The impact of Globalization on SMEs

An industry analysis of the local industry for travel agencies

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Live as if you were to die tomorrow.
Learn as if you were to live forever.

Mahatma Gandhi

The greater danger
for most of us
is not that our aim is
too high
and we miss it,
but that it is
too low
and we reach it.

Michelangelo

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Executive summary

In an era of globalizing economies many markets become increasingly international and competitive, although the story is different for small and medium sized enterprises (SMEs) than it is for multinational corporations (MNCs). The situation in the local market place for travel agencies in Copenhagen, Denmark, is no different, even though services are not the same as tangible products. In the context of globalization, the tourism industry, like many other industries, tends to consolidate and the question of how SMEs manage the competition is intriguing. Besides larger competitors with visible, physical premises, other processes related to globalization are presenting SMEs with both opportunities and threats. In any case, the long term viability of SMEs in the local tourism industry is at stake and this study covers, among others, what strategies are deployed by SMEs to remain profitable and competitive. The aim of this study is to analyze the current status of the local market place and to identify what strategies are deployed by local travel agencies in order for them to manage the competition successfully in a fiercely competitive industry.

The main sources of data are qualitative in-depth interviews with managers and owners from travel agencies in Copenhagen, all of whom have considerable insight and experience in the tourism industry. Elements such as changes within the industry, challenges travel agencies face and strategies deployed are the main focus of investigation. Consequently, qualitative methods are then applied to the findings. Initial research has revealed that fierce competition in the local industry is evident. The arrival of two vertically integrated MNCs in Copenhagen has resulted in more pressure and competition for small, local travel agencies, especially in the low end segment. In addition, the arrival of low budget airlines has changed the landscape of tourism on the short haul and, mainly, this development has not favoured the travel agencies.
Furthermore, the internet, as a tool to book holidays, has to some extent reduced the demand for services of the traditional travel agent. Even the more established airlines have stopped giving travel agencies a commission for selling tickets.

However, the internet also presents travel agencies with new opportunities that can be utilized to develop new strategies. Information technology (IT) in general has influenced the rules of the game in the tourism industry, like it does in many other industries.

Theories related to globalization point out the many interlinked processes around this phenomenon. In numerous industries, economies of scale are exploited and besides MNCs, SMEs have also become increasingly international in their operations. They even account for a disproportional share of new innovations, an aspect that very much relates to SMEs in this research, too. Several theories about corporate strategy emphasize the need to innovate, one perception is to look for uncontested market space and collaborate, rather than compete with competitors. These elements both appeared to apply to local, independent travel agencies. The type of products offered by travel agencies matters in how well they can compete. Some are stuck in traditional ways of doing business and their services can easily be replaced by other tools. Others are offering high end products that are very hard to imitate or replace and these SMEs are flourishing even more so with the economic upturn.

The principal conclusion of this study is that well managed SMEs are looking for new uncontested market space and recognize the (future) need to join forces with other small travel agencies in order to benefit from economies of scale. While recognizing new forms of competition, the confident approach small travel agencies are facing the challenges is refreshing and inspirational. The conviction that they can rely on their competitive advantages and make a difference in the market place will do the local industry more good than harm.

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1. Introduction

1.1 Background

Nowadays, globalization is a major driver that has an impact on nearly every business. The internationalization of markets for sales and purchasing at least indirectly influences every business. Examples are the entry of new competitors into formerly protected domestic markets or changes in customers' behaviours or preferences. The environment in which these developments take place is changing and moving at a fast pace. Political and economic integration and technological breakthroughs have, among others, greatly facilitated a phenomenon called 'globalization'. One of the results is that the costs of distance have been reduced dramatically.

Transmitting and disseminating information across the globe has become easy and almost costless. Technological progress in logistics and distribution enables nearly every business to buy, sell and cooperate on a global scale. As a result, businesses can operate in more markets and transactions can be done much faster and at lower cost. Similarly, consumers have more insight into where to buy the best products and services at the best rates. In the result, even smaller and locally orientated businesses have to see themselves in a global context, even if they do not intend to launch their own import or export activities.

Doubtless, a major strength for many small and medium sized enterprises (SMEs) is their close customer contact and their ability to maintain close customer relationships. Nevertheless, in the light of today's business environment all SMEs have to take a closer look at their situation, even if they want to go on with their local strategy and if business outside their traditional region has no strategic logic. The role SMEs play in today's global economies is a highly interesting matter. Initially, it was assumed SMEs would play a minor role in the rapid globalizing world economy. Multinational corporations (MNCs) would be the drivers of globalization and together with consumers they would reap the benefits. At least, this was the story as depicted in the popular press and by scholars. Surely, MNCs

have the capacity and funds to invest abroad, enter new markets, and are able to better hedge themselves against the (financial) risks. Consumers, on the other hand, have benefited from lower prices of consumer goods, increased transparency, and the possibility to travel more cheaply and easily to faraway destinations. Many industries consolidated and several massive MNCs are dominating the global marketplace nowadays. It was generally believed that many SMEs would be put out of business and some of them probably were. Different industries are affected in a different way and the aim of this study is to take a closer look at services, where tourism belongs to. According to a definition of the European Union (EU), a small enterprise has up to 50 employees and a medium sized enterprise has fewer than 250.

Much of the conventional wisdom about SMEs and globalization appeared not to be true, and many aspects were challenged. Plenty of SMEs have acted as agents of change especially in entrepreneurial economies such as Holland and Denmark. In addition, for SMEs it has become easier to compete abroad, and forming strategic partnerships and alliances proved to be a way to become successful in the international marketplace. In many local industries, the number of enterprises has been growing rapidly and has lead to increased competition among those firms, leaving the less experienced group of independent and small travel agencies in a highly vulnerable position. This is an intriguing aspect and it shall be examined to what extent this is happening.

It seems clear that SMEs also have to find a way to deal with the increased competition as a result of globalization. Instead of competing with merely local companies, SMEs now compete with various international competitors, be they MNCs or other SMEs. Given this context, it is assumed that innovation and forming strategic alliances are the answers to survive in the (local) marketplace. In the case of the tourism industry, innovation would mean specialization and focus on niche markets. As far as strategic alliances are concerned, it is assumed

SMEs are increasingly able to benefit from each other's strengths and realize increased bargaining power; this would be an example of exploiting economies of scale so that costs can be saved. In an environment like the local travel agent industry, would competing on price alone suffice to maintain their market share? Or in similarity with other industries, would innovation and promotional activities become important ingredients for influencing and winning customers and profit making?

1.2 Research topic

The impact of globalization differs from industry to industry. The aim of this study is to research the impact of globalization on SMEs in the tourism industry. Globalization and global tourism can be seen as two interconnected elements. This research covers the global tourism industry and takes a particular interest in local travel agencies. It is interesting as many industries in tourism are related to services and, traditionally, the services sector is the least globalized industry, because of strong local forces. That has everything to do with personal services, which is a dominating aspect in the local tourism industry. This is in contrast to for example the manufacturing sector where economies of scale are more easily exploited. The dynamic of global and local forces is an aspect that plays an important role in this thesis.

The idea is to conduct an industry analysis of travel agents operating in the local marketplace. Regarding the local travel agencies in Copenhagen, the challenge of how to survive in the industry due to increased competition resulting from globalization, is evident. Internet technologies have significantly reduced demand for the services of the traditional travel agent and the arrival of MNCs, in the form of local subsidiaries, has resulted in fierce and increased (price) competition in the environment of the local industry for travel agents. The long term viability of small, independent travel agencies is at stake and this problem is addressed and

researched. It is not only interesting to the researchers and the literature of tourism, but especially to the local travel agencies themselves.

1.3 Research process

Initially, two travel agencies were visited and interviewed and this lead to the preliminary research problem. The idea is to conduct an industry analysis and therefore a sample is needed to do the interviews. Twenty travel agencies are chosen to interview in addition to the first two, totaling 22. For an overview of the travel agencies visited and the date of interview, see Appendix II. A preliminary interview is tested on two travel agencies in order to refine the interview when deemed necessary. The travel agencies covered in the first stages of the industry analysis are chosen randomly, on the basis of their geographical location and their size as SMEs are the focus in this research. For the remaining agencies, the Delphi-Method is used, meaning specialists in the market (meaning the respondents) are questioned and the information they provide includes referrals to other suitable travel agencies for the sample. The interviews are conducted in the physical premises of the travel agencies and after walking in, a request is made. On average, the interviews last between 15 and 20 minutes. All the interviews are conducted in a timeframe of two weeks.

1.4 Research question

The impact of Globalization on SMEs.

Internet technologies and the arrival of MNCs have resulted in increased (price) competition that threatens the long term viability of SMEs in the local tourism industry. How do the local independent travel agents in Copenhagen respond to these challenges?

-An industry analysis of the local industry for travel agents-

1.5 Theoretical Framework

1. The impact of globalization on SMEs
    - How this impact varies among SMEs from different industries.
    - In what ways SMEs can manage the competition with MNCs successfully.
    - How local and global forces play out in the tourism industry.
2. The value chain in the context of globalization.
3. An historical overview of global tourism and the effects of climate change on tourism.
4. Corporate strategy.
5. The impact of IT developments on SMEs.

1.6 Delimitation

When carrying out the research, the aim is to understand how globalization impacts the international operations of SMEs. This study intends to get a general

idea of the extent to which this is occurring, but not to analyze all processes involved in globalization and how these affect SMEs across all existing industries. The goal is to understand roughly how SMEs are impacted, but the focus is on how SMEs in the tourism industry are influenced by globalization in particular. More specifically, this study looks at local travel agencies in Copenhagen. Within the travel industry there is a sharp distinction between leisure travel and business travel. These two segments are structured very differently and this thesis concentrates on leisure travel and tourism although the term business travel will be mentioned occasionally. Furthermore, the strategies employed by small agents will be related to theories about strategy without going into detail about the different schools of strategy. It is assumed IT plays a huge role in globalization and in the local industry dynamics. While this study aims at understanding how IT impacts the local industry for travel agents, the goal is not to research the background of IT development as an area of research as such. It is important to get a good understanding of the global tourism industry to be able to better reflect on local industry dynamics. However, this research does not aim at fully grasping the global tourism developments at large.

1.7 Preliminary hypothesis

When looking at globalization and global tourism it seems obvious that both are very interconnected and interdependent. On the one hand, technological innovations and the establishment of the commercial airline industry have greatly facilitated global tourism and increased the number of tourists going abroad every year. On the other hand, the growing global tourism industry has also resulted in a global convergence of consumer needs. Although this study focuses on leisure travel and tourism only, it is important to make a distinction between leisure and business travel. Leisure trips and holidays tend to impact the local environment in a different way than business travel does. However, both kinds of travel increase the standard of living (GDP) in many parts of the world. As a result, locals from

developing countries increasingly have the opportunity to engage in touristic activities. Clearly, there is a positive 'snowball' effect at work.

The effects of globalization are visible in the local industry for travel agents. It is apparent that SMEs have to find a way to deal with the increased competition as a result of globalization. Instead of competing with merely local companies, SMEs now compete with various international competitors, be they MNCs or SMEs. Mounting price pressure as a result of competition from vertically integrated firms is evident. Probably the most dramatic impact is the one coming from IT developments. Mostly these developments pose new threats, however they also unlock new opportunities. Given this context, the assumption is that innovation, personalized service and forming strategic alliances is the answer to survive in the (local) marketplace. In the case of the tourism industry, innovation would mean specialization and focus on niche markets such as ecotourism. As far as strategic alliances are concerned, it is assumed SMEs are increasingly able to benefit from each other's strengths and create scale economies and increased bargaining power by collaborating. Most importantly, however, is to focus on core competencies like the personal service oriented nature of local travel agents. This has been their strength and will always be a source of competitive advantage. To understand these issues it is important to realize the power of the local forces. Even in the context of globalization these forces will always remain strong. And this is to the advantage of the local travel agents because that is exactly where the qualities of personalized service come into play.

2. Methodology

2.1 Philosophy of social sciences

This section is meant to give more background and an in depth understanding of the methods used in this research. A research paper can be placed in a certain category of the philosophy on which research methods in social sciences are based. In order to be able to understand this properly, knowledge, of which philosophy is a part, shall be defined at first. There are four aspects of knowledge building up on each other, starting with reality as a basis, then science building up on reality, metascience follows and finally philosophy, which takes all these steps into account (Patel and Davidson, 2003). Following, it shall be discussed where this paper can be placed. It shall not be a definite categorization, but serve the reader as an orientation as on how to perceive the knowledge gained in the paper.

Philosophy can be divided into *values*, which has to do with ethics and morality, *ontology*, which is the nature of being and *epistemology,* the knowledge of knowledge (Patel and Davidson, 2003). Ontology in general asks about reality. It asks, whether it is in fact objective, meaning external to an individual and existing independently on how people see or judge it, or whether it is the internal creation of individual cognition and intellect, which cannot exist on its own (Zalan and Lewis in Marschan-Piekkari and Welch, 2004). The former phenomenon of reality is called realism, the latter idealism (Patel and Davidson, 2003). Because of its strong dependence on people, this study is idealistic.

Epistemology is basically the philosophical theory of knowledge. It is, among others, concerned with external validity, generalizability, explanation and causality, generally asking the question about what can be known. Regarding the creation of knowledge, there are the positivist and interpretivist model competing with each other (Zalan and Lewis in Marschan-Piekkari and Welch, 2004). These are also called rational and empirical. On the one hand, the rational approach basically states that people are born with their abilities and they exist independently on their own. The empirical approach on the other hand says that

people's abilities are the result of their knowledge which they gained through experiences. (Patel and Davidson, 2003) Thus, the study is rather empirical, again due to its high dependence on people.

Metascience is simply divided into natural science and humanistic science (Patel and Davidson, 2003). Obviously, this study is humanistic, not intending to find absolute truth, but to gain a holistic idea of the market situation of small and medium sized travel agencies in Copenhagen, involving people in the study and with this taking the constantly emerging nature of the human being into account.

The science part is a bit more complex, but some of its issues which are relevant to this study shall be looked at. First of all, the terms which are used in this paper, *hypothesis* and *theory* shall be explained in more detail. A hypothesis relates different phenomena, or rather conceptions of phenomena, variable (measurable) or invariable (not measurable), to each other. Theory basically verifies or falsifies the hypothesis, trying to describe reality in a scientific light. The ways to test a hypothesis are by deduction (existing theories are used to generate a hypothesis, which is then tested), induction (a theory is produced based on empirical work done first) and abduction (a new theory is generated by induction and later tested through deduction). There exist other methods, which are not necessarily relevant to this paper; however they should be mentioned here to give the reader a complete overview. These methods are called ethno methodology, grounded theory and phenomenology. These approaches focus on empiric data rather than hypotheses. (Patel and Davidson, 2003) This study uses the deductive approach.

Two more terms of the science part that should be mentioned are positivism and hermeneutics. Positivism is closely linked to realism, meaning that science is objective. Hermeneutics is rather holistic and subjective, based on understanding and interpretation and uses language as a basis. Moreover, in order to gain a better understanding, the researcher tries to get to the same level as the studied object.

This last point is important when doing interviews. (Patel and Davidson, 2003) Therefore, this study is based on hermeneutics rather than positivism. In general, research methods in social sciences are mainly epistemological, ontological and hypothetical-deductive. Especially in qualitative research, the focus lies on epistemological and ontological, because "researchers are more driven by the nature of the problem than the method (that is, "will this approach allow me to understand the phenomenon?")" (Zalan and Lewis in Marschan-Piekkari and Welch, 2004). Which methodology to choose is settled on the ontological and epistemological position of the researcher, next to the purpose of the study, the character of the problem and the theoretical frame (Zalan and Lewis in Marschan-Piekkari and Welch, 2004). This was tried to explain above. Therefore, this study is rather qualitative. To summarize, this study is idealistic regarding the ontology and empirical concerning the epistemology. Further, it is humanistic, hermeneutic and a deductive approach is used to test a hypothesis which itself is based on existing theories.

2.2 Qualitative research

Generally, there are four major methods used in qualitative research. These methods can often be combined. Silverman (2001) distinguishes:

- Observation
- Analyzing texts and documents
- Interviews
- Recording and transcribing

In this research, mainly interviews (primary sources) and analyzing texts and documents (secondary sources) are used. In qualitative research, the textual analysis is concerned with understanding participants' categories. Interviews, in qualitative research, are mostly semi-structured and have open questions to small

samples. The advantage of the qualitative approach in this research, by getting in close proximity to the travel agents, is that one is able to best explain and describe the dynamic processes in the local travel agency sector. The best approach to this research would be to obtain in depth and rich information about how to respond to the challenges they currently face by interviewing managers or owners of local travel agencies to gain primary data.

Further, textual analysis will be conducted in order to get secondary data. The knowledge this method is able to create would be sufficient to answer the research question in combination with secondary data gained about the travel agencies. In detail, this means that the body of knowledge will include the influence of globalization on the local market, if it exists at all and if, in what form. Thus, knowledge will be gained about the development of the local market and the current position and strategy of the company.

As this research question asks for rich and solid data, the method of interviewing is the most useful one. Silverman (2001:13) notes that "authenticity rather than reliability is often the issue in qualitative research. The aim is usually to gather an authentic understanding of people's experiences and it is believed that open-ended questions are the most effective route towards this end. Qualitative interview studies are often conducted with small samples and the interviewer-interviewee relationship may be defined in political rather than scientific terms". Many interview studies have highlighted the advantages of qualitative research in offering an apparently 'deeper' picture than the variable-based correlations of quantitative studies (Silverman, 2001).

2.3 The interview

The interview is in all probability the most extensively employed method in qualitative research. It is the flexibility of the interview that makes it so attractive.

Interviewing, the transcription of interviews, and the analysis of transcripts require hard work and are all very time-consuming, but they can be more easily accommodated into researchers' personal lives. In spite of the sharp increase of terms describing types of interview in qualitative research, the two main types are the unstructured interview and the semi-structured interview. Sometimes the term qualitative interview is employed to encapsulate these two types of interview. (Oxford, 2000)

Qualitative interviewing is usually very different from interviewing in quantitative research in several ways. For instance, the approach in qualitative research tends to be much less structured. In quantitative research, the approach is structured to make the most of the reliability and validity of measurement of key concepts. In qualitative interviewing, there is generally much greater interest in the interviewee's point of view; in quantitative research, the interview reflects the researcher's concerns. Furthermore, in qualitative interviewing, interviewers can switch more easily from any schedule or guide that is being used. For example, they can ask new questions that follow up interviewees' replies and can change the order of questions. In quantitative research, this is unthinkable, because they will compromise the standardization of the interview process and therefore the reliability and validity of measurement. In qualitative interviewing, the researcher wants relatively rich and detailed answers; in quantitative research the interview is supposed to produce answers that can be coded and processed rapidly. Another difference would be that in qualitative interviewing, the interviewee may be interviewed on more than one and sometimes even several occasions. As opposed to quantitative research where unless the research is longitudinal in character, the person will be interviewed on one occasion only. (Oxford, 2000)
In conclusion, qualitative interviewing tends to be flexible, responding to the direction in which interviewees take the interview and perhaps adjusting the emphases in the research as a result of significant issues that emerge in the course

of interviews. By contrast, structured interviews are typically inflexible, because of the need to standardize the way in which each interviewee is dealt with.

2.3.1 Unstructured and semi-structured interview

Qualitative interviewing, to a large degree, varies in the approach taken by the interviewer. Generally, two major types are distinguished; the unstructured interview and the semi-structured interview. As far as the unstructured interview is concerned, there may be just a single question that the interviewer asks and the interviewee is then allowed to respond quite freely, with the interviewer merely responding to points that seem interesting of being followed up. In fact, unstructured interviewing tends to be very much like to a normal conversation. When a semi-structured interview is conducted, the researcher has a list of questions or rather specific topics to be covered, but the interviewee has a great deal of flexibility in how to reply. Questions that are not included in the guide may be asked spontaneously on aspects mentioned by interviewers. Nonetheless, all of the questions will be asked and the same questions will be used from interviewee to interviewee. (Oxford, 2000)

Despite the differences, the interview process in both cases is flexible. In addition, the emphasis should be on how the interviewee understands issues and events, meaning what the interviewee sees as important in explaining and understanding events and forms of behaviour. The two different types of interview in qualitative research are extremes when placed on a continuum and in fact there is quite a bit of variability between them. However, most qualitative interviews are close to either type. The bottom-line is that in both cases, the interviewer does not follow a rigid schedule, like in quantitative research interviewing; but in semi-structured interviews the interviewer does in fact follow a script to some extent (Oxford, 2000). In this research, semi-structured interviews are used to conduct the industry analysis.

