Travel Agencies: From online channel conflict to multi-channel harmony

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Abstract | The adoption of Internet as a distribution channel and a privileged e-commerce tool has pressed Travel Agencies (TAs) to a latent channel conflict. Our main interest is to understand how the traditional independent travel agencies in Portugal deal with the online channel. We suggest that TAs have to develop an innovative business model based on the online and offline complementary channels, in order to achieve a multi-channel harmony.

Keywords | tourism distribution, travel agencies, online channel, multi-channel distribution.

Resumo | A adoção da Internet como canal de distribuição e como ferramenta privilegiada de comércio eletrónico pressionou as Agências de Viagens (AVs) para um conflito latente. O principal objetivo deste artigo é compreender como as AVs independentes tradicionais em Portugal lidam com o canal online. Sugere-se que as AVs desenvolvam um modelo de negócio inovador baseado na complementaridade dos canais online e offline, de modo a alcançar uma harmonia multicanal.

Palavras-chave | distribuição turística, agências de viagens, canal online, distribuição multicanal.

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1. Introduction: ICT and customer behaviour - the new business drivers

New technologies, globalization and the abundant reservoir of choices to configure a business, make managing an ever harder task (Zahra and O’Neill, 1998). Competition pressures firms to pursue profits through two main means. Firstly, the conquest of new markets by geographical expansion, and/or the introduction of new products, or increasing new distribution channel. Secondly by cutting costs through the adoption of new online technologies or new skills. According to Hodgson (2003) this is inherent to capitalism.

The tourism sector is a heavy sponsor of this entrepreneurship system, being an important engine of world’s economy, generating wealth and creating jobs, crucial to a sustainable growth and development. For decades, tourism contributed greatly to global Gross Domestic Product (GDP), to globalization, developing world economies and new destinations. Over the last years, tourism has shown strength and resilience, surviving to major turbulences impacts, such as information and communication technologies (ICTs) waves, depressive financial markets, terrorist actions, pandemics, climbing fuel prices, commissions’ reduction and carrier’s rates.

Tourism is considered an “industry clockspeed” (Fine, 1998), because it is essentially driven by technological change and competition. In today’s world of rapid change, managers have to find new ways of keeping up with faster industry clockspeed. As a glance at ICT’s impacts, the costs of collaboration with partners (outsourcing) and the integration of customers/partners in the company’s processes (co-creation) are not prohibitive anymore. It happens because of the following reasons:

- ICTs have reduced transaction and coordination costs (Coase, 1937; Williamson, 1975). On supply side, lower transaction costs and higher margins for merchants, make internet-based direct customer sales irresistible. On demand side, in search of the “best deal” for flights and hotels, customers often avoid the classic way of booking with travel agencies and prefer to book via the internet (Gretzel et al., 2008);
- ICT, e-commerce and e-business have made it possible to offer completely new products and services of which many have an important information component, and which are frequently provided in collaboration by multiple companies (Evans and Wurster, 1997);
- With the internet and the web a range of new pricing and revenue mechanisms have found the way into business practice (Verma and Varma, 2003).

So, ICTs have made possible suppliers to reach customers in new and innovative ways and through a multitude of channels, causing a latent conflict between distribution channels. In old-fashioned linear distribution networks, channel conflict would arise when suppliers and distributors established sales and distribution channels to the same group of customers. Nowadays the channel conflict is motivated by the attention of the business community to the scenario in which a supplier’s direct online channel disrupts a status quo in which intermediaries are used heavily. In general, this type of channel conflict can challenge and destabilize cooperative relations model in the intermediated channel.

This is the real Travel Distribution (TD) environment, where Travel Agencies (TAs) develop their business models (i.e. business logic or conceptualization of money earning - Osterwalder, 2004) and where researchers have to focus their work. While the hospitality industry and air carriers are rather well addressed by academic literature, other important service providers in tourism, such as tour operators and travel agents, are rarely a subject of scientific interest and research (Buhalis and Law, 2008).

