] negotiated that with Andrew [Bagnall]" (differential contractual arrangements). This decision impacted on staff's long-service leave calculations and salary progression rates, something that obviously created deep-rooted and long-lasting resentment. For example, Rose said that some 20 years later, "[Jasmine]⁹ still bears a grudge about that because everyone else was getting certificates" [for long service] (differential contractual arrangements). Azalea spoke of having to make a definitive decision to go forward and not look back and the idea that each organisation involved in the integration process needed to meet half way to be able to achieve this because "you got to a point in the end where you realised neither of us were going to change their view so we had to actually work out how we were going to go together forward" (conflicting business cultures).

⁷ Bill Matthews, former CEO of GO Holidays.

⁸ David Wafer, former CEO of Gullivers Pacific.

⁹ Jasmine: pseudonym for a long-serving staff member.

After a merger or integration of businesses, staff reorganisation or retrenchment brought further organisational conflict as, according to Lily, “some very good staff were let go over that period” [merger of Stella Travel Services and Jetset Travelworld] (conflicting business cultures). The question of who goes and who stays from each of the organisations is often decided by a new management team, who may be seen by staff as removed and as not having knowledge of the day-to-day challenges of their business. For example, Lily said, “To this day I still can’t understand it because some of them were replaced by people who were not as good” (lack of transparency). Other examples of organisational conflict included increased volumes of business for the new organisation which led to higher workloads but not always enough staff were retained; this resulted in resentment and conflict since, as Lily noted, the restructuring “more than doubled our workload but we didn’t have double the staff so we went through a real crisis period” (conflicting business cultures). A further example was the rebranding of the business. Conflict arose over which brand was retained and which brand eliminated, and the subsequent issue of having competing brands all within the same parent company. As discussed previously, horizontal integration also raises the potential issue of multiple retail business locations in one city. In addition, the issue of the considerable effort involved with the need to rebuild customer relationships and gander their trust and loyalty to the new organisation was explained by Lily since “that is when the relationship wasn’t there and we had to build on that” (rebuilding trustful relationships).

Lily also commented that the renaming of the wholesale brand from Gullivers Holidays to GO Holidays led to issues with product suppliers. The suppliers were used to dealing with one or other of the organisations and not the new entity, so “the suppliers that we [had] dealt with for ten years or more that knew us worldwide as Gullivers, no longer knew us as Gullivers and they were really confused by what was going on” (rebuilding trustful relationships). This caused difficulty for the staff and uncertainty for all concerned given that the long-term trust needed to be rebuilt between supplier and wholesaler. According to Lily: “We had to work up their trust again which took as bit of effort – but we got there” (rebuilding trustful relationships). Iris told of similar supplier confusion after the merger of Atlantic and Pacific Travel and Gullivers Travel back in 1992, which confirmed that this is indeed a recurring issue as a result of integration and consolidation of businesses.

There will always be differences in the internal processes of organisations when two businesses come together, but what emerged from the data were the differences between

Stella Travel Services and Jetset Travelworld in the usage and operation of common ICT. An example of such a difference was the configuration of the Calypso system. Jetset Travelworld's Qantas Holidays was an airline subsidiary, and as such, set up their system's supplier codes based on the city where the supplier was located. On the other hand, Stella Travel Service's GO Holidays, a traditional wholesaler whose focus has always been on land product, loaded their suppliers incorporating the name of the supplier. According to Lily, conflict arose when both companies were determined to continue to use the system the same way they always had. The result was a fundamental impasse since "as each merger has occurred, we have been faced with a new lot of challenges and a new lot of processes and this is how they work and that is how we work and we need to make sure that they're fitting and we're not trying to fit square pegs in round holes" (system conflict). Lily confirmed that common ground was inevitably reached since it was not viable for the two companies to run the same system in parallel. An agreement was reached for "the common good" because "we [the database team] understood clearly that we had to handle all companies fairly and so if GO Holidays came to us and asked can you do this for us then we would have to say we have to check with these other companies to make sure that they're ok with that before we change it" (need for ICT governance structure).

The issue of competing brands within the same group was also discussed in terms of ICT. The Calypso system houses the database of all the supplier information held for the Helloworld group. However, not all the rates negotiated with individual suppliers are for use by all the companies within the group, with some companies negotiating deals for their exclusive use. According to Lily: "At that time when they do that negotiation they will actually say which companies is this valid for, which markets is it valid for, etc. So at that point, it is clearly identified which companies can access it and which companies can't" (differential IT privileges). The database department maintains the central database and services all the companies within the group. Given that confidentiality is a priority, this can cause conflict as a consultant may be physically sitting next to another consultant who is essentially from a "competing" company. This difficulty is reflected in the following comment from Lily: "...especially when it is your mates that are asking" (internal competition). The different brands within the organisation may each be running different marketing campaigns at the same time, which in itself can be a logistical nightmare. At one stage during the consolidation of GO Holidays and Gullivers Holidays, the staff from the database department were

located in two different buildings. Lily explained that “the main impact was that some of our team actually physically moved to the GO Holidays office, so the majority of database remained in the Gullivers building and what we called like a satellite team moved to GO Holidays building” (lack of IT coordination).

5.5 ICT regime

Underpinning much of the previous discussion regarding the resilient industry and synergistic partnerships are the developments in ICT. The category of *ICT regime* represents how the developments in ICT were exploited by industry stakeholders to both enhance efficiency and keep pace with a changing business environment. ICT regime can be defined as both the investment required by industry participants and the subsequent challenges encountered. The study’s participants’ numerous experiences of changing technology over time and their perceptions the influence these changes have had both on themselves and the industry are explored in this category.

During their interviews, the participants describe their individual reactions to the introduction of varying technologies, and the way in which the interplay between themselves, those they worked with and the technology led to recognition of the value of IT and the embracing of IT-driven processes.

The analysis process revealed a close conceptual relationship between the focused codes of *recognising the value of IT*, *embracing IT-driven processes* and *keeping pace with IT-enhanced consumer demands*. This relationship creates the *ICT regime* category. The construction of this category, including the focused codes and the contributing initial codes, is displayed in Table 5.4. A summary of the analytical memo written during this creation process to support the analysis is also presented.

Table 5.4: Construction of the ICT regime category

Initial codes	Focused code	Analytical memo summary
<ul style="list-style-type: none"> • Collaborative IT development • Strategic redefinitions • Disproportionate cost of IT development • Investment in state-of-the-art technology • Credentials of IT • IT as an enhancer of efficiency • Perceiving the strategic value of IT 	Recognising the value of IT	<ul style="list-style-type: none"> — ICT development/common solution with all the wholesalers seeking ICT solutions led to collaboration. — Blending of technology and the human factor gives the best possible outcomes. — Technology is only a means to an end, giving organisations the ability to improve their efficiency, leading to favourable outcomes.
<ul style="list-style-type: none"> • Necessity of upgrading IT • IT-enhanced improvements • Varying levels of transparency • Managing new levels of complexity • IT-led organisational changes • IT-enhanced operations • Incentivising the introduction of new IT 	Embracing IT-driven processes	<ul style="list-style-type: none"> — The industry used to be quite protected and insulated but ICT and the Internet have broken down the barriers. — The influence of ICT has meant improvement to the bottom line of the business. — Changes to staffing numbers and/or internal structures and roles. — Processes being changed and new processes being developed leads to changes within the organisation.
<ul style="list-style-type: none"> • Changes to traditional distribution methods • Inability to keep pace with IT developments • Inflexible systems • Tension in the market • Acceptance of IT • Competition between channels • Need for strategic redefinition • Limited customisation • Importance of user accessibility • Incompatible systems 	Keeping pace with IT-enhanced consumer demands	<ul style="list-style-type: none"> — ICT challenges – this is both an historic but also a future issue. — Current systems seemingly incapable of changing to new methods of pricing. — Ongoing discussion as to the viability of the current structure and the possibility of consumer-direct sales.

5.5.1 Recognising the value of IT

In terms of the development of IT, initially there were the automated airline reservation systems (ARS), then the CRS and then, with the development of Internet technology, GDS. These systems allowed the airlines to efficiently distribute their product via the intermediaries, including the wholesaler, to the consumer. Alongside the airline reservation system developments were advances in the systems utilised by the wholesale sector. Participants commented on the wholesale sector embracing developments in ICT, with the majority suggesting that initially technology allowed for more efficiency and the ability to process increased volumes of work. According to Daisy, “IT was a tool that sped up the whole process of ticketing and it could be used for anything, so for me it was a way around how I could process more bookings in a shorter space of time” (IT as an enhancer of efficiency). This increased efficiency in turn provided a competitive advantage, given that much of the rate negotiation in the wholesale sector was based on volume of sales.

For the wholesale sector, participants felt that initially it was the multi-access airline reservation system (MAARS) that had the greatest impact both in terms of productivity and competitiveness. Iris said, “MAARS and then the GDSs... that blended thing of utilising technology to the max to create efficiencies and allow distribution” (IT as an enhancer of efficiency). As an example, Iris reported that back in the 1980s, Atlantic and Pacific Travel had a very strong wholesale holiday brand to the UK and Europe named London Shoppe. Together with airline partners Air New Zealand and British Airways, they successfully marketed both free and independent travel (FIT) and escorted holidays for New Zealanders to these destinations. In order for customers to utilise the London Shoppe products, they had to fly with Air New Zealand and British Airways, who heavily subsidised the land components of the holiday. Hotels were booked in the British Airways reservation system via MAARS by the wholesale division, which in turn gave them access to an unprecedented rate structure, backed by the buying power of British Airways. This airline backing, supported by ICT, gave London Shoppe an advantage over their competitors.

Following on from the development of the MAARS system, Atlantic and Pacific Travel identified the need to develop a new wholesale reservation system to maintain their ability to sell increasingly larger volumes of package holidays. Iris reminisced, “If you think back to that computer system that we had, it was, today it would be considered top-notch, and I mean that whole server room” (investment in state-of-the-art

technology). There was obviously huge cost involved in both the hardware and the development of new software which was difficult for one company to manage. Iris confirmed this by saying: “I think that that probably became a bit disproportionate to the ability to earn through selling” (disproportionate cost of IT development).

A requirement for the newly developed Pegasus system was the automation of most of the booking and finalisation processes and, most importantly, the automated generation of airline tickets and the correct reporting of airline sales. Violet agreed, saying: “Technology was beginning to play a really huge part in the industry in the ’90s and how did you use technology to increase your efficiencies. So we were looking always at the ticketing: how could we be more efficient there, get our average transaction costs down” (IT as an enhancer of efficiency).

Further examples of the cost of ICT development and the subsequent collaboration by associated businesses were provided by participants. One example was of another system that was developed by a consortium of companies including Gullivers Holidays, Passport United and GO Holidays (prior to their amalgamation as one company). Initially nicknamed “Oscar” by one business, the companies attempted to develop this Australian-based system in order to take advantage of developments in Internet technology. Rose recalled that “each of Passport United Holidays, Gullivers Holidays and GO Holidays were all trying to get this other hybrid system up off the ground” (collaborative IT development). Rose went on to elaborate about the impact of these attempted developments on the companies: “GO went the farthest with it and it just about ruined them basically. That was probably their demise. Passport United, it potentially had a similar impact for Passport because that brought on the merger with Gullivers, and Gullivers at that stage ditched it at that particular point as well” (disproportionate cost of IT development).

In the mid-1990s, the use of Internet technology as a tool for distribution was in its early developmental stages. For one of the participants, Violet, attendance at the Pacific Asia Travel Association (PATA) conference in Auckland in 1995 was a defining moment in terms of her introduction to the possibilities that the Internet offered. She expressed her feelings with these comments:

“I always remember the first time I ever, ever heard of it [the Internet]. There was a PATA conference in Auckland. ... And there was a guy came and spoke at it called Nicholas Negroponte. And Nicholas Negroponte was one of the

originators in the US of the Internet. It was used by the military and it was used by libraries and universities, basically. And he was talking about this and it was Andrew [Bagnall] and I went to the lecture and it was at the town hall; I remember it so clearly. And I remember walking out of there and going to Andrew, “Oh my God. That’s it, Andrew. That’s how we will deliver information, basically, at some stage. I don’t know when we’ll get there, but that will be the tool that we will use” (perceiving the strategic value of IT).