2.3.2 The interview in perspective

In this section it will be discussed what several authors have to say about interviews. Weinberg notes (2002:112) "interviewing provides a way of generating empirical data about the social world by asking people to talk about their lives. In this respect, interviews are special forms of conversation. While these conversations may vary from highly structured, standardized, quantitatively oriented survey interviews, to semi-formal guided conversations and free-flowing informational exchanges, all interviews are interactional. The narratives that are produced, may be as truncated as forced-choice survey answers or as elaborate as oral life histories, but they are all constructed *in situ,* as a product of the talk between interview participants".

There are several dilemmas facing interview researchers about what to make of their data. According to Silverman (2004: 125) "on the one hand, positivists have as a goal the creation of the 'pure' interview, in a way that it comes as close as possible to providing a 'mirror reflection' of the reality that exists in the social world. This position has been thoroughly critiqued over the years in terms of both its feasibility and its desirability. On the other hand, emotionalists suggest that unstructured, open-ended interviewing can and does elicit 'authentic accounts of subjective experience'. However, this approach has been called 'seductive' and a significant problem lies in the question of whether these 'authentic accounts' are actually, instead, the repetition of familiar cultural tales".

Conducting interviews may seem a straightforward activity, interviewers ask questions and respondents provide answers. The normal vision of the interview process keeps the interviewer's involvement to a minimum. The interviewer is supposed to be neutral and the challenge lies in extracting information as directly as possible, without contaminating it. (Silverman, 2004)

Being unbiased in interviews seems to be paramount in order to get the information you are in need of. It is evident that this is oftentimes a challenge. The opinions and knowledge an interviewer possesses influences the outcome. Moreover, interpersonal influence that the informant may have over the interviewer also plays a major role. According to Yin (2003:90) one of the jobs of the interviewer is to ask actual conversational questions in an unbiased manner. It can be crucial as to how to phrase questions. 'Why' questions could often create defensiveness on the informant's part, in contrast to posing a 'how' question. Yin (2003:90) notes that "case study interviews require you to operate on two levels at the same time: satisfying the needs of your line of inquiry while simultaneously putting forth 'friendly' and 'nonthreatening' questions in open ended interviews.

Many guidelines about how to conduct interviews are mainly concerned with maximizing the flow of valid, reliable information while minimizing distortions of what the interviewee knows. It is important to realize how to ask questions, the kind of questions not to ask, and the order in which they should be asked. Moreover, an interviewer should be aware of ways to avoid saying the things that might spoil, contaminate or in some other way bias the data. The best thing is to formulate the sort of questions and create an atmosphere conducive to open and unvarnished communication between the interviewer and the interviewee.

In other words, the challenge is to extract information as directly as possible, without contaminating it. Silverman (2004:141) adds to this "the interview conversation is framed as a potential source of bias, error, misunderstanding, or misdirection; it is a persistent set of problems to be minimized. The corrective is simple: if the interviewer asks questions properly and the interview situation is propitious, the respondent will automatically convey the desired information. In this conventional view, the interview conversation is a pipeline for transporting knowledge".

Interviews of an open-ended nature are akin to free flowing conversations where the interviewer asks respondents about facts of a matter as well their opinions about events. Yin (2003: 90) states that "in some situations, the interviewer may even ask the respondent to propose his or her own insights into certain occurrences and may use such propositions as the basis for further inquiry. The respondent also can suggest other persons for the interviewer to interview, as well as other sources of evidence. The more a respondent assists in this manner, the more that the role may be considered one of an 'informant' rather than a respondent".

Now the actual answers respondents provide and how they can be assessed will be discussed. Conventional wisdom argues that the objectivity of interview responses could be evaluated in two ways. It could be done in terms of reliability, meaning the extent to which questioning gives the same answers whenever and wherever it is carried out. In addition, it could also be assessed in terms of validity, the extent to which really the 'correct' answers are provided. However, Silverman (2004:145) states the following "when the interview is viewed as a dynamic, meaning making occasion, different criteria apply. The focus is on how meaning is constructed, the circumstances of construction, and the meaningful linkages that are assembled for the occasion". He goes on by saying "one cannot expect answers on one occasion to replicate those on another because they emerge from different circumstances of production" (Silverman, 2004:145).

2.4 Credibility

To test the credibility of data gained from field research and the hypothesis, validity and reliability are the main concepts applied. In terms of credibility, Silverman (2001:221) notes that "we should not be all that impressed if a researcher makes very much of their 'intensive personal involvement' with their subjects. Immediacy and authenticity may be a good basis for certain kinds of journalism but qualitative researchers must make different claims if we are to take their work seriously".

2.4.1 Reliability

Reliability refers to the degree of consistency with which a certain phenomenon occurs to the same extent to a different or the same observer. In this research, the data gained and the hypothesis would be perfectly reliable, when all of the travel agencies interviewed would answer that they do actually face fierce competition from the phenomenon of globalization in form of the influx of MNCs into the local market and recent IT developments. This means in particular that the internet would be a competitor because it functions as a travel agent. Regarding the reliability of interviews "it is important that each respondent understands the questions in the same way and that answers could be coded without the possibility of uncertainty" (Silverman 2001:229).

The author further points out the importance of a pre-test of the interview and a comparison of the analysis of the data by two different researchers (Silverman 2001). This advice will be taken into account when the research is carried out. Another important aspect concerning the reliability of interviews is to achieve low-inference descriptions. This is easily attained through email interviews, otherwise tape-recording interviews and then transcribing them is another option. In this research, notes are taken while the interviews are conducted. Texts are basically more reliable than any kind of observations or interviews, because they already exist unfiltered through the observations of the researcher.

This research is reliable to the extent that a few respondents in the sample provided different answers than was stated in the hypothesis; these could be called deviant cases. As far as the process of interviewing is concerned, the way of interviewing did not allow for very low-inference descriptions as note taking provides a slightly biased picture compared to tape-recording interviews and then transcribing them.

2.4.2 Validity

Two forms of validation have been suggested as appropriate to the logic of qualitative research (Silverman, 2001:233):

1. "Comparing different kinds of data (e.g. quantitative and qualitative) and different methods (e.g. observation and interviews) to see whether they corroborate on one another. This form of comparison, called triangulation, derives from navigation, where different bearings give the correct position of an object.
2. Taking one's findings back to the subjects being studied. Where these people verify one's findings, it is argued, one can be more confident of their validity. This method is known as respondent validation".

According to Silverman, validity is "truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers" (Silverman 2001:232). Truth involves two kinds of error: type 1 error is that something is believed to be true when it is not and type 2 error is the rejection of something that is true. (Kirk and Miller 1986:29-30 in Silverman 2001)
Silverman (2001) mentions the following methods of validating research:

- Analytic induction

- The constant comparative method
- Deviant-case analysis
- Comprehensive data treatment
- Using appropriate tabulations

The problem that underlies the concept of comprehensive data treatment is that "findings...are based on a subjectively selected, and probably biased, 'sample' of cases that happen to fit the analytic argument" (Paul ten Have 1998 in Silverman 2001:240). To avoid this, all data is incorporated in the analysis, hence the word comprehensive. The generalization of the analysis should be applicable to every single bit of data, thus the validity is guaranteed. As the last point to test the validity of the research, Silverman (2001) suggests the usage of appropriate tabulations. He states that the comprehensive data treatment can be aided by tabulating some quantitative data, in order to free the reader of doubts about the correctness of the findings.

Relating back to the two forms of validation, the first one was applied in this research. Triangulation was apparent in this research to the extent that besides mainly interviews, also secondary sources such as textual analysis were used.

2.4.3 Generalizability

Another indicator for the credibility of a research is its generalizability, meaning that the findings of the sample are representative for the whole population. Silverman (2001) offers three different approaches to this problem:

- Combining qualitative research with quantitative measures of populations
- Purposive sampling guided by time and resources

- Theoretical sampling

The first point suggests comparing the case to "information about relevant aspects of the population of cases" (Silverman 2001:249). This comparison may help to establish a certain representativeness of the research. Purposive sampling indicates that the researchers should not choose the case randomly, but critically consider the factors of the population they would like to focus on and then decide on which cases to select. The choice should be theoretically grounded, so as to be more generalizable. Theoretical sampling is very similar to purposive sampling. However, it includes the possibility to change the size of the sample in the process of the research. For instance, this may occur in case of new unexpected findings and the researcher therefore wants to change the size of the sample.

As far as purposive sampling is concerned, several factors were actually considered when the research was carried out. These include the size of travel agencies and their geographical locations. With regards to theoretical sampling, no reasons were found to change the size of the sample.

3. Theoretical framework

3.1 The impact of globalization on SMEs

It is appropriate to assess the most obvious benefits and pitfalls of globalization before we turn to its impact on SMEs. The advantages of globalization can be measured from two different viewpoints: the business and competitive point of view and the macro socio-economical point of view. According to Lasserre (2003) there are four categories of business and competitive benefits:

Cost benefits: Economies of scale is one advantage. This results from products/ processes standardisation and the increased bargaining power over suppliers of raw materials and components. On the other hand, there are benefits from the ability to organise a logistic and sourcing network based on location factors.

Timing benefits: These advantages result from the coordinated approach in the launching of products and serviced in the very early stages of the product life cycle. When different subsidiaries of MNCs launch products at various points in time in highly globalized industries, the outcome could be fatal especially if the product has a short life cycle, which is more and more frequently the case.

Learning benefits: These come from an increasingly coordinated transfer of information, best practices and people across different subsidiaries. These processes prevent the costly 'reinvention of the wheel' and smooth the progress of accumulation of experience and knowledge.

Arbitrage benefits: These advantages accrue from the fact that a company that is operating on a global scale can use resources in one specific country for the benefit of another country subsidiary. An example would be to engage in a fierce

price war in one country in order to have competitors mobilize resources in that country, depriving them of cash flow that could have been used for international expansion.

As far as the social economic benefits of globalization are concerned, Lasserre (2003) mentions the following ones: it creates overall wealth for all nations because specialization increases trade, reduces inflation due to cost efficiencies, benefits customers because of price reduction owing to cost efficiencies, and the last argument in favour of globalization would be that there is a better allocation of natural, financial and human resources.

However, as many scholars and other specialists have pointed out, there are strong arguments to be made *against* the effects of globalization, too. Lasserre (2003) mentions the most important ones:

- Globalization imposes a huge strain on labour force both in developed countries (job destruction) and developing countries (sweatshops, child labour)
- Globalization would standardize customer tastes and reduce diversity
- Globalization would bring about concentration of power in a few global MNCs
- Globalization harms the environment because of massive exploitation of natural resources
- Globalization reduces the capacity for nations to protect their national interests, cultures and values

Now that the phenomenon of globalization has been discussed, it is relevant to relate it to the specific impact on SMEs. According to Audretsch (2003), globalization has impacted SMEs in two major ways. First of all, globalization has

to a great extent facilitated the transnational activities of SMEs. These activities range from exports to foreign direct investments and participation in global value chains and have all become much easier as a result of globalization.

Conventional wisdom about SMEs operating in an international setting has been that SMEs, given their size, cannot enjoy as much success as larger companies in foreign markets. In fact, it was believed there would only be two options for SMEs; to stay home and continue to do business domestically or to expand abroad with the help of larger players. These convictions are false, according to Audretsch (2003:52) "evidence shows that small firms are, against the expectations of many traditional scholars, active players in the international arena". Even more surprisingly, the small firms that venture abroad do this mostly completely by themselves; they tend not to seek help from bigger players. However, the international activities SMEs generally engage in depend on the development of the industry they are operating in. "Small, and even more so medium-sized, foreign investing firms come from the least mature industries. It is in these emerging industries that small firms can be active international players" (Audretsch, 2003:52). An explanation for this occurrence is that mature industries tend to be consolidated to a very large extent and, consequently, dominated by huge corporations.

The second way globalization has impacted SMEs is that it has changed the role of SMEs *within* domestic economies. Initially, SMEs were generally viewed as less efficient enterprises than their larger counterparts and conventional wisdom would have predicted that increased globalization would present a more hostile environment to small businesses (Audretsch, 2003). Several authors pointed out the additional costs of globalization (fixed costs of learning about foreign environments, communicating at long distances, and negotiating with foreign governments) and that this would be a reason for expecting that engaging in foreign investment will be mainly an activity of large firms.

The comparative advantage of Organization for Economic Cooperation and Development (OECD) countries has always been based on traditional inputs of production, such as land, labour and capital. However, globalization has shifted this advantage towards knowledge. The point of departure for most theories of innovation is the company, and the most important source of knowledge is considered to be research and development (R&D). As R&D is mainly concentrated among the largest corporations, it is not surprising many people had low expectations of international opportunities for SMEs. However, Audretsch (2003:xiv) points out that "a series of studies has clearly documented that small firms account for a disproportional share of new product innovations given their low R&D expenditures". Inevitably, this raises the question of where innovative firms with little or no R&D get their knowledge inputs from. Audretsch (2003:xv) explains this phenomenon and explains where this knowledge originates: "one answer that has recently emerged in the economics literature is from other, third party firms or research institutions, such as universities. Economic knowledge may spill over from the firm conducting the R&D or the research laboratory of a university". He furthermore concludes that "thus, SMEs take on a new role in the knowledge economy as agents of change" Audretsch (2003:xv).

While it is clear SMEs can be successful in an international setting and act as agents of change, in fact this entirely depends on the sort of economy the company is operating in. Several developed countries have been more courageous at modifying their economic models than others have. Drastic changes in the job market were the first signs of a shifting economic system. One symptom has been a discrepancy in job creation and reduction of unemployment across countries, between the forerunners that moved towards a newly emerging economy (the Netherlands, the United Kingdom and Denmark), and the ones lagging behind (Germany, France) still obsessed with perfecting the managed economy. For practical purposes, this newly emerging economy is coined the 'entrepreneurial

economy' and the old, traditional economy the 'managed economy' (Audretsch, 2003).

Audretsch (2005) also points out that the reason policies which are central to the entrepreneurial economy, such as deregulation, privatization, and labour market flexibility have not been rapidly diffused to other countries with high unemployment rates and stagnant growth, is that those countries are reluctant to adopt recommendations out of fear of increased earnings inequality.

Inevitably, one would ask the question: how come an alternative system, the 'entrepreneurial economy', has emerged rather quickly? Not surprisingly, the answer has something to do with globalization. Audretsch (2003:7) explains: "while globalization is a multidimensional phenomenon encompassing a broad spectrum of economic and social dimensions, virtually all measures of trade, foreign direct investment and integration indicate a sharp increase in recent years. The emergence of the entrepreneurial economy is a response to two fundamental aspects of globalization. The first is the advent of low cost but highly skilled competition in Central and Eastern Europe as well as Asia. The second is the telecommunications and microprocessor revolution, which has greatly reduced the cost of shifting standardized economic activity out of high cost locations, such as Europe, and into lower-cost locations elsewhere in the world". To elaborate on the emergence of low cost and highly skilled competition from Eastern Europe and Asia, one of the consequences of globalization is that the comparative advantage of high wage countries is no longer attuned with traditional economic activity. The reason is that traditional economic activities can easily be transferred to lower cost regions outside Western Europe (Audretsch, 2003).

The role of SMEs has been subjected to a fundamental change in developed countries. Before processes to globalization were operating at full speed, in the so-called 'managed economies', SMEs were viewed as inefficient. By contrast, in the

so-called ‘entrepreneurial economy’, a state of the economy which is the result of globalization, SMEs act as a strong engine of innovation, growth, and international competitiveness (Audretsch, 2003). Although many economies have shifted towards an entrepreneurial economy, by and large this is not always the case, and the impact of globalization on SMEs really depends in what sort of economy they are operating in.

3.1.1 How globalization impacts different industries

When a rough distinction between industries is made, manufacturing and services would be two huge industries located at opposite poles from each other. Quite clearly, travel and tourism belongs to services. In fact, Jones (2005:1) notes that “tourism is the world’s largest industry and makes a major contribution to the economies of most developed and developing countries”.

Like services differ from manufacturing as far as the type of industry is concerned, so does the impact of globalization on these two different industries. SMEs in manufacturing, retail and wholesale are increasingly competing in an international marketplace as the costs of distance have been reduced dramatically and foreign markets have opened up. Probably the best distinction between services and manufacturing is that the latter is about tangible products, the former is intangible. As a result, it is easier for manufacturing companies to take advantage of the reduced costs in transportation.

Now the unique characteristics of tourism products will be covered. Jones (2005) observes several distinguishing factors to this industry:

- Intangibility (the service cannot be touched or viewed as is the case with tangible goods)

- Perishability (unused capacity cannot be stored for future use. For instance, spare seats on one aeroplane cannot be transferred to the next)
- Inseparability of production and consumption (the service is being produced at the same time that the client is receiving it)
- Heterogeneity (services involve people, and people are all different. There is a high probability that the same enquiry would be answered slightly differently by different people)
- Interdependence (this feature is particularly important because tourism products are generally bought in combination and from different suppliers, rather than as a package or individually)

3.1.2 How SMEs successfully compete with MNCs

The tourism industry consists of a mix of small numbers of large, generally multinational corporations and large numbers of often family-run SMEs and micro businesses. Jones (2005:4) notes that "the ratio of large tourism organizations to tourism SMEs, especially micro businesses, has implications for destination competitiveness. In destinations where the presence of large and chain business outweighs tourism SMEs, there will be far more direct competition between large organizations in terms of capacity, product and possibly brand names". To capitalize on this aspect, bigger tourism organizations could seek competitive advantage through carefully scripted approaches to service quality management to improve the visitor experience and contribute to a better perception of the destination. Jones (2005:5) continues and says "despite the ability of SMEs to create unique selling propositions (USPs) through product customization and individualized service quality, the reality of the situation is that some large organizations face little or no competition from SMEs and, with their global brands maintained through strategic resource management (coherent property management, systematic approaches to quality management, well

developed training programmes and carefully coordinated marketing), become insular and detached from the destination".

3.1.3 How local and global forces influence SMEs

Before the dynamics of local and global forces in the actual tourism industry are discussed, it is relevant to try to understand what kind of global and local forces there are and how they relate to SMEs in particular.

Once again, a distinction between the 'managed' and the 'entrepreneurial' economy is made in order to answer this question. Traditionally, production in the managed economy comes from the inputs of labour, land and capital. While these inputs are still present in the entrepreneurial economy, in fact knowledge has emerged as the most significant factor of production (Audretsch, 2003). There is an interesting dichotomy between two aspects central to globalization, information and knowledge. In ancient times, information moved as fast as men were able to. Because of technological breakthroughs, information can now be transmitted instantly and, in this context, the factor distance has become meaningless. However, the cost of knowledge, and in particular tacit knowledge, actually rises with distance. Proximity is paramount when it comes to tacit knowledge because this type of knowledge can best be passed on through frequent contact and face-to-face interactions. Audretsch (2003) believes that this dichotomy between knowledge and information does not oppose globalization. He nonetheless concludes that the effect of globalization on these two aspects has been very different: "however, globalization has not had symmetric impacts on knowledge and information. On the one hand, globalization has made it possible to transfer information costlessly across geographic space. On the other hand, the geographic dimension of knowledge remains a local phenomenon, largely unchanged by globalization" Audretsch (2003:10). The creation of tacit knowledge is a highly localized occurrence, and in the entrepreneurial economy,

the comparative advantage is based on innovations. Audretsch (2003:11) concludes by stating that "thus, in the entrepreneurial economy local proximity and regions have emerged as an important locus of economic activity".

One could argue all travel agencies should be integrated in one, big centrally located office and as a result benefit from economies of scale. However, the strong local forces of proximity and serving the loyal, local customers makes this unrealistic and undesirable. Lasserre (2003:22) states that "the benefits of localization, instead of a global integrated and coordinated approach, are essentially customer oriented benefits that give firms an increased market power and ultimately an increased market share".
Those benefits are:

- Flexibility (the capability to adapt to customer demands in the various dimensions of the marketing mix. Eventually, flexibility leads to customization)
- Proximity (the capability to be close to the market, to understand the customers' needs and wants)
- Quick response time (the ability to respond at once to specific customers' demands)

Lasserre (2003:22) concludes that "flexibility, proximity and quick response time are very much related to each other: proximity provides the basis for flexibility and flexibility provides the basis for quick response time. All three give a competitive advantage when local cultural, technical, commercial and legal contexts vary so much from country to country". These local forces are especially strong in any given local travel agency industry. For most clients, booking a trip or holiday is not an everyday event and the amount they spent is often a significant part of their annual income. That being said, a personal, flexible and

quick local travel agency undoubtedly has advantage over a centralized office where holidays are booked over the phone. What at first seems to belong to travel industry processes, would actually work out to be something different. In certain instances, there are 'industries' that place the consumer to the site of 'production'. For instance, this would be students that are travelling abroad and seeking an education. Another example would be sick and ill people that are travelling abroad to receive treatment at a foreign hospital. (Lasserre, 2003)

One should not be oblivious to the fact that several processes to globalization have had an enormous positive impact on the global tourism industry and it also explains why this industry keeps growing and growing. First of all, the reduced costs of distance relating mostly to air travel have resulted in more and more people being able to travel abroad. This can also be done much faster than decades ago so that people can more easily free up time to travel. Lastly, increased global trade has resulted in a higher GDP per capita in many nations throughout the world. As a result, an increasing amount of tourists have more to spend and can afford either more holidays or more luxury holidays. (Lasserre, 2003)

3.2 The value chain in the context of globalization

To be able to understand how the value chain of the tourism industry, in particular the one of the travel agent, has changed in the context of globalization, different components of the value chain will be discussed first.