"In tourism, the position of the distribution sector is much stronger: trade intermediaries (travel agents and tour operators of course, but also charter brokers, reservation systems and other travel distribution specialists) have a far greater power to influence and
to direct demand than their counterparts in other industries do. Since they do, in fact, control demand, they also have increased bargaining power in their relations with suppliers of tourist services and are in a position to influence their pricing, their product policies and their promotional activities” (WTO, 1975, cited by Buhalis, 2000: 114).

So, the Internet, Web and changing customer behaviour are the new travel agencies’ business drivers, leading to innovative distribution channels and business models. Such ICT environment built a much larger choice of possible business configurations and made it easier to conduct business on a global basis. This means that the traditionally isolated company is shifting to new forms of network organizations and innovative business models. As clarified by Andriani (2001), this evolution reflects the widely acknowledged phenomenon of disintegration of traditionally integrated structures of business into more complex networks of independent parts.

The Portuguese independent TAs sector is witnessing this growing acceptance of ICT and is conscientious on great Web power. It is clearly a clockspeed business dynamics, with focus on online interaction between customers, business partners and suppliers. TA entrepreneurs know that companies sometimes lose market position because they do not or cannot adapt to change. They are discovering the benefits of multi-channels business models. Multi-channel distribution systems are widely acknowledged to be a reality of e-business, since growth in the use of the Internet for commerce and other recent developments have given rise to a proliferation in the ways a TA might reach end customers. Multi-channel strategy can be a form of diversification by which a company protects itself against the failure of any individual channel (Anderson et al., 1997, Balasubramanian and Peterson, 2000). Leveraging multiple channel types may allow greater market penetration than using any one alone, and may enable innovative methods of value-delivery yet to be imagined. But a double obvious obstacle comes with increasing system complexity, which is the difficulty in maintaining coherence across channels (with respect to company strategy and execution) and a clear relationship with business partners.

2. Literature Review

2.1. Distribution and intermediation as critical factors for tourism

The World Tourism Organization (WTO, 1975, cited by Buhalis, 2000: 114) suggests that, “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.”

Middleton (1994, cited by Buhalis, 2000: 114) defines travel distribution: “a distribution channel is any organized and serviced system, created or utilized to provide convenient points of sale and/or access to consumers, away from the location of production and consumption, and paid for out of marketing budgets.”

Mcintosh defines tourism distribution 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” (Mcintosh, 1985, cited by Buhalis, 2000: 114).

Wanhill (1998, cited by Buhalis, 2000: 114) suggests that “the principal role of intermediaries 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.” So, from these important opinions, travel distribution is a crucial sector in tourism industry. According to Buhalis (2000: 115), the functions of the tourism distribution channel (Figure 1) are:
Some authors identify two different types of intermediaries, the tour operators (wholesalers) and the travel agencies (retailers) (Beaver, 1993; Gee et al., 1989; Holloway, 1998; Laws, 1997; Renshaw, 1997) and others consider distribution channels as one of the most critical elements in marketing, as they determine the competitiveness and profitability of organizations (Christopher, 1991; Gattorna, 1990; Stern and El-Ansary, 1992). Distribution and intermediation are increasingly recognized as critical factors for the competitiveness and success of the tourism industry (Buhalis, 1999).

2.2. Traditional and online distribution channels are converging

Consumers are using the internet more and more to access information and book tourism products. They may research online and book offline, or vice versa. The use of the internet to research and book holidays is growing every day, replacing the traditional system of tourism distribution which was based on a linear model, where products and services were going from supplier to consumer, directly or indirectly through intermediaries, such as travel agents, as we can see in the Figure 2.
The conventional brokerage of TD generally includes three participants: the suppliers (airline, hotel or rent-a-car), the CRS – reservation systems and the GDS – Global Distribution System. In this model travel agents are considered as a supplier’s agent, whom is paid a commission fee for the service’s sale. In this model, travel agents play an intermediary role, bringing together a supplier portfolio of products and services, and deliver it to end consumers.