Following the failure of the Oscar system and the merger with Passport United, coupled with the introduction of Internet technology, the search continued for a wholesale system that could cope with the demands of increasing volumes of business and changes in the technological landscape. Violet recalled, “There was a big focus for us on technology at this stage as what we did, whether it was in the GDS area, what we were doing in wholesale, how we could keep delivering, improving and that actual cost of transaction” (IT as an enhancer of efficiency). The previous lessons learned from attempts to develop their own systems were acknowledged by Violet with “we got to the point where we had to say, number one, it’s [ICT development] not really our, a core competency of our business” (strategic redefinitions). Gullivers Holidays established that they needed a system “that actually did work” (IT as an enhancer of efficiency) according to Violet, even though the cost of purchasing such a system was immense, with Rose noting that “it was incredibly expensive. The cost was half a million dollars a year or something like that just for the licence of it” (disproportionate cost of IT development).

After researching many options and much deliberation, the company selected the Calypso wholesale reservations system provided by the technology company Tourism Technology as their new technology platform. According to Violet, the Calypso system had a sound track record in wholesale operations because “people like Flight Centre in Australasia use it and Creative Holidays in Australia and a lot of other smaller wholesalers” (credentials of IT). The importance of selecting a proven system was reiterated by Violet when she commented on Flight Centre’s strategy to obtain the system: “About six or seven years ago [Flight Centre] bought Explore Holidays in Australia just to get it [the Calypso system], to buy it in working order with people who know how to use it (perceiving the strategic value of IT).

The participants all commented on lessons learned and the impacts on the businesses of these attempted ICT developments, with Iris in particular noting that it is all about “the ability to maximise the use of technology, whatever you want to call it, ICT, without doing your shirt and that’s the trick” (perceiving the strategic value of IT). There are definite linkages between ICT development and the associated costs, and the trend of integration and consolidation as discussed previously. Synergies between businesses and common ICT usage has led to the amalgamation of businesses who were once fierce competitors, thus changing the landscape of the industry and the organisational structures of the companies.

5.5.2 Embracing IT-driven processes

The introduction of the Calypso wholesale system led to changes in the internal processes and organisational structure of what was to become the Helloworld business. In the previous systems used by wholesalers, much of the data was input manually, especially when it came to calculating costs and pricing the holidays. Inevitably this led to many errors which affected the profitability of the business, as described by Rose: “The Wang [system] was in here when I came in and it was just full of holes” (necessity of upgrading IT). The importance of the data being entered into the database of the new system was acknowledged, culminating in the development of an extensive database-loading team. According to Rose, emphasis shifted from inputting rates and data at the “front end” to ensuring the correct information was available in the system at the outset so “it was proven to work but it was a heavy demand on labour at the back end to get the thing loaded” (IT-led organisational changes). The previous issues of incorrect data entry were deemed to be in the past, with an improvement in profitability seen almost immediately, as confirmed by Rose: “That [incorrect data entry] evaporated overnight so all of a sudden there was a gain on the bottom line” (IT-enhanced improvements).

The Calypso system allowed the wholesale division GO Holidays to better manage the volume of its business which led to faster processing times and increased efficiency, a benefit highlighted by Rose with this statement: “Once it [the Calypso system] was in we probably had our most successful year” (IT-enhanced improvements). Rose also noted that this greater efficiency led to an examination of the internal structures of the company: “There were also pressures during this time in terms of looking at costs and the people and technology” (IT-led organisational changes). These reviews resulted in changes in the internal structure of GO Holidays with less staff required at the “back end”, i.e. to process and finalise the bookings, allowing greater emphasis on the “front

end” – the selling of the product to the retailer. Rose described this restructuring: “We also used to have phone consultants and processors. So all the processors disappeared because the system did all the processing... we put more into res [reservations], so we boosted the res numbers” (IT-led organisational changes).

The changes at GO Holidays was not the only example provided by participants. Daisy spoke of the impacts of increased efficiencies in the industry call-centre environments such as Avis Rental Cars: “Technology normally makes it easier. If there is a process that can be automated – in the call centre I think there were about 112 people in the reservations office in Avis. By the time I left, there were 30” (IT-led organisational changes). The retail travel agency environment also saw changes with the increased use of technology, which expanded to allow a full range of content to be processed within a single interface. Daisy noted that “travel agents could just do exactly the same as what they were doing with air and obviously hotels and everything was in the one place, which for them was again efficient and useful” (IT-led organisational changes).

Changes to the internal structure of GO Holidays effectively meant a change in focus for the wholesale business. The slowness of manual processing had created pressures for the agents, as Rose described: “We used to get three week delays on documentation; there was a period a year between probably April and August where it had to go by date of departure order, and people would be screaming for their docs and all that sort of thing” (necessity of upgrading IT). Freed from these pressures by the new automated system, the staff changed from an “order-taker” role to more of a helpdesk or advisory role for their travel agent clients. The changing ICT interface also made the selling process much easier and more user friendly; for example, Daisy explained, “They [the retail agents] can see in a browser a much more graphical version of an electronic brochure so the wholesaler has been able to sell to the retail travel agent in a far more attractive manner than they were before” (IT-enhanced operations).

The new focus on ensuring the database was fully loaded with product led to further organisational change following the integration and consolidation of other companies into the business. As previously discussed, not only did this result in the physical relocation of some of the database team, but also a marked increase in the workload of the existing staff. Lily recalled, “Probably for a period of about six months we were in dire need of staff and when that was recognised, we started recruiting” (IT-led organisational changes). The shifting structure of the business meant that the various

brands making up the new Stella Travel Services, and subsequent Helloworld group, were at times involved in different tactical marketing campaigns. These disparate campaigns all had to be managed by the database team, a complex process which they had not previously experienced and which was, according to Lily, “a logistical nightmare. It was very difficult to juggle” (managing new levels of complexity).

The way in which the wholesale division, in this case GO Holidays, communicated with their travel agency partners also changed. Internet technology and Calypso provided GO Holidays with the ability to connect directly with their retailers via an Internet portal known as CalypsoNet. Retail agents were given the ability to access the wholesale Calypso system and book and confirm packages “24/7”, without having to deal directly with a wholesale consultant. This change in process also led to changes in the internal structure of the wholesale business with less reservations staff being required; as Rose explained: “Because along came CalypsoNet which then meant that the agents could do the bookings themselves as well”(IT-led organisational changes). The distribution of the product remained the same in that there were a series of intermediaries involved; it was just that the process and communication channels changed, suggested Daisy, because “the systems haven’t changed a great deal. The way that they load content, the way it was distributed – it is now easier for agents to actually access wholesale content on their desktop” (IT-led organisational changes).

The uptake of CalypsoNet by the retail agents was slow at first, with Rose saying that there was resistance to the idea of them making the booking themselves: “There was huge resistance to begin with when the agents were saying you want me to do all the work for you” (IT-led organisational changes). The management of the wholesale company decided that they needed to persuade the agents that the new technology was a viable alternative to using the telephone or sending an email. They determined the best way to accomplish this was through incentives, as Rose explained: “We incentivised the agents to do it by paying a higher percentage. So they were getting an extra 1–2% if they booked directly online” (incentivising the introduction of new IT). As time has gone on, and with travel agents’ use of IT becoming second nature and an integral part of their daily business, an increased number of bookable packages are now being made via the portal; Rose said that “between 20–30% of an agent’s business is actually done directly online, and some of the really good agents would be more like 60–70%” (IT-enhanced operations).

Alterations to organisational structures and distribution process were not the only changes influenced by developing technology. Participants were in agreement that the traditional methods of marketing and advertising of travel products were also affected, with the addition of new, online channels. Iris suggested that rather than making product distribution more visible and transparent, in fact the opposite started occurring:

“The traditional advertising and marketing techniques have changed. It was always quite visible; you couldn’t really do anything dodgy because everyone knew, ’cause you only advertised in the paper or if people got hold of your flyer. So in the age of digital marketing it’s anywhere and everywhere and there’s a lot of below-the-line stuff and a lot of one-to-one [customer direct] type marketing” (varying levels of transparency).

This is a different viewpoint to that of other participants who were of the opinion that Internet technology in particular was enabling businesses to break down traditional barriers, as described by Rose: “the Internet has enabled much more of a micro, you can micromanage things and manage a whole bunch of initiatives simultaneously” (managing new levels of complexity).

5.5.3 Keeping pace with IT-enhanced consumer demands

The idea of wholesalers selling product direct to consumers was one deliberated by all the participants. Initially, discussion centred on known or suspected current practices and participants speculated on the extent of consumer-direct selling with Iris suggesting that “if they’ve got a web interface, I would suggest that they are probably wholesaling direct to achieve a price point” (changes to traditional distribution methods). Daisy was more assertive with this comment: “Wholesale channels are starting to make some touches on the consumer” (changes to traditional distribution methods). The dilemma faced by the wholesalers was described by Iris as “traditional thinking versus conventional, current thinking” (changes to traditional distribution methods) whereby direct distribution is seen as a contradiction to traditional practices. The predicament for the wholesalers centres on their current distribution model of selling product via their retail branches, in line with the vertically integrated business model approach. Any consumer-direct distribution by the wholesaler could be seen by their retail distribution network to be in direct competition with their own businesses, a feeling echoed by Daisy: “There is still that tension in the market and I think in the past ten years there is an underlying tone that hasn’t changed” (tension in the market). Others felt that there

was recognition of the need for change and acceptance that direct distribution was the way of the future, with Azalea suggesting that there is “probably a greater awareness of what it could achieve now, and probably a readier acceptance that that is where the world is heading” (acceptance of IT).

Considering the role of the wholesaler in the current distribution structure and their relationship with their affiliated retail travel agency outlets, the suggestion of more one-to-one customer-direct marketing is an intriguing one. When asked to elaborate, Iris commented: “Somewhere along the way I’m sure it could well be that they could be selling direct. But I think it would be more of a defensive thing as opposed to any particular, ’cause they can’t afford for their retail network to collapse” (changes to traditional distribution methods).

A leading consideration for the wholesalers in terms of direct distribution is the potential impact on their core business of a reduction in their volume of sales. Daisy suggested that “they [the wholesalers] still need to maintain the volume because the wholesaler volume is important and if the distribution channel is starting to reduce in terms of physical branches, then they’re still going to need to distribute” (changes to traditional distribution methods). Daisy expanded on this sentiment by adding that “smaller agencies will start to go out of business and therefore the distribution channel for the wholesaler gets reduced” (competition between channels). Again this leads to a dichotomy for the wholesaler in terms of their integrated model and current distribution practices. In order to survive and prosper in this challenging business environment, Daisy proposed that wholesalers need to reconsider their value proposition since “the value chain needs to be worked out from a wholesale point of view, what value they can add” (need for strategic redefinition). In terms of consumer-direct distribution, there was consensus among the participants that “people are going to book online whether you like it or not” (changes to traditional distribution methods) and so with this consensus, coupled with the need to re-evaluate the role of the wholesaler, discussion moved to the technology required to meet these demands.

When considering the technology required to keep pace with the IT-enhanced consumer demands, participants reflected back to Gullivers Travel’s first venture into consumer-direct distribution with the Zuji portal. The system then wasn’t without its difficulties, especially with regards to technology. Although the system appeared fully integrated from viewing the website, a booking confirmation still required communication with the

in-house wholesale system, a process which, according to Daisy, was still very much at a developmental stage: “The connection and messaging back to the wholesale system was pretty basic” (incompatible systems).

The discussion around the technology required by wholesalers in the new digital era centred on the performance (or lack thereof) of the current systems and the perceived needs for the future. According to Daisy, “They [the wholesalers] need the tools to be able to do that [distribute product] effectively, so Internet-based tools that allow them to share their proprietary content in a user-friendly way to anybody that wants it is essential” (importance of user accessibility). Daisy noted that essentially the wholesale IT systems currently being used are just updated versions of older systems, as “the systems have just got a bit more ‘guier’¹⁰, so the user experience is better and the ability to attach rich documents and those sorts of things has certainly improved. The actual databases behind them haven’t changed” (importance of user accessibility). Currently, the focus of the CalypsoNet system is predominantly on inclusive packages to short-haul destinations since Calypso struggles with any deviation from the standard offering. According to Rose, “What has to be done behind the scenes to load it has a lot of variables in it, and the system doesn’t like variables. It likes everything [to be] very systematic” (inflexible systems).