The travel agency: In the decades after World War II, when the tourism industry flourished and was booming, a travel agency was sort of a new type of business and the number of travel agency start ups was growing rapidly. Although many people are able to and make their own travel arrangements, a good proportion of them find that expert services of a travel agent can save them substantial amounts of time, money and hassle. Their knowledge of the complexities of transportation, accommodations, and sightseeing can help to assure a pleasant trip. In this study the terms 'travel agency' and 'travel agent' are used interchangeably as they are normally referred to as the same type of business. In general, an agent is a person who represents or works on behalf of another person or business. According to Horner (1996:223) a travel agent "works on behalf of the client who is booking a holiday or travel arrangement and also on behalf of the company or principal for whom the agent is making the booking".

The way the travel agent makes money is by actually receiving a commission for making the booking, meaning the payment made to the travel agent on a percentage basis. It is important to realize that the travel agent is not just a ticket seller. According to Gregory (1993:3) a travel agent is "a specialist whose experience and know-how enable him to counsel you on how to travel wisely and within the confines of your budget". Typically, these are the ways in which the travel agent serves his clients (Gregory, 1993:3):

- "Arranges transportation (air, cruise, rail, bus, car rental)
- Prepares individual itineraries, group tours and sells prepared package tours.
- Arranges for hotels, motels, resort accommodation, meals, and sightseeing.
- Advises on many details such as currency exchange, language study material, and insurances.
- Provides schedules of air, train and bus connections. Additionally, advises on rates of hotels and their quality".

Basically, one can look at a travel agency as a department store of travel. The travel agent represents all airlines, all bus lines, sightseeing companies, etc. all over the world. He also represents all tour operators (his wholesalers, which shall be discussed hereafter) and can be seen as a packager and retailer of travel components. The travel agent is rather a 'retailer' than a 'supplier', the suppliers would be the airlines, resorts, tour operators etc. As soon as the client picks up her tickets, the responsibility for providing the services shifts to the airlines, hotels and tour operators. (Gregory, 1993)

The tour operator: Tour operators compile and produce package holidays which they advertise in brochures and many tour operators pay a commission of about 10% to travel agents to sell the holidays on their behalf (Horner, 1996). In the value chain, the tour operators would typically be placed one knot before the actual travel agent. However, to cut costs and work more efficiently, many travel agents and tour operators have been integrated into one single business.

The actual creation of a tour or trip takes up quite some time and efforts. Planning, packaging, pricing, and marketing take a lot of skills, knowledge and experience. Basically, tour operators are the tour manufacturers (Gregory, 1993). Recognized tour operators have experienced employees to process the many time

consuming operational details; the tours are a creation of their ideas and imagination.
According to Gregory (1993:163) "tour operators can be wholesalers and retailers. Retail travel agents can be their own tour operators and wholesale their tours to other travel agents. In fact, most tour operators are the outgrowth of successful retailers in their own group tour operations".

In the context of globalization, many sectors have become more competitive and there has been a need to cut costs in order to survive. One of the outcomes of the tourism industry having been consolidated to a large extent is that many MNCs are vertically integrated. These firms have their own aircraft and hotels as to offer cheaper prices. The separate functions of the travel agent and tour operator have long been combined. As a result, the traditional margins between each knot of the value chain have disappeared and cheaper products can be offered. Sometimes the actual physical presence of the travel agency is no longer needed as customers book their holiday online through smooth websites with sophisticated software. This development allows MNCs even to save on labour costs.

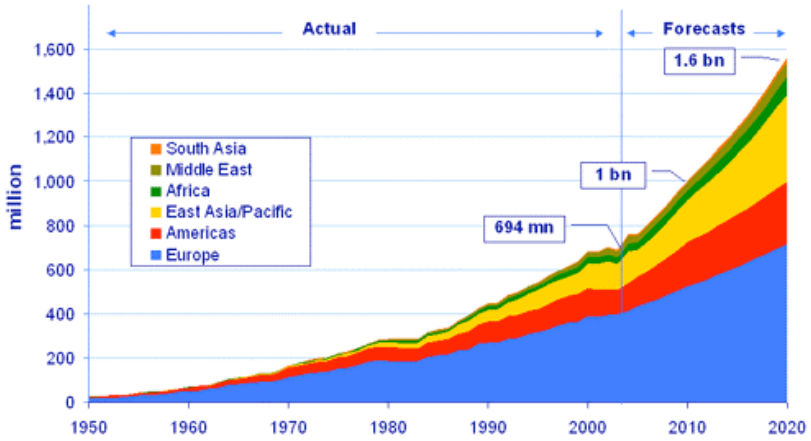
For the smaller and independent travel agent there is a different story although here the value chain has been a subject to change as well. Obviously, small travel agents do not own aircraft and do generally not own accommodation either, and therefore, have to reserve seats and rooms with airlines and hotels. The prices these parties charge do not allow small travel agents to be price competitive as compared to many MNCs. However, for many smaller travel agents the terms 'travel agent' and 'tour operator' are no longer relevant as both functions have, in most cases, already merged into one business.

3.3 A historical overview of global tourism

One can say that travel is a part of mankind and has always existed. It developed from the simple search for food, over travel for purposes of trade, migration, war or pilgrimage, to the form of tourism we know nowadays. Already in times of the Roman Empire rich aristocrats travelled for pleasure to seaside resorts, but the phenomenon of mass tourism developed during the industrial revolution in England. This is due to the increased availability of cheap transport as well as the more equal distribution of wealth which derived from industrialization. The next big step forward was the development of jet airplanes and with this the commercial airline industry after the Second World War. (Theobald, 1998)

According to data from the World Tourism Organization (WTO), a special agency of the United Nations (UN), world tourism grew on an average rate of 6.5% annually from 1950 till 2005, measuring it in tourist arrivals (see **Figure 1** for an overview). The Americas and Europe had a joint market share of 95% in 1950 which declined to 76% in 2000. Their respective growth rates were with 5% and 6% below world average growth, whereas the strongest growing regions, East Asia and the Middle East, were increasing by 13% and 10% on average per year. (World Tourism, 2008)

Figure 1: International Tourist Arrivals



Today, the tourism industry is the largest and fastest growing industry and is seen as one of the key drivers for the increase of global wealth, achieving the same effects as industrialization has done in the 19th and 20th century in Europe. "Tourism represents the greatest voluntary shift of wealth from rich to poor in history," says Lelei LeLaulu in a speech to the World Tourism Forum for Peace and Sustainable Development hosted in Porto Alegre November 29th to December 2nd 2006 (Sustainable, 2006). The most remarkable fact about this shift from rich to poor is the voluntary aspect which could actually mean that the tourism industry has the power to achieve what politics and business have not over so many decades (Sustainable, 2006).

Nowadays, global tourism has become a very complex industry, including e.g. airlines, hotels, restaurants and recreational activities. The World Travel & Tourism Council (WTTC) forecast continued growth for the year 2008. International tourism arrivals and international air traffic will continue to increase, especially in the developing countries. However, the industry continues to be threatened by external shocks, such as terrorist attacks or diseases, as well as the high energy prices. Particularly those prices decrease the income of households and increase travel costs. But even here the WTTC sees potential for the tourism industry, because oil producers very often invest their increased income in the tourism sector. (World Travel, 2008)

The trends in the industry over the last years have been airline restructuring, as e.g. the take-over of Swiss by Lufthansa and KLM by Air France, a growing number of low-cost carriers (LCCs) which drove market growth and a threat of the traditional business model of the tour operators by the so-called 'dynamic packaging'. This model includes the direct individual booking of packages, mainly over the internet. The industry so far has reacted in two different ways: the focus on long-distance trips to exotic destinations or offering their own LCCs and internet platforms. In the first case the tour operators speculate that the customers

prefer professional advice, in the second case the operators with the financial resources like TUI are able to react to the new trends. (Economist, 2005)

The UNWTO Tourism 2020 Vision shows an expectation of nearly 1.6 billion international arrivals by the year 2020 (see also **Figure 1)**. Europe is supposed to keep the highest world share, but the East Asia and Pacific region will take over the second place from the Americas. The world average growth rate will be 4.1%, with Europe and the Americas remaining below this average rate in contrast to the other regions. (World Tourist, 2008) This trend only supports the above mentioned huge potential of the tourism industry to function as a motor of growth for the developing world.

3.3.1 The effects of climate change on global tourism

Climate change is a very popular topic to talk about at the moment, but as it seems to be a fact, it is definitely important to take its impact on global tourism into consideration. There are all kinds of opinions to be found, depending on what should be expected – global warming or not? Mostly global warming is what has to be expected of climate change in the near future. Most of the scientists agree that climate change is to a great degree manmade and will most likely lead to higher global average temperature and extreme weather phenomena, such as for example heavy rain and extreme heat.

Other than short termed natural disasters or terror attacks for example, climate change is a long term phenomenon, which will change the tourism landscape permanently. The climate change bears more risks than chances to global tourism, especially since the tourism industry is highly dependent on climate and nature. However, the tourism sector is expected to increase further. This is among others due to higher freedom of travel, because of more liberal visa regulations, e.g. in China. Further, the sectors of business travel and culturally motivated tourism will

be independent of climate change, in contrary to leisure travel, like beach or snow holidays. (Deutsche, 2008)

Climate change will have a different effect on the different regions of the world depending on their location. As mentioned above, it is expected that the average temperature will rise and with this the sea level. Especially countries in the developing world will have to suffer from climate change which is very disappointing to them since they put so many hopes into the tourism industry. In Europe there will be a shift from south to north, meaning that especially the countries bordering the Mediterranean Sea will be on the losing side, whereas the northern countries like Germany, Denmark, the Benelux States and the Baltic States will be on the winning side. In general, the impact will be worse, the higher the economic dependency on tourism of a certain country. In Europe this would be the case for Spain, Malta, Cyprus, Greece and Austria. Other countries worldwide which are highly dependent on tourism are Thailand and Malaysia in Asia, Morocco and Tunisia in Africa and Jamaica and the Bahamas in the Caribbean. (Deutsche, 2008)

Some of the particular damages can be the destruction of infrastructure caused by more extreme natural disasters, like the increased instability of ski lifts because of the melting of permafrost soil. Further hazards are higher erosion and increased risk of fire and a more difficult supply of sufficient water. These can lead to the destruction of roads and further to the necessity of higher cost of investment for the prevention of damage. Already now some of the above mentioned phenomena can be experienced, like for example the lack of water and extreme heat in summer around the Mediterranean Sea. (Deutsche, 2008)

Another important factor of change will be the higher cost for mobility caused by state regulations and higher energy prices. The United Nations World Tourism Organization (UNWTO) estimates that global tourism is responsible for about 5%

of manmade global warming. The most important means of transport in the tourism sector are planes and cars or busses. Together they make about 88% of all international tourist arrivals. The most significant influence on higher transportation costs will be the increase of energy prices, but the state regulation, mainly in form of taxes, will definitely have its impact as well. Thus, train and ship traffic, which is known as being very environmentally friendly, will profit from the changes and become cheaper compared to planes and cars over the long term. Therefore, long haul travel will be on the losing side, short term travel on the winning side. (Deutsche, 2008)

On the second international conference on climate change and tourism in Davos, Switzerland, in October 2007, the participating organizations United Nations Environment Program (UNEP), World Meteorological Organization (WMO), World Economic Forum (WEF) and the Swiss government, agreed on the fact that climate change and international tourism are highly dependent on each other and the tourism sector quickly has to react. They asked the tourism sector to make investments in infrastructure and accommodation to help reducing the emission of greenhouse gas (GHG) and prepare the different regions for possible future hazards. Further, they are asked to save financial funds to be able to help poorer regions and be able to react in case of emergency. (Davos, 2007)

Some of the tendencies that all these changes will bring are a different behaviour of the consumers regarding their holidays. There might be a tendency to become more price sensitive and therefore they might in the future consider e.g. taking cheaper means of transport, which might be trains and ships in the future. Further, consumers might prefer late bookings, shorter trips and wish for high flexibility and individuality, because of the increased insecurity around travel due to the above mentioned risks. By booking on a short termed basis, taking shorter trips and having higher flexibility, consumers try to avoid losing a lot of money. (Deutsche, 2008)

3.4 Corporate Strategy

In this section several forms of corporate strategy will be presented, the first part includes Blue Ocean Strategy, the last part is related to industry analysis.

3.4.1 Blue Ocean Strategy

In highly competitive industries, managers need to develop a proper strategy in order to secure the long term viability of the firm. Traditionally, the focus would be on cutting costs, concentrating on core competencies and exploiting unique selling propositions (USPs). Kim (2005) talks about fiercely competitive industries where the only way to success is to constantly beat the competition. In these industries, boundaries are defined and accepted. Kim calls this 'Red Oceans'. In Red Oceans, "companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody" (Kim, 2005:4).

In contrast to this model, there are the 'Blue Oceans'. Basically, the idea is that to survive in a market, companies ought to look for uncontested new markets. In addition, instead of costly and bloody fights in the marketplace, companies should pay more heed to the possible benefits of collaboration in the form of strategic alliances. In his seminal work 'Blue Ocean Strategy' Kim puts forward numerous examples of companies that have created new market space simply by adopting an innovative approach to operations and to look beyond the accepted boundaries of an industry. These companies "realized that to win in the future, they must stop competing with each other. The only way to beat the competition is to stop trying to beat the competition" (Kim, 2005:4). Red oceans would be the equivalent of known market space whereas blue oceans represent all industries not in existence today, the so called 'unknown market space'. Kim (2005:4) notes that "blue

oceans are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set".

In order to create the uncontested, new market space 'value innovation' is paramount. This element consists of two separate aspects that create synergy when brought together. The authors of 'Blue Ocean Strategy' describe value as bringing value to consumers in terms of price, user friendliness, and design. However, value by itself is not enough to create a blue ocean. It will distinguish you from your competitors but only to a small extent. Innovation, more precisely technical innovation, is the other key element to create blue oceans. While it is generally accepted that innovation is crucial in creating a competitive advantage, innovations are not always welcomed by consumers, especially when they are too complicated to understand and use. Another example would be that they are too expensive as was the case when many technical innovations were launched over the last decade. So by combining 'value' and 'innovation' companies should be able to create new blue oceans (Kim, 2005).

3.4.2 Industry analysis

In order to formulate a sound strategy, it is crucial to conduct an industry analysis at first. This allows a firm to understand the dynamics of an industry so it can decide for itself what path to follow. The subject of Blue Ocean Strategy has already been touched upon and argues unconventional moves can be made by a firm in order to make a difference in the marketplace. As this thesis is about strategies to be deployed by SMEs in a highly competitive industry, it is appropriate to touch upon several perspectives on strategy and industry analysis. The book 'Economics of Strategy' offers some valuable insights into two industry

analysis frameworks in particular. According to Besanko (2007) an industry analysis based on such frameworks facilitates the following important tasks:

- Assessment of industry and firm performance.
- Identification of key factors affecting performance in vertical trading relationships and horizontal competitive relationships.
- Determination of how changes in the business environment may affect performance.

With the five forces framework, Michael Porter presents a comprehensible framework that allows one to explore the economic factors that may affect the profits of an industry. In this framework, five factors (suppliers, customers, new entrants, substitutes, internal rivalry) are distinguished and they represent major forces in the vertical chain and market place. In another framework, Brandenberger and Nalebuff add several forces to the five forces framework and this way the firm's 'Value Net' is described. Besanko (2007: 313) notes that "whereas Porter describes how suppliers, distributors, and competitors might destroy a firm's profits, Brandenberger and Nalebuff's key insight is that these firms often *enhance* firm profits. In other words, strategic analysis must account for both cooperation and competition".

Basically, the five forces framework views all other firms, suppliers, buyers or competitors as a threat to profitability. The 'Value Net' proposes that interactions between different firms can actually often increase profits and points out that there are in fact many positive interactions that the five forces model ignores. There exist ample examples of how competitors actually can collaborate successfully. They can form strategic alliances to set higher industry standards or increase bargaining power over suppliers by teaming up. Competitors can also work

together to promote favourable legislation or regulations. Lastly, competitors could share resources and funds for R&D purposes that benefit both firms.
The framework of the five forces is represented by internal rivalry, entry, substitute and complementary products, supplier power, and buyer power. Besanko (2007) argues that this framework has various limitations because it would pay insufficient heed to elements that might affect demand. The framework would ignore changes in consumer income and taste and also firm strategies that would increase demand, like advertising.

Lastly Besanko (2007:313) notes that "the framework does not explicitly account for the role of the government, except when the government is a supplier or buyer. The government as a regulator can profoundly affect industry profitability and could be considered a sixth force".

3.5 The impact of IT developments on SMEs.

Technology in general is probably the most important factor that made the phenomenon of globalization possible. However, Dicken (2003:85) warns not to rely too much on technology when it comes to globalization and states that "technology in, and of, itself does not cause particular kinds of change. It is, essentially, an *enabling* and *facilitating* agent." There exist different types of technological change, e.g. the incremental innovations where innovations come slowly, often by coincidence or learning by doing. They have often big influence on the economy over a longer period of time. To change the whole technology system however, it also needs the so-called radical innovations which bring radical changes (Dicken 2003). Further, there is the theory that economic growth comes in long waves (Kondratiev waves), each of about 50 years length. Every wave starts with a new technological innovation and consists of four phases: prosperity, recession, depression and recovery. The last phase for example was from the 30s/40s to the 80s/ 90s and was characterized by the so-called Fordist mass production where e.g. cars, airplanes and highways stood in the centre of attention. Since the end of this phase we are in the phase of information and communication (IT), characterized by e.g. computers, satellites and digital networks. (Freeman et al in Dicken 2003)

The innovations can also be divided into 'space-shrinking' technologies, where especially transportation and communication technologies make time and space less and less important. Of course the transportation technologies depend highly on IT developments, but this on itself is seen as the key for changing relationships worldwide. However, not everybody, no matter if you are a private person or a business organization, has the same access to this new technology. The ones which profit most from it are MNCs. (Dicken 2003)

For a company the technological development can bring competitive advantage, no matter what kind of organization or how big it is. It is therefore important for an organization's long-term strategic decisions. Lynch (1997) argues that IT increased the possibility of strategic control in organizations and that it brings the element of knowledge into the centre of attention as the core asset for the organization. IT has the potential to change the competitive situation of a company because it changes the industry structure, in particular in those industries which are highly based on knowledge like e.g. the airline ticketing industry. Further, it brings competitive advantage because of cost savings and the possibility of higher differentiation offering special service. Thus, the company is able to gain new customers. (Lynch 1997)

New IT solutions were particularly starting to be adopted by SMEs in the 1980s. It was believed that this investment would save a lot of costs and make work processes more effective, not only for larger firms, but also for SMEs. In the late 1990s however, with the upcoming of new business solutions mainly fitted for large firms and in addition very costly, a gap between SMEs and MNCs was created because of those new technological developments. Even though some efforts have been made to reduce this difference, a divide in adoption of IT between SMEs and MNCs is still visible. The market of IT for SMEs has some special characteristics which differentiate it from the MNCs: usually there is not a special department responsible for IT, but the owner makes the decision himself and necessarily given that she is a specialist regarding IT questions. Further, the IT adoption is rather heterogeneous in small firms compared to the more homogeneous adoption in larger firms because of the different organization model. Therefore, the IT solutions designed for larger firms cannot serve a SME to the optimum. (Ordanini 2006)

Mehrtens et al (2001) in Ordanini (2006) conducted a qualitative analysis on internet adoption, meaning the access to the internet, emailing and a website in particular. The findings indicated that the SMEs did benefit from the adoption of the new technology regarding efficiency, communication, access to information of the environment and branding. Of course, these were not the only factors that brought these SMEs to the decision of adopting the internet technology, factors like external pressure from the environment or internal pressure from employees played a role as well. The research conducted by Pflughoeft et al (2003) in Ordanini (2006) also showed that the factors of external pressure and internal factors such as technological skills of employees played a major role in the decision to adopt IT. Ordanini (2006) notes however, that the number of studies conducted regarding SMEs is relatively limited to the ones regarding medium sized or large firms. Further, the number of studies which were done in recent years after the big internet hype is still quite small.

