Expanding Businesses by Integrating E-business Strategies

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Abstract

The purpose of this thesis is to gain a better understanding of how travel agents can expand their businesses by integrating E-business to their business process. E-business strategies have a certain kind of influence on the business process of every company. Our research explains and describes the travel agents industry, their outcomes, advantages and disadvantages when expanding businesses by integrating E-businesses to their strategy, as well as what phase of integration they are at and future development. By integrating E-business strategy a clear conclusion is the fact that it has improved product distribution and customer service within the travel industry.
If you think you need to keep your Internet initiatives separate from your traditional business, think again. Many of the most innovative Internet players are integrating their virtual and physical operations. The key to success, they have found, lies in how you carry out the integration.

Ranjay Gulati, 2000
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1. Introduction and Research Problem

This chapter begins with a minor presentation concerning the influence of Internet information technology on businesses in general, thereafter a background presentation to the area of the study, which introduces the reader to the concept of expanding business by integrating E-business strategy and then further describes and explains the reasons and problems for our study in a brief way.

1.1 Introduction

The single most important development in Information Technology in the last decade is the exponential growth of the Internet, and there are no signs that this phenomenal growth rate is slowing down. It took radio 38 years to be used by 58 million people, compared with the Internet; it only took four years after the birth of the World Wide Web for twice as many people to use it (Czuchry and Yasin, 2003). The Internet offers a twenty-four hour a day access to a large number of potential customers from all over the world (Vulkan, 1999).

According to Porter (2000) many of the pioneers of the Internet business, both dot-coms and established companies, have competed in ways that violate nearly every precept of good strategy. Sometimes there was even no certain business strategy, but a short-time focused, market penetrating marketing strategy with pursuing customers indiscriminately through discounting, giveaways, promotions, channels incentives, and heavy advertising. With this absence of a real strategy, these companies did not create real value to attract the customer, they just have pursued indirect revenues from Internet commerce partners, e.g. from advertising and click-through fees. Porter (2000) continues by stating that companies, by ignoring strategy, undermine the structure of their industries, hastened competitive convergence, and reduced the likelihood that they or anyone else will gain a competitive advantage.

It is important that companies recognize that most E-business strategies will need to be integrated into the existing operation. If the implementation is to be successful, the organization must have a very clear understanding of the factors which influence within the existing systems (Chaston, 2001).

The prior sections have demonstrated the important development in Information Technology and how Internet endorses the accessibility for organizations to reach a large number of potential customers and how the use of Internet often goes against nearly every percept of good strategy. Despite the fact that companies have to adapt the ideas of these new possibilities that the Internet offers they should do it carefully, and just to the level that suits their corporate idea. However, they also have to be aware of the disadvantage that comes with the new technologies. For some businesses, adopting E-business or E-commerce could mean radically changing the way they do business by implementing solution at every level, for others it could mean simple cost cutting benefits. The trick is selecting the right bits for your business strategy.

According to Smith and Günther (2001) an industry that has pioneered many of E-business principles is the (passenger) airline industry. In this industry the first business-to-business electronic information exchange took place. Smith and Günther (2001) imply that the availability of reliable low-cost communications via the Internet has provided new challenges within the travel industry and also providing similar opportunities in other industries.
The travel industry is a prime example of a sector that has been profoundly impacted by information technology already (Chircu and Kauffman, 1999). First, through more traditional applications such as computer reservation systems (CRS), destination information systems (DIS), and global distribution systems (GDS) and now the web based applications allow consumers and corporations to obtain travel information and advice, compare prices, and book their own transportation, lodging, and other services (Ibid.). This implies a phenomenon of disintermediation, i.e. eliminating the need for traditional intermediaries such as travel agencies and eventually one of reintermediation, where these once disintermediated organizations are able to fight back by adopting E-business technologies to find new and innovative ways of maintaining and enlarging their customer base (Ibid.)