Daisy also observed that the lack of flexibility of the current IT systems leads to a rigidity in terms of product offering and availability, as “you certainly start to tailor your choices or your options around what is available in the system” (limited customisation). The lack of system flexibility is not the only challenge faced by wholesale businesses: the introduction of online intermediaries (eMediaries) and online travel agents (OTA) such as Expedia.com has brought an additional level of competition, both in sales and technology; as Violet noted: “So we are definitely trying to release the Expedia grip” (competition between channels). The issue for the wholesalers is the OTA’s ability to utilise dynamic packaging and pricing capability, something that their own current systems struggle to accomplish. When asked to elaborate on their understanding of the dynamic concept, participants provided their own definition of dynamic packaging and pricing. Iris defined dynamic pricing as “Just at any given time being able to price various components to come up with one total price constantly”, Rose as “The ability to bring all of your components together at the

¹⁰ A graphical user interface (GUI) is a human-computer interface that uses windows, icons and menus and which can be manipulated by a mouse as opposed to strictly keyboard commands.

same time at the price of the day”, and Azalea said, “Simply it is real-time price.” Lily went on to elaborate on the difficulties of managing such as process by adding: “For it to be truly dynamic, the suppliers have to be almost doing it themselves. That supplier might be outsourcing that to another company like a Wotif... if you are to be truly dynamic, that is what you have to be doing ” (inability to keep pace with developments in IT).

Internet distribution has allowed suppliers to dynamically price their product on a daily/hourly basis according to demand and distribute this to consumers via their own websites. Such capability is just not there for the wholesalers and they are attempting to meet the challenge with application program interface (API) agreements with suppliers that allow them to directly access the suppliers’ database. Violet explained this process as “a change in the way that either wholesale or retail access rates. Direct APIs into suppliers’ systems” (changes to traditional distribution methods). Violet provided the reasoning of such an agreement between Helloworld and the Accor hotel group as “so that Calypso will have a direct API with Accor, so we’ll have inventory, best rates of the day” (changes to traditional distribution methods). In addition to this API, the Helloworld group have also entered into an agreement with Orbitz out of the US to provide dynamic pricing capability for hotels. Violet explained that this decision was to ensure the competitiveness of the group by “putting Ready Rooms out there, which by all accounts is equally as competitive” (importance of user accessibility); however, this is a very fragmented approach, as Violet went on to say that “we haven’t got the two systems integrated, it’s a separate system” (incompatible systems). Given that the very role of the wholesaler is to aggregate content and present it to their retailers to on-sell to the consumer, this fragmentation is a big challenge. However, the technology does allow the Helloworld business to actively compete with the OTA. Violet explained this process as: “That gives a B2B option to our guys, so that they’re competitive and, or don’t have to go to somebody else, basically, to buy it, we can keep it within our group” (importance of user accessibility).

Helloworld and the wholesale sector in general have their challenges with IT in that there does not appear to be a system available that is capable of handling the volume and type of sales of a wholesaler. Violet explained that “the Calypso system is old technology but the thing about it, is it’s still one of the few wholesale systems that gives us that end-to-end process, being able to pull in multi-components” (inability to keep pace with developments in IT) and also combine that with the current trend of dynamic

pricing. The cost of developing such a system is also seen as prohibitive; according to Violet, “It is a huge investment. To get the technology right; maintain it, etcetera, is a big, big investment” (inability to keep pace with developments in IT).

5.6 Emergence of the themes

During this analysis process, I discovered 64 initial codes which I was then able to conceptually group together to create nine focused codes. As a result of assembling these nine conceptually-related focused codes, three main categories emerged from this inductive thinking process: *resilient industry* (see Figure 5.1), *synergistic partnerships*, (see Figure 5.2), and *ICT regime* (see Figure 5.3). Given that the data were collected around the research problem *How is the evolving nature of ICT underpinning changes in the structure of the outbound wholesale travel sector in New Zealand?*, the three categories that emerged are inevitably strongly linked to each other.

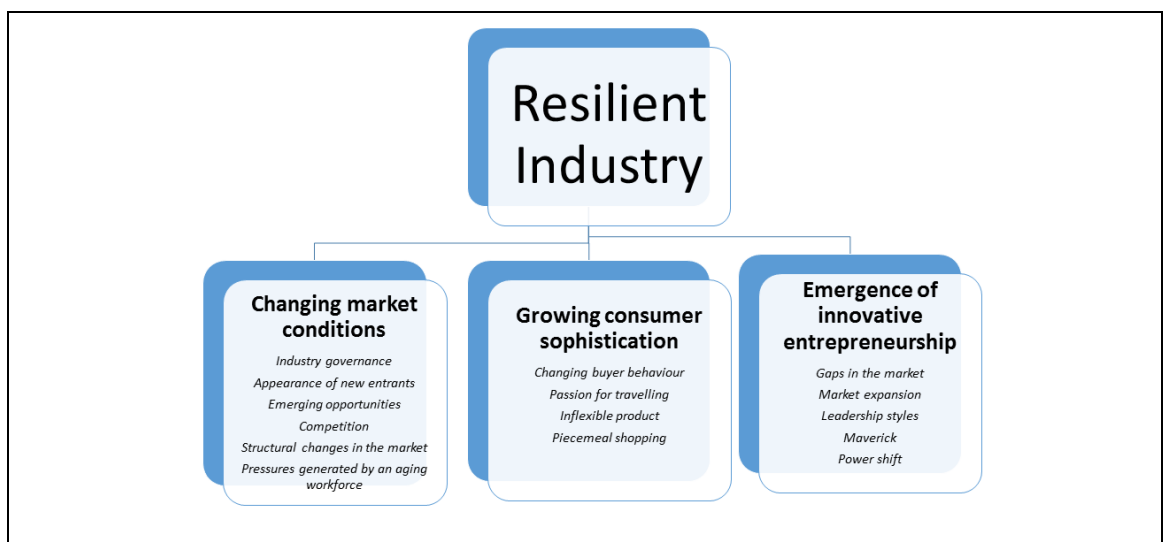


Figure 5.1: Construction of the resilient industry category

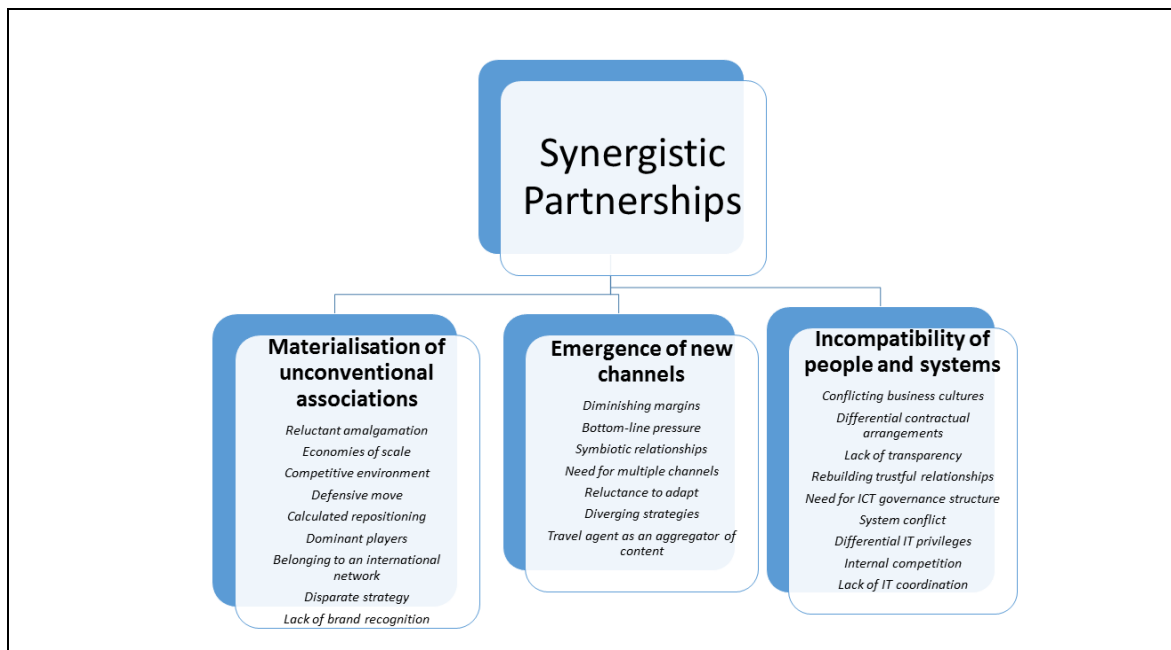


Figure 5.2: Construction of the synergistic partnerships category

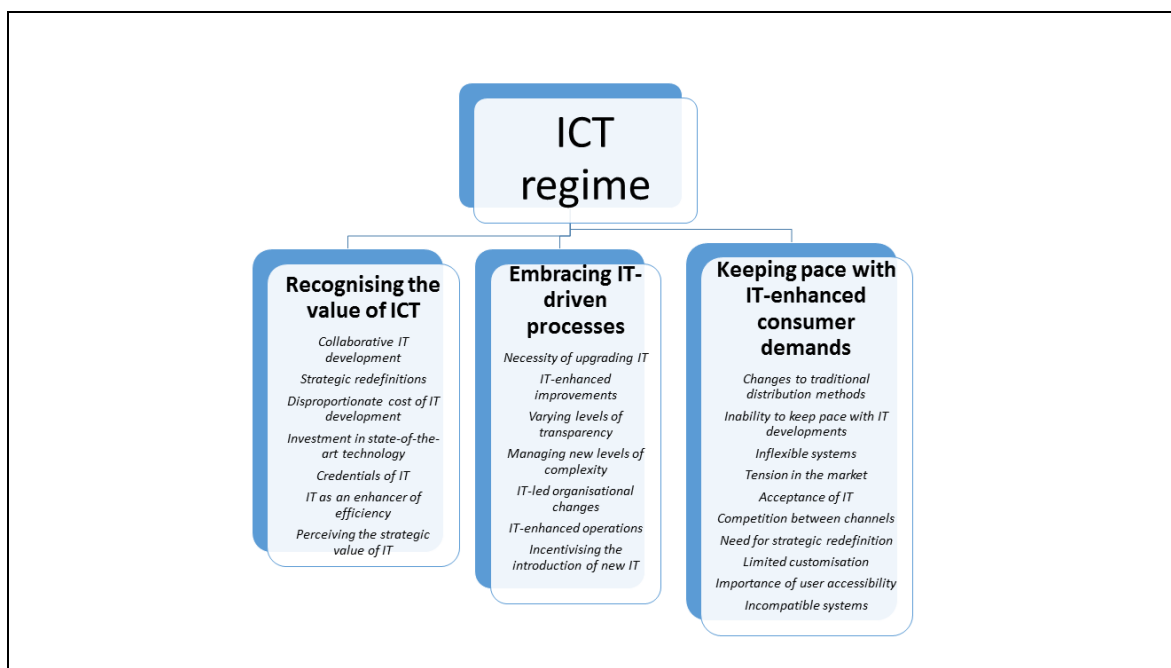


Figure 5.3: Construction of the ICT regime category

I now further analyse the findings from my study by grouping the categories, looking for the themes that have emerged from the data. A strong, reciprocal relationship between the two emergent categories *resilient industry* and *synergistic partnerships* was uncovered. Both these categories represent the participants' experiences of changes in the New Zealand travel sector over time, changes reflected both in the structure of the business landscape and the processes undertaken within the travel sector. Conceptually

grouping these two categories together gives rise to the theme: *Struggle for power and control*.

The category of *ICT regime* represents the participants' experiences of changes in ICT in the New Zealand travel sector over time, changes reflected both in the types of ICT available and the processes undertaken. Further analysis of the data indicates that this category emerged as a theme in its own right.

5.7 Chapter conclusion

To ensure the authenticity and persuasiveness of the analysis and to demonstrate the chain of evidence, compelling quotations have been included to illustrate the interpretation of the data. The analysis of the data outlined in this chapter moved through the discovery of 64 initial codes, to the creation of nine focused codes. From these focused codes came three main categories, from which two core themes emerged. In the next chapter, the two core themes *Struggle for power and control* and *ICT regime* are further analysed and compared with the current body of knowledge.