In recent years the so called 'strategic necessity hypothesis' was the dominant research argument for the impact of IT on companies. This means the adoption of IT solutions in order to gain competitive advantage. (Ordanini 2006) A study on the implications of IT on marketing conducted by Ordanini (2006:98) revealed that combining an interactive website with marketing "improves the effects of customer orientation and brand equity on performance." Further, a good supply chain integration as a strategic resource for SMEs can only be achieved by using IT. These outcomes of the study support the 'strategic necessity hypothesis' for SMEs. So basically, embracing the IT developments can only serve a SME well. (Ordanini 2006)

4. Literature review

4.1 Globalization

One of the dominant topics in this thesis would be the phenomenon of 'globalization'. It is used in discourse by people from all walks of life, and often having a very different interpretation of the aspect. Generally, it is believed it would be fair to say our world is not as global as the most hyper-globalists would claim. Nor would it be a harmful and damaging force as many anti-globalists would proclaim. Either way, the notion of a globalized economic world has become widely accepted. So what exactly is 'globalization'? In his seminal work Global Shift, Dicken (2007:8) asserts that "what we have is not a single, unified phenomenon, but a syndrome of processes and activities. Globalization is a super complex series of multi centric, multi scalar, multi-temporal, multiform and multi causal processes".

By all means, it would make sense to put this phenomenon in a historical perspective. Dicken (2007:7) notes that "the world economy, it is claimed, was actually more open and more integrated in the half century prior to World War I (1870-1913) than it is today. However, he also confesses that "even allowing for the hype of much of the globalization debate, there is no doubt that we are witnessing the emergence of a new geo-economy that is qualitatively different from the past" (Dicken, 2007:8). Dicken (2007:7) furthermore goes on by stating "international economic integration before 1914 – and even until only about four decades ago – was essentially shallow integration, manifested largely through arm's-length trade in goods and services between independent firms and through international movements of portfolio capital and relatively simple direct

investment. Today, we live in a world in which deep integration, organized primarily within and between geographically extensive and complex transnational production networks, and through a diversity of mechanisms, is increasingly the norm".

Dicken (2003:10) has more to state about the phenomenon: "we indeed live in a new –globalized – world economy in which our lives are dominated by global forces. On the other hand, we have the view that not all that much has changed; that we still inhabit an international, rather than a globalized, world in which national forces remain highly significant". Dicken does not agree with most popular views of globalization that proclaim it is an all-embracing, irreversible force that, eventually, would reach a particular end state. "Rather, the world in which we live is constituted through, and transformed by, a complex of inter-related processes rather than by some single force called 'globalization'. The processes that are transforming the geo-economy are highly uneven in their operation and in their effects" Dicken (2003:29). Would that mean that there have not been any significant changes over the past decades or even centuries?

Dicken (2003:29) concludes that "without doubt the world is a qualitatively different place from that of only sixty or seventy years ago, although it is not so much the case of being more open but of being increasingly *interconnected* in rather different ways". International trade and enterprises from various countries collaborating is not new. Over the past few decades, however, the world has witnessed a dramatic increase in international trade and commerce, as well as an increase in exports and foreign direct investment, not only in developed countries but more and more in emerging economies, too. According to Lasserre (2003) globalization is the phenomenon of the transition of industries whose competitive structure changes progressively from multinational to global. Global integration and coordination are the organizational structure and management processes by which various activities scattered across the world are made interdependent on

each other. Dicken (2003) observes that export of goods and services and clusters of manufacturing are now more evenly distributed than decades ago.
In addition, Dicken (2003:57) notes that "we see clear signs that the relatively simplistic division of the global economy has disappeared". The simplistic division as he puts it would be the domination of exports and foreign direct investment by the traditional Western powerhouse economies. Although the centre of gravity is still located in those Western nations, a substantial shift is occurring where developing countries are getting increasingly competitive and getting a bigger share.

The opposing force of globalization is localization and there are factors pushing for both. Lasserre (2003) identifies four factors that are pushing for globalization:

Political: These political factors could also be called economic and encompass the integration of nation states with the aim of reducing trade barriers and promoting international collaboration. In three continents (Europe, Asia and North America), three strong economical and political blocks have been formed; the European Union, ASEAN, and NAFTA. Together with international organizations like the WTO and IMF this has resulted in multilateral trade agreements, reduced trade barriers, increased movement of labour, and increased foreign direct investment. Economies that could be called 'closed' decades ago are now rather 'open'.

Technological: It is sometimes referred to as the 'death of distance' but fact of the matter is that nowadays it is possible to transfer and distribute information costless across the globe. The internet, the optic fibre cable and satellites have greatly contributed to the reduced costs of distance. Where hundreds of years ago information could travel as fast as men was able to, now information can be transmitted instantly. There is however, a sharp distinction to be made with the transfer of knowledge. The costs of tacit knowledge actually rise with distance as

many face-to-face interactions are required. This forms an interesting dichotomy with information and a clear push for localization that will be discussed hereafter. As far as IT developments are concerned, Dicken (2003:89) points out that "the current generation of IT has one very special characteristic. It is based upon the convergence of two initially distinct technologies: communication technologies (transmission of information) and computer technologies (processing of information)". Other technological breakthroughs that have facilitated globalization processes are, among others, container shipment on ocean freight and the establishment of the commercial airline industry.

It has become much cheaper and easier to connect with anybody in the world and to obtain information about nearly everything. International business transactions can be done much easier and cheaper and consumers have gotten great insight into where to buy the cheapest goods and services. Because the costs of distance have been reduced so dramatically, it is now more profitable to manufacture and produce centrally, with the exceptions of certain commodities that would get too expensive when shipped. Overall, economies of scale in production can be realized and as a result prices of many products have dropped.

Social: The third aspect would be the convergence of consumer needs although it could be argued there is some overlap with the previous aspect, technology. Lasserre (2003:15) notes that "international air transport and the diffusion of lifestyles by movies and TV series have increased the brand awareness of consumers worldwide. Convergence of customer behaviour and needs is also facilitated by urbanisation and industrialisation of societies. The less cultural and the more technical the product, the more likely it can be standardized and appeal to masses of consumers in all countries". Nowadays, plenty of gadgets are as popular in Asia as they are in Europe or North America.

Competitive: This last factor relates mostly to the emergence of Asian competitors in markets that have traditionally been dominated by European and American corporations. Initially, Japanese and Korean firms adopted a global approach at the very beginning of their international operations. These developments have resulted in an unprecedented fierce competition in many international markets.

Zuchella (2007) states that international management literature has extensively considered the matter of tradeoffs between local needs orientation and global management of activities. Several specialists argued that companies that compete on a national basis are highly vulnerable to companies that compete on a global basis. According to Zuchella (2007:114) "this assumption is grounded on the idea that customer preferences tend to standardize globally, due to growing interconnection and interdependence among local systems. In such a framework, global players serving standardized global needs have a competitive advantage thanks to economies of scale exploitation".

Audretsch (2003:xi) comments on the factors pushing for globalization and clearly sees technological developments as being the most important one: "the driving force underlying the emerging globalization has been technology. While there are many different aspects to the technological revolution, the advent of the microprocessor combined with its application in telecommunications has altered the economic meanings of national borders and distance". But he admits it was not solely technology: "globalization would not have occurred to the degree that it has if the fundamental changes were restricted to the advent of the microprocessor and telecommunications. It took a political revolution in significant parts of the world to reap the benefits from these technological changes. The political counterpart of the technological revolution was the increase in democracy and concomitant stability in areas of the world that had previously been inaccessible" Audretsch (2003:xii).

4.2 Corporate Strategy

Looking back in history, especially in the 20th century, it is evident that corporate strategy always had to respond to the changes in the environment. In the 1980s and 1990s some environmental elements developed which are still relevant today and have an influence on corporate strategy. These are among others increased global competition, consolidation and the IT development that transformed the environmental scope. Some of the consequences of this development for corporate strategy are the clash of global and local interests and a need for higher qualified staff, because they have to get more and more involved in strategic decisions. (Lynch, 1997)

Corporate strategy is concerned with the future of an organization and its purpose. The plans and actions serve to put the purpose of the organization into practice and to achieve certain goals. The key elements of corporate strategy are strategic analysis of the organization's objective and its position in the environment, strategy development and strategy implementation. Strategy development is concerned with the relationship of the organization with customers, suppliers, distributors and government, and the development of competitive advantage. Strategy implementation relates to the actual implementation of the strategy in relation to the above mentioned elements of the environment of the organization. In the prescriptive approach these three elements are linked sequentially, whereas in the emergent approach they are interrelated. This implies the two different ways of the development of corporate strategy. (Lynch, 1997)

Some of the advantages the prescriptive approach has are a good overview and a clear monitoring of the processes in the organization. However, Mintzberg

pointed out some of the major problems of this approach: it assumes that the future is predictable, but in reality there usually happens something unexpected. Further, there might be problems with the implementation of a strategy in the prescriptive way since the political nature of most companies have to be taken into consideration which complicates matters a lot. Additionally, this approach assumes that the chief executive has more or less absolute power and knowledge to be able to make decisions alone, but in reality discussion and feedback often are natural parts of the organizational culture. In general, the strategic process of decision and implementation is a lot more complex than to simply be able to sequentially execute it. (Lynch, 1997)

The characteristic of the emergent approach is that there is no final objective, but that it develops over time through experimentation. Here the advantages clearly lie in the stipulation of the aspects that have been criticized with the prescriptive approach, such as the closeness to reality, which takes people into account and their involvement into politics and culture of the organization. Further, it gives flexibility to react to changes in the environment and the market. Some of its problems might be the lack of a central strategic overview, the lack of a central authority to make final decisions and take responsibility and its complexity and obscurity regarding the actions undertaken. (Lynch, 1997)

There are different theories within both of these approaches. The prescriptive approach includes the profit-maximising theory which basically has the maximization of profit as its aim of strategy, the resource-based theory emphasizes the core competencies of a company to develop an appropriate strategy and the socio-cultural theory focuses on social and cultural facets of the organization to develop a strategy. The reason for the development of this form of theory is the fact that in some national cultures the profit-maximizing approach is inappropriate. (Lynch, 1997)

The emergent approach contains the survival-based theory which is based on the idea of 'survival of the fittest', meaning the development of strength through differentiation as incidents open up. The uncertainty-based theory has as a basis the idea that it is impossible to make any predictions, because of a constant uncertainty in a constantly changing environment and therefore moreover constantly changing organization. Strategy is emerging from the "chaos of events" (Lynch 1997:70) and mainly evolves through passive reaction to the ever-changing environment. Further, the human resource-based theory focuses on people in relation to corporate strategy, like their motivations, desires and their involvement in politics and culture of the organization. It profits from the employees' learning and experimenting. (Lynch, 1997)

Following, the different parts of the process of development of a corporate strategy are reviewed, such as the analysis of the environment, the market, the competitors and the customers of the organization, the analysis of its resources, the purpose of the organization and the development and implementation processes within the organization.

To analyze the general environment the PEST analysis can be used. PEST stands for **p**olitical, **e**conomic, **s**ocio-cultural and **t**echnological characteristics of the environment. It is concerned with the future state of these aspects. The political aspects include among others government regulation and legislation in a country. The economic aspects include an economic analysis of a country with the help of e.g. GDP, unemployment rate, interest rates etc. Education and health, demographic changes and shifts in culture are all aspects of the socio-cultural part. The technological feature includes e.g. the adoption of new technologies and governmental investment policies. (Lynch, 1997)

For the analysis of the industry environment the five forces model of Porter can be used. In the centre of that model stand the industry competitors with the rivalry

among each other. They are influenced by the bargaining power of suppliers and buyers regarding prices, quality and service. Further, there is a threat of potential new entrants into the market, especially when they are able to offer their products at a lower price than the in the market established organizations. Additionally, there is a threat of substitute of products or services. This might be due to a technological breakthrough. Some of the criticisms of Porter's five forces model are that the customer is not seen as more important than the other aspects of influence in the model (Aaker et al in Lynch 1997), that suppliers and customers are purely seen as threats which might leave out the possibility of cooperation with suppliers as a strategy and that it does not take human resources into account, like e.g. skills or culture. Since this model can be grouped into a predictive strategy, the above mentioned criticisms regarding this type of strategy also apply for the Porter model. (Lynch, 1997)

Further, it is important to analyze the customer base, the current and future one, including their demands. Marketing should be done in accordance to these points. Some key elements of corporate strategy regarding customers are the focus on service and quality, because it is appealing to customers and hard for competitors to reach. (Lynch, 1997)

Regarding the competition, it is advised to develop sustainable competitive advantage (SCA). In the services sector this can include "reputation for quality of service, high quality and training of staff, customer service, well-known name and customer orientation" (Lynch 1997:165). For small businesses in particular the sources of SCA lie in "quality, prompt service, personalized service, keen prices and local availability" (Lynch 1997:165). Other sources of SCA can be differentiation (e.g. the development of a special service), niche marketing (the concentration on a market segment not or not much covered by the competitors) and vertical integration (the acquisition of suppliers or distributors). Usually, SCA develops slowly over time. Further, it is possible that there develop strategic

groups of close competitors within the market. They can for example differ in quality, price or kind of product and the regional coverage of their operations, e.g. a SME operates locally or regionally, whereas a MNC operates nationally or internationally. International competition, which has increased significantly over the past 20 years, is another important point to take into consideration. This has particularly brought problems for domestic organizations through global strategies, where companies seek to steer their worldwide strategy centrally. The other reason is the development of lower costs because of economies of scale through the operation in a bigger, international market. In general, this is seen positively, since it can add value by reducing costs, but by operating in larger scales, flexibility is reduced and depersonalization takes place. Therefore, the core competencies, like the "architecture (the relationships that are developed internally and externally), reputation (the knowledge that customers acquire over time about the organization) and innovative ability (the skill to produce new ideas and initiatives)" (Lynch 1997:261) of an organization are important resources for it. The SWOT (**s**trengths, **w**eaknesses, **o**pportunities, **t**hreats) analysis might be helpful for the analysis of the internal (strengths, weaknesses) and external (opportunities, threats) environment of the organization. (Lynch, 1997)

4.3 Schools of strategy

When the term 'strategy' is used in many a manager's discourse usually the long term plan for the company of how to reach a certain goal in the future is meant. The word has been around for quite a long term and more often than not it invokes very different meanings. In 'Strategy Safari', Henry Mintzberg et al. also acknowledge the influence of the term and elaborate on what they think it really means. It could be a plan to set a direction of how to follow a certain path that will bring the organization to a certain end. Strategy could also be a pattern, meaning consistency in behaviour over time. Yet others see strategy as a position, that is to say the locating of particular products in particular markets. Then strategy could

also be a perspective, namely an organization's fundamental way of doing things. Lastly, a definition of strategy would be that of a ploy. More specifically, this means to conduct business in a way so that you outmanoeuvre an opponent or competitor. (Mintzberg et al, 1998)

So much has been said and written about strategy that Mintzberg has divided all perspectives in ten different schools, each with a different view on strategy. Some schools have been built on the ideas of others but none of these schools can be valued in terms of 'good' or 'bad'. Some are more actual than others and some are more appropriate in certain industries than others are. Basically, the ten schools fall into three groupings. By nature, the first three schools are prescriptive, meaning they are concerned with how strategies should be formulated rather than with how they actually do form. The next six schools are less concerned with prescribing ideal strategic behaviour. Rather, they describe how strategies, in fact, get made. Lastly, there is one school left, namely the configuration school. This school is more or less a combination of all the previous schools. (Mintzberg et al, 1998)

What Mintzberg et al try to make clear is that, traditionally, strategic management is about formulating a long term plan that simply has to be executed. This long term plan that is agreed upon through a formal process is usually formulated by top management and they bear the responsibility. In conclusion, this way of viewing strategy is a formal and deliberate process where through following certain steps, almost mechanically, the strategy is carried out. Mintzberg et al argue that this way of going about strategy might work for large, inflexible and bureaucratic organizations but would dramatically fail in many contemporary dynamic industries. Strategies in dynamic and competitive industries have proven to be more effective when they are conducted through a process of trial and error. This process would entail the long term desired state of the organization and realizing this state by an open, flexible and step by step approach. This allows the

organization to capitalize on unforeseen circumstances and adjust the strategy when necessary.

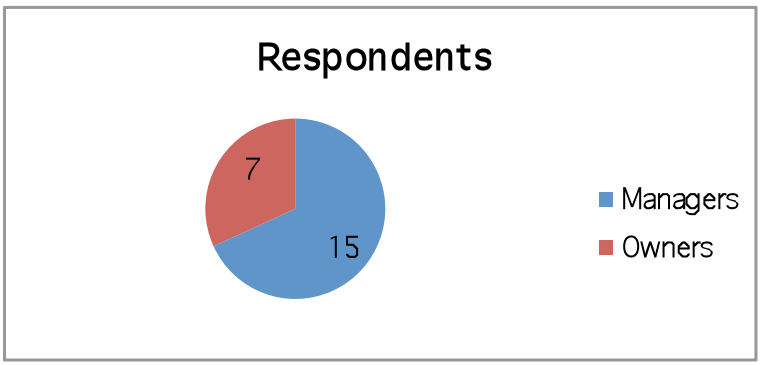
It is vital to keep in mind that the organization's environment is susceptible to constant change. Everything around but also inside the organization is emergent and relationships with constituencies are subject to a process of change. Mintzberg et al believe that an organization loses touch with its environment when an old plan that has been agreed on years earlier is stubbornly carried out without taking the changes that are occurring into account. With an open mind and strategies that include both ideas from top down as well as from bottom up an organization is more flexible.