1.2 Research Problem

We have discussed in our introduction, that companies must adjust their whole business process to the new business strategy, and also how essential it is for every organization to ask themselves if they are ready to improve their efficiency, effectiveness and efficacy. The basic question that companies must look into is whether or not they should integrate E-business to their existing business, and if so, to what degree? The introduction above has also indicated the intermediaries in the travel industry as an interesting industry for a study. Thus our research problem is formulated as;

How can the introduction and integration of E-business strategies in the travel agencies be characterized concerning expected and perceived advantages and disadvantages?

1.3 Research Questions

The discussion above showed the basic opportunities and threats of information technologies on travel agencies. The IT and here mainly the Internet offers a wide range of possibilities to face competition and the strong rivalry on the market as well as it helps the agents’ partner and supplier to disintermediated the travel consultants. To facilitate the study of our research problem we have developed three research questions focusing different aspects of the research problem. The first one focusing the objectives for introduction and integration of E-business strategies, the second one focusing the process of introduction and integration of E-business strategies, and the last one focusing outcomes of introduction and integration of E-business strategies. The answers to these research questions will together provide us the possibility to reach the objectives of our research problem. Thus, the subsequent research questions have been formulated:

1. How can the objectives of the integration of E-business strategies in travel agencies be characterized?
2. How can the introduction and the adoption process of E-business strategies in travel agencies be characterized?
3. What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?
1.4 Definitions

E-business and E-commerce are different terms, which are sometimes used interchangeably. We feel that we should make the reader understand the definition of the different terms.

In both cases, the E stands for “electronic networks” and describes the application of electronic network technology used to improve and change business processes. Electronic network technology includes Internet and electronic data interchange (EDI) (Bartels, 2000).

According to Bartels (2000) E-commerce covers outward-facing processes that deals with customers, suppliers and external partners, also including activities such as sales, marketing, order taking, delivery, customer service, purchasing of raw materials and office supplies. E-commerce also involves new business models and the potential to gain new revenue or loose existing revenue to competitors (Ibid.).

E-business, on the other hand, includes E-commerce but it also covers up internal processes such as production, inventory management, product development, risk management, finance, knowledge management and human resources (Ibid.). From a strategic perspective is an E-business strategy more involved than a mere E-commerce strategy because it integrates both the internal and external reach of information technology (Czuchry and Yasin, 2003).

E-business strategy is more complex than E-commerce and more focused on internal processes, E-business strategy aims at cost savings and improvements in efficiency, productivity and cost savings. Due to the explanation and definitions discussed above, we have settled to use the term E-business in our study since we feel that it is a broader term and therefore more suitable.

1.5 Disposition of Study

In the first chapter a broader problem has been narrowed down to a research problem and three research questions. The literature overview in chapter two, will give the reader an overall review of different theories connected to the research problem and research questions. Based on the literature overview, a frame of reference is presented in chapter three, where the theoretical framework is selected to assist the data collection. In chapter four the methodology of this study will be presented. The data presentation in chapter five is presented one case at a time, and the following chapter contains the analysis, where the data from each case is compared with the frame of reference before comparing empirical findings from the four cases in a cross-case analysis. Chapter seven will present the findings and conclusions drawn from the study, and finally chapter eight includes implications, remarks on theory as well as suggestion concerning further research. A visualization of the disposition of this study is showed in figure 1 below.
Figure 1: Disposition of study
2. Literature Overview

In this chapter we will present literature concerning the impact E-business strategy has in general based on the research problem and the research questions and then we will continue with literature concerning the E-business impact on the travel agency industry and different phases of adapting E-business strategies.

2.1 In general

According to Czuchry and Yasin (2003) business innovation on today’s increasingly competitive, customer-oriented and technologically driven marketplace is necessary, and the need to have a well-designed E-business strategy to assist the strategic deployment of information technology can not be disregarded. Regardless of the dot.com crash, the potential of information and telecommunications technologies to enhance operational efficiency and strategic effectiveness is still acknowledged. The unwillingness of most small and medium sized businesses to adopt an E-business strategy can be attributed to many different factors for instance the failure to understand the risks and opportunities associated with E-business, and the lack of technical competencies to produce the desired results (Ibid.).