The internet has had a major impact on tourism and travel, with the development of huge numbers of websites and applications including reservation systems, online travel agents and tour operators, and interactive product review sites. According to Daniele (2003: 1), “ICT have affected the travel and tourism industry for at least the last 50 years (starting with SABRE, the first airline computer system developed by IBM and American airlines in 1953), particularly in the area of automation, networking of distribution channels and introducing new players and new business playgrounds.”

Common knowledge says that until the middle seventies, it was assumed that technology in the tourism sector was mainly based upon information. But from this moment onward, ICT has been identified as a combination of different knowledge in which, other than information, the relationship between all tourism distribution stakeholders would be included. The travel industry has moved towards consolidation and integration, the development of more flexible products and services, and the use of the World Wide Web (WWW) as a new distribution channel for tourism suppliers (Lubbe, 2000).

The internet has already transformed the way in which visitors research, plan and purchase their trips, and its role will only increase in importance. Buhalis (1998) assumed that tourism is inevitably affected by the technological developments and none of the players involved can escape its impact. The internet’s power as a marketing tool cannot be ignored and should not be underestimated, so tourism product providers must respond actively to the opportunities that it offers. These challenges were and are determined by advances in technology, changes in consumer demands (with customers becoming more independent, sensitive, “green”, linked, hyperactive, multi-channel user and harder to please), the deregulation of airline sector and societal changes, meaning that today’s consumer is communicating 24/7 via social networks and mobile devices (Figure 3).

Never before have buyers been able to know so much, so easily, about what they purchase and from whom. The internet has brought increased access to information, helping consumers to make purchase decisions. This new consumer is always linked, hyperactive and a multi-channel user. As regards Buhalis and Costa, the development of the new tourist signifies consumers who are becoming knowledgeable and are seeking exceptional value for money; consumers enabled by information available on the internet that can develop their own experiences, based on dynamic packaging and flexibly created individualized itineraries (Buhalis and Costa, 2006b).

The internet and the Web facilitate new ways to congregate changes in the consumer behaviour and new market segments. A new and much more complex travel distribution model was born, shifting the business model from a traditional intermediation into another one where customers are closer to the suppliers (disintermediation model), (Figure 4).

![Figure 3](image-url) Profile of new consumer.
According to Atkinson (2001: 1), “disintermediation can be defined as the reduction or elimination of the role of retailers, distributors, brokers, and other middlemen in transactions between the producer and the customer”. For the players in the middle of the cluster, as Travel Agencies are, the notion of “disintermediation” is surely an unwelcome turn of events and a source of conflict. Since the process of disintermediation is usually not instantaneous, managers find themselves caught in the uncomfortable position of needing to conciliate business partners in the distribution channel.

Buhalis and Licata (2002) refer to the new distribution channels driven by the internet as the new tourism “eMediaries”. In their study was mentioned that the internet is offering a better service and experience for the consumer as their interaction with tourism organizations can be more expressive. It is clear from international research that the method of doing business has changed with a significant shift being made to online communications. The same authors argue that, this shift is being followed by increased online transactions as tour operators/travel agencies raise their investment in online technology, getting a new form of business cannibalization. Cannibalization refers to the business process whereby engaging in one activity or practice necessarily eats into another activity or practice. Cannibalization became a crucial concern as e-commerce flourished in the late 1990s and early 2000s, since the efforts to cash in on the new commercial medium often sacrificed other business practices and sales channels (Figure 5).
In Portugal the market share of booking types is detailed in Figure 6, with 21.4% of TA reservation, 11.5% online reservation and 15.4% of customers using both channels.

It is certain that online travel agents (OTAs) represent the fastest growing distribution channel and have gained significant market share: they appear to have been particularly successful in the short-break travel market which has experienced very high growth during the past decade; they can be expected to continue to thrive since they are positioned to provide consumers with access to lower prices, comparative pricing, and personalized as well as comprehensive product information.