5. Findings

5.1 Respondents

Based on the interview (Appendix I) the following answers were processed. Figure 2 shows the number of managers and owners of the sample of 22 travel agencies being interviewed:

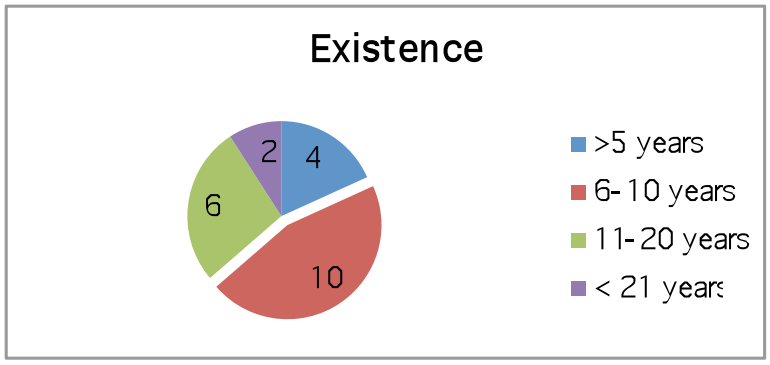
Figure 2



5.2 Existence

Figure 3 shows how long the travel agencies have existed:

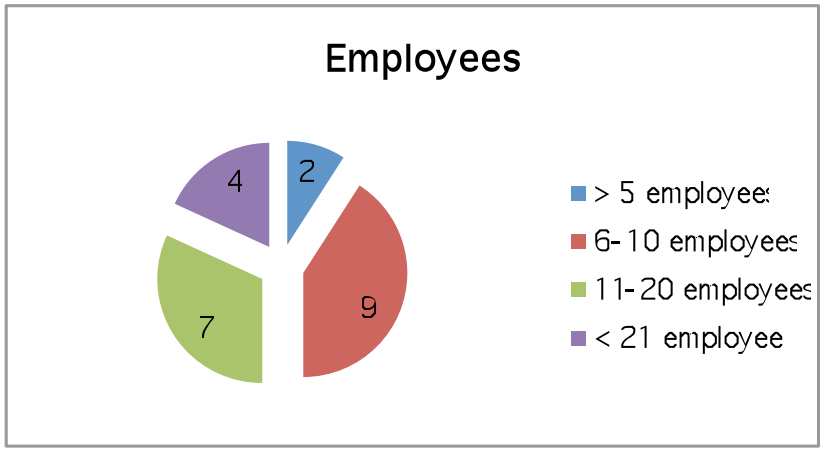
Figure 3



5.3 Employees

In figure 4 the number of employees per travel agency can be seen:

Figure 4



5.4 Work experience

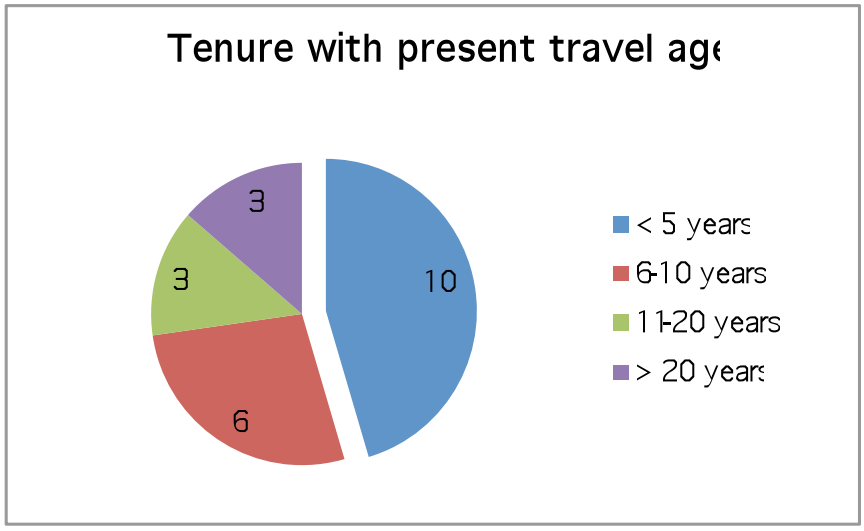
Figure 5 gives insight into the work experience of respondents in the local industry for travel agents:

Figure 5

5.5 Tenure

Lastly, Figure 6 shows the number of years respondents worked with their employer:

Figure 6

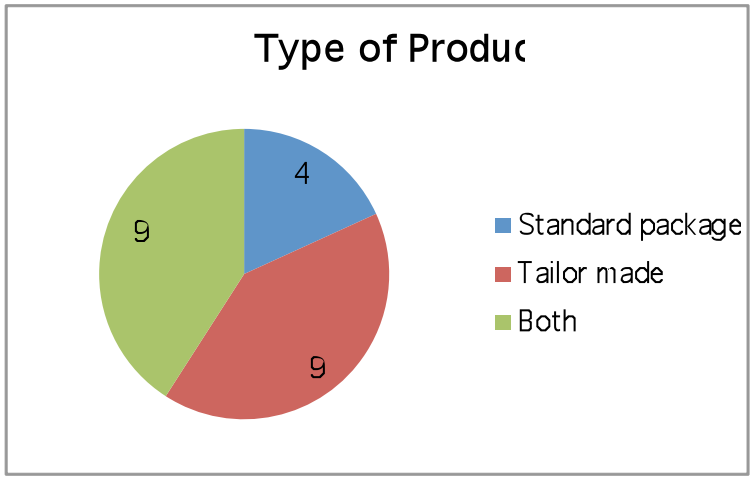


5.6 Travel agencies and their products

Out of the sample of 22 travel agencies in the greater Copenhagen area, 4 offer standard packages, 9 offer tailor made trips and 9 offer both. This corresponds

with 18.18% standard packages, 40.9% for both tailor made trips and a combination of the two. It is very relevant to look at this information because it answers the research question of how the SMEs conduct business, what their strategy and specialization is. In other words, strategies depend to a large extent on what product travel agents offer. Standard packages basically consist of a flight, the transfer to the hotel and accommodation. They can also contain tours which are already included in the trip or are even the essential part of the whole trip. Otherwise, any kind of tours might be offered to the tourist directly at the destination. Tailor made trips would include a trip the customer can put together herself. Customers then have the freedom to choose the flight route, the travel time or the airline, the accommodation and any kind of activity they wish to undertake. Its main characteristic is the individuality of the trip. Figure 7 shows exactly how many travel agencies offered what kind of product:

Figure 7



The only travel agencies which offer standard packages of the ones looked at are Albatros, Falk Lauritsen, 65-Ferie and Langley. Albatros and Falk Lauritsen are both medium sized Danish travel agencies with a long tradition. Albatros is still independent, while Falk Lauritsen is already part of the Swiss Kuoni group. The

latter travel agency is the only one of these four which focuses on the so-called ‘sun and beach’ trips. Langley is an independent Swedish travel agency with branches in Denmark and Norway as well. They are specialized in ski trips and Corsica and Guadeloupe as ‘sun and beach’ destinations. 65-Ferie is very specialized as well, since they mainly focus on trips for seniors.

The travel agencies which offer tailor made trips are namely Brandstrup, Comet, Hemingway’s, Krone, Profil, USA, Travel Sense, Vindrose and BIG. Many of these travel agencies actually offer not only leisure trips, but also business trips, which can sometimes be up to 50% of their business or even more. In this thesis, however, the business travel sector is not being focused at and therefore left out. Regarding their size, they vary between small and medium sized. Mainly they differ concerning their specialization. Travel agencies which offer both standard packages as well as tailor made trips are CITI, Jysk, Movement, STA, Wasteels, Inter, Svane, CC and First. In this case, many of the travel agencies are specialized, too. CITI and First are specialized in trips to China, First Travel also functions as an inbound travel agency, by managing the incoming Chinese tourists, meaning the Chinese coming to Denmark on vacation. STA is specialized in trips for students, Jysk in trips for backpackers. Movement offers only ski trips. Svane focuses on Cuba as their main destination, apart from a big business travel section, whereas Inter offers mainly USA, South Africa and Thailand. Wasteels is not particularly specialized.

Albatros offers standard packages to any kind of destination all over the world and included in their product range are cruises as well. Falk Lauritsen has always been specialized in charter trips, meaning standard packages. As this company is the only one in the sample that operates in the charter sector, this would be a deviant case as all other SMEs deal with standard packages or customized trips. The last two products are the ones focused on in this research and therefore charter trips are equalized with standard packages. Falk Lauritsen covers the

Caribbean or more precisely the Isla Margarita and to the Mediterranean Sea. Currently, however, they also offer other destinations such as Thailand.
65-Ferie has standard packages mainly for seniors over 65 years of age. The company offers many tours, especially by bus and train, but more and more by plane as well, since their customers are becoming more adventurous and want to travel overseas. 65-Ferie offers cruises as well.

Langley offers standard packages. The company is big in ski tours and concerning summer destinations, they are specialized in Corsica and Guadeloupe. Their customers are younger for the ski trips and older for the sun destinations. Brandstrup sells tailor made trips and the same applies to Comet. Apart from any other destination the customer wishes to travel to, Comet offer trips to special events, such as for example sport events. Furthermore, Comet does not enable their customers to book trips themselves online on their website. This is the only travel agency which was interviewed that did not provide that service to their customers.

Hemingway's offers tailor made tours, both for groups and individual travellers. The company provides leisure as well as business travel. Their specialization for leisure travel is on Africa. They focus on higher end, customized tours and either do business with big groups, corporate clients or affluent individuals. Small trips for individuals are not profitable enough which is the reason why the company does not engage in them. Krone sells mainly over the internet and by phone. They are specialized in tailor made trips. One of their concentrations is golf trips and these tend to be very customized which why frequent contact is required.

Profil, a medium sized travel agency, sells tailor made trips. Profil has decided to launch an online booking website to reap the benefits of the internet and the use of the internet has paid off. Customers have both the opportunity to book a holiday at the front office as well as to book online by themselves. USA specializes on trips

to the USA and put trips together for their customers taking their special wishes into consideration. Travel Sense offers about 80% trips to sports events, mainly football and Formula 1. Typically, these trips involve several days with flight, accommodation and actual event. The other 20% concerns weekend trips and city trips. The sort of destinations and events they offer are very much dependent on what knowledge they possess about them.
Vindrose specializes in trips and holidays to Eastern Europe and also accommodates some business travellers. The owner himself is from Poland and most of the tours are going to Poland as there is much knowledge of those destinations within the company. The last of the travel agencies that offers only tailor made trips is BIG.

CITI offers both tailor made and standard packages. The company has a strong focus on China and India and that's where most of their packages are related to. Individual travel is not their main business and mostly these travels take place within Europe. However, they consult more and more clients with individual travels throughout Asia. Mainly this is because clients feel CITI can assist with Visa requirements and knowledge about the local culture.

About 95% of Jysk's products are tailor made; the rest is in the form of standard packages. They are mainly in the business of backpacking tours and most of their clients used to be young people. Recently, however, a big chunk of their clientele is comprised of adults as well. One of their strengths is that they have offices throughout the world in the most popular destinations. These offices merely have a service function and the employees facilitate the travels and tours of the clients. Whenever problems arise, the company is in close proximity and always quick to respond. Movement is specialized in ski trips, where they only offer packages, but they also sell other trips, mainly for groups. These trips are tailor made.

STA offers both, tailor made trips and standard packages especially for students. Wasteels sells both kinds of trips as well, whereby their leisure travel is 60% and business travel 40%. The company has actually quite a lot of young people as customers, as well as families. Inter mainly has trips to the USA, but also Thailand, other Asian countries and South Africa. The company mostly sells packages, not only standard, but also a lot of tailor made packages. In fact, they often look at what destinations are popular with competitors and then copy the same destinations in a different form.

About 70% of Svane's business is business travel. In the leisure travel section, Cuba is a major destination for them. CC Travel offers about 50% tailor made trips and about 50% standard packages. They specialize in overseas trips, meaning everything outside of Europe. They do not provide any trips within Europe. Their customers are mainly over 30 years of age, many families, but no backpackers.

First has standard packages for leisure travel and tailor made trips for business travel. The distribution is about 50% leisure and 50% business travel, whereby business travel is only inbound (from China to Denmark). The company is specialized in travels to and from China. Outbound travels (from Denmark to China) make about 20% of their business, inbound travels (from China to Denmark) about 80%. A special characteristic of inbound travels is that the Chinese are only allowed to travel in groups to the Scandinavian region for leisure trips.

5.7 Changes in the industry

One of the trends that can be seen in the market is a different customer demand. Customers ask for higher quality in any part of their trip, ranging from service of the travel agency, the accommodation and the tours. In addition, customers ask for more long haul travels than they did a couple of years ago. Thus, more exotic

destinations have apparently become more attractive. Other changes that the market has seen over the last decades are the introduction of IT into the tourism sector. This did not only influence the internal work process in a travel agency, including new booking systems and a different kind of customer relation management (CRM) and communication between business and consumer, but also externally the function of the travel agency. The travel agent as such, since the introduction of the internet, is not necessarily needed as an intermediary institution between customer and transportation or accommodation suppliers anymore. It is possible for the customers to book these elements directly over the internet now, which would theoretically make the travel agency unnecessary. In this way, the internet actually functions as a travel agency in itself.

Some of the changes that have been mentioned as well are higher costs to run a travel agency. For smaller, independent travel agents putting up or maintaining a website is actually quite costly. The price pressure from suppliers and competitors is high, too. Findings about what managers or owners said has changed in the industry are in some cases more extensive and in depth than in others, since the time the interviewees had worked in the industry varied greatly; from one year to over thirty years. However, this did not have an influence on the findings about the most recent changes.

At Albatros, a sales manager was interviewed who pointed out the focus on higher quality travels and tours. Over the years, quality has become more important in the tourism industry. This can be any kind of quality, ranging from service to accommodation. Further, there is more focus on long haul travels. Compared with a decade or longer ago, generally people are travelling further away to more exotic destinations.

Brandstrup mentioned several changes regarding IT developments. Even though the company was one of the first to use a software system called Compuserve and

very quick to launch a website (12 years ago), Brandstrup recognizes IT has recently played an important role in advertising and processing of travels. Mainly, though, Brandstrup mentioned the issue of increased competition. Back in the days, business in this industry was relatively laid back and the work pressure was not as high as it is nowadays. The owner admits the arrival of big corporations has changed the rules of the game in the local industry but he also points out standard packages is a different business than tailor made travels, what Brandstrup is doing. In that aspect the company is not always competing with vertically integrated chains and their arrival into town did not disturb Brandstrup very much at first.

The way Brandstrup experiences the changes is that competition is fierce because many clients use the internet as a vehicle to book travels and that standard packages from big competitors have done at least some damage. Another aspect that was mentioned was that the entry barriers for new entrants are relatively high as high start up costs are required. These costs are higher than they used to be, according to the owner. Another aspect that makes it hard for small travel agents to survive with tailor made travels is that several different booking systems have to be used as opposed to one standard one with standard packages. This involves more costs and time for the small travel agent.

CITI's manager mentioned that ticket issuing has become a whole lot easier. Before computers and the internet, many phone calls had to be made before something could actually be booked. Nowadays, software programs with integrated databases streamline the booking process and there is not much time involved in getting to know whether a specific itinerary is possible. Furthermore, the manager mentioned the way email has facilitated communication between partners, companies and clients. Another important change has been the alteration of airline commission to travel agents. Airlines have capitalized on the boom of the internet and realize many customers prefer to book directly online. As a result,

the commission airlines used to pay travel agents for booking flights has disappeared. It used to be 10% and is now zero.

The manager of Comet mentioned the internet at first as a major competitor that has taken away a lot of customers. Where traditionally clients would call and come over for booking their trip, they are now able to compile their own holiday on the web. So, the manager is not so keen on customers getting too clever and familiar with the internet. Although the company is still performing solidly, the manager admits this is a major threat to the long term viability of the company. Comet does not have an online booking system for customers as such. Consolidation in the European travel and tourism industry has resulted in the emergence of several fairly huge tourism conglomerates like Thomas Cook and TUI. Precisely these two corporations have entered the greater Copenhagen area around 5 years ago, taking over local travel agents or establishing a subsidiary (My Travel and Star Tour as they are called in Denmark). Although these travel agents mainly offer standard packages rather than tailor made holidays, Comet has experienced stiff competition from their arrival into town. Because these massive MNCs are mostly vertically integrated (owning airplanes and hotels) these chains offer consumers better prices than Comet can. Further, these big travel agencies added more and more destinations to their assortment that were previously only to be reached by scheduled flights and therefore a domain for travel agencies focusing on tailor made trips.

For Falk Lauritsen, the most significant change has been the many mergers of relatively small companies to a few big ones, which was experienced by themselves as they have been bought by Kuoni now.

The manager of 65-Ferie pointed out that people have become more adventurous and individual. They like to have different destinations, like e.g. Uzbekistan, Tibet and China. Further, customers like to have more freedom and options when going

on a tour. For instance, a free afternoon is generally included as well as the opportunity to choose where to go for dinner. The internet is getting more popular, but it goes slowly among their customers, since they are usually over 50. This group actually enjoys receiving the catalogue and imagining how it would be like at those exotic destinations. A lot of fun and satisfaction already takes place before they actually go on a holiday, for example when they talk about it with friends and acquaintances.
The owner of Hemingway's has been working in the industry for 30 years already and started this company back in 1993. The biggest change the owner has witnessed over this time is the way the product is distributed. The product is the travel and can include car, plane, accommodation, hotel and excursion. The route from source to end user has become very different, the value chain has changed. Several knots in the value chain are now integrated and commissions have fallen away. The rise of the internet has resulted in more and more travel 'products' being sourced on the web, rather than at a travel agency branch.

The manager that was interviewed at Jysk did not have that much experience in the industry but pointed out that backpacking tours to exotic destinations are more popular than ever.

Krone does, except from Golf tours, not offer very exclusive and exotic tours which is a reason the internet has taken many clients away. Customers can, however, compose their own travels on their website; they can put together their own package by choosing from different hotels and flights online. Like this, the customers have become more independent.

The owner of Movement, a company that is the result of several mergers in the last decade, pointed out the IT development as the most significant change. On the one hand the internet, on the other hand the development of internal booking systems and other opportunities a company gets through new technologies. From

the owner's experience, the internet is especially used for last minute trips by the customers or to get information of the destination before actually consulting a travel agent. One of the results of this development is a higher level of knowledge of the destinations and coming with it a higher demand of the customers. They are demanding for higher quality and very special offers and services, e.g. a special hotel or even room they know about. Further, the company uses the internet for advertising, especially on Google.
Profil has decided to launch an online booking website to reap the benefits of the internet and the use of the internet has paid off. Customers have both the opportunity to book a trip at the front office as well as to book online. This has to do with the fact that longer than a decade ago, the company merely functioned as a travel agency issuing tickets and handling bookings for other travel agencies. This is because the company was and is one of the few travel agencies that have invested in an International Air Travel Association (IATA) license, which allows them to issue flight tickets. It was a profitable business because for every transaction, Profil was paid a decent fee.

Since 10 years, however, the company also acted as a regular travel agency by putting up a front office and providing individual customers with tailor made travels and tours. Even though they experience fierce competition from likeminded travel agencies of a similar size, this operation has proven to be a profitable business. The first and single most important aspect the manager mentioned here was the competition in price that has broken out in the local marketplace. Travel agencies from the same size, whether they engage in ticket issuing or not, have dramatically cut prices and engaged in a real price war. As a result, Profil, time after time, is forced to undercut their competitors in order to remain profitable. Not surprisingly, this competition is a heavy burden on the company and its competitiveness. The arrival of the two MNCs, Star Tour and My Travel, in the local industry has most likely contributed to this effect.

STA has approximately 100 offices around the world. The manager had not been working in the industry for such a long time and could not point out any major changes that had happened over the last decade. Partly this has to do with the 'young' image of the company, despite its history. The explanation is that STA is a chain for students and run by young people, too.

The manager of USA mentioned the development of the internet as the most important change. However, the company actually uses the internet for its business, so it could be argued that the internet does not have a negative influence on USA.

What the manager of Wasteels explained is the following: during the rise of the internet the relationship with the airlines has become different. In the past the airlines were more reliant on travel agencies to sell tickets, now customers can directly book on the websites of airlines. This is becoming more attractive to the airlines as this way they do not pay a commission to travel agencies. However, this is only the case when fairly simple travels are concerned and the manager points out, that travel agencies still have an advantage when tours and complicated travels are concerned. Customers are more likely to turn to travel agencies in that case. Many customers realize the travel agency is there for them when problems arise. The older generation is also still quite reluctant towards online payments by credit cards. In the early days of the business, Wasteels only issued tickets, now there is more focus on tours and many destinations are added every year.

For Inter the upcoming of the internet as a booking system has been the biggest change according to the owner. The customers demand for more long haul and different and exotic destinations. Before, Inter mainly sold only plane tickets, but since it is possible for everybody to book flights online, it has shifted to selling packages. Their customers have become older over the years, on average they are

between 40 and 50 years old.

The changes the manager of Langley has seen in the marketplace are that customer demands have changed. They ask more for long distance destinations and have become more adventurous. As a result, the company decided to add a very unusual and special destination: Guadeloupe.
The manager of Svane pointed out that the dramatic increase in low cost carriers has resulted in a market with low transparency where prices even fluctuate during the day. This has been different in the past where there was a more stable situation. The arrival of so many competitive low budget carriers has dramatically changed the travel and tourism landscape in Europe. Prices change quickly and are now easily comparable for customers. As a result, it is hard for a travel agency to hold on to the same offer of a ticket when customers are keen to spot for better deals that actually pop up regularly.

The manager of Travel Sense, another company that has been the result of several mergers in the last decade, mentioned the sharp increase of income over the last few decades. The GDP per capita has risen to unprecedented levels. In other words, the economic situation and personal financial situation permits people to travel more extensively and more often. In addition, customers are more demanding and expect better quality.

According to the owner of Vindrose, there has been a sharp increase of business travel over the last few decades. The manager of BIG argued that the most significant change was the IT development. It changed the internal booking systems, but also offered the customer to book trips themselves online. Further, the customers are a lot better informed because of the internet. CC brought up the rise of the internet and higher customer demand as the biggest changes as well.

A change in the market First has experienced is that hotels and airlines prefer to sell directly to the customers and therefore the travel agencies do not receive any commission from them anymore. In order to be able to offer their customers good prices, they have special agreements with some chains. Inbound travels of Chinese people to Denmark have increased during the last years, because the Chinese have become richer and it is easier for them to get visa to travel abroad.

5.8 The challenges faced by travel agencies

The vast majority of respondents indicated one of the two following challenges, which are also closely linked to each other:

1. Intense competition from travel agencies from the same geographic area that offer similar products.
2. The internet as a tool to book holidays, in particular to book flights.

The reason these two variables are linked to each other is that they both are competition related. When respondents mention loss of market share because of stiff competition from other travel agencies, very often it is not clear to them how many former clients now choose for a competitor or compose holidays online entirely by themselves. It has also been found out that travel agencies with a specific profile experience more competition than others. For instance, one of the outcomes of the research has been that travel agencies that offer complicated, high quality products, experience less competition from the internet. Nevertheless, intense competition is evident, whatever the precise source may be. Another challenge that was frequently mentioned was that customers are getting more demanding and expect better service and higher quality products. This challenge, however, directly originates from more competition; the result of more suppliers with a similar product. In this chapter, more will be elaborated on the nature and the sources of competition. Naturally, other challenges than competition as

experienced by respondents will also be indicated.