Many managers are under pressure regarding the question of how their company can best exploit the Internet, and the organization need tools to steer them in their quest for effective applications (Huizingh, 2002). The companies are in need of practical, efficient methodologies to direct and guide their E-business efforts, investments and actions (Czuchry and Yasin, 2003).

E-Business has the potential to push a company to break out of existing strategic limits and radically alter business processes, strengthen customer and supplier ties, and open up new markets (Hackbarth and Kettinger, 2000).

2.2 Environmental and strategic development

According to Mintzberg (1994), a strategy is a plan, a direction, a guide or course of action into the future. A strategy is also a pattern, that is, consistency in behaviour over time. Organizations develop plans for the future and they also evolve patterns out of their past. Mintzberg (1994) refers to these two strategies as the intended strategy and the other as the realized strategy. The important question therefore becomes: must realized strategy always be intended?

A perfect realized strategy implies brilliant foresight, not to mention inflexibility, while no realization implies mindlessness (Ibid.) Intentions that are fully realized can be called deliberate strategies. Those that are not realized at all can be called unrealized strategies. There is also a third case, which Mintzberg (1994) refers to as emergent strategy-where a realized pattern was not expressly intended. In this case actions were taken one by one, which converged in time in some sort of pattern or consistency. Few, if any, strategies can be entirely deliberate, and few can be entirely emergent. All real world strategies need to mix these in some way to attempt to control without stopping the learning process.
Organizations often pursue what can be called *umbrella strategies* where the broad outlines are deliberate while the details are allowed to emerge within them. Emergent strategies are not necessary bad and deliberate ones good. Effective strategies mix these characteristics in way that reflect the conditions at hand, notably the ability to predict as well as the need to react to unforeseen events. (Ibid.)

Mintzberg (1994) implies that often when a strategy fails; it is a failure of formulation. If there is to be a separation between those two, so that one side thinks before the other side acts, then clearly the capacity to act has to be taken into consideration in the thinking process.

Another important implication of emergent strategy is that strategies need not to emanate from a centre. Implied in deliberate strategy is the belief that strategy derives all at once from some central place. But in the case of emergent strategy, because strategies can grow from little ideas (initiatives), and in strange places, not to mention at unanticipated times, almost anyone in the organization can prove to be a strategist. (Ibid.)

![Forms of strategy](image)

**Figure 2: Forms of strategy**
Source: Henry Mintzberg, *The rise and fall of strategic planning*, 1994
2.3 Competitive advantages

Porter (2001) states that competitive advantages can be achieved in two ways – first through operational effectiveness and second through strategic positioning. Operational effectiveness is doing the same thing your competitors do but doing them better, for example by including better technologies, adding superior inputs, having better trained staff, or improving the management structure. Strategic positioning on the other hand means to do things differently from competitors, in a way that delivers a unique type of value to the customers. Different ways of adding value to the customers can be accomplished by for instance offering different sets of features, different array of services, or different logistical arrangements.

Both ways, operational effectiveness and strategic positioning, are affected differently by the influence of the Internet. It is harder for companies to sustain operational advantages, but it also opens new opportunities for companies who want to achieve or strengthen their strategic positioning. The Internet is the most powerful tool for enhancing operational effectiveness in ways of speeding and easing the exchange of information. It also enables improvements throughout the organizations entire value chain, and across almost every company and industry. But if a company cannot be more operationally effective than its rivals, the only way to generate higher levels of economic value is to gain a cost or price advantage by competing in a distinctive way, and that could be realized by strategic positioning.

But as these applications are reachable for the entire market, the companies are threatened to steady improve their own strategy in ways of operational effectiveness and strategic positioning to keep and strengthen their gained competitive advantages. According to Hackbarth and Kettinger (2000) business leaders require a method that exploits strengths, minimizes weaknesses, capitalizes on opportunities, and minimizes threats to systematically adjust business strategies to rapidly changing business environments.