These arguments are very clear in Portuguese travel market, because 26.9% of customers reserved by online channels, as we see in Figure 7.

But consumers tend to make greater use of travel agents and tour operators when they want to purchase complex products or travel to distant destinations. Offline retail travel agencies and tour operators with public offices, or at least, a voice at the other end of a phone line, are typically required where the itineraries are more complex, where consumers need or demand more information, or where a contact person is required in the event of something going wrong.
The same trend occurs in Portugal, with 29.6% of customers booking complex products or traveling abroad, 8.5% because of the promotions and 6.7% to get better information by a consultant travel expert. The graphic represents the main reasons for offline TA booking in Portugal: first – “outbound travel” (29.6%); second represents – “promotions and not expensive packages” (8.5%); and the third – “obtain more detailed information” (6.7%).

Direct sales by suppliers to consumers constitute the largest share of online sales: about 70% of online airline ticket sales and 70% (US) to 80% (EU) of online rent-a-car are made directly through supplier websites (ITIC, 2010).

Marcussen’s research (2009: 1) explains that online travel sales increased by 17% from 2007 to 2008 and reached 58.4 billion Euros in the European market in 2008. A further increase of about 12% during 2009 to about 65.2 billion Euros may be expected (25% of the market). The same source showed that the UK accounted for 30% of the European online travel market in 2008, with Germany in second place with 18%. The direct sellers accounted for 64% of online sales in the European market in 2008, the intermediaries 36%. The author show that in 2008 the breakdown of the market by type of service was as follows: Air travel 54%; Hotels (and other accommodations) 19.5%; Package tours 15%; Rail 7.5%; Rental cars (and car ferries) 4%.

In the USA, and according with “hebsdigital.com” (Starkov and Safer, 2011), the Internet was the main travel planning tool and booking channel: 45% of all hotels reservations were booked online in 2010 (less than 15% via the GDS). In the third quarter of 2010, Internet bookings for the top 30 hotel brands reached 56.9%, while GDS Travel Agent bookings contributed to only 19.6% and voice to 23.5% of total brand CRS bookings (Central Reservations Systems).

As we can see by Figure 9, the travel industry supply chain is very complex, connecting a large range of players, using several booking systems and contact forms.

The evolving online tourism and travel distribution industry is characterized simultaneously by concentration and fragmentation. At one end, the leading brands are becoming concentrated in conglomerate structures which may combine Global Distribution Systems with OTAs and travel review sites. At the other end of the market a vast number of websites are offering travel and tourism products at local, national and international levels.

2.3. Travel agencies: from channel conflict to channel harmony

TA lives in a competitive, rapidly changing and increasingly uncertain economic environment that makes business decisions complex and difficult. TA is confronted with new ICT, shorter product life cycles, global markets and harder competition. In this aggressive business environment firms should be able to manage multiple distribution channels, complicated supply chains, expensive IT implementations, and strategic partnerships and still stay flexible enough to react to market changes.
Rosenbloom, (1973) referred that electronic channels use the internet to make products and services available so that the target market with access to computers or other enabling technologies can shop and complete the transaction for purchase via interactive electronic means. The concept of e-commerce is defined as the strategic deployment of computer-mediated tools and information technologies to satisfy business objectives (Hoffman and Novak, 1996). So, the emergence of electronic commerce has created a new business paradigm, offering to TA entrepreneurs important opportunities and challenges for supply and demand business side.

In the “supply side”, the online transactions have the ability to complement the traditional provided service, by travel agents. Companies may now deal with every customer directly, for example via the internet or social networks. One important factor is a drop in the cost of servicing customers directly. In fact, different players (providers/ operators/ travel agencies) can be connected; can offer a vast portfolio and a faster service to a full range of customers or partners; can gain operational efficiency; can improve brand image and become closer with the market.

With online channel, TA can reach a large numbers of consumers, anytime of day or night, and can extend their business beyond the limits of geographic proximity more easily. Unconstrained by shelf space, TA with an online channel can list a large catalogue of items and can quickly adjust prices to reflect changes in demand.