Albatros does not see the internet as a major competitor. The reason for this is that the tours they offer are made up of so many elements, such as a guide, specific accommodation and activities that it is very hard to compose these tours totally by yourself on the internet. Several clients have tried to do so in the past, however, many have returned because of the hassle it was to compose the same tours for lower prices. Albatros does not really compete on price or content of tours with StarTours and MyTravel because Albatros tours are highly cultural and more high end. They do, however, directly compete with Kuoni that is offering the same kind of tours and travels. The manager states that there are not any major challenges the company is currently facing and indicated the strong brand, good reputation and strong economy as major reasons.

Brandstrup experiences fiercer competition as compared to 10 or 15 years ago. The owner pointed out that the work pressure has increased dramatically. Partly, this has to do with the power of big competitors, partly with IT developments. Another challenge that was mentioned is that customers are also getting more demanding because Brandstrup feels it is more critical now to give clients a little extra or make it a little more special. This mostly has to do with trips that provide a more unique experience than the ones offered in standard packages.

CITI mentioned the increase of competition, in particular competitors with a focus on China. As this destination has become more popular over the years, CITI has really noticed the fact the competitors more and more focus on China. Customers are also getting more demanding and expect higher quality of service and higher quality of the actual product.

Comet facilitates customers with booking flights and hotels. The company does not focus on providing tours in the form of a package but can provide customized

travel solutions. Because clients that are clever with the internet can in fact fulfil the same tasks on the internet as Comet can, they are facing stiff competition from the rise of the internet as a booking vehicle. Besides, given their relatively small size it is hard to negotiate big discounts that bigger travel agents can. An example would be the vertically integrated firms like TUI and Thomas Cook that have branches nearby in Copenhagen. The standard packages they offer are very price competitive and has lured customers away from smaller agents as Comet.
The story of Falk Lauritsen is a different one. Having the advantage of a strong brand name throughout Denmark, the company has the pleasure of serving many return clients. Because of the relatively strong economic situation and the growing trend of wanting to be treated individually, rather than as a mass product, the company still enjoys a solid growth and faces only little competition from TUI and Thomas Cook, literally located around the corner. The reason for this is the strong brand and the fact that the company offers exotic, unusual and faraway destinations.

65-Ferie offers only packages which they arrange according to their customers' needs. As the vast majority of their clientele is made up of elderly, the internet is not seen as a major threat, especially because the personal service is one of their assets, an important social aspect for their clients and a part in the holiday experience. For the age group of over 50 year olds it is actually a social event to buy the trip face-to-face in the office. The company does experience competition from other travel agents but this is not necessarily more intense than a decade ago.

Hemingway's offers high end travel products with a focus on Africa mentioned another aspect as a challenge than other respondents did, although it could be argued there is somehow a relationship. In fact, the biggest challenge for Hemingway's at the moment is to find qualified, experienced staff. The owner explained that the company has a hard time finding employees with knowledge about destinations and experience in the tourism industry. The owner also

explained that there has always been competition in the industry. Over the years, the competition just takes on different forms. Sometimes there's stiff price competition, on other occasions there is a lot of competition on new destinations.

Inter faced a serious challenge during the rise of the internet when it realized it was mainly selling flight tickets to customers. For them it was crucial to do something if it did not want to be put out of business. Rather quickly, the strategic focus became offering tours to exotic destinations around the world. The company performs well now and the only challenge at the moment is that oftentimes it can be tough to find qualified staff.

Jysk sells mostly 'backpack' tours and therefore they compete directly with travel agents for younger people like Kilroy and STA. At Jysk, the internet is seen as the major driver behind the changes in the industry. Especially younger people have become clever with using the internet and this has cost Jysk clientele over the years. Jysk has found a way to differentiate themselves by opening up service stations on their most popular destinations. Clearly, Jysk has an advantage with Danish staff in the popular destinations helping out travellers. In conclusion, IT developments have shifted the strategic focus for Jysk but presently they do not face any major challenge.

For Krone, without a doubt the major challenge the company currently faces is the internet as a tool to book flights. This greatly has to do with the fact that a big part of their business is merely issuing tickets. Apart from golf arrangements, they do not offer tours as such. In addition, the number of players on the market have become so many that the situation is not very transparent anymore and Krone referred to the marketplace as being a 'jungle'. What is more, Krone experiences that customers are definitely getting more demanding for high quality and quantity of destinations and expect to find the newest technology in use on the website for booking a trip.

Langley faces a lot of competition in the ski tours sector, especially with destinations in France, which are apparently among the most popular skiing destinations for Danes. Another challenge is to find new destinations. Langley does not see TUI and Thomas Cook as a competitor, since their clients are different. Their customers can use the homepage on the internet to compose their own packages.
Movement also focuses on ski tours. They experience customers that are getting more demanding and have higher quality expectations. The company does not have direct competitors in the marketplace, since they are specialized in ski trips and therefore operate in a niche market.

The first and single most important aspect Profil mentioned was the competition in price that has broken out in the local marketplace. Travel agencies from the same size, whether they engage in ticket issuing or not, have dramatically cut prices and engaged in a real price war. As a result Profil, time after time, is forced to undercut their competitors in order to remain profitable. Not surprisingly, this competition is a heavy burden on the company and its competitiveness.

Unlike other travel agencies, STA, a travel agency for students, does not regard the internet as a competitor or challenge as such. They acknowledge it has become easier to book your own travels and tours but their standard packages including tours are hard to compose yourself. Especially since STA is specialized in the so called 'Round the World Tickets' (RTW). Globally, STA is a massive organization that can negotiate good deals with airlines. Besides, many of the tours are highly cultural by nature and often guides are included. All elements which are hard to organize just by yourself.

USA does not have a direct competitor in Copenhagen, because they specialize on trips to the USA and their products are tailor made. The biggest challenge the

manager did mention is the general dependence of the travel agency on the developments of the tourism market in general. Since it is a very vulnerable market with regards to negative impacts such as terrorism, oil prices, diseases etc., the effects are usually immediately felt.

Wasteels, competes with a few other small travel agencies in close vicinity to Wasteels in downtown Copenhagen. One of the major challenges is the relationship with airlines. More specifically, Wasteels believes that airlines do not pay so much heed to small travel agents anymore as they are not so dependent on them anymore. Compared to online sales of tickets and ticket sales from big travel agents, smaller travel agents have sold fewer tickets over the years. One of the results is that airlines offer big discounts to big travel agencies and therefore smaller travel agencies find it hard to compete on price.

Vindrose faces most intense competition on the business travel part. This has everything to do with the fact that on the leisure side, there are not that many competitors that focus so explicitly on Eastern Europe. Another aspect where the company can feel the competition is conventions. Especially when big international conventions are concerned, competition from similar travel agents is felt. In addition, many low budget airlines have changed the landscape of travel and tourism. Smaller travel agents like Vindrose do not have much clout in negotiations with the airlines and cannot make much money on tickets since the arrival of the internet. So, dealing with the internet as a competitor is a significant challenge for Vindrose.

Travel Sense mostly offers packages and trips related to sports events like football or Formula 1. For many sports events, there is a low supply and high demand as far as tickets are concerned. This could result in unsatisfied customers. The market has also become more competitive with more companies supplying trips to sport events. Another real challenge the company deals with is the complexity

around real big events like the Olympic Games. Visa, accommodation and many issues are very often hard to deal with and it is difficult to offer sound solutions to customers. Indirectly, the travel agent is dependent on the performances of national sport teams as this affects demand for international sports events. The arrival of so many competitive low budget carriers has dramatically changed the travel and tourism landscape in Europe according to the owner. Prices change constantly and therefore it can be hard being a competitive and reliable partner as a travel agent. Also, the internet has flocked many clients away.

BIG has a relatively smaller branch in Copenhagen and is in the process of re-opening their subsidiary in the Greater Copenhagen Area. The manager, who has worked in the industry for three decades already, found it a challenge to keep up with technological innovations that make it easier for customers to compose travels online. Basically, the rules of the industry have been completely rewritten.

CC is in the business of offering packages to overseas destinations and the manager sees the internet as the main competitor, especially as a tool for booking flights. Another challenge that was mentioned is that competitors are very prone to copy each other's successful destinations and this makes it quite tough.

A major challenge for First is that over the last decade, hotel chains and airlines have been very keen on cutting out the middleman (the travel agent) and sell directly to customers. The rise of the internet has greatly facilitated this phenomenon. Since their target group is mainly the Chinese in China, they are highly dependent on the economical and political situation in China. Policies of the Chinese state may at times force certain people, e.g. doctors, to stay in the country when they are especially needed, as happens at the moment in the earthquake catastrophe, May 2008. For inbound customers from China, the internet is not that much of a competitor yet, since it is still very slow in China people usually have to book their trips at a travel agency in order to get a visa and

fulfil all the requirements. Traditionally, Chinese have bought their flight tickets at travel agents and hotels.

5.9 Strategies pursued by travel agencies

With fierce competition and many challenges to deal with it was inspiring and interesting to take note of all the innovative and colourful ideas smaller travel agents come up with to stay in business. Every respondent was able to immediately answer what his or her plans were to remain competitive and profitable over the next five years. Typically, the answers could be grouped into the following sections:

1. Actively search for and adding new destinations every year as a means to stay appealing and set or follow new trends.
2. Improve the relationship with customers through enhanced personal service and feedback systems.
3. Utilize the internet in a way to promote certain destinations and tours, and the travel agent itself as well.
4. Specialize and focus on niche markets.
5. Form strategic alliances and joint ventures in order to benefit from economies of scale and increased bargaining power.

Oftentimes, the respondent would mention the competitive advantages of the travel agent as this element would largely overlap with the strategies to be pursued over the next five years. Not necessarily would the plan or anticipated strategy for the next five years divert from the current or past strategy. It was found that strategic elements concerning promotion and customer relationship

management were also put forward as a means to develop the strategy for the upcoming five years.

Albatros has a strong brand name in the high end of travel and tourism. They use Google advertisements although most of their advertising is in print media. Basically, this strategy is a way to maintain the strong brand. Another strategy is to do better on retaining customers and increase the number of return customers. They want to do this through more personal interaction and feedback on the web, meaning implementing specific software onto their website. Albatros has employees who are constantly on the road in exotic countries to spot new opportunities. This way new tours and destinations are added every year and this has proven to be a way to remain successful as travel agency.

The company of BIG still has a relatively small presence in Copenhagen and they are in the process of opening up another branch in Copenhagen. Expanding is now really important to them and this makes up for most of their strategy for the upcoming five years. As the company is originally Swedish and has a strong brand in that country it is important to them that the strong brand name can be transferred to Denmark.

Brandstrup points out the importance of personal service and customer loyalty. The company sincerely believes that there is always a way to survive for smaller travel agents. One of the ways of doing this in their case is to form an alliance with Comet, called Dane Travel, to jointly obtain an IATA license as to generate fees every time other travel agents want to book flights. The strategic alliance has proven to be a useful concept. Specialization is also a way to remain competitive, meaning to focus on specific destinations and create know how about them. Coming up with new destinations has been a way to stay competitive and often those destinations are unique in a sense that they are not included in the standard packages from big competitors.

CC's main asset is quality in service and products. Most employees have personal experience and can therefore offer the clients very personal and customized service. Most elements that have worked for them in the past are also a part of the strategy for the upcoming years and maintaining the relationship with their customers is one of them. The company invests a lot in putting together an appealing newsletter to all 18,000 addresses in their database. This method has over the last decade proven to be most effective way of advertising. Another important component of the strategy is hiring employees with experience in having worked or lived in the destinations.

Customer relationship management is for CITI also a key part of the strategy. The company is working on facilitating interaction with clients on the internet. This functions as a great tool for feedback. They also realize that the more exotic the destinations are, the more concerns clients generally have. Although clients ask for more exotic destinations, they want to feel secure and need information, too. The way CITI can make a difference here is to generate as much knowledge about destinations and countries as possible by assuring the clients they are specialists about procedures and possess the necessary information.

Comet forms a strategic alliance with Brandstrup and together they benefit from fees received from ticket issuing. Other than that, the company realizes its main strength is personal service and proving this to the customer it pays off for them to invest a little extra as to receive great personal service and a customized product. Comet wants to focus on this for the upcoming years and invest more in advertising online.

The brand name Falk Lauritsen is their main asset and even though they have been taken over by Kuoni, the company sticks to its brand name which has served so many customers well over the last decades. Because the company now has a

different owner, more funds are available for promotion and advertising and this is the most important element of their strategy for the next five years.

First sees their biggest competitive advantage in their flexibility and adaptability to their customers' needs. Constantly adapting depending on what the customer needs has benefited the company tremendously over the last decade. Another part of the strategy will be to reach out to customer segments that have previously not been clients. They recognize a huge potential in travels to and from China, since there will be even more freedom regarding visa policies in the future. Clearly, there will be a huge focus on this region.

65-Ferie addresses the higher demand of adventure and individuality of the customers by offering more destinations or taking some out for a while and offering them later again, albeit in a different format. The company had mainly trips on coaches until now and smaller parts of cruises and flights. In the future, they would like to have an even supply of these three categories and this is important in their strategy over the next five years.

Hemingway's takes advantage of the internet by advertising and uses Google advertisements, even though that's a relatively expensive option. The company wants to keep focusing on offering the clients an exotic and adventurous alternative. Therefore they have also about five people employed in South Africa so that they can constantly update tours and give it an own touch.

Good personal service is an asset for Inter. The company has a lot of repeat customers who are very loyal. Advertising and promotion brings in new clients and over the next five years the company will focus on advertisements on the internet and print media. Furthermore, employees are always spotting for new destinations and tours in order to be able to meet the customers' expectations.

Jysk wants to remain competitive by focusing on the service they provide to clients abroad, in the form of offices they run locally. These offices organize welcome meetings where travellers are provided with necessary information. Adding new destinations is a way of staying competitive and with the low dollar travels to the United States become very popular. Another way of staying on top of the game is by providing clients with accessories that are available at their offices. This can be special equipment for backpackers.

Krone has a cooperation with Sterling, to negotiate good prices which they can offer their customers. A vital element in their strategy over the next five years is to streamline the website, since the customers are expecting the best and the fastest technology on the internet. This includes sophisticated booking systems and customer relationship management software.

Although Langley only has a small branch in Copenhagen they have the advantage of having a strong international company behind them that, among others, owns their own hotels. Because of this they are able to offer very high quality standards and can react to any kind of customer demand very quickly. For example, they also make their own food in the hotels. Their strategy is to offer special destinations, and especially good quality of the hotels and the food. Further, because they own their own hotels, they can offer lower prices than many of their competitors can. Being vertically integrated allows them to be more price competitive as well as more flexible. The company realizes that is an asset they want to exploit further in the future.

Movement, itself a result of different mergers, realizes the importance of good customer relationship management and invests in new software. The company tries to communicate a lot with their customers, but not only from their side, but also encourage feedback from their customers. Like this they can create a win-win

situation: the customer can talk about bad experiences and knows that he is being listened to, which makes him content and therefore this influences the word-of-mouth reputation in a positive way. In conclusion, more focus on feedback and interactions with customers is seen as an important element in the company's plan.
Obtaining an IATA license has been a smart strategic move for Profil as it has allowed the company to generate funds from other travel agencies' ticket bookings. Over the course of the next five years, the company aims at becoming price competitive as it feels this is the right way to attract more customers.

STA, which specializes in Round the World tickets, does not much advertising, not on the internet nor in magazines or newspapers. Rather, the company relies on word-of-mouth. Their main focus group is students below the age of 26 years old (this is the age limit airlines give students a discount) because in these networks good stories spread quickly. Therefore, offering more exciting, cultural and adventurous tours and travels will be the strategic direction of the company the next five years.

With unique destinations like Cuba, Svane aims at offering the client a special experience. Knowledge about these destinations gives the company an edge over competitors. Not surprisingly, adding new similar destinations is part of the strategy over the next few years. At Svane, it is recognized clients demand for a more sophisticated website and software, thus more work will be put into updating the site regularly. The company also advertises its main destinations, like Cuba, on Google advertisements. Another way of remaining competitive is to develop better customer relationships through developing sound feedback systems. Presently, this is done mainly through follow up calls.

Travel Sense, also a company resulting from several mergers, is in the process of implementing a feedback system online, this would be a variant of a CRM

program and is considered an important activity related to strategy. They see maintaining relationships as an essential part of the business and put emphasis on high quality. Constantly looking for new opportunities has also proven to be a way to add new events and destinations to the brochures and this attracts new customers. The company mainly deals with their clients through the phone and so personal service on this level is desired and a way to remain competitive.

USA views their specialization on a niche market as their strength, as well as the personal service which is provided. According to the travel agent, customers are willing to pay a premium price for their holiday when they get good personal service. Since USA is so specialized and focuses on a niche market, they know most of the hotels and other products they offer personally and are therefore able to give their customers very valuable information and book it according to their needs. Gaining even more knowledge about destinations is a way for USA to compete on a strategic level over the next five years.

Keep specializing and add new special destinations are part of the strategy for the upcoming years for Vindrose. The company realizes that personal service is an asset and receiving feedback from clients is a way to improve operations and the business as a whole. Most of this feedback is done through mail and by phone. The segment of business travel has proven to be fairly lucrative and the company wants to invest in this.

Wasteels wants to keep on focusing on personal service and especially focus on what bookings on the internet cannot provide: helping out with problems and provide knowledge they possess about destinations, accommodation and transport. It is therefore important that the price difference of online bookings and travel agents does not get too big because if it does, customers will figure everything out themselves. When the price difference is kept to a minimum, customers are willing to pay a little extra in return of less hassle.

6. Analysis

6.1 Analysis of results

First and foremost, the results of the research carried out will be analyzed in different sections. Secondly, industry dynamics and trends are discussed and the final part of the analysis consists of different theories applied to the results, spread out over different sections.

6.1.1 Managers and owners

The first parameter that was used in the interview was the issue whether the respondent was manager or (partly) owner. The reason this is interesting is because changes in the industry may be perceived differently by owners and managers. In addition, the challenges the travel agent faces and the strategies deployed in order to address those challenges could be different depending on whether the respondent is manager or owner. This is because conventional wisdom holds that owners have a bigger interest in the performance of the company and are generally more committed. By including this parameter in the interview interesting issues with regards to strategies deployed by travel agencies could arise.

From the 22 respondents in the sample, seven were owner, or at least partly owner. In the analysis, no difference is made between partly or fully owners. The most important point is that an owner has a different stake in the company, no matter if partly or fully owner, than a manager. The first big difference in terms of

characteristics of the travel agent is that the size of travel agents of the respondents that were owners was relatively small. From all seven, the size was lower than 10 employees while there were travel agents included in the sample that had over 100 employees. There are two reasons for this:

1. The likelihood that a respondent from a smaller, independent travel agent is owner is bigger than the chance of interviewing an owner of a much bigger travel agent as the latter are often staffed with managers, and owners are more likely to be found in a faraway headquarter.

2. When, at the request for an interview, the owner was actually present at the location, it was found that this person often appreciates the initiative and wants to do the interview herself as she feels strongly committed to the company. In addition, the chance of interviewing an owner of an agency with multiple branches is low.

Besides the size as an interesting issue, it was also found that respondents who were owner had worked relatively longer with the company as had respondents who were managers. Obviously, owners who founded the company are likely to stay with the company they created to turn it into a success and feel a strong commitment, as it is often a project for life. Therefore, it is very unlikely that owners will move on to another employer. It was also found that several respondents who indicated to be a partly owner, had worked with the company as a manager in the past. Because of their long tenure with the company and likely successes that were booked, these respondents were awarded shares and had become partly owners.

As a result, these respondents felt more committed to the company. Lastly, the reason why respondents in the sample who were managers had not worked that long with the travel agent as had owners is simply because the turnover of non-

owners is higher than the turnover of (partly) owners.

As far as changes in the industry are concerned, the difference between answers from managers and owners was that *all* owners mentioned Information Technology (IT) changes as the most important one, or mentioned it at least as one of the most important ones. A reason for this is that knowledge about IT developments is not as present at small, independent travel agencies as it is at bigger, international chains. In addition, obtaining the necessary financial funds to invest in improvements in IT systems is more a challenge for smaller, independent travel agencies than it is for larger, international chains. The fact that IT developments as the biggest change was mostly mentioned by respondents who were owners and had worked in the industry longer than most managers, says a lot. To illustrate this, the partly owner of Movement acknowledged "the most significant change has been IT developments. On the one hand the internet, on the other hand the development of internal booking systems and other opportunities a company gets through new technologies".