According to Porter (2001) the Internet’s greatest impact on the global market in general has been to enable the reconfiguration of existing industries that had been constrained by high cost for communicating, gathering information or accomplishing transactions. Internet applications therefore could have a high influence on the five forces of competition. That is on the intensity of rivalry among existing competitors, the barriers to entry for new competitors, the threat of substitute products or services, as well as the bargaining power of suppliers, and the bargaining power of buyers (Ibid.).

By providing companies with new, more direct contacts to wider range of customers through the Internet, it tend to reduce the buyers’ bargaining power of channels, but on the other hand it also provides the buyer with easier access to information about products and suppliers, thus bolstering buyer bargaining power. The Internet reduces the barriers to entry the market by rendering the physical settings for a company online, for example companies do not need an established sales force or access to existing channels anymore. By enabling new approaches to meeting needs and performing functions, it creates new substitutes. As the Internet is an open system, which everybody could join easily companies have more difficulties maintaining proprietary offerings, therefore the rivalry among existing competitors intensifies. Along with the open system it comes an immediate globalization of the companies, thus it expands the geographic market, and this brings many more companies into competition with one another (Ibid.).
In addition to that, there is also the benefit of cooperating within the market by making information widely available, reducing the difficulty of purchasing, marketing, and distribution. The five forces still determine profitability even if suppliers, channels, substitutes, or competitors change. The great paradox of the Internet is that its very benefits also make it more difficult for companies to capture these benefits as profits, because of the high accessibility (Ibid.).

### 2.4 E-business development

To assist companies in their move from traditional businesses towards E-business Hackbarth and Kettinger, (2000) offers a planning method that charts the path to effective E-business strategy. According to Hackbarth and Kettinger, (2000) an E-business is an enterprise, with the capability to exchange value, such as goods, services, money and knowledge digitally.

Hackbarth and Kettinger, (2000) continue by implying that E-business is a new way of doing business that involves connectivity, transparency, sharing, and integration. It connects the expanded enterprise through a universal digital medium to partners, suppliers, and customers. The new way of doing business requires the integration and alignment of business processes and people with a continuously evolving E-business strategy. As companies evolve they pass through three distinct phases of E-business development and competence (Table 1).

Many companies today, are still in the first phase called experimentation. This means that individual departments have taken a technical lead in developing isolated Internet applications that are not closely tied to the corporate strategy or a company wide E-business strategy (Ibid.) An example of this could be when any department in an organization does research and development and uses an intranet for sharing, or when the purchasing department links its largest suppliers through EDI (electronic data interchange).

Cisco and Tesco are leaders within their industry and they are also companies who successfully have moved to phase two, the integration phase. Companies like these, incorporate E-business to support their current business strategies by integration across functional departments. Companies that are situated in the integration phase have their focus on the direct support of present business processes and are driven by the promise of cost reductions, revenue improvement, and increased business support of existing operation models. By using technologies such as EDI and different kinds of Web-based order fulfillment, these companies achieve linkages with customers and suppliers. Large retailers have been able to create substantial logistic and purchasing competitive advantages through their E-business strategies. A common factor for a successful E-business company in this integration phase is the current business process and the fact that it is tied directly to their bottom line and a culture that constantly sharpens up process efficiency with IT advancements. For a company to transition from the first phase to the seconds phase, it is essential to understand the company’s business process; it takes a deliberate effort to link the corporate strategies with the particular digital initiatives taking place through the company.

The third and final phase is called transformation. At this level, companies empower themselves by using E-business strategy to drive the corporate strategy. Companies expand inter-enterprise process linkages between customers, suppliers, and partners to create seamless networks. This integration of linkages is decidedly more transparent, with sharing trust and being much more ordinary.
The organizations value chain also becomes interconnected in such way that new revenue streams are identified and developed, customer satisfaction increased, and another outcome is also an improved customer service.