Chapter 6 Discussion

6.1 Chapter outline

The final stage of the analysis is the theoretical integration of the findings from Chapter 5 with the literature (Braun & Clarke, 2006), and the presentation of my theoretical propositions of how the evolving nature of ICT underpins both past and current changes in the structure of the outbound wholesale travel sector in New Zealand. In this chapter, I look for links between my findings and discuss the two core themes that emerged from the data during the analysis process. My discussion includes the implications of these themes for the literature; and suggestions as to how this case study extends the existing knowledge with the addition of these theoretical insights.

The first section discusses the development of the theme *Struggle for power and control* with an examination of the contributing categories. The discussion of the second theme, *ICT regime*, follows, with an explanation of the relationship between the themes.

6.2 Struggle for power and control

During the analysis process, a strong, reciprocal relationship between the two categories *resilient industry* and *synergistic partnerships* was uncovered, shaping the creation of the first theme: Struggle for power and control. The development of this theme, with the contributing categories and focused codes, is shown in Figure 6.1.

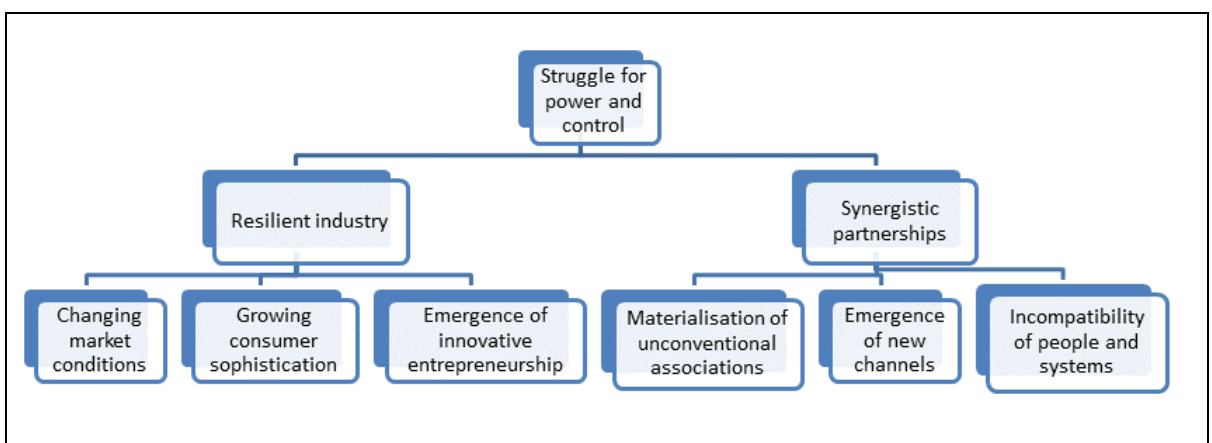


Figure 6.1: The first theme: Struggle for power and control

The evidence that underpins this theme is that while the generation of both categories indicates a number of contributing factors, the sense of the pursuit of power and control is pervasive through the data. This theme is representative of the participants’

explanation and experience of changes to the structure of the wholesale travel sector over time, and their views of the struggles encountered by industry stakeholders to gain control of the distribution channel. The two categories are now examined in more depth, looking at the likely conditions that have given rise to the emerging theme.

6.2.1 Resilient industry

The intermediary sector controlled the airlines' product distribution during the developments and changes beginning in the 1970s up until the late 1990s. When reviewing the results of this study, analysis of the changing market conditions over time showed that the concept of controlling the distribution channel was an emergent trend. This result is in keeping with previous studies that illustrate that the intermediaries had a very strong position leading to their ability to influence, direct and control distribution (Buhalis & Zoge, 2007; Gartner & Bachri, 1994; Sheldon, 1986). In particular, this current study shows that both the wholesale and retail sectors were initially heavily subsidised by the airlines in an attempt to ensure a strong distribution channel. The distribution model during the 1970s to the 1990s could be described as master-servant, with the wholesalers controlling the retail sector as well, based on their integrated business approach. This was particularly evident around the time of government deregulation and the introduction of new entrants into the market. There seemed little apparent consideration as to what were the true costs of distribution and the value proposition of each of the industry stakeholders. This analysis can be explained by the fact that in previous studies, the term "intermediary" tended to be used in a broad sense, encompassing both the retail and wholesale sectors, whereas in this study, participants often differentiated between the two. A clear outcome of this study is that these disputes give further weight to the theme of the struggle for power and control of the distribution channel.

Under the control of the intermediaries, there is a sense of the airlines being desperate to regain control of their distribution. Initially, information management systems became hugely profitable for the airlines, and it was increasingly recognised during the 1980s that the systems were critical to overall airline profitability (Wilson, 2000). However, in the mid-1990s, the airlines no longer owned the GDS that they had originally created, and so then saw them as a cost rather than as a profitable part or affiliation of their whole business (McNeill, 1997; Sheldon, 1997; Vialle, 1995). The current study demonstrates that the idea of the "cost" of distributing via the GDS and other intermediaries should be seen more as an alternative distribution cost, rather than

simply an additional cost. The evidence from the findings of this study suggests that the GDS “one size fits all” pricing model was erroneous since the GDS companies all charged one flat fee per sector, regardless of whether that sector was domestic, short-haul or long-haul. The literature reflects that the airlines acknowledged that they required worldwide distribution of their product by ensuring that their flights were shown on every major GDS. However, they felt that the pricing model gave the power of the distribution of airline product to the GDS and their agents (McNeill, 1997). The literature suggests that there was a sense of disconnect between what was being charged by the GDS and the display the airlines received (Copeland & McKenney, 1988). Thus, the airlines were intent on removing the GDS from the distribution equation wherever possible and regaining what they saw as “ownership” of the customer.

The growing sophistication of consumers adds further complexity to the theme of the struggle for power and control. The results of this study show that changes in consumer buying behaviour were driven by the ever-increasing access to information, which was previously the exclusive domain of the intermediary. This increasing access to information was provided by developments in ICT, particularly from the end of the 1990s. This analysis matches findings observed in other studies outlined in the literature review, in which changes to consumers’ consumption of travel products are identified; with ICT providing access to information, thereby allowing the consumer to make comparisons and determine the relative value of products (Alamdari & Mason, 2006; Buhalis & Zoge, 2007; Rose, 2013). The evidence from this study suggests that a significant change in buyer behaviour is the change in lead time for a consumer to choose a destination and complete a purchase: consumers from the pre-Internet era had much longer lead times than today’s consumers’. Prior to the introduction of consumer-direct websites, the earlier the purchase decision was made by the consumer, the less expensive the price, especially with the airfare component. The airlines used to reward early/advance bookers with the best or cheapest fares. This contrasts with the current practice, which has been enabled by developments in ICT, of last-minute dynamic pricing, especially for distressed inventory. This change in consumer behaviour led to a change in the operating process of the wholesale sector, whose role it was to construct and market these packages. The negotiation between the wholesaler and the supplier became more time critical, and profit margins reduced as a result of lower-yield airfares. The reduced profit margins of intermediaries is also observed in the literature (Wilson, 2000), but is not specifically attributed to this change in consumer behaviour. A clear

outcome of this study is the finding that while traditional wholesale packages were still dominant prior to the availability of Internet technology, this slow transition by consumers of reducing their booking lead time and average length of stay was just as significant as other factors in the battle for power and control of the distribution channel.

The current study identifies that this change in consumer behaviour meant that suppliers had difficulty in assessing their forward bookings and yield through the traditional wholesale process. The traditional model of wholesaling described in this study was to use a negotiated set rate which only fluctuated on seasonality and exchange rate, with the airlines providing accompanying special nett airfares. This description is in agreement with the role of the wholesaler as outlined in the literature review by Fletcher et al. (2013), Pearce et al. (2009) and Rosenbloom (2007). The current study can conclude that not only did developments in ICT provide consumers with access to information, the Internet also enabled consumers to book later and later. This, coupled with the removal by the airlines of low airfares for advance bookings, contributed to the current practice of last-minute booking. In an attempt to regain control, airlines currently use specially developed yield management software that records the searches for a destination on a particular date and flight. This information is then used to change the fare dynamically based on estimated demand. As suggested by Carr (2003), for the outbound wholesale sector, this trend of last-minute booking is where the wholesaler's strengths of sourcing unique products and proprietary content will assist to ensure their long-term competitiveness and value.

A further clear outcome from this study is that the influence of the group of entrepreneurs operating during this developmental period from the 1970s through to the mid-2000s was a significant factor. The differing vision of the individuals involved gives an overall sense of this group of entrepreneurs taking strategic advantage of the opportunities available at that time. The entrepreneurs themselves sought to control the market, leveraging as much as they were able to from the suppliers, taking advantage of the suppliers' need for a strong distribution channel. The evidence leads to the outcome that it was this struggle for power that continued to provide new opportunities for new participants. The suppliers, keen to break away from the control of the existing intermediary groups, in turn offered new opportunities to support the development of new entrants. Changes in the structure of the industry were inevitable given the other influencing factors. ICT, the growing maturity of the consumer, and ICT-enabled

distribution channels opened the opportunity for new players, and the entrepreneurs exploited these channels to realise their vision.

Prior studies have noted that large wholesalers would have had the best deals available due to the volume of their sales (Buhalis, 2001; Gartner & Bachri, 1994). In contrast to these previous findings, however, the results of this study show a strategy employed by the suppliers in their struggle for power and control was the restriction of product and/or the lowest market rates to the biggest wholesalers. The evidence from this study suggests that the suppliers did not want wholesalers to become so big that their power and control of the sector became insurmountable. Such tactics were said to be attributed to the “politics of a small industry”, such as the size of the New Zealand sector.

In terms of the New Zealand market, Air New Zealand as the national carrier had a monopoly on the majority of routes. In an attempt to maintain its control, the airline actively sought to ensure that no one of the wholesalers held too much power and influence. During the period 1961 through to 1989, Air New Zealand was a fully state-owned limited liability company, a period during which the aviation industry was heavily regulated. In 1989 Air New Zealand itself was sold to a consortium led by Brierley Investments Ltd, only to return to partial state ownership after facing collapse in 2001 (Air New Zealand, 2015). During the 1980s and 1990s, the focus of the airline was on expanding its international network to key markets particularly in Asia (Air New Zealand, 2015). As a publicly listed company, pressure to perform for the stockholders made the ability to control their distribution even more desirable.

When considering the evolving structure of the intermediary sector, what is surprising is another emergent issue from this study – one that strikes at the very strength of the integrated business model, including Helloworld Ltd. The problem is succession, a question of what is going to happen to the business when the current owner/managers leave. With Helloworld’s franchise model, the problem lies in identifying who will be available to take over the business. With the growing sophistication of the consumer, customers are not necessarily loyal to the travel retail business per se, but perhaps more so to the individual consultant or owner/manager. If that person subsequently moves, then quite often their customers go with them. Currently, many travel retailers are operating profitable businesses with a large client base of loyal customers, but again, the issue is what happens when these business owners decide to retire? Whether those loyal customers are now going to be wooed over by the power of the Internet and the supplier

direct offerings remains to be seen. Another question that needs to be answered is whether there are sufficient numbers of young people coming through, willing and able to take on the business. As for the impact of this issue on the wholesale sector, the integrated business model means that the wholesaler essentially exists to provide and aggregate product for their retailers. The evidence suggests that if the number of retailers were to decrease, this reduction in retail outlets will exert pressure on the wholesalers for their own survival.

6.2.2 Synergistic partnerships

The analysis of the data outlined in the previous chapter suggests that the development of just the wholesale sector itself cannot be examined in isolation. The case study organisation Helloworld Ltd represents a both horizontally and vertically integrated business, which needs to be viewed in its entirety rather than purely as a representation of the wholesale sector. As discussed in the literature review, the practice of consolidation and integration within the sector underpins the development and changing structure of the industry. This study confirms the association between integration and consolidation and changing industry structure as outlined from the early 1990s – a restructuring process that is still continuing in the present day. The reasons for the integration and consolidation are varied, but this study shows that the timely amalgamations of businesses were carefully planned strategic decisions. In addition to these findings, what also emerged is how difficult the process of bringing businesses together can be for all involved, resulting in a great deal of internal conflict within both the “old” and the “new” organisations.

