Re-Engineering the Package Holiday Business

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Abstract. Major European tour operator groups have been developing and installing new systems and corporate networks as well as links between these and other information and reservation systems in the travel and tourism industry during the most recent years. It is argued that these new system strategies are a key part of overall strategies to re-engineer their business activities both in the production and distribution of package holidays, in particular through the assembly and sale of new types of packages, to reduce threats imposed by technological developments and to cater for changed customer demand. It is likely that these re-engineered activities will secure the position of these tour operator groups not only in the short, but also in the long-term.

1 Introduction

The travel and tourism industry can be said to be going through a state of change, affected and directed in particular by developments in technologies, booking systems and customer demand (Poon, 1993 and 1994; Schertler, 1994; Schertler et al., 1994 and 1995; Sinclair and Stabler, 1991). Specifically in the package holiday business, on-line trading platforms such as the Internet's World Wide Web and the commercial CompuServe and Microsoft Network, self-service booking kiosks and interactive television channels, combined with an increasing customer demand for more individual holidays away from mass-market package holidays, are posing major threats to tour operators and travel agents, in fact ultimately threatening to make them redundant in the distribution chain of holidays (Kärcher, 1995a).

It is argued here, however, that major European tour operator groups are re-engineering, i.e. radically redesigning their business and reinventing the way they operate to counter or reduce the threats imposed by new technologies and to cater for altered customer demand. As a key part of their new co-ordination strategies, i.e. the sum of all the decisions necessary for the operation of inter-organisational arrangements (Klein, 1995), these tour operator groups are implementing new systems together with links between these and other systems in the industry.

Tour operators can be regarded as the key players in the package holiday business (Kärcher and Williams, 1995), due to their functions as wholesalers in the industry as well as due to their vertical integration both backwards into the charter airline and accommodation sectors and forwards into the travel agent sector (Renshaw, 1994).

Tour operators are therefore concentrated on in this study, with additional information about the charter airline, accommodation and travel agent sectors being incorporated wherever useful. The data presented was gained from interviews during November 1994 to May 1995 with 44 mainly outgoing tour operators in Britain and Germany, which controlled an estimated combined market share, according to turnover, of greater than 65% of the total tour operator business and 80% of the

S. Klein et al. (eds.), *Information and Communication Technologies in Tourism*

outgoing tour operator business in their respective countries (Kärcher, forthcoming). Furthermore, all leading charter airlines in Britain and Germany as well as a number of tour operator associations, system suppliers and industry experts were interviewed. British and German subsidiaries of large French and Swiss tour operator groups were included in the study, thus gaining information on ten of the largest twelve tour operator groups in Europe (Nouvelles Frontières and Hotelplan were not interviewed). However, little information is presented in the following with reference to a specific tour operator due to confidentiality reasons; instead, overall trends are summarised without exposing the actual state of art of a particular tour operator's systems.

2 Methodology: Levels of analysis and a positioning model

Porter (1980, pp. 3 - 33) developed a competitive positioning model as a framework for the structural analysis of industries and for the development of strategies to competitively position firms. Reve (1990) adapted Porter's framework by adopting a contractual and transaction cost view of the firm, incorporating co-operative and collaborative strategies, combining the two industry forces of competitors and potential entrants into one, and re-focusing the model from one based on a core part of an industry to one based on a core part of a firm. Reve's positioning model (1990, p. 157) provides a basis for the proposed strategic positioning model for the tour operator business.

Similarly to Reve, a contractual (or relationship based) and transaction cost view of the firm is taken. However, moreover a distinction between different levels of analysis is made. At Level 1, core business or intra-organisational relationships within a company are investigated. At Level 2, ownership relationships within a group of companies are analysed, which are typically of hierarchical nature. At Level 3, co-operative trading relationships, being typically network-based, are investigated. At Level 4, competitive trading relationships are analysed, which are typically market-based. Finally, general trading relationships at an industrial level are studied at Level 5. From the perspective of a tour operator, a higher level is also associated with a decrease in control over the respective relationships. These levels of analysis are summarised in Table 1. Distinctions between these five levels are made to allow a systematic and structured analysis of the relationships in a sector, while reflecting and preserving more of its complexity than in Porter's and Reve's models.

Table 1 Levels of Analysis

Level of Analysis	Type of Relationships	Corresponding Industrial or Organisational Level
Level 1	Core Business Relationships	Tour Operator
Level 2	Ownership Relationships	Tour Operator Group
Level 3	Co-operative Trading Relationships	Tour Operator Partnership(s)
Level 4	Competitive Trading Relationships	Tour Operator Sector
Level 5	General Trading Relationships	Travel and Tourism Industry (and other industries)