It is truth that a wholesaler like tour operator (a company that assembles the various elements of a tour), can use the online channel to eliminate intermediaries and engage buyers directly online to understand their consumption habits and track their preferences, and then use this information to configure customized products and provide personalized levels of service. Elimination of intermediaries is not without disadvantage. The role of intermediaries is to efficiently create and satisfy demand, through activities that include building brand and product awareness through advertising and customer education, providing market coverage, gathering market information, providing extensiveness of variety, breaking wholesale, processing orders, customer support, etc. If a Tour Operator (TO) doesn’t attend to these functions efficiently, elimination of intermediaries may cause an erosion of profits, market share, or both (Ghosh, 1998). It is beneficial for a TO to use the TA intermediaries to preserve market capillarity and give customers a market “face” (i.e. customer proximity). Additionally, the immediacy of the data that flows from digital marketplaces allows sellers to integrate the supply chain and better manage production, inventory and distribution.

Buhalis and Licata (2002) confirm that the ICT and internet offers the opportunity for companies to develop closer relationships with customers and business partners. Not only do sellers know more about buyers, they also know more about their business partners and about their competitor. With internet, the markets become more transparent because of four elements: price transparency, product transparency, supplier transparency, and availability transparency (Phillips and Meeker, 2000). According to this author, price transparency exists when information about the trading process is made available, such as in dynamic markets that capture the demand and supply forces. For example, auction markets capture a seller’s valuation through the reservation price, while potential buyers’ valuations are captured through the competitive bid process. One of the consequences is a rise in the price elasticity of demand, or the percentage change in demand due to a percentage change in price, because consumers are better able to compare offerings from multiple suppliers. Product transparency is based on information about the characteristics of the product or service. Availability transparency refers to the extent to which inventory information is available on the seller’s side. Supplier transparency refers to the identity of the supplier.

From the “demand side”, the Internet can be a vehicle for collecting customers points of view and
preferences, earning their confidence (customers becomes company apostles) engaging them to co-creating experiences of travel. Consumers must be convinced that online travel agencies’ channel is theirs and that they are in full control of the content they receive and consume. When using travel provider sites, a customer has the ability to search for a product or service; to compare suppliers on important attributes such as price, quality, delivery and service; to read product reviews and consider the opinions of other buyers; and to do all of this quickly, cheaply, and with relatively little effort.

So, disintermediation initiated by consumers is often the result of high market transparency, in that buyers are alert of supply prices direct from the provider. Buyers bypass the middlemen (wholesalers and retailers) in order to buy directly from the provider and thereby pay less. Buyers can alternatively elect to purchase from wholesalers.

The four critical elements of a channel domain are the population to be served, the territory to be covered, the functions or tasks to be performed, and the technology employed (Stern and El-Ansary, 1992). We could add a new item, such as, communication among channel members. Without good communication within the channel, it becomes very difficult to achieve needed coordination among channel members.

The internet created the conditions for the emergence of new eMediaries, including suppliers (e.g. airlines, hotels, etc.) selling direct on the internet by allowing users to directly access their reservation systems; web-based travel agents; internet portals and auction sites. As a result, traditional eMediaries must reengineer their business processes in order to survive and remain competitive. This atmosphere meets a set of benefits and provides an interesting range of value proposition and transparency (Figure 10).

The top issue for many business-to-business (B2B) firms today is channel conflict. The roots of channel conflict lie in the inherent interdependence of channel members on each other. The primary causes of conflict are identified as competition over scarce resources, drives for autonomy, and divergence of subunit goals. Channel members tend to specialize in certain functions and such specialization induces functional interdependence, which requires a minimum level of coordination in order to accomplish the channel tasks. However, when organizations try to maximize their autonomy, the establishment of interdependencies produces conflicts of interest. Incompatible goals may result from many different issues, including profit margins, competition from alternative channels, and access to product supply.