When considering the numerous changes undergone by the case study organisation up to its current amalgamation as part of Helloworld Ltd, an analysis of the different subsidiary companies’ websites provides insights into where each subsidiary sees themselves in terms of the parent organisation, Helloworld Ltd. There is a lack of cohesiveness between the parent organisation and the individual subsidiary companies that form it, but there is also a sense that there is more to this lack of cohesiveness than just a simple lack of current information contained on the websites. This disjuncture gives rise to the question of whether this is an indication of a deeper-seated reluctance to accept the changing ownership and structure of the group due to the constant integration and consolidation that has taken place. When the participants of this study were probed on this apparent lack of cohesiveness, many concurred that there was difficulty at times persuading the management of the parent organisation to embrace

strategies and processes utilised by the subsidiary companies in the New Zealand industry. This finding is unexpected and suggests that there is the possibility that this may yet be another incidence of conflict arising from the process of integration and consolidation and another manifestation of the struggle for power and control, this time within the greater organisation.

My research reveals a surprising strength of negative feeling towards the amalgamation of companies, and this sentiment came through even though some of the instances of integration and consolidation discussed took place several years previously. In all cases, the participants provided an emotive response to the topic of experiencing the integration and consolidation process. Change almost inevitably brings discomfort and resistance from the people affected, and indeed there is a pattern of similar negative experiences and feelings even though each of the study's participants were at different levels of the management chain. These negative experiences and emotions have not previously been described in the literature. Gaining such insights is one of the strengths of the case study approach because an intensive investigation of one organisation allows for the discovery of trends that may not be evident in a broader context.

The data show that for all the changes within the sector, there is little other change to the way that the case organisation, Helloworld Ltd, is structured and to the processes undertaken by the business. This finding is consistent with the literature and Porter's (2001) suggestion that despite the initial impact of new ICT, the very fundamentals of business strategy actually remain the same. There is still significant demand for the type of product that is produced by the organisation's wholesale company, GO Holidays. According to this study's participants, GO Holidays' current product offerings are similar to those in the past, albeit with a reduced focus on packages to Australia. These findings differ from Buhalis and Zoge's (2007) findings that the bargaining power of the wholesaler has been dramatically reduced and that their market share has dropped significantly as a result. The finding from the current study is likely due to the requirement of the New Zealand market to book long-haul travel, in part due to New Zealand's geographic location. Long-haul travel by its very nature can be complex and therefore the packages developed and promoted by the wholesalers maintain their appeal for the consumer.

For this particular case study organisation, Helloworld Ltd's strength is still in the structure of its integrated business model with its role being the provision and

aggregation of product to its retailers. The evidence shows that this role has been enhanced by the development of new ICT, allowing the transfer of information between the wholesaler and retailer to become an efficient, seamless process. The improvements in the transfer of information after the introduction of the Calypso system is evident in the study's findings, with examples such as the more intuitive and graphical interface of the enhanced systems and the ability for the retailer to directly access the wholesale system via the CalypsoNet portal. This finding is in agreement with Berne et al.'s (2012) work which showed that developments in ICT allow for a larger volume and control of the flow of information and enable participants to cooperate, which leads to lower costs and a more effective communication network. In addition, the ability of the retailer to book wholesale product from their desktop enhances the relationship between wholesaler and retailer.

As another manifestation of power and control within the sector, the integration and consolidation that has taken place for Helloworld Ltd means that in terms of volume produced by the Helloworld organisation as a whole, the organisation has a good deal of negotiation power with the suppliers. This result is consistent with the findings of previous studies looking at wholesale buying power (Buhalis, 2001; Gartner & Bachri, 1994). The evidence shows that this buying power also extends to alternative products not traditionally booked by New Zealand wholesalers. The combined power of the integrated business gives the organisation increased leverage when it comes to the negotiation process, including the negotiation of nett wholesale airfares and incentive commission levels with the airlines. This buying power is also reflected both in its ability to obtain competitive pricing from the suppliers of land products and also the securing of room allocations. The wholesale room allotments are still seen as invaluable when looking at a high-demand destination.

This in turn leads to an interesting and challenging balance for those stakeholders involved, with the wholesaler seemingly holding the power balance when product availability is limited. This finding corroborates the ideas of Carr (2003) who suggested that for a business to ensure a competitive advantage the focus "is not ubiquity but scarcity" (p. 42). Therefore, businesses need to focus on the products and services that only they can provide. For the travel industry, it is argued that scarcity lies in the traditional strengths of unique product and proprietary content and it is these elements that will ensure competitiveness long term. The literature confirms that the ability to ensure product for the desired time frame can be elusive during peak demand and

therefore access to propriety content during peak seasonal travel times is, and always has been, an invaluable competitive tool (Collier, 2011; Fletcher et al., 2013).

The struggle for power and control of the distribution channel is also indicated in the emergence of new channels of distribution. With suppliers struggling against the control of their product distribution held by the intermediary sector, the advance of technology, particularly the Internet, provided them with an alternative. This study shows that after their initial strategies of changing remuneration levels and varying levels of marketing support, the suppliers embraced the emergent consumer-direct channel with the establishment of their own websites and associated call centres. The Internet presented an unprecedented opportunity for the exchange of multimedia information and connectivity between suppliers and the end consumer via websites, without the involvement of the intermediaries. This connectivity manifested itself as new practices such as consumers shopping from the comfort of home, bridging the gap between supply and demand in a flexible and interactive manner. This result upholds the findings of a great deal of the previous work in this field, including that of Buhalis and Zoge (2007), Rosenbloom (2007), and Reid and Pearce (2008).

These changes to the distribution of travel and tourism product had an inevitable flow-on effect on the intermediary sector. The outcome of this study shows that threatened with the possibility of disintermediation, the establishment of strategic alliances in the form of integration and consolidation continued to be a tactic employed by businesses. The challenges faced by the intermediary sector were not just those imposed by the suppliers, however. The sector itself faced a dichotomy in relation to the emergence of new distribution channels. With the historic strength of the integrated business model being the wholesaler providing distribution services more effectively and efficiently than other participants within the channel via the aligned retailer, the introduction of a consumer-direct channel by the wholesaler was seen as a direct threat by the retailers. This reaction to changes in the business environment is in direct contrast to the literature which suggests that the ideal strategy for a business to adopt is to view any additional online channel as an opportunity to complement their existing offering (Porter, 2001). Gullivers Holidays' strategy of developing an online portal is consistent with the concept of redesigning existing distribution channels. In the literature, studies by Huang et al. (2008) and Kärcher (1997) suggested that wholesalers have had to look at redesigning their traditional business practices and reinvent the way they operate to counter this threat to their survival and address the change in customer demand. The

intermediation function performed by the wholesale sector faces constant change with the introduction of the Internet and their value as an integral channel member challenged.

6.2.3 Implications of the theme “struggle for power and control”

A comparison of the findings of this study with those of Berne et al., (2012), Buhalis and Zoge (2007), and Huang et al. (2008) confirms that the theme of struggle for power and control is indeed pervasive throughout the industry. The current study’s participants’ experiences of changes in the New Zealand travel sector over time are representative of the New Zealand market, but are also similar to the experience of participants in other global studies. While Air New Zealand did not have the same influence on the development of the GDS as other airlines worldwide, the reach of the GDS and their power over airline distribution was such that the effects on the New Zealand market were similar to other markets globally. In fact, the relative geographical location of New Zealand meant that airlines based in the South West Pacific had to ensure their flights were shown on every major GDS to maintain global visibility. The struggle for control of the distribution channel in this study mirrors those of the previous studies by Britton and Kissling (1984) and Milne (1992) that have examined this issue.

Many of the contributing factors to changes in the New Zealand market identified in this study are consistent with other global studies by Buhalis and Law (2008) and Law et al., (2014). The early dominance of the intermediary sector, changing market conditions, and the changing nature of the consumer are common factors identified. In addition, the influence of a select number of entrepreneurs also shaped the evolving structure of the industry as they exploited new developments in ICT to realise their goals. This study also shows that rather than improve the buying power of the wholesalers by obtaining market dominance, the airlines in particular were wary of giving the entrepreneurs such power over their product distribution.

This study confirms the association between the practice of integration and consolidation and the development and changing structure of the industry. Many of these amalgamations were of a strategic nature and the findings show unusual alliances whereby former rivals came together to form new organisations. The present study has also identified an unexpected depth of feeling of those directly involved in the process. The nature of this study gives further insights into the human element, including the

negative feelings, of the practice of integration and consolidation as well as the logistical aspects of these strategic alliances. In addition, one of the issues that emerges from these findings is that of succession and the future of the current business model. The implications of not addressing this issue as an industry could lead to a restructuring of the industry not seen since the introduction of the Internet.

6.3 ICT regime

The development of the theme ICT regime, with the contributing category and focused codes, is shown in Figure 6.2.

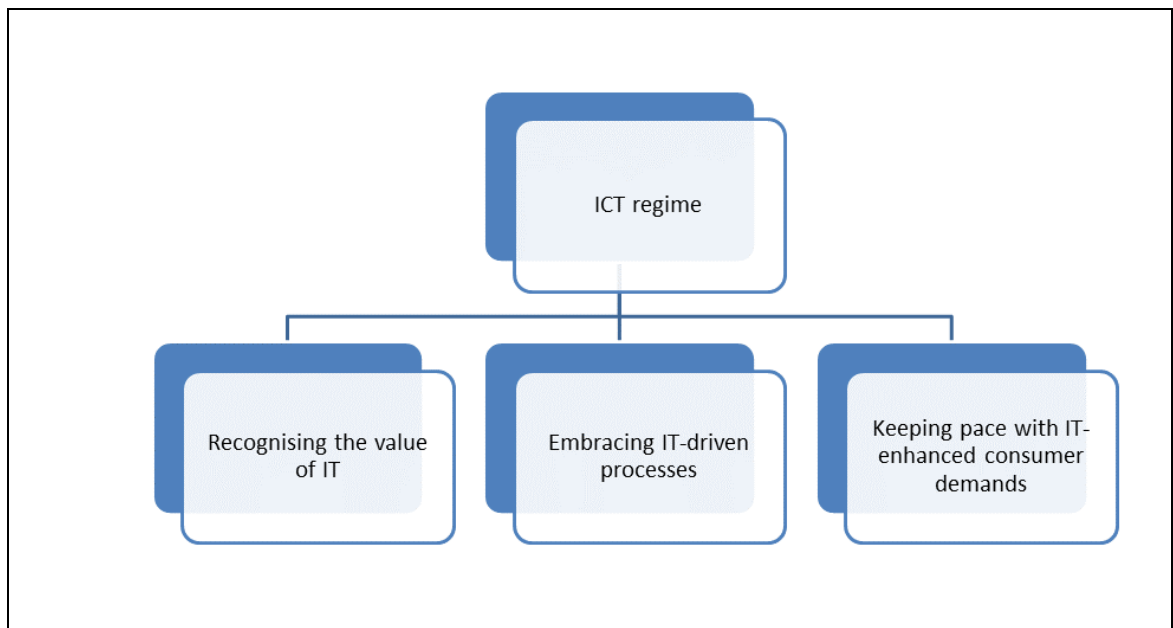


Figure 6.2: The second theme: ICT regime

The evidence underpinning this theme are that while technological platforms have changed over time, the implications of these changes are far greater than just adjustments to the processes undertaken within organisations. Once again, there are a number of contributing factors and therefore the theme is now examined in more depth, looking at the likely conditions that have given rise to the emerging theme.

The review of the existing literature indicates that the struggle for control of product distribution had its beginning right back at the development of the automated airline reservation systems (Copeland & McKenney, 1988; McNeill, 1997; Merten, 2007). In terms of recognising the value of ICT in the travel and tourism industry, the airlines were the first stakeholder group to develop systems to both enhance their efficiency and also extend their product distribution reach (Alamdari & Mason, 2006; Copeland &

McKenney, 1988; Sheldon, 1997; Wilson, 2000). The significance of the introduction of the initial systems was not immediately evident – it was not until there was a definitive competitive advantage gained by American Airlines over their rivals that the importance of these systems was acknowledged. This meant that for the first time technology was used as a competitive tool rather than just a problem solver and process enhancer (Copeland & McKenney, 1988). Initially, these systems did not alter the structure of the industry and the distribution of product remained within the same confines, with the use of intermediaries being the dominant method.