Organizations in the transformation phase recognize that people and their intellectual capital give an E-business its strength and flexibility. Moving from the second phase to the third phase requires both an understanding of the company’s business processes but also those of customers, suppliers, and competition.

### Table 1: Three level of E-business

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experimentation</td>
<td>Integration</td>
<td>Transformation</td>
</tr>
<tr>
<td>E-Business Strategy</td>
<td>No E-business strategy</td>
<td>E-business strategy supports current corporate strategy</td>
</tr>
<tr>
<td>Corporate strategy</td>
<td>E-business strategy not linked to corporate strategy</td>
<td>E-business strategy subservient to corporate strategy</td>
</tr>
<tr>
<td>Scope</td>
<td>Departmental orientation</td>
<td>Cross-functional participation</td>
</tr>
<tr>
<td>Payoffs</td>
<td>Unclear</td>
<td>Cost reduction, business support and enhancement of existing business practices and revenue</td>
</tr>
<tr>
<td>Levers</td>
<td>Technological infrastructure and software applications</td>
<td>Business processes</td>
</tr>
<tr>
<td>Role of information</td>
<td>Secondary to technology</td>
<td>Supports process efficiency and effectiveness</td>
</tr>
</tbody>
</table>

Source: Hackbarth, G. and Kettinger, W.J., Building an E-business strategy, 2000

Huizingh (2002), also developed a model (see figure 3), based on three upward phases. In the years 1994-1995 the business press created a real Internet hype, stating that the future would be radically different from the current. The focus was on the new, amazing Internet technology and the potential of the internet was explained by its technological capabilities. Allover the world, managers were told that the internet was a global medium, fast and cheap, connecting anyone with anything, creating an environment in which organizations could communicate directly with their customers. This first phase is called the Hype.

The second phase is called business as usual; this is when managers realized that the world is not radically different from what it was before internet. Nonetheless Internet was a new tool that leads to a new way of doing business in terms of doing the same things as before, only better, faster and cheaper. The potential of the Internet is translated into an understanding of which functions or activities in an organization could benefit from the Internet.

In the third phase; Businesses as unusual, companies consider the Internet and E-business as a means to an end and the result of integrating Internet capabilities with the business process is an increased customer value. Learning to manage in the market space requires a radical shift in thinking, and this shift can be a real challenge for managers. Many organizations are searching for different ways to influence their marketplace assets into the market space, creating “bricks and mortar” operations into “clicks and mortar” organizations.
Models aimed to guide organizations into this third phase of \textit{business as unusual} should meet two requirements.

First they should be customer oriented and the second requirement is process orientation, meaning that the models should correspond to models that managers are familiar with. Secondly, E-business models should allow managers to improve business processes by integrating the Internet capabilities with other available tools.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{From a Technology push to a Business Focus}
\textbf{Source:} Huizingh, Eelko K.R.E., Towards successful e-business strategies, 2002
\end{figure}

### 2.5 The Strategic Internet Applications Model (SIAM)

Huizingh (2002) developed an E-business model that explains the different possibilities that the Internet offers for new strategic directions (figure 4). The SIAM model distinguishes between four strategic choices. The first one says how to use the Internet to offer customized products or services, the second one looks into providing added value to current customers, the third one is how to attract new customers and the final one is about to reposition the organization in its business network.

\textit{Customized Products}

Huizingh (2002) used the term product in a broad sense that include both the primary product or service and supporting activities as well as the information communicated to customers about these elements and their use.

According to Huizingh (2002), there are many ways to customize a product. Many companies offer customers components that the customers themselves can combine into tailor-maid products. This can be any product from pizzas and clothing to computers and cars. Since the Internet offers a low cost solution to the problem of the extensive communication that is necessary between the buyer and the seller, it is very useful for executing customization strategies. Like mentioned earlier, the Internet provide organizations with the opportunity to extend mass customization to other essentials for instance price, distribution and communication. Mass customization increases the customer value of the core product at the same time it increases the complexity of the purchase process.
The customer can choose among infinite number of different products instead of choosing among a limited number of alternatives.