As markets come closer to perfect information, one of the expected outcomes is an increase in competition between online and offline channels, with consequent conflicts. But attention, when the various distribution channels compete with each other for the same type of customers and marketplace,

![Figure 10](image_url)  | eMediaries value proposition.

They play a dual role as intermediaries: TO and TA
- The merchant model and dynamic packaging facilities has created a dual role for intermediaries, as they act at the same time both as travel agents and tour operators.

They offer value proposition for the consumer
- They can offer the ability to have an overview of their whole trips rather than segments of it through supplier websites;
- They give comprehensive planning tools (i.e. destination guides, weather forecasts, currency converters, traveler discussion boards, etc.);
- They ease and facilitate the customer travel planning task.

They offer transparency
- They offer some level of transparency allowing the user to analyze a vast array of offers from competing suppliers and finally, thanks to the merchant model and the volumes of sales generated, they are also able to offer increasingly competitive pricing.
increase the probability of intermediary dissatisfaction and customer confusion. A channel conflict describes the potential objection of one channel to the actions taken by another, in which business partners clash in some of their operations, such as distribution networks, in such a manner that it causes stress to the relationship, effectively turning them into both competitors and partners simultaneously. The proliferation of the internet can increase this problem, as individual companies want to develop greater value from their sales by going directly to customers.

According to Tsay and Agrawal (2004: 1), "channel conflict describes the potential objection of one channel to the actions taken by another."

Indeed, the management of channel conflict is a key B2B concern that will profoundly influence supply chain success in the age of ebusiness. Tsay and Agrawal (2004) mentioned that this issue could be discussed through several views (Figure 11).

As such, e-commerce offers fundamentally new ways of doing business, as opposed to simple extensions of existing practices. The emergence of the "marketspace" - a virtual world of information paralleling the real marketplace of goods and services - enables marketers to manage content, context, and infrastructure in new and different ways, thereby providing novel sources of competitive advantage (Rayport, 1994).

Multiple channels place competing, demands on internal company resources, such as capital, personnel, products, and technology. No matter how important the drive to establish an online presence and an internet-based distribution scheme, the ultimate goal is to turn channel conflict into channel harmony.

Channel harmony creates a synergy out of the conflict. For example, an online store might seek to take advantage of the fact that it has a physical

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Figure 11 | Modelling B2B conflicts.
store-front, and vice versa. Separate suppliers and retailers are learning to create symbiotic relationships that include the Web as a distribution channel. The trick is to establish creative frameworks in which both suppliers and retailers can keep a hand in and enhance the overall efficiency and profitability of the process. Travel agencies might benefit from multi-channel distribution strategies in a variety of ways (Figure 12):

To survive in this online environment, travel agencies must be: agile, resilient and adopt multi-channel business models, focus on core business and customer needs, developing cooperation between economic partners (reinforcing the concept of networks), and build up innovative ICT, in order to take advantage of the differentiation factors and capture sustainable competitive advantages.

Thus, distribution channels are moving away from traditional linear models and going toward more collaborative agreements. Channel harmony refers to the complementary environment in which a customer’s use of one channel has a flow effect throughout the organization or partnership. To deal with this kind of hyper interactive travel consumer, TA must be converted complementary in an eMedi- aire (or online intermediaries).

3. Methodology

The key objective of this paper is to examine the online channel conflicts inside Portuguese independent travel agencies’ sector. The travel agencies exploratory research followed two phases. The first one where literature review defined the reasons for channels conflicts and a second one based on Salvado’s (2009) case-study findings, viewing TA at an early stage of e-commerce deployment but demonstrating a great awareness for channels’ harmony importance. The questionnaire surveys of Salvado (2009) were conducted on a sample of 1039 travel agencies in Portugal, representing roughly 58% of the total universe (1804).