Following the development of these automated reservation systems, one notable change to processes driven by ICT was during the 1970s when the airlines automated the reservation process by installing their systems directly into retail travel agencies. This development saved the airlines millions of dollars as essentially the telephone work was transferred from their own call centres to the agent (Sheldon, 1997; Vialle, 1995). Conversely, the current study found that for the wholesale sector, the changing technology did not manifest itself in this manner. Rather than an ability to transfer workload from themselves to their retail agencies, the case study organisation utilised the technology to better communicate with their suppliers. Manual processes such as the issuing of tickets were able to be automated allowing for the production of a larger volume in a smaller time frame, which for the wholesaler was a key driver of success. System developments in turn allowed for the sales of increasingly larger volumes of package holidays, their core business. For these wholesalers, their key goals were to be able to process larger volumes of business and to improve efficiency and response times, as opposed to pushing direct-connect systems out to their retail travel agent customers. These systems also enabled the wholesalers to leverage more competitive rates, as evidenced in this study by the example provided of the MAARS system and its utilisation by Atlantic and Pacific Travel's London Shoppe product.

In the current study, the changing nature of ICTs manifests itself as changes to technological platforms for the wholesale sector. The study clearly shows that, once again, the desire to better manage volumes of data and reservations were at the forefront of developments in wholesale sector ICT. Having already invested heavily in software development, it became increasingly difficult to maintain the required level of system enhancement without collaboration within the sector itself. This is demonstrated by the alliances between the various stakeholders within the wholesale sector. This again led to collaboration within the sector to enhance the system as and when technological

developments allowed, meaning the investment in such is shared among all the users. This important finding supports previous research by Reid and Pearce (2008) which attributes the trend of business consolidation in part to the cost of developing ICT. This trend essentially developed from an inability of a single company to finance the systems alone. The near-collapse of a number of businesses prior to their amalgamation with other organisations, as discussed by the participants in this study, is evidence of this.

Later developments in Internet technology allowed the suppliers to distribute directly to the consumer. This change in distribution led to discussion as to the threat of disintermediation, which is a concept discussed widely in the literature (Buhalis & Law, 2008; Buhalis & Licata, 2002; Buhalis & Zoge, 2007; Law et al., 2004; Palmer & McCole, 1999; Rosenbloom, 2007). Disintermediation is not a theme evident in this study, however. Changes in ICT led to restructure within the organisation of the case study, Helloworld Ltd and its subsidiary companies, but not specifically to processes within the distribution channel. The automation of processes meant a change to the internal processes and staffing for Helloworld Ltd, but the way that business is conducted within the sector essentially remains the same. The role of the wholesaler is still to aggregate and provide product for its retailers – a process enhanced by ICT, but not changed by them. This finding once again supports those expressed in the literature by Carr (2003) and Porter (2001), namely that the strategies remain the same, albeit after an initial period of disruption when new ICT are introduced. This revalidation of the role of the wholesaler within the Helloworld group of companies is in contrast to other literature that has indicated that the value of the wholesaler within the channel is being challenged (Buhalis & Law, 2008; Huang et al., 2008; Kärcher, 1997).

When considering how changes in ICT are conveyed in this study, the focus is on the developments of past and current wholesale systems. The findings show that the systems themselves have not actually changed much over time. The systems are still based on a database with preferred product loaded from the organisation's head office which is then distributed to the affiliated retail network. The literature suggests that up until the introduction of Internet technology, there was no link between the wholesale system and the travel retailer. The systems were so organisation specific that the user had to essentially be a wholesale expert to understand and utilise the technology (Collier, 2011; Gartner & Bachri, 1994; Sheldon, 1986). The findings of this study show that with the introduction of Internet technology into the wholesale sector, a direct system connection between the wholesaler and retailer is now a more viable option, and

the trend in the literature previously outlined of the airlines automating the reservation process back in the 1970s (Sheldon, 1997; Vialle, 1995) is now one that is present in the wholesale sector. While such a move in the 1970s is described in the literature as saving the airlines millions of dollars by transferring the data input task to the travel agents (Copeland & McKenney, 1988; McNeill, 1997; Merten, 2007), such a saving is not evident in this study. The changes in ICT systems led to changes in the internal processes and organisational structure, with the importance of the data being entered into the database of the new system being recognised as a key development.

The available technology means that it is now easier for agents to actually access wholesale content from their desktop. Product is presented in a far more visually appealing and interactive manner, which in turn allows the customer to be guided through the selling process, culminating in instant confirmation of wholesale content. Therefore this study confirms that the role of the wholesaler as outlined in the literature (Buhalis, 2001; Gartner & Bachri, 1994) remains consistent. The advances in ICT are assisting the wholesaler to carrying out complex tasks in a reliable and ever-increasing efficient and cost-effective manner, which supports previous research into this area (Berne et al., 2012; Law et al., 2014).

The development of the wholesale systems has consistently been met with challenges, with this study reflecting that the costs of subsequent developments were seen as prohibitive, a theme that is pervasive throughout both this study and the literature when ICT development is discussed (Reid & Pearce, 2008). From this study, there is a sense that companies simply cannot afford the technology that is required to make the systems “really good”, a sentiment which also has an underlying sense of frustration. When examining the current challenges facing wholesale ICT, the findings show that there is a further underlying a sense of frustration regarding the lack of ICT development. This lack of a cohesive ICT solution is a direct contrast to the very role of the wholesaler, which is to offer an aggregated, integrated solution. In turn, it likely that this issue may well be part of the reason why the New Zealand wholesale sector is not offering a consumer-direct portal for basic land and land/air bookings. With the current integrated business model, they have been servicing an educated agency base which is well versed in the peculiarities of the current systems. Therefore, it is likely that the wholesale sector is unwilling to invest further until market conditions force the development of a new IT solution.

Therefore, the findings of the current study do not support previous research. The role of the wholesaler is described as providing distribution services more effectively and efficiently than other participants within the channel with the aid of ICT (Collier, 2011, 2011), which is in contrast to the sense of frustration found in this study with the lack of developments in ICT. Previous studies have argued that should the operating conditions of the market change, meaning wholesalers cannot perform these tasks, then advances in technology will lead to wholesalers developing their own online presence in order to target consumers directly (Buhalis & O'Connor, 2005; Law et al., 2014), but the current study does not support this conclusion. A possible explanation for this might be that for New Zealand outbound travel businesses, the strength of the integrated business approach with their retailers being the customer contact point is the approach best suited for this market.

6.3.1 Implications of the theme “ICT regime”

The focus of much of the existing literature is on the impact of developments in technology with an emphasis on the structure of the travel and tourism industry. There is considerable debate on the longevity of the current structure, with a particular concentration on the intermediary sector, and the concept of disintermediation is seen as an almost inevitable consequence of technological developments.

In this study, the data have not reflected these same issues; rather, discussion has centred on the lack of available technology to enhance the position of the intermediary, in particular the wholesale sector. The analysis of the data suggests that the sector is well aware of what action needs to be taken, particularly when considering the need to keep pace with the changing demands of consumers, but is limited by the cost of such developments. Consideration needs to be given as to what the role of the wholesaler is now, and heading to the future, and perhaps a redefinition of what constitutes a wholesale package is required.

The data reflect that there is an acknowledgement by the case organisation that there is a consumer preference for booking online and creating their own holiday packages, and that direct distribution is the way of the future. There is also further understanding that as a consequence, wholesale margins are reducing so changes in the process are inevitable. At the moment the retail agent owns the information of the traveller and the consumer purchases the wholesale package without actually consciously acknowledging from whom the purchase is being made; the consumer then travels, returns and thanks

the travel agent – and that is essentially the end of the relationship. For the wholesaler in this process, the relationship is still firmly between themselves and the retail agent, with little or no interaction with the consumer. As people dynamically package holidays for themselves, there is going to be far more cross over between wholesaler and retailer.

For the wholesaler to obtain that business back, they are going to need to offer the consumer a different online experience with the wholesaler present right at the beginning of the planning process – at the so-called “dreaming” phase (Expedia Inc, 2013). When planning or booking a holiday online, consumers need to be helped with what extra products are available and provided with information regarding the possible options. If the consumer is accessing the information via a retail agent’s website link, then the wholesaler is going to need to take more ownership of that consumer. This could be accomplished by the agent becoming an affiliate of the wholesaler with their retail website pointing the consumer to wholesale products in the early stages of planning and booking, thus allowing for the dynamic construction of a package by the consumer. The wholesaler would subsequently determine which agency site generated the booking and the agency would receive a commensurate payment, even without having to touch the booking themselves. This process is essentially a recreation of the current manual process but undertaken in an online environment, with the added benefit for the wholesaler of gaining direct access to the consumer and their information.

6.4 The relationship between the themes

When considering the two themes – struggle for power, and control and ICT regime – there are linkages at a conceptual level between ICT development and the associated costs, and the trend of integration and consolidation. Synergies between businesses and common ICT usage have led to the amalgamation of businesses who were once fierce competitors, thus changing the landscape of the industry and the organisational structures of the companies.

The data, however, tell a much deeper story than just these initial connections. Much of the literature has a technologically deterministic slant, with an emphatic sense that ICT was the definitive driver of change within the travel and tourism industry (Berne et al., 2012; Buhalis & O’Connor, 2005; Buhalis & Zoge, 2007). The data, however, do not support this stance; instead, a more socio-techno trend has emerged. With the development of the two themes of struggle for power and control and ICT regime, what has emerged is the synergistic relationship between the two. ICT was first developed by

the airlines as simply a solution to the problem of manual processes and increased demand, but the power and control that these ICT solutions provided quickly became apparent. The airlines with the ICT prowess were soon shown to have increased power within the distribution channel, more so than those without similar systems. Once these solutions were rolled out to the intermediary sector, namely the travel agents, this power was then transferred and held within this intermediary group. Later developments in ICT, namely with the introduction of Internet technology, has once again seen a power shift, this time into the hands of the consumer.

For the wholesale sector, the data reflect that volume is power and the wholesaler's ability to harness this volume is both enhanced and, as seen lately, inhibited by ICT. In an attempt to keep pace with changing consumer demands, wholesalers are attempting to integrate dynamic pricing and packaging into their traditional offering. However, fragmented ICT delivery platforms and fragmented relationships with the consumer lead to a loss in volume and subsequent loss in power and control for the wholesaler.

6.5 Chapter conclusion

This chapter has summarised the present study's findings, and discussed them with reference to both the research question and the emergent themes. The results of the study have also been considered in relation to the literature on previous studies.

This study confirms that the struggle for power and control of the distribution channel and the participants' experiences of changes in the New Zealand travel sector over time are similar to the experience of participants in other global studies. It suggests that the early dominance of the intermediary sector, changing market conditions, and the changing nature of the consumer are common contributing factors to the changing structure of the industry. The findings of this study conclude that while changes to the market were inevitable, the pace and direction of these changes were influenced and shaped by a select group of entrepreneurs. This study also confirms the association between the practice of integration and consolidation and the development and changing structure of the industry, together with the unexpected depth of feeling of those directly involved in the process. Results from this study show that businesses' utilisation of ICT and the resulting synergies with common ICT usage have led to the amalgamation of businesses, thus changing the landscape of the industry and the organisational structures of the companies.

The findings of this study confirm that the New Zealand wholesale sector is well aware of what action needs to be taken, particularly when considering the need to keep pace with the changing demands of consumers, but the sector is limited by the cost of such developments.

Chapter 7 Conclusion

7.1 Chapter outline

This chapter presents a consideration of how this study extends the existing body of knowledge. Recommendations for further research follow, together with an acknowledgement of the limitations of the study. The chapter concludes with a brief personal reflection.

7.2 Aims and methods

The primary objective of this study was to gain an understanding of the ways in which the evolving nature of ICT, both past and present, is underpinning changes in the structure of the outbound wholesale travel sector in New Zealand. In addition, this study aimed to outline the process of integration and consolidation by the New Zealand wholesale travel sector and explore how ICT can be exploited by stakeholders to gain or regain control of their distribution channel.

A case study approach was adopted to allow an in-depth, intensive investigation of one organisation. The emphasis of the study is changes in the New Zealand wholesale travel sector's structure over the last 30 years, and how the evolving nature of ICT correlates with these changes. Therefore, the study sought an organisation that represents this trend in the New Zealand market. With this in mind, a form of purposive, critical case sampling was used to select the appropriate case, the integrated travel business Helloworld Ltd.