Current Customers

The company’s web sites generously grant opportunities to provide added value for current customers, the organization have to constantly increase the value they offer to prevent customers from switching to others suppliers. When markets become flooded and competitive pressures increase, it becomes inevitable for the organization to offer added value to their current customers in order to retain market share.

New Customers

The Internet is a global medium and it enables organizations to attract new customers from all over the world without geographical boundaries that limit the size of their market. The Internet is the right intermediate to reach thin markets, niche markets in which buyers and suppliers are small and geographically isolated, and the products or services that are specialized and unique. Finding new customers also means meeting new competitors, and the organization often does not realize this in their quest for new customers.

Network Repositioning

The Internet can also be used by organizations to strengthen or even change the relationships within their current business network. Organizations can redefine their position in the business net work in many ways. If they are, for instance selling through intermediaries, Web sites can support this by improving services offered to intermediaries, the cooperation among the intermediaries or the service the intermediaries provide to the final customer. Internet can also be used to improve the distribution function. Distributing products over the Internet is often a major step, which often requires a redesign of the order fulfillment.

One form of repositioning is the elimination of traditional intermediaries. That is what Michel Dell did when he started Dell computer Corporation in 1984. Another way that an organization can reposition itself is by forming an alliance with a company that played no role in the industry before, like Ford and Microsoft that recently announced a joint venture that will enable Ford to build cars to meet online orders. As a final point, companies can use the Internet to start alliances with their competitors. As an example of this in February 2000, the three auto manufacturers General Motors, Ford and DaimlerChrysler agreed to form a single online business-to-business procurement network.

Many combinations of the four strategic applications are possible if an organization wishes to expand their businesses by integrating E-business to their strategies, with the ultimate combination being a new business.
2.6 **Determinants for diffusion and assimilation of IT innovations**

The adoption of information technology has been analyzed most often in terms of the diffusion and assimilation of innovation, including studies of the adoption of EDI (Raymond, 2001). The classical diffusion of innovation model has served as a theoretical basis for many studies that needs to be enriched when innovations relate to complex technologies with an inter organizational focus of impact, for which adoption decisions are linked (e.g. when imposed by business partners), and when innovations are adopted by organizations (as opposed to being adopted autonomously by individuals). In the absence of a more general theory of innovation, Raymond (2001) notes that researchers should develop mid- range theories tailored to specific classes of technologies, in this case, E-business technologies, and/or particular adoption contexts. With this in mind, prior empirical work on IT innovations has basically identified four groups of determinants or predictors of diffusion and assimilation (figure 4).

1. characteristics of the environmental context;
2. characteristics of the organization;
3. characteristics of the organization leaders or decision makers; and
4. characteristics of the technological innovation itself

An organization’s propensity to innovate is conditioned by the opportunities provided and the constraints imposed by its environment. Certain sectors such as financial services and tourism are more information- intensive than others and thus tend to lead in adopting IT innovations. According to Raymond (2001) industry factors such as competitive pressure or peer influences (e.g. from competitors), rate of technical change, and market volatility have been found empirically to influence innovation in particular, coercive influences (e.g. from customers) were seen to determine the adoption of EDI in small businesses.

Among the organizational characteristics thought to influence the adoption of information technology, the firm’ strategy plays a primary role (Ibid.)
The adoption of an IT innovation is intertwined with the firm’s business strategy, be it to reduce costs and reengineer business processes, to increase product/service differentiation, to achieve growth by developing new products/services and entering into new markets, or to develop strategic alliances (Ibid.) In the small business context, strategic orientation is embodied in the owner-manager’s desire to improve links with existing business partners, enter into new alliances, and eventually gain a competitive advantage. Many other organizational characteristics have also been found to affect IT adoption. One subgroup includes size and size-related characteristics such as slack resources and specialization. Another subgroup includes other structural attributes such as the firm’s level of centralization, formalization, and the vertical differentiation. The communication environment in the form of information sources and communication channels is also determinant, particularly in the small business context where the firm’s external information network has been found to influence technological scanning and innovation (Ibid.).