4. Main results

Salvado’s research (2009), pointed that in Portugal, TA activity, with its enormous number of small stakeholders (independent TA), is not yet used to consider multi-channel (online and offline channels) as a business opportunity. Nor is it common to invest in innovative research or interactive ICT’s as a basic
tool for business development, as is already done in some other sectors. Related with ICT, inside this sector 35% of independent TA use email to be connected with partners and customers, 31% use direct mail and 11% use web advertising and links from/to TO web sites (Salvado, 2009) (Figure 13).

The main reason for this fact lies in the TA typology. According to Salvado (2009), the more typical Travel Agencies typology is micro and SME (small and medium enterprises); 49,7% are micro companies (belonging to the cluster of independent travel agencies) and 38,5% are medium companies (linked to the cluster of closed groups of travel agencies), becoming an important segment in the tourism distribution sector. The small size is a handicap for lack of resources (financial, expertise, materials, innovation, marketing, etc.) and for a small ICT investment.

A number of travel companies already offer specialized support through their call-centres and enable consumers to ask specific questions to a product/property/destination specialist. In the Marktest Sectoriais, (2010: 22) almost two thirds of its members (63%) admitted that the supply of online products will increase in the coming years, while 44% said they will use social networks to advertise the company.

As told by Salvado (2009), inside independent TA sector in Portugal, only 74,8% have a Web Page and from that, 57,8% are selling on the Web. The main reason why 38% of travel agents don’t sell on web was the economic viability of ICT investment, the distrust in the payment system and the fact of consumers cannot use computer (Figure 14).

The products and services with greater acceptance on the Web were the tour packages, hotel stays and airline tickets. The same result was achieved by Marktest Sectoriais, (2010. 24) survey, as we can see in Figure 15.
Disintermediation is an old dream of air companies and other suppliers. Frequently we read news like this one:

“For years now, airlines have had a dream: to sell their tickets through their websites without having to resort to online travel agencies. The idea: by selling directly, they save on intermediation costs. This is a recurring idea, which has just made the news again due to the fact that American Airlines stopped selling its tickets through Orbitz first and now through Expedia. And it seems that American Airlines is not alone in this, since companies such as Delta could start using a similar strategy.” (Gobbi, 2011).

The problem is that the idea of avoiding intermediaries sounds logical, but in the last years the same thing has always happened: airlines were not able to sell more than a certain amount in percentage. That is, what they sell through their website is not enough to make use of the whole of the inventory, and a big part of their tickets ends up being sold through travel agencies and global reservations systems - the well-known GDSs.

So among TAs a conflict is installed. Operationally, conflict can be measured empirically using the frequency and intensity of disagreements, weighted by the importance of the issue (Rosenberg and Stern, 1970). To effectively assess the costs and benefits of multi-channel distribution, providers and intermediaries alike must understand the cross-channel tensions that can arise.

Two distinctions are central to understanding popular usage of the term “channel conflict.” One is between actual relationship destruction and the perception of damage. Another is between effects on intermediate outcomes (sales volume or revenue) and on bottom-line objectives (profit). Conflict frequency can range from sporadic disputes and occasional disagreements to expanded, unpleasant relations. The intensity of channel conflicts can be classified as low, medium, or high conflict. Often referred to as “functional conflict”, there is evidence that it is a result of trust in a channel relationship. According to Salvado (2009), independent travel agencies in Portugal, think that “is unfair the suppliers’ behaviour (75,5%) in the same limited market (Figure 16).

Salvado (2009) consider that when speaking about conflict perception with TO e-commerce, the influence is very negative (Figure 17). They think about enormous destruction and damage relationship. Company managers used to believe that the internet and the Web would make existing business rules, or even economic theories and laws, obsolete (Merrifield, 2000).

For TA this is not a threat but a challenge. With existing players and new entrants trying to capture a slice of the online market, new travel-related Web sites were jumping up or reinventing themselves constantly. All travel retailers struggled to capitalize on the opportunity by developing products aimed at attracting and retaining customers. Salvado (2009) tells that in independent TA sector, managers deal positively with it, because was found a remarkable
consciousness for the importance of internet in business (64% of questionnaires’ respondents pointed that internet was a world of opportunities, 21% assumed it as an important working tool and 13.4% considered it a bit unfair competition) (Figure 18).