7.3 Summary of key findings

When reviewing the results of this study, analysis of the changing market conditions over time shows the concept of controlling the distribution channel is an emergent trend. A number of factors contributed to the changing conditions including government deregulation of the airline industry, and it was the response of the key stakeholders to these conditions that set the scene for the struggle for power and control. Ever cognisant of the important role played by the intermediaries in the distribution of product, this study identified that the airlines heavily subsidised the intermediary sector, a strategy employed by the airlines to ensure their channel strength. In an attempt to control the subsequent power of the intermediary group, the study found another strategy employed

by suppliers, namely restriction of product and/or the lowest market rates to the largest wholesalers, thereby ensuring they did not become too powerful and influential.

An additional finding from this study was that changes in consumer buying behaviour were driven by the ever-increasing access to information, which was previously the exclusive domain of the intermediary. This increasing access to information was provided by developments in ICT. This finding is consistent with previous studies, but in addition, this study found that not only did developments in ICT provide consumers with access to information, but the Internet also enabled consumers to alter their buying behaviour and delay their purchase decision. This coupled with the removal by the airlines of low airfares for advance booking contributed to the current practice of last-minute booking. This practice led to changes in the wholesale sector, whereby it began utilising developments in technology to process larger volumes of business and to improve efficiency and response times to ensure business viability.

This research has also shown that the influence of the group of entrepreneurs operating in New Zealand during the developmental period from the 1970s through to the mid-2000s was a significant factor that helped to shape the structure of the industry in this country. Changes in the structure of the industry were inevitable given the other influencing factors, including the development of new ICT and the growing maturity of the consumer. ICT-enabled distribution channels unlocked the opportunity for new players, and the entrepreneurs exploited these channels to realise their vision. The suppliers, keen to break away from the control of the existing intermediary groups, in turn offered new opportunities to support the development of new entrants.

When reflecting on the practice of the integration and consolidation of businesses, this study shows that many of these amalgamations were considered, tactical decisions. Threatened with the possibility of disintermediation, the establishment of strategic alliances was a protection tactic employed by businesses in the intermediary sector. The strength of the new integrated organisation manifested in this study as increased leverage and buying power with suppliers, enhancing the role of the wholesaler in their provision of product to their affiliated retail network. In addition, this leverage allows wholesale businesses to capitalise on the products and services that only they can provide, which include unique product offerings and proprietary content in terms of room allocations during peak seasonal travel times. However, underpinning these amalgamations, this study shows an apparent lack of cohesiveness within the new

organisations, including a clash or misunderstanding of businesses' strategies. An additional issue for the integrated business highlighted by this study is that there is a growing concern about the process of succession; i.e. when the current retail owner/managers start to retire. This problem needs to be addressed because if the number of retailers were to decrease, the reduction in retail outlets will exert pressure on the wholesalers for their own survival.

For the case organisation as an integrated intermediary, their strength is still in the structure of the integrated business model. The findings of this study show that the wholesaler's role of aggregating and providing product has been enhanced by the development of ICT, initially allowing the wholesale sector to better manage their volumes of data and communication with their suppliers. With the introduction of Internet technology into the wholesale sector, a direct system reservation connection with their retail network is now available, allowing for the seamless transfer of client information. This transfer of process whereby the retailer is now directly entering customer data into the wholesale system mirrors similar behaviour by the airlines in the 1970s, with the introduction of computerised reservation systems into retail travel agencies. However, unlike for the airlines, this process change did not culminate in the saving of considerable amounts of money for the wholesaler; instead, this change in process has resulted in a different focus within the organisation of now having to maintain an extensive database.

This study shows that advances in ICT assist the intermediary sector to carry out complex tasks in a reliable, ever-increasingly efficient and cost-effective manner. However, in terms of the wholesale sector, the study identifies a sense of frustration, where companies simply cannot afford the technology that is required to make the systems state-of-the-art. The sector acknowledges that there is a consumer preference to book online and to be able to create their own dynamically packaged and priced holidays, and while the sector is aware of what action needs to be taken to meet this change in the customer, it is essentially hamstrung by the cost of such developments. Further integration and consolidation within the sector in an attempt to gain more synergies with common ICT usage and development is a likely outcome, given the history of such amalgamations outlined in this study.

When reflecting on the key findings of this study, what emerges is the strong sense of resilience of both the case organisation for this study, the New Zealand operation of

Helloworld Ltd, and the wider intermediary sector. Challenges associated with changing market conditions and the growing sophistication and changing buying behaviour of consumers were met head on, either by the emergence of innovative entrepreneurship or the formation of unconventional partnerships. This study has also identified the synergistic relationship between the struggle for power and control of the distribution channel and the developments in ICT. Recent changes in the structure of the industry including the introduction of new participants such as OTA, and the attempt to keep pace with IT-enhanced consumer demands, means this same resilience will be required to meet these challenges.

7.4 Contribution of the study

While the extant literature discusses trends of the ICT-enabled transformation of the travel industry with changes in structure and the integration and consolidation of businesses, the specific experiences of an individual organisation has not been explored in depth. Most of the literature on ICT and tourism is from the consumer's perspective, and therefore this paper makes an important contribution to knowledge by providing an understanding of how the evolving nature of ICT, both past and present, underpinned changes in the structure of the outbound travel sector in New Zealand. Two core themes emerged from the findings of this research: the struggle for power and control, and ICT regime. When considering these two themes, it has been determined that there are linkages at a conceptual level between ICT development and the associated costs, and the trend of integration and consolidation. Synergies between businesses and common ICT usage has led to the amalgamation of businesses, thus changing the landscape of the industry and the organisational structures of the companies.

The findings from this study, however, tell a much deeper story than just these initial connections. Much of the literature has a technologically deterministic slant (Berne et al., 2012; Buhalis & O'Connor, 2005; Buhalis & Zoge, 2007), with an emphatic sense that ICT was the definitive driver of change within the travel and tourism industry. In this study, a more socio-techno trend has emerged with the study providing insights into how both the interaction between the people involved and the organisational structures of the business influence the way ICT is exploited.

This study contributes to theory by confirming the concept of reintermediation, by showing the strength and value of the intermediary sector in the travel distribution structure. Developments in ICT and the rise of the Internet have led to a challenging

balance for all the stakeholders involved, particularly with the wholesaler seemingly holding the power balance when product availability is limited. It is this focus on unique product and proprietary content that provides practical managerial implications, with the suggestion of leveraging such content as a strategic solution for the outbound travel industry. When determining operational solutions for the wholesale sector, this study shows the difficulty in maintaining the required level of system enhancement due to the investment required, without further collaboration within the sector itself.

7.5 Limitations and recommendations for further research

Beyond the theoretical and practical implications, some limitations are acknowledged which could potentially be addressed in further research. As the findings outlined in this thesis are based on just one case study in the New Zealand travel industry domain, future research could expand the study to examine multiple cases, including cases in countries other than New Zealand. In particular, the inclusion of other businesses with a different ownership structure than the franchise structure of Helloworld Ltd could provide additional insights into an integrated business. This would allow for a comprehensive cross-case analysis, and validation and generalisation of the findings to a larger industry context. Additional in-depth studies could focus on interactions between other integrated travel businesses and technology to illuminate the interdependence between the two.

With the intermediary sector struggling to keep pace with IT-enhanced consumer demands, further opportunities exist for research into the area of consumer-direct distribution. Together with the introduction of new participants, of particular interest in this area are the changing relationships between the current industry stakeholders, especially within the intermediary sector of wholesalers and retail travel agencies. Recent developments in ICT, in particular the developments in social media, mean that the struggle for power and control of the distribution channel is set to continue and is worthy of further, in-depth investigation and analysis.

7.6 One last word

This research journey began after reading a statement in the travel press suggesting that “the traditional wholesale model in New Zealand is dead” (New Zealand Traveltrade, 2011, p. 8). From that point onwards, I sought to understand the changing structure of the New Zealand travel industry as underpinned by the utilisation of various ICT solutions. This research provides the wider academic community with a greater

understanding of the strategies behind the structural changes to the industry as well as the challenges these changes have presented. In terms of the evolving nature of ICT, this study provides rich insights into the frustration experienced by the study's participants at the current lack of progress and their desire for the wholesale sector to move forward.

When working as part of the industry during these changing times, the changes were seen as a matter of course, and I had no specific understanding of the significance and driving factors behind them. I, too, experienced the difficulties of adapting to new systems along with the structural changes brought about by integration and consolidation. When conducting this research, the value of my previous practical experience within the industry became apparent. Participants were at ease during the interviews with the knowledge that I understood the terminology they were using and that I already had an insight into the story they were telling. Thus I was able to engage in the research from the lens of an insider, as opposed to an outsider.

Being involved in this research has had a very positive influence on my own academic practice. When delivering lectures on the evolving nature of ICT in the travel industry, I now have a greater insight into the changes that have occurred and I am able to explain these changes to students with a variety of real-life examples. I am now better able to deliver the content with more of a socio-techno influence, having gained an understanding into the interplay between the people involved and technology. This study has enhanced my own teaching practice, and in turn, the learner experience.

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Glossary

AA	American Airlines
API	application program interface
ARS	automated airline reservation system(s)
B2B	business-to-business/
B2C	business-to-consumer
BSP	bank settlement plan for the reporting and payment of airline tickets
CRM	customer relationship management
CRS	computer reservation system(s)
FIT	free and independent travel
GDS	global distribution system(s)
IATA	International Air Transport Association
IBM	International Business Machines
ICT	information and communication technology/ies
IS	information systems
ITL	Interactive Technologies Ltd, a specialist travel management software development company
MAARS	multi-access airline reservation system
NDC	new distribution capability
OE	overseas experience, where young New Zealanders venture offshore to work and travel
OTA	online travel agent(s)
PATA	Pacific Asia Travel Association

PARS	Programmed Airlines Reservation System
Sabre	Semi-Automatic Business Research Environment
SME	small to medium enterprise(s)
TAANZ	Travel Agents' Association of New Zealand
UA	United Airlines
UNWTO	World Tourism Organization

Appendix A: Participant information sheet

Participant Information Sheet



Date Information Sheet Produced:

29 April 2013

Project Title

ICT and the changing patterns in distribution in the wholesale travel industry: A New Zealand Perspective.

An Invitation

My name is Helen Andreassen and I am a Masters of Philosophy student with the Faculty of Business and Law at AUT University. I have chosen to complete a research project which will explore the changing patterns in distribution in the New Zealand wholesale travel sector and the influence Information and Communication Technologies (ICTs) have had on the structure of the industry. I would like to invite you to participate in this research on the New Zealand wholesale travel sector by participating in an interview. Your participation in my research study is entirely voluntary and you may withdraw at any time prior to the completion of the interview without any adverse consequences.

What is the purpose of this research?

My overarching research question is: How have changing ICTs and distribution patterns affected the structure and business relationships of the outbound wholesale travel sector in New Zealand? Therefore the aim of this research is to identify the adoption and subsequent effects of technological innovations by the New Zealand wholesale sector. This research will be published in my thesis, and subsequently I aim to publish in international journals and present at conferences from this work.

How was I identified and why am I being invited to participate in this research?

I am inviting you to participate in my research since I have identified you as having at least ten years' experience within the New Zealand wholesale travel sector and are therefore able to discuss the effects of changing patterns in distribution over a period of time. You have knowledge of the various developments and functions of the wholesale sector which will allow you to identify the long term trends and discuss the impacts and changes to structure. You are either a current or past employee of the Jetset Travelworld Group (JTG) and/or its preceding incarnations (Atlantic and Pacific Travel, Gullivers Travel and Stella Travel Services). Also, you will have held, or will currently hold, a management position.

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Your contact details have been obtained either by drawing on my personal networks or from the New Zealand Travel Industry Directory (2013).

What will happen in this research?

In this research you will be invited to discuss your experiences within the New Zealand wholesale travel industry sector during a face-to-face interview. I will begin by asking you a series of open-ended questions and our interview will proceed from there, depending on your answers. This will allow me to gain an understanding of your experiences.

I would like to use both note-taking and audiotape recording during the interview. You may also contact me via e-mail or telephone in order to elaborate on any of your interview statements. There is a possibility that a follow-up interview may be required.

What are the discomforts and risks?

It is unlikely that there are any discomforts or risks associated to this research, since the questions being asked relate to ordinary, everyday parts of your work.

How will these discomforts and risks be alleviated?

In the unlikely situation that you do feel some discomfort with any of the questions, you can refuse to answer the question or you may withdraw from the research at any time. You may also ask for the audiotape recorder to be stopped at any time.

What are the benefits?