With regard to the challenges travel agencies faced, the answers provided by owners varied a lot. The answers did generally not differ that much from answers provided by managers. While fierce competition was mostly mentioned, relationships with airlines, hiring qualified staff and higher quality expectations of customers was also brought up. A reason for this could be that most small and independent travel agencies operate in a different niche or segment. These travel agencies have different specializations and possess varied knowledge about destinations and product. Therefore, different challenges could be experienced.

While a causal effect between being owner and similar challenges faced could not be found, there was, however, a direct relationship between ownership and the sort of strategies to be deployed. More often than managers would indicate, owners stressed the importance of adding new destinations every year as to

constantly appeal to the customers' wishes. To quote the owner of Brandstrup "we have three employees currently travelling, to spot new opportunities and destinations. Coming up with new destinations has been a way for us to stay competitive and often those destinations are unique in a sense that they are not included in the standard packages from big competitors".

When asked about the strategy for the next five years, managers would indicate, especially the ones from bigger travel agencies, to increase promotion and advertisement spending and that the agency would mainly rely on their brand name. Another aspect that was mentioned more often by owners than by managers was Customer Relationship Management (CRM). Traditionally, small travel agents relied on calling customers when they got back from a holiday to give personal attention and to receive useful feedback. Nowadays, new technologies have enabled travel agencies to communicate with customers through CRM software systems and through feedback mechanisms on the website. Owners would emphasize the importance for them to invest in these new technologies and to capitalize on the possibilities these new technologies bring as a part of the strategy for the next five years. For instance, the partly owner of Movement points out "we invest in CRM systems, it is a lot cheaper to retain customers than to gain new ones and here's where CRM comes into play. We want to communicate a lot with our customers, but not only from our side, we also encourage customers to give feedback".

6.1.2 Changes and challenges

A relationship that does not need that much explanation is the link between the respondent's experience and the changes in the industry as perceived by this person. Respondents with over 10 or even 20 years of experience in the industry were generally better able to explain the most significant changes in a

comprehensive way, as opposed to respondents with merely a few years of experience in the industry.
As far as challenges faced by travel agents, two respondents mentioned issues very different from what other respondents would mention. These two could be called 'deviant cases'. Many travel agents would mention, as anticipated, the fierce competition in the industry and the struggle for survival. Two respondents, however, had a different story and explained that at this moment the main challenge for them was to find qualified staff. This problem was so pressing that even if the companies had expansion plans, those could simply not be realized because of lack of qualified staff. As the owner of Hemingway's puts it: "the biggest challenge for us at the moment is to find qualified staff. We have a hard time finding employees with the right knowledge about destinations and relevant experience in the tourism industry". The most plausible explanation for this issue is the tight labour market in Denmark and Copenhagen in particular, where in many sectors there is a lack of qualified and experienced employees.

6.1.3 Tourist products

Another interesting outcome of the industry analysis is the relationship between the kind of product travel agencies offer (standard package or tailor made) and perceiving the internet (as a booking tool) as a threat. In all cases where the travel agency would solely offer tailor made trips and holidays, the internet (as a vehicle to book trips) was seen as the primary challenge or one of the challenges to deal with. On the other hand, when standard packages were concerned, the internet was not at all seen as a competitor as far as booking similar holidays were concerned. There are several reasons that explain these relationships:

1. Standard packages are often comprised of several elements such as transportation, accommodation, food, activities and guided tours. There is one single price to be paid by customers for a package like this. Rather

soon, customers realize the advantage there is by booking the entire trip through the travel agent as opposed to composing this tour completely by yourself. The process of finding the right transport, accommodation and activities yourself online can be a frustrating, time consuming and sometimes impossible task. Many customers realize that the little money that can be saved by doing this is simply not worth it and see the added value of the travel agent.

2. In addition, finding the different elements of a standard package is not necessarily the cheapest option. Since more customers are on the tour and use the same hotels and means of transportation, travel agencies can demand reductions so that customers get even better value for their money.

3. Lastly, elements included in tailor made trips are generally flights, accommodation and car rentals. On these occasions, customers would maybe visit friends or family, guided tours or other activities are then usually arranged at the destination. In the past, the travel agent would have the benefit of having access to airlines and hotel booking terminals. However, nowadays these elements can simply be arranged by the customers themselves as flights, car rentals and hotels can be booked online.

In conclusion, the advantage travel agencies offering tailor made solution to their customers had in the past has been quickly eroded by the rise of the internet as a booking tool. Consumers realize that by putting in a little more effort and time they can save considerable amounts of money. On the other hand, travel agents offering exclusive packages, consisting of many different elements do not perceive the internet as a threat because customers recognize the value and realize there is presently no cheaper alternative. This development is perfectly illustrated by the manager of Albatros who was interviewed: “we at Albatros do not see the

internet as a major competitor. The reason for this is that the tours we offer are made up of so many elements, such as a guide, specific accommodation and activities that it is very hard to compose these tours yourself on the internet. Some customers have tried to do so in the past, however many have returned because of the hassle it was to compose the same tours for lower prices".

6.1.4 Travel agencies and new destinations

An interesting theme that surfaced in the section of strategies to be deployed by travel agencies was adding new destinations every year. Regardless of the respondent being owner or manager, this element was indicated by the vast majority of the respondents. There are two explanations for this, one is from a competitive strategic nature, the other is more related to customer service.

1. As far as competition is concerned, it is crucial for small travel agents to identify new destinations quickly and preferably before vertically integrated MNCs have spotted them. The reason for this is that as soon as MNCs have added a certain destination, established a flight connection and bought up hotels, MNCs have a significant cost advantage over smaller travel agents. This is exactly the reason none of the smaller travel agents in the sample were specialized or had tours to extremely popular and overcrowded destinations such as Turkey and Egypt. A small travel agent has to have people on the road spotting new opportunities that are likely not to attract attention from vertically integrated MNCs in the near future.

2. From a customer service perspective, there is actually quite a bit of competition among small travel agents with regard to adding new 'special' destinations that have hitherto not been offered. The situation could be compared to a consumer goods wholesaler, in order to keep attracting

existing and new customers, new products have to be developed and sold. For smaller travel agents it is crucial, especially in a competitive market as Copenhagen, to add new destinations and distinguish yourself as to stay appealing for customers.

To catch the importance of this, the partly owner of Inter formulated it well: "In order for us to be able to meet the customers' expectations and remain competitive, we are always on the lookout for new opportunities and try to add new destinations every year".

6.1.5 Low cost airlines

Another important theme that was mentioned as a drastic change within the industry has been the successful arrival of low budget airlines, particularly in Europe. These developments have altered the travel and tourism landscape in Europe, not only for consumers but for travel agencies, too. The arrival of short haul low budget carriers coincided with the rise of the internet and this made it even easier for these airlines to cut out the middlemen: travel agencies.

First by phone and later by the internet, bookings were directly made by consumers and the savings were passed onto the consumer. As a result, the huge middle class in most European countries have benefited tremendously from these developments and decided to fly increasingly more often than before. For travel agencies, these developments have had a big impact, and mainly this has been a negative one, especially for the ones focusing in European destinations. Travel agencies who merely assembled tailor made trips out of flights and accommodation have lost many customers.

In cases where travel agencies are asked by consumers to book flights and accommodation, they can hardly distinguish themselves because:

1. Profit margins have become extremely low and as soon as they demand higher margins, they notice more consumers who decide to assemble their own trip online.

2. The vast proliferation of low budget carriers has resulted in so many suppliers serving often the same destinations that the situation is often very non-transparent. In addition, part of the strategy of these carriers is to change prices often, even during the day, so that it is hard for travel agencies to advise customers in the best possible manner. Unsurprisingly, the manager of Krone referred to the situation as sometimes being a "jungle".

6.1.6 Promotion and advertising

An attention grabbing pattern from the research conducted would be the relation between fairly large and experienced travel agencies and their way of promoting themselves. While smaller travel agents invest in great personal service and benefit from the marketing phenomenon 'word-of-mouth', in fact larger travel agencies seem to benefit tremendously from the brand name and reputation that was carefully built up over the years. In these cases, the brand name would correspond with 'quality', 'great service' or 'exotic destinations' in the eyes of the customer. Obviously, the travel agency with multiple branches spread around the country is in a better position to build a strong brand name that a single travel agent.

Related to promotion there has been another interesting development which is the shift from printed advertising to online advertising. This is not unique to the tourism industry but nevertheless an issue to take into account when making strategic decisions. While small and large travel agencies still invest in printed advertisements, often the majority of the promotion budget is now invested in online advertising.

Travel agencies have quickly capitalized on the advertising possibilities on the internet and realize large audiences can be reached over unlimited geographic distance. The vast majority of respondents indicated to be enthusiastic and positive about the results and opportunities. The option of 'paying per click' when advertised in online search engines is generally regarded as fair and effective. However, there are some pitfalls to it as the manager from Krone explained: "we are aware of the possibilities with online advertising but there are many competitors around and the risk of misuse (click fraud) is too high and we, as a small company, cannot afford to lose money on that". Click fraud is a form of 'cyber crime' and is often carried out by competitors who are aiming at increasing costs for competitors by clicking on their sponsored advertisements. Specialized software has even been developed to disguise the source. Besides, as the manager of Krone already indicated, the rising costs of online advertising is becoming a relatively heavy burden for the smaller travel agencies.

6.1.7 Strategies

Another issue that was discovered conducting the study concerns the strategy the different travel agencies follow. This can be segmented into the kind of product they offer: individual or tailor made and standard packages.

In both segments the phenomenon of cooperation, either between two SMEs or a SME and a MNC, or of independence of a single SME can be found. Concerning

the segment of individual travel, there are different strategies on how business is mainly conducted and what the main asset of the business is. Where two SMEs cooperate, they either rely on personal service and the internet, as e.g. Profil does, or on personal service only, as for example Comet. All the SMEs that were interviewed that do not cooperate with another SME, which was actually the majority, rely on personal service and the internet. It can already be seen here, that personal service is the main asset of all the SMEs offering individual travel. Further, their other strategies to place themselves in the market are the focus on niche markets, specialization and innovation. In detail, this means that they for example specialize on certain destinations or on a special clientele. Niche markets could be e.g. sports events or skiing holidays. Innovation includes e.g. the permanent discovery of new destinations or new interesting tours, but also the increment of the quality of the products. In case the SME operates strongly in a niche market, the importance of personal service, the use of the internet and the fact that they are specialized is more or less even. However, when the SME is more focusing on the so-called 'sun and beach' holiday, where the competition is very high, the importance of the factor of personal service gets even more essential.

Regarding standard packages the same phenomenon of cooperation or independent business is visible. However, in this case the cooperation takes place between a SME and a MNC. There are two different forms: in the one case SME and MNC are operating under one name, the name of the MNC. This happens e.g. under the roof of My Travel/ Thomas Cook with Spies, Tjaerreborg etc., where the names of these formerly independent agencies stay in the background. Here the focus of the distribution of sales is about 50% personal sales and 50% sales over the internet. In the other case the MNC operates in the background, owning the SME, but this one keeps on operating under its own name. The examples mentioned above were not included in the sample and this information was acquired through observation and mentioned in the interviews conducted.

This strategy has the advantage that the customers usually know the established name of very often traditional local travel agencies which have a strong brand. Because of that the customers already trust this agency a lot and a very special relationship is thus possible. This is the case with Falk Lauritsen which belongs to the Swiss MNC Kuoni. Kuoni's strategy is to keep Falk Lauritsen more or less the way it was before, offering standard packages and focusing very much on personal service, and only few people actually realized, that it is owned by Kuoni now. Further, Kuoni owns Apollo as well, another traditional local travel agency selling standard packages, but Apollo is getting restructured, to only sell over the internet in the future. Like this Kuoni will have extremely specialized SMEs with a local touch under one roof. This internal information was acquired from the interview with Falk Lauritsen.

The other group in the standard packages category, the independent SMEs, focus very much on reputation, meaning their brand name, personal service and the internet as well. To be able to survive against the huge competition of the MNCs in the standard packages sector, they try to specialize and be innovative. An example of a deviant case is Comet concerning the use of the internet for their business. They do not sell trips over the internet and try to keep their customers away from it. All of the other travel agencies that were interviewed sell trips over the internet as well. The other extreme is Krone who, except for Golf trips, mainly only sells over the internet.

As far as consolidation of the local industry is concerned, the above mentioned examples are the different strategies discovered.

6.2 Local industry dynamics and trends

Despite the intense competition many new travel agencies are starting up every year in the greater Copenhagen area. Even though massive, vertically integrated firms like TUI and Thomas Cook have entered the market, these firms merely focus on the most popular destinations so that they can benefit from economies of scale from owning their own airplanes and hotels. Typically, less popular destinations are neglected by these firms as it does not pay off when economies of scale are not feasible. As a result, smaller travel agencies focus on the niche markets and unusual destinations that are disregarded by the multinational firms.

Price sensitive customers with a relatively low social economic profile generally tend to be the typical purchasers of these 'standard' products. On the other side of the continuum, there would be the customers with a relatively high social economic profile demanding more exclusive tours with more culture and more learning components rather than entertainment. These customers would typically look for more personal service and are willing to pay a premium price for their travel product. The share of the total tourists served of this latter group is obviously marginal as compared to the group mentioned first. Therefore, this niche market is typically the domain where the small, independent travel agent with great personal service, high quality products and great knowledge about destinations, excels. However, despite the great number of customers choosing for well priced, 'standard' packages, one should be careful to make generalizations about their background and preferences.

Not each and every one of them prefers to go to a faraway destination, to fly in airplanes and staying in hotels full of people with the same nationality. In other words, even in this group there are customers demanding for more exclusivity and

this is just one of the reasons that there are still ample opportunities out there for the smaller travel agent. Even when you take the internet as a tool for booking flights and holidays into consideration, the demand for exclusive, high quality trips designed by a travel agent that provides great personal service has always been there and will always be there according to the majority of the respondents. In spite of vertically integrated firms offering better prices, many people do not prefer to be treated as a 'mass product'.

The role of Danmarks Rejsebureau Forening (DRF) in the industry for travel agencies should not be underestimated. They represent 138 travel agencies all over Denmark including small as well as big ones. Being a member assures travel agents a quality guarantee towards customers and this can be viewed as an accreditation. One can only become a member when certain standards are met. In addition, DRF is engaged in lobbying and legal counselling. The organization tries not to become an intermediary and their prime aim is to serve the travel agents. The past has seen quite a number of bankruptcies among airlines and in order for customers not to lose their money, a guarantee fund (Rejsegarantifonden) was established. Basically, this organization, which is a different one than the DRF, functions as a safety net for customers. Both organizations can be of tremendous benefit to the small, independent travel agent in Copenhagen. Building an own brand and reputation is important, but these organizations can help travel agents out on a number of issues and assure recognition and quality assurance.

As far as trends and developments are concerned, one of the aspects that has resulted from the research done is that the industry has greatly consolidated. Among others, this is visible from the number of mergers and acquisitions, as well as strategic alliances that have been formed recently. Especially the bigger players offering standard products have tried to join forces as to benefit from economies of scale. However, smaller players that teamed up as to increase bargaining power

were identified, too. Two relatively small travel agents, Brandstrup and Comet, started a joint venture that, among others, generated income from issuing tickets for other travel agents. Generally, the industry for travel and tourism is still growing strong due to the solid economic situation and increased purchasing power among consumers. People are travelling more frequently but also more long haul as compared to a decade ago. Because many customers are enjoying increased purchasing power, a great number is also willing to pay a premium price for better service and a product of higher quality.

One of the themes that was very prevalent in the industry analysis was the influence of destination-based knowledge on customers in the decision making process for booking a holiday or trip. Especially for smaller, independent travel agencies it is paramount to have employees who are well travelled and have experience and knowledge about the destinations they are dealing with towards customers. The reason for this is that generally, smaller travel agents operate in niche segments and offer more exotic destinations than big vertically integrated firms do. Very often respondents indicated that when they confronted customers with the fact that they themselves had been at the destination in question, the deal could be closed. In conclusion, there would be much focus at small travel agents to hire employees with 'destination-based knowledge'.

Another interesting trend is the rise of 'customized standard packages'. These products are neither completely customized, nor are they to be called a standard package. Respondents indicated that customers are missing some degree of flexibility in the tours travel agents offer as standard packages. This could be a small detail, such as having lunch or dinner alone instead of with the group. A growing trend is, however, to pick components from different tours as to compose a tour yourself, consisting of different elements from various packages. This allows customers to be a little more flexible.

The market may still be growing strong, however, it is also becoming more competitive. There are several reasons for this. Many small travel agents are entering the market and focus on niche markets, small players are even copying successful destinations and tours from others. The rise of the internet has flocked many customers away, especially where flights can easily be booked individually on the web. There has also been a dramatic increase in the number of low budget airlines that are offering customers relatively cheap flights and products right off the website. Few, if any, travel agents are able to make a decent profit on these flights because customers see the attractiveness of booking entirely by themselves.

The last reason for the intense competition is that it is still relatively easy to start a travel agency. There are not much capital requirements and the administration is becoming less complicated due to IT developments. On the other hand, some respondents pointed out the costs involved in setting up and maintaining a relevant website, costs that were previously not there. Another issue favouring travel agencies starting up in Copenhagen is that Denmark would be one of the so-called 'entrepreneurial economies' as also brought up by Audretsch (2003). According to this author that would also mean that the impact of globalization in such an economy would in the local industry be fairly considerable.

6.3 Theoretical framework applied to findings

In this section, several theories will be related to the findings. These theories have all been put forward in the theoretical framework.

6.3.1 Local and global forces

When discussing the outcomes of the research conducted and relating this to existing theories it is essential to include the dynamics of local and global forces, as in this context the research problem was formulated and followed by the research carried out. As put forward in the theoretical framework section, Lasserre (2003) points out three distinct benefits of localization: flexibility, proximity and quick response time. Precisely these three elements surfaced as the main pillars successful small independent travel agencies can rely on in their struggle for survival in the context of globalization.

Provided travel agencies offer unique packages comprised of elements that cannot easily be booked by customers themselves on the internet, it was found these travel agencies do not suffer from competition from the internet as a booking tool. In these cases the local small travel agent has a strong position already and this position is reinforced by the benefits of localization. Flexibility allows these travel agencies to adapt to customer demands and eventually this can lead to customization. Customization is an important trend that was spotted at successful travel agencies and would include for instance a 'flexible' package trip with room for individual activities. Adopting a flexible stance allowed these travel agencies to customize and to specialize.

Proximity is related to be close to the market and customer and to understand and

react on changes in customer demands and needs. For instance, many travel agencies in the sample were clustered in a relatively small geographic area and this allows them to spot new successful destinations and products offered by competitors. Quick response time, the third element, is the ability to respond to specific customer demands. It was mainly this element that was capitalized on by travel agencies by providing excellent personal service and to improve communication with customers.

The travel agencies that best realized this, invested in or are planning to invest in new systems and software (Customer Relationship Management) to improve communication with customers and to be able to react faster.

These three cornerstones were recognized by travel agencies as being crucial and the competent ones capitalized on the benefits. The importance of these elements, in the context of globalization is especially interesting. Without the existence of the internet, creating a competitive advantage as a travel agency would also be important, but now it is even more challenging. It is not only about distinguishing yourself as a travel agent, in fact it is all about doing that in a way where the internet as a competitor is not an issue. The travel agencies that did not realize this will see the benefits of localization eroding. Not because bigger, vertically integrated firms eat into their market share, but because the internet as a booking tool reduces the demand for services for the traditional travel agent. The reason for this is that the internet can do exactly the same as these travel agencies, and sometimes even better. Gone are the benefits of localization, because proximity and flexibility are no longer an issue for consumers. Proximity could even further impede performance as oftentimes travel agencies are located close to one another in zones with high real estate prices and thus high rentals and a higher financial burden. In some cases, however, customers would still prefer personal contact and service and this is the only reason some of the poor performing travel agencies are still in business.

In conclusion, the travel agencies in good shape and with a distinct competitive advantage still benefit tremendously from the advantages of localization. In fact, there is a synergetic effect at work as the three are very much related to each other: proximity provides the basis for flexibility and flexibility provides the basis for quick response time. In addition, this is reinforced by the Unique Selling Propositions (USPs) the well performing travel agencies offer. For them, the internet or vertically integrated forms are not competitors at all as they are too specialized and their products cannot be composed by customers on the internet. Therefore, these travel agencies are in a good position to survive on the long term as opposed to the poor performing ones who are not recognizing the threats and fail to capitalize on the benefits of localization.