For this kind of entrepreneurs, conflict doesn’t mean something bad. Without any conflict, channel members will tend to become passive and lacking in creativity. Conflict motivates channel members to adapt, grow, and seize new opportunities. If the middlemen and the salespeople are in harmony, your company may be getting complacent (Cohen, 2000).

To avoid a channel conflict in a click-and-mortar, it is of great importance that both channels are fully integrated from all points of view. Indeed, some view channel conflicts as an inevitable cost when a healthy company is trying to extend its market coverage. However, because conflict is opponent centred behaviour, it can degenerate into actions designed to destroy, injure, or stop another member in a channel relationship. Such pathological conflict should be avoided at all costs. With this, possible confusion with customers is excluded and an extra channel can create business advantages.

TA organizations are increasingly recognizing the need to have a presence in multiple channels, to satisfy the diversity in shopping behaviour by implementing multi-channel strategies. No single brick-and-mortar store can offer a multitude of products, but an online store has the capability to offer a limitless number of them. In Salvado’s investigation (2009), the three main attributes referred by TA entrepreneurs to adopt multi-channel strategies are: “the online channel complements the offline sales channel”, “with internet it is frequent the relationships between partners and customers” and “the online sale allows an increase of billing” (Figure 19).
With ICT growth, tourism industry was being driven towards consolidation and integration, developing products and services more flexible and using the Web as a new distribution channel. Today, thanks to e-commerce technologies, travel agencies are increasingly using multiple distribution channels, including traditional brick-and-mortar channels and the internet. Conventional brick-and-mortar travel agencies are already being complemented by a multitude of online channels in a way to get channel harmony.

There are technological factors that influence the ability of travel agencies to implement an effective multi-channel strategy (Cappielo et al., 2003). But given the diversity of behaviour by consumers in multi-channel purchases, there are different possible approaches. One approach is to serve multi-channel shoppers by making the shopping experience across channels as seamless and integrated as possible. Through this approach, a seller synchronizes product offerings and prices across channels and reengineers the organization for that purpose.

This vision faces a number of implementation challenges. An obvious obstacle that comes with increasing system complexity is the difficulty in maintaining coherence across channels with respect to strategy and execution.

5. Conclusions

The paper provides practical exploratory information about channel conflict inside independent Travel Agencies sector in Portugal. One key reason for supplier organizations to be concerned about channel conflict, when they introduce an electronic distribution channel, is that the use of intermediaries in B2B markets is commonplace (Hanson, 2000). Many bricks-and-mortar retailers are adding their own online channels (Tessler, 2000).

According to Salvado’s research (2009), a large number of micro and SME independent Travel Agencies in Portugal are not using the potential of online channel because they think is unfair the suppliers’ behaviour (75.5%) in the same limited market, causing a reduction in the amount of commissions to travel agents (6%). The primary motivations for supplier firms establishing more and more complex distribution arrangements are the desire to increase market share and reduce costs (Frazier and Antia, 1995).

Salvado (2009) referred that TA managers found a remarkable consciousness for the importance of internet in business, as a world of opportunities (64%) and an important working tool (21%). Salvado’s investigation (2009) showed the benefits of online
channel and the most important attributes, as followed: “the online channel complements the offline sales channel” (12.7%); “with internet it is frequent the relationships between partners and customers” (12.7%); “the online sale allows an increase of billing” (12.7%); “with internet is frequent the use of communication systems and multimedia” (12.4%); “with internet is frequent the use of the extranet for reporting function” (11.6%); “the internet allows a better dissemination of tourism products and services” (10.9%); “the sale online allows cost reduction” (7.3%); and others with a reduced weight.

By these results, TA entrepreneurs do have an intuitive understanding of how its business works and how value is created. In other words, they have an innate knowledge of the company’s business model and they recognize that success involves deep society’s holistic knowledge and requires new ways of keeping up with faster tourism industry clockspeed.

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