The research proposed here aims to explore how the wholesale travel industry structure has been altered worldwide in general, and in New Zealand in particular, as a result of the changes to ICTs and the patterns of distribution. The project will provide an understanding of how these changes apply in a New Zealand context.

My personal interest in this area as a researcher stems from my own experiences within the New Zealand wholesale travel sector; I seek to gain an in depth understanding of the changes which I observed in the sector and to fulfil the requirements of a Master of Philosophy Business Information Systems qualification.

How will my privacy be protected?

Since I will interact face-to-face with you during the interviews, anonymity cannot be achieved. The research project asks you to describe routine industry practices and structures which are not particularly commercially sensitive. You are asked on the Consent Form whether or not you agree to your name being published in the findings.

What are the costs of participating in this research?

It is anticipated that the initial interview will take approximately one hour. There is a possibility that a follow-up interview of a similar timeframe may also be required. The cost to you as a participant would be up to two hours

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of your time and some additional time for checking the interview transcripts. There are no additional costs to you.

What opportunity do I have to consider this invitation?

I ask that you advise me by either phone or email within one to two weeks, whether you agree to participate in this research.

How do I agree to participate in this research?

Prior to the interview commencing, a consent form needs to be signed. In addition to your phone call or email, please return the signed consent form to me, Helen. This will be your formal, written agreement to participate in this research.

Will I receive feedback on the results of this research?

On the consent form, you have the option to tick whether you wish to receive a copy of the draft report. If you say yes, the draft will be emailed to you for feedback.

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, Doctor Antonio Diaz Andrade, antonio.diaz@aut.ac.nz or +64 9 921 9999 extn: 5804.

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Dr Rosemary Godbold, rosemary.godbold@aut.ac.nz, 921 9999 ext 6902.

Whom do I contact for further information about this research?

Researcher Contact Details:

Helen Andreassen: helen.andreassen@aut.ac.nz or +64 9 921 9999 ext 5832

Project Supervisor Contact Details:

Doctor Antonio Diaz Andrade, antonio.diaz@aut.ac.nz or +64 9 921 9999 extn: 5804.

Approved by the Auckland University of Technology Ethics Committee on 04 June 2013. AUTEK Reference number: 13/99

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Appendix B: Indicative questions for semi-structured interviews

Indicative questions for interviews

The interviews will use open-ended, semi-structured questions to allow flexibility for the researcher and also to allow the researcher to interact with the participants. Given that the aim of the research project is to provide theoretical insights using an inductive process, the interviews will begin with some core questions followed by supplementary prompts. The use of semi-structured questions takes into consideration the relatively limited time available for each interview, while allowing emerging themes, as perceived by the researcher, to be fully explored.

Research Question:

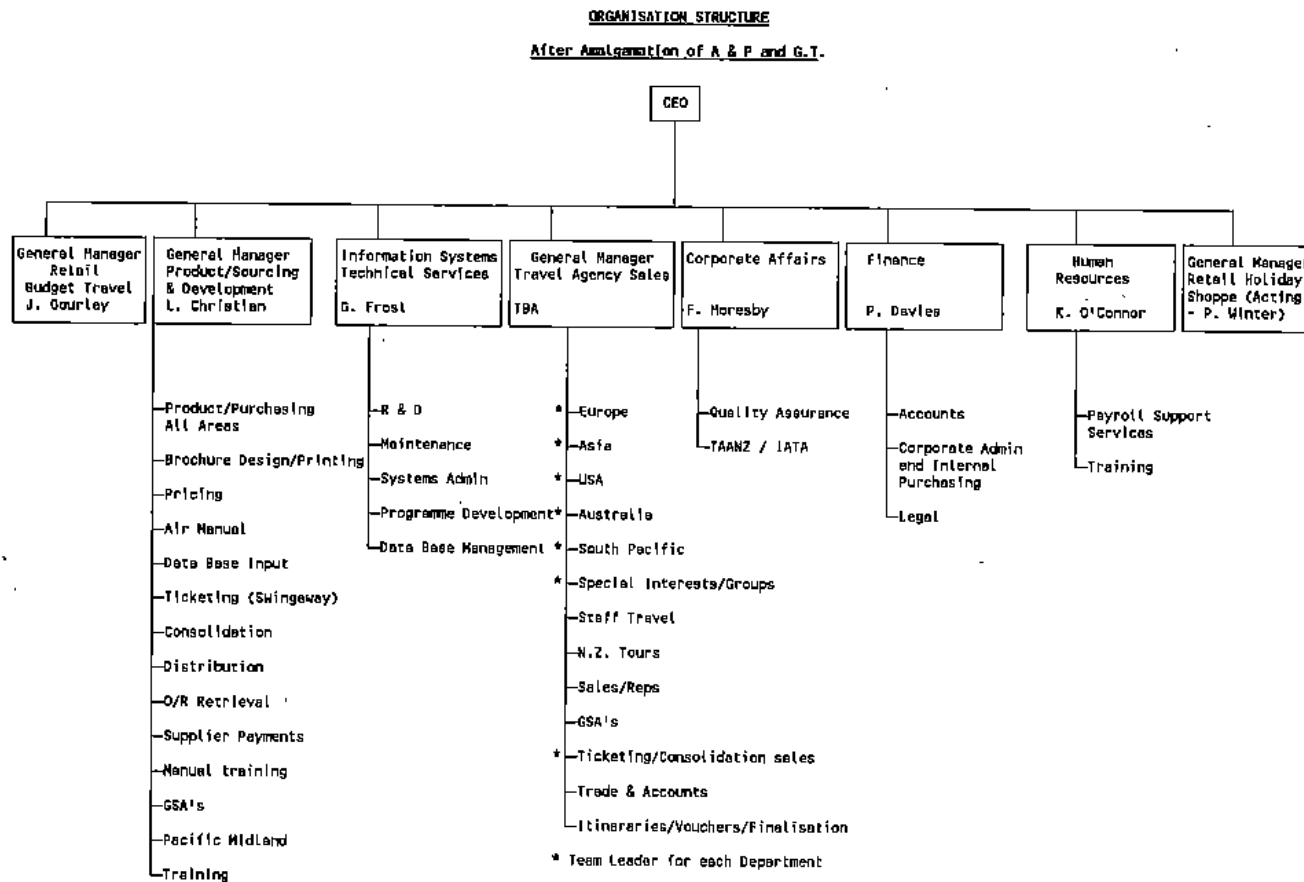
How have changing ICTs and distribution patterns affected the structure and working relationships of the outbound wholesale travel sector in New Zealand?

1. Looking at the current New Zealand outbound travel industry, who do you consider to be the main companies/organisations operating in the wholesale sector?
 - Has this changed in the past ten years? If so, how?
2. What integration and consolidation has occurred within the New Zealand wholesale travel sector over the last 20 years?
 - In your opinion, what are the reasons for this?
 - Integration and consolidation often leads to market domination. Is this the case in the New Zealand wholesale travel industry?
 - Do you think ICT was the initiator of these changes or did it just speed up and assist the process?
3. A number of technological innovations have been adopted by the New Zealand travel industry over the past 20 years. These innovations include changing from mainframe computers with terminals to PC-based computing using the Internet.
 - How have these technological innovations affected the New Zealand wholesale travel sector?
 - What about the structure of the sector?
 - Have these technological innovations affected distribution patterns in the New Zealand wholesale sector? If so, how?
 - How have the changes to ICT changed traditional wholesale processes?
 - What is the uptake of online booking tools by travel agents?

4. With the introduction of the Internet, how do you think this has affected the way that consumers purchase their travel requirements?
 - What is your opinion about the ongoing appeal/perception of wholesale packages for the consumer in this new technological environment?
 - What is the impact of the availability of dynamic packaging on the traditional wholesaler?
 - What is the impact of new online intermediaries such as Webjet and Expedia having on the traditional wholesale sector?
5. With the introduction of the Internet, how do you think this has affected the working relationships between the New Zealand wholesaler sector and the other participants in the traditional distribution channel?
 - Relationships with suppliers, i.e. airlines, accommodation providers etc.
 - Retail travel agents?
6. What is a “Wholesale Package” nowadays?
 - What is the role of the wholesaler in the New Zealand outbound travel industry today?
 - In your opinion, has the volume and diversity of the New Zealand wholesale offerings changed much over time? Why/Why not?
 - What are the strengths of the wholesaler sector nowadays? Have these changed over time? If so, how?
7. Do you think the traditional distribution model via retailers will remain the dominant distribution format for New Zealand wholesalers? Why/why not?
 - What about the concept of multichannel and consumer-direct distribution – is it a viable strategy in the New Zealand wholesale sector? For example, the consumer website Zuji.co.nz was operated under licence by Gullivers Pacific from 2004 until it closed in 2007. Why was the decision made to close this channel?
8. How do you see the future of the New Zealand outbound wholesale sector?

In closing, do you have any further comments or is there anything else that you feel is important that we have not discussed?

Appendix C: Internal structure of Gullivers Pacific Limited in 1994



Source: (Gullivers Pacific Ltd, 1994). [Internal document, author's own]

Appendix D: Gullivers Travel Group's structure in 2004

Structure of the company at the time of listing on the New Zealand Exchange (NZX) and Australian Securities Exchange (ASX) in 2004.

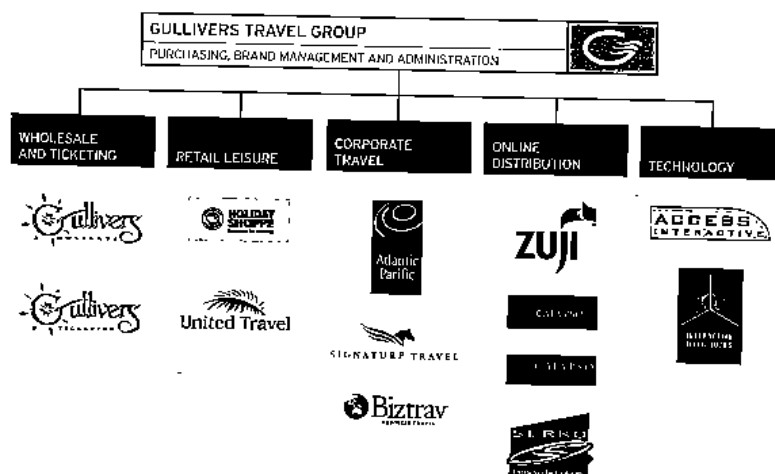
OVERVIEW OF GULLIVERS TRAVEL GROUP



Founded in 1976 by Andrew Bagnall, Gullivers Travel Group (comprising Gullivers Travel Group Limited and the Subsidiaries it intends to acquire) is the largest vertically and horizontally integrated wholesale, retail leisure and corporate outbound travel services group in New Zealand.¹ Gullivers Travel Group comprises a portfolio of high profile travel brands including United Travel, Holiday Shoppe, Signature Travel, Atlantic Pacific, Biztrav, Gullivers Holidays, Gullivers Ticketing and Zuji, as well as a leading travel software development company and a travel software distribution company. Through Atlantic Pacific, the Group also has an investment in a corporate travel business in Australia.

The Group's members have achieved significant growth both organically and through strategic acquisitions. Today, the Group has more outlets and offices than any other travel services business in New Zealand. The Group accounts for approximately 350,000 outbound travel arrangements and 400,000 domestic travel arrangements on an annual basis. Gullivers Travel Group Structure is as follows:

GROUP STRUCTURE



¹ Gullivers Travel Group estimate

GULLIVERS TRAVEL GROUP LIMITED

WE'RE GOING PLACES

Source: Gullivers Travel Group Ltd (2004). [Public share offer document]

Appendix E: Structure of MFS's travel businesses in 2007

Our Stella family

The Stella family is a growing one. And like any close knit family we have a brilliant balance between guidance and independence within the structure that makes up Stella.

Stella Travel Services and Stella Hospitality Group

The diagram below provides an "at a glance" overview of the vastness of our family. You quickly realise how we will achieve our vision to be the Global Travel Partner of Choice – we're represented by exceptional brands from the wholesale and retail perspective and have some of the most recognisable brands from the hospitality perspective.

And we're growing rapidly... this is a definite "watch this space".



Appendix F: Helloworld Limited's global brand profile



Source: Helloworld Ltd (2013). Retrieved from:
<http://www.helloworldlimited.com.au/Portals/jtg/Downloads/HLO%20Brand%20Overview%20v2.pdf>