6.3.2 Travel agencies and strategic management

Looking at strategies deployed by travel agencies to compete successfully in the next five years, it would by all means make sense to relate these to the ideas of Blue Ocean Strategy. Particularly in fiercely competitive industries, like the local tourism industry in Copenhagen, managers and owners need to develop a proper strategy in order to secure the long term viability of the firm. Traditionally, the focus would be on cutting costs, concentrating on core competencies and exploiting unique selling propositions (USPs). Occasionally, these aspects came to the light after having done the research. However, there were other developments that had a striking similarity to the ideas of Blue Ocean Strategy. Kim (2005) describes fiercely competitive industries where the only way to succeed is to continuously beat the competition. In these industries, boundaries are defined and accepted and Kim calls this ‘Red Oceans’.

In contrast to this model, there are the ‘Blue Oceans’. Essentially, the idea is that

to survive in a market, companies ought to look for uncontested new markets. Furthermore, instead of costly and bloody fights in the marketplace, companies should pay more attention to the possible benefits of collaboration, for example, in the form of strategic alliances. There are two elements of this theory that apply to the result of the research conducted.

1. Uncontested new market space. The vast majority of small independent travel agencies realized that in order for them to appeal to new and existing customers, new destinations and products have to be added every year. This is a way for travel agencies to remain competitive and enables them to be profitable in the long term. Instead of undercutting competitors on popular existing destinations, many travel agencies have employees travelling around the world to spot for new opportunities. There is some risk involved in offering destinations that have hardly been offered before, but travel agencies realize adding new destinations is an important path to sustainable future growth. Clearly, in these instances, travel agencies are looking for new uncontested market space.

2. Collaboration in the form of strategic alliances. Although this aspect was less evident than the previous one, there were two cases that supported this theory. Brandstrup and Comet jointly started a new venture (Dane Travel) that would obtain an IATA license in order to generate fees from ticket issuing for other travel agencies. Considering the fact that these two travel agents are very small in size, obtaining a license singlehandedly would have been a too costly operation. In addition, the friendly takeover of Falk Lauritsen by multinational Kuoni resulted in the former not being independent anymore but having more financial resources to expand and still being able to stick to their strong brand name. Two other travel agencies interviewed, Travel Sense and Movement Travels were themselves the result of several mergers over the last decade. These

examples illustrate travel agencies teaming up to secure mutually beneficial effects, and this makes it only more likely similar initiatives have been undertaken outside of the scope of the sample in this research.

The results regarding the strategies travel agencies pursue are supported by another theory, namely the 'Value Net' as described in Besanko (2007). This model is in contrast to Michael Porter's five forces framework, where five factors are distinguished and they represent major forces in the vertical chain and market place. Regarding the 'Value Net' Besanko (2007: 313) stipulates that "whereas Porter describes how suppliers, distributors, and competitors might destroy a firm's profits, Brandenberger and Nalebuff's key insight is that these firms often *enhance* firm profits. In other words, strategic analysis must account for both cooperation and competition".

Essentially, the five forces framework regards all other firms, suppliers, buyers or competitors as a threat to profitability. The 'Value Net', however, proposes that interactions between different firms can actually often increase profits and points out that there are in fact many positive interactions that the five forces model ignores. An excellent example of these interactions would be the venture (Dane Travel) Brandstrup and Comet started. Even though they are in fact competitors and literally located 100 meters away from each other, both travel agencies recognized the opportunity and decided to team up.

While the Value Net applies to the results of the research, it would by all means make sense to take a closer look at Porter's five forces model, as presented in Besanko (2007), especially since the local industry is competitive and characterized by fast changes and new developments. In terms of suppliers, these would be the tour operators and as explained in the section 'Value Chain' many have now integrated within travel agencies. That leaves suppliers as hotels, airlines and other transport companies. Where these companies used to be

relatively dependent on travel agencies, that has now changed and instead of a commission travel agencies now do not receive anything anymore when selling tickets.

Clearly, the pressure from suppliers has increased because they have more options (think of the internet) and even more so because of the arrival of so many low budget airlines. The availability of the internet has resulted in increased pressure from customers too and forced many to slash prices. However, this is only the case for travel agencies that are mainly in the business of ticket issuing and do not offer high end products. Travel agencies that do still have a strong edge and customers are very dependent on them in the segment of high end tourism products.

Except for obtaining an IATA license the costs of starting up a travel agency are marginal and so there is constant pressure on this front although the research conducted has not indicated a special increase over the last decade. Included in the sample were some relatively young travel agencies operating in niche markets such as sports and winter holiday destinations. As far as substitutes are concerned there is only one term relevant and that is the internet. The internet has enabled customers to book their own trips and as such has performed the role of the traditional travel agent. As already mentioned, however, this only applies to travel agencies that are mainly in the business of ticket issuing and do not offer high end products. The pressure on the former is intense and many estimate (including the authors) that these agencies will be put out of business.

With regard to internal rivalry, the last element of the five forces, the presence of several vertically integrated MNCs in the geographic area of research is very relevant. It is not only due to these firms that internal rivalry has increased, but especially in the segment of low end tourism products their arrival has eaten into the market share of SMEs offering similar products. Just as with the internet as a

tool for booking trips, it should be stipulated that the arrival of vertically integrated MNCs had not been a threat to SMEs operating in the segment of high end tourism products.

6.3.3 The impact of globalization

After having analyzed the results of the research carried out, one of the most relevant issues is to discuss what the actual impact of globalization is on the travel agencies in the local industry. According to Audretsch (2003), globalization impacted SMEs in two major ways. Firstly, globalization has to a great extent facilitated the transnational activities of SMEs. The second way globalization has impacted SMEs is that it has changed the role of SMEs *within* domestic economies.

The first argument Audretsch puts forward does not apply to the services industry and in particular the market place for local travel agencies. This can be explained because in his point he equalizes transnational activities with exports, foreign direct investments and participation in global value chains. However, relating the second argument to the findings is interesting. Essentially he argues globalization has impacted SMEs in a way that it has changed their roles within the domestic economies. Traditionally, SMEs were viewed as less efficient businesses than their larger counterparts and conventional wisdom would have predicted that increased globalization would present a more hostile environment to small businesses (Audretsch, 2003). However, Audretsch (2003:xiv) then points out that "a series of studies has clearly documented that small firms account for a disproportional share of new product innovations given their low R&D expenditures".

The reason this is interesting is that the vast majority of small, independent travel agencies indicated to focus on continuously spotting for new destinations as to

offer new products to customers. In the case of the local market place for travel agencies, smaller independent ones seem to be more skilled at adding new destinations than bigger competitors are. Partly, this has to do with the fact that a certain destination would only be offered by vertically integrated firms when economies of scale can be realized as to stick to their promise of low prices. Smaller travel agencies are not hampered by this although reserving seats and hotel rooms results in a slightly higher price. Nevertheless, the relatively big share of new product innovations by SMEs has also been an aspect in this research.

6.3.4 The impact of IT

Many scholars have pointed out the big impact IT developments had on conducting business, and it is the impact on SMEs in particular that has been relevant in this research. Examples (Mehrtens et al, 2001 and Pflughoeft et al, 2003) in the work of Ordanini (2006) show that SMEs did benefit from the adoption of the new technology with regards to improving efficiency, communication, access to information of the environment and branding. Naturally, these were not the only factors that brought these SMEs to the decision of adopting the internet technology, factors like external pressure from the environment or internal pressure from employees played a role as well.

When these issues are linked to the results of the research conducted in this study, it is obvious IT developments have also impacted smaller travel agencies in the sample and presents both opportunities and threats to them. When a distinction is made between software and the internet, purely positive aspects can be seen on how the former impacts the travel agency, while the latter presents both threats and opportunities. The internet, on the one hand, as was discussed already, poses an enormous threat to less able travel agencies when it is used as a tool to book trips and holidays, while this was totally not the case with well performing and able travel agencies. What the internet does present to any kind of travel agency,

however, is the massive potential of online advertising. There has been a dramatic shift from advertising in print media to online advertising. The advantage online advertising has over printed advertising is that tracking how many persons at what time spotted the advertisement, and reaching out to the right target group, has become much easier. Software, on the other hand, has greatly contributed to a more efficient working environment for travel agencies; no threats were detected in this research on this area. Particularly, software for booking terminals has greatly enhanced booking flights in a more effective way and customer relationship management (CRM) software is used for improved communication with customers.

6.3.5 Travel agencies and tourism developments

In the section about tourism and climate change in the theoretical framework different perspectives were brought up and it is interesting to relate these to the results from the research conducted. According to the Economist Intelligence Unit (2005) the trends the industry has witnessed recently have been airline restructuring (several big takeovers) a growing number of low-cost carriers (LCCs) who were very keen on cutting out the middlemen: the travel agent. The industry so far has reacted in two different ways: the focus on long-distance trips to exotic destinations or offering their own LCCs and internet platforms. The growing number of low budget airlines was indeed an issue that was found to be challenging by travel agencies covered in the research. There exist now so many suppliers serving often the same destinations that the situation is often non-transparent. In addition, part of the strategy of these carriers is to change prices often, even during the day, so that it is hard for travel agencies to advise customers in the best possible manner. Not surprisingly, the manager of Krone referred to the situation as sometimes being a “jungle”.

Deutsche Bank Research (2008) takes climate change into account and states that

the principal means of transport in the tourism sector are planes and cars or busses. Skyrocketing energy prices but also government regulation, mainly in form of taxes, will have much impact on the rising costs of these forms of transportation. As a result, travelling by train, a more environmentally friendly option, will benefit from the developments and will become a more interesting means of transportation compared to planes and cars over the long term. (Deutsche, 2008) They conclude therefore, that long haul travel will be on the losing side, with short term travel being on the winning side. While short term trips are popular, also because the arrival of low budget carriers, respondents in the research did not mention long haul travel as becoming a less popular option.

Quite the contrary, as one of the biggest changes over the last decade respondents answered this would be the increase of long haul travel. This is because purchasing power in Denmark has increased and people demand more exotic and adventurous trips that are typically long haul. These trends are in accordance with the WTO forecast that the number of international tourist arrivals will continue to rise. As a result, the average income of people in developing countries where long haul travels typically go will increase and this development will have an effect on the increase of global tourism as well. The two viewpoints mentioned above clearly conflict with each other and the end state will very much depend on the impact climate change is actually going to have on global tourism.

7. Conclusion

First and foremost, it is very satisfactory to be able to conclude that there is always a way to survive for well managed SMEs, even in turbulent markets with intense competition. Interviewing specialists from a sample of 22 travel agencies has lead to fascinating insights and this section is meant to share the most relevant ones in order to be able to answer the research question. Strategies deployed by travel agencies in the sample are highly dependent on the changes that have taken place in the market place and the challenges those travel agencies are facing. Therefore, these aspects will be covered first.

One of the sweeping changes over the last decade has been that customers ask for a higher quality tourist product, ranging from the service received when booking the trip to the experience at the actual location. Explanations are the relatively strong economy and growing supply of travel agencies and tourist products. Furthermore, customers tend to demand for more long haul travels than a decade earlier, more exotic and faraway destinations have apparently become more attractive. Rising individual purchasing power in Denmark is a plausible explanation.

Perhaps the most drastic change has been the information technology (IT) developments that have caused a rupture with the past in terms of running a travel agency. New software has changed the way holidays are booked and tickets are issued, and the communication with customers has changed, too. In addition, the rise of the internet has presented travel agencies with both opportunities and threats. Lastly, the successful arrival of low cost airlines has changed the tourist landscape in Europe, mainly to the disadvantage of the travel agencies as low cost carriers are keen to cut out the middlemen.

As far as challenges are concerned, two aspects, which are related to each other, stood out. The vast majority of respondents would mention fierce competition from travel agencies in the same geographic area that offer similar products. Travel agencies that are not specialized and mainly only issue tickets and make hotel reservations would also indicate the internet as a vehicle for customers to book holidays by themselves. To a great extent, travel agencies are unable to state where lost customers went; either to the internet or to a competitor. Very much related to the internet is the relationship between travel agencies and airlines, not only the LCCs as discussed, but also the traditional airlines, the so-called 'flag carriers'. The latter group has since the arrival of the internet decided not to compensate travel agencies for tickets issued, whereas this used to be 10%.

In order to return to the research question it is important to examine what strategies travel agencies actually deploy in order to secure their long term viability. This was the initial research question:

> **Internet technologies and the arrival of MNCs have resulted in increased (price) competition that threatens the long term viability of SMEs in the local tourism industry. How do the local independent travel agents in Copenhagen respond to these challenges?**

It was found that small travel agencies react in a diverse and often multifaceted approach. By far the main activity for travel agencies to remain competitive is to add new destinations and compose new tourism products every year. By doing this, travel agencies not only appeal to their customers, they also enter new and uncontested market space. Related to this aspect is the desire to specialize and focus on niche markets as there is less competition and more opportunities for

small and independent travel agencies. Improving the relationships with customers through enhanced personal service and feedback systems is also high on the agenda and is a means to capitalize on an important local force: close customer contact. SMEs would not be SMEs if they would not profit from new developments and travel agencies indeed increasingly utilize the internet as a tool to promote itself as well as certain destinations and tours they offer. Last but not least, a growing number of travel agencies merged or formed strategic alliances in order to benefit from economies of scale and increased bargaining power.

In the preliminary hypothesis it was assumed small travel agencies would join forces in order to increase bargaining power and enjoy economies of scale. This assumption proved right as several alliances were spotted and numerous travel agencies were the result from mergers in the last decade. Furthermore, in the hypothesis it was also assumed travel agencies would search for niche markets such as ecotourism as to look for new ways to remain profitable. Without a doubt, small travel agencies are operating in niche markets and constantly look for new segments. However, ecotourism as such was not an area that was brought up by any of the respondents. Areas like sport events and winter holiday destinations appeared to be more applicable.

Overall the most interesting conclusion was the optimism, entrepreneurship and excitement that was found at small and well managed travel agencies. While recognizing new forms of competition it was refreshing and inspirational to witness the confidence new challenges were faced by these travel agencies. With conviction in their own skills and qualities, the vast majority of travel agencies were positive about their chances to still be successful on the long term.

One of the implications of this research is that there is still potential for proactive new start-ups in the local tourism industry, in spite of the fierce competition. It is also very likely many small travel agencies will join forces and seek strategic

alliances over the next decade to gain mutual benefits. The possibility to see new mergers and acquisitions so that the industry will further consolidate, can definitely not be excluded.

Looking at the tourism industry at large, it is important to take into account that SMEs operating in the local tourism industry have to be seen in the context of global tourism developments and the high dependence of local travel agencies on changes that are occurring on a global scale. A positive picture for tourism emerges from this research and observing the local and global trends and developments. However, decision makers have to take uncertain factors such as climate change into consideration.

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9. Appendices

9.1 Appendix I: The interview used in the sample

Travel Agency:

Ownership: Manager□ Owner □

Existence: >5 years □ 6 – 10 years □ 11 – 20 years □ <21 y ears □

Size (#employees): >5 □ 6 – 10 □ 11 – 20 □ <21 □

- How long have you been working in the local industry for travel agencies?

  >2 years □ 3 – 5 years □ 6-10 years □ <11 years □

- In case manager: how long have you worked with your present employer? / In case owner: how long have you owned this travel agency?

  >5 years □ 6 – 10 years □ 11 – 20 years □ <21 y ears □

- What kind of product do you offer?

  Standard packages □ Tailor made □ Both □

- What are the most significant changes in the marketplace you have seen during the time you have worked in this industry?

- What are the major challenges the company currently faces?

- What is your plan or strategy to address those challenges?

9.2 Appendix II: Sample of travel agencies

Name	Comet Rejser	Name	Travel Sense
Address	Gl. Kongevej 35	Address	Wildersgade 8
Phone	33280480	Phone	70230644
Fax	33215335	Fax	77305510
Email	info@comet.dk	Email	info@travelsense.dk
Website	www.cometrejser.dk	Website	www.travelsense.dk
Interview	26.03.2008	Interview	19.05.2008
Name	Movement Travels	Name	Inter Travel
Address	Peder Hvitfeldts Stræde 7	Address	Frederiksholms Kanal 2
Phone	70152153	Phone	33150077
Fax	33134235	Fax	33156018
Email	info@movementtravels.dk	Email	info@intertravel.dk
Website	www.movement.as	Website	www.intertravel.dk
Interview	05.05.2008	Interview	07.05.2008
Name	BIG Travel	Name	CC Travel
Address	Kompagnistræde 6	Address	Gothersgade 8
Phone	70108030	Phone	33153322
Fax	+46406110168	Fax	33153322
Email	info@bigtravel.dk	Email	cctravel@cctravel.dk
Website	www.bigtravel.dk	Website	www.cctravel.dk
Interview	05.05.2008	Interview	19.05.2008
Name	USA Rejser	Name	Svane Rejser
Address	Frederiksberggade 10	Address	Blågårdsgade 51
Phone	33131530	Phone	35355345
Fax	33153575	Fax	35355344
Email	usa@usarejser.dk	Email	svane@svanerejser.dk
Website	www.usarejser.dk	Website	www.svanerejser.dk
Interview	02.05.2008	Interview	19.05.2008

Name	Albatros Travel	Name	Jysk Rejsebureau
Address	Kultorvet 11	Address	Store Kongensgade 40F
Phone	36980000	Phone	33111616
Fax	36980020	Fax	33111440
Email	info@albatros-travel.dk	Email	cph@jysk.dk
Website	www.albatros-travel.dk	Website	www.jysk-rejsebureau.dk
Interview	05.05.2008	Interview	20.05.2008
Name	65 Ferie	Name	Profil Rejser
Address	Sølvgade 15-17	Address	Gammel Kongevej 5 B
Phone	33126065	Phone	77335600
Fax	33766479	Fax	77335610
Email	info@helserejser.dk	Email	kbh@profil-rejser.dk
Website	www.helserejser.dk	Website	www.profil-rejser.dk
Interview	02.05.2008	Interview	26.03.2008
Name	Wasteels Rejser	Name	Langley Travel
Address	Skoubogade 6	Address	Østerbrogade 53
Phone	33144633	Phone	33917000
Fax	33140865	Fax	33917001
Email	ole@wasteels.dk	Email	dk@langley.eu
Website	www.wasteels.dk	Website	www.langleytravel.com/dk/
Interview	05.05.2008	Interview	20.05.2008
Name	Krone Rejser	Name	Citi Travel Denmark
Address	Vester Farimagsgade 6	Address	Ved Vesterport 4
Phone	33145700	Phone	24425665
Fax	33147500	Fax	24425666
Email	info@kronerejser.dk	Email	info@cititravel.dk
Website	www.kronerejser.dk	Website	-
Interview	02.05.2008	Interview	06.05.2008

Name	Vindrose Rejser	Name	STA Travel
Address	Vester Voldgade 90	Address	Fiolstraede 18
Phone	33135223	Phone	33141501
Fax	33135224	Fax	33734050
Email	info@vindroserejser.dk	Email	cph@statravel.se
Website	www.vindroserejser.dk	Website	www.statravel.dk
Interview	19.05.2008	Interview	06.05.2008
Name	Brandstrup Travels	Name	First Travel
Address	Gammel Kongevej 87	Address	Kobmagergade 55
Phone	33224040	Phone	33163100
Fax	33225800	Fax	33160905
Email	mail@brandstrup.dk	Email	tianshu@firsttravel.dk
Website	www.brandstrup.dk	Website	www.firsttravel.dk
Interview	02.05.2008	Interview	19.05.2008
Name	Hemingway's	Name	Falk Lauritsen Rejser
Address	Dron. Tværgade 48	Address	H.C. Andersens Blv. 15
Phone	33933633	Phone	701026 88
Fax	33938508	Fax	331601 77
Email	travel@hemingways.dk	Email	info@falklauritsen.dk
Website	www.hemingways.dk	Website	www.falklauritsen.dk
Interview	06.05.2008	Interview	02.05.2008

9.3 Appendix III: List of abbreviations

ASEAN:	The Association of Southeast Asian Nations
CRM:	Customer Relationship Management
DRF:	Danmarks Rejsebureau Forening
EU:	European Union
GDP:	Gross Domestic Product
GHG:	Greenhouse Gas
IMF:	International Monetary Fund
IT:	Information Technology
IATA:	International Air Transportation Association
LCCs:	Low Cost Carriers
MNCs:	Multinational Corporations
NAFTA:	North American Free Trade Agreement
OECD:	Organization for Economic Cooperation and Development
PEST:	Political, Economical, Socio- Cultural, Technological
R&D:	Research and Development
RTW:	Round The World Ticket
SCA:	Sustainable Competitive Advantage
SMEs:	Small and Medium Sized Enterprises
SWOT:	Strengths, Weaknesses, Opportunities, Threats
USPs:	Unique Selling Propositions
UN:	United Nations
UNWTO:	United Nations World Tourism Organization
UNEP:	United Nations Environment Program
WMO:	World Meteorological Organization
WEF:	World Economic Forum
WTO:	World Tourism Organization
WTTC:	World Travel & Tourism Council