Classical diffusion of innovation theory according to Raymond (2001) has identified many characteristics that can determine an individual’s propensity to adopt an innovation and implement it for his or her own purposes. When aggregated at the enterprise-level or associated to leaders or key decision makers (e.g. the owner-manager of a small business), individual attributes would obviously also affect organizational innovation. Hence, empirical studies have found that characteristics such as education level, professionalism, managerial tenure, and receptivity towards change are predictors of innovation diffusion and assimilation (Ibid.).

Most diffusion models have assumed that a key determinant of adoption is how potential adopters perceive an innovation (Ibid.). For enterprise-level innovations such as electronic commerce, it is evidently the perceptions of the leaders and key decision makers that matter. From this perspective, the characteristics of an innovation such as its relative advantage and the attributes of a technology such as its compatibility with the firm’s internal operations and systems, complexity (understandability and usability), observability (of the results) and trialability (ability to experiment on a limited base) are critical determinants of adoption. In particular, empirical studies have found this to be true of EDI implementations (Ibid.).
Figure 5: Determinants of electronic commerce assimilation in travel agencies
Source: Raymond, L., Determinants of web site implementation in small businesses, 2001
2.7 Clicks and mortars

According to Gulati and Garino (2000) the advantages that once distinguished the dot-com from the incumbent is rapidly fading. Companies are recognizing that success in the new economy will go to those who can execute clicks-and-mortar strategies that bridge the physical and the virtual worlds. They discuss and proof different integration and separation types and give recommendations concerning a useful starting point to determine the degree of integration.

There are infinite permutations along the integration spectrum. By thinking carefully about which aspects of a business to integrate and which to keep distinct, companies can tailor their clicks-and-mortar strategies to their own particular market and competitive situation, dramatically increasing the odds of e-business success. The four business dimensions Gulati and Garino (2000) mention are brand, management, operations, and equity (figure 6).

The choice to integrate brands or keep them separate is largely a choice between trust and flexibility. Extending a company’s current brand to the Internet gives instant credibility to a Web site (assuming, of course, that the brand is both recognized and respected). The company’s current Internet savvy customers will provide nearly immediate traffic and revenue, new consumers will know the site is legit, and fewer buyers will fear credit card fraud – a frequent inhibitor of online transactions. Furthermore, as it could be seen in certain examples, brand integration can result in a virtuous circle, sending online customers to the stores and bricks-and-mortar customers online, all the while continuing to build the brand. But in integrating a brand, a company often loses flexibility. An online store may be forced to offer the same products and prices as its physical counterparts – or risk leaving customers confused and distrustful. With a shared brand, it also becomes more difficult to use the Internet to target a different customer segment. A little creativity can pay huge dividends in the Internet space.

Whether a firm should integrate or separate its management teams is a subtler question whose answer hinges both on management attitudes and on the company’s business model. An integrated team can better align strategic objectives, find and exploit synergies, and share knowledge. Separate teams can focus more sharply, innovate more freely, and avoid contaminating one business model with another. Even here, companies do not have to make an all-or-nothing decision – they can integrate certain functions and leave others separate.

Decisions about operations should be based on the strength of a company’s existing distribution and information systems and their transferability to the Internet. Integrating can provide significant cost savings, a more compelling and informative site, and a competitive advantage over pure play competitors. Separations lets a company build state-of-the-art, customized systems without the flaws of older systems and develop sophisticated Internet-specific distribution capabilities that could provide a superior customer experience.

To own or to spin off? Of all integration decisions, that is the one that will get the most attention. Integration allows the parent to capture the entire value of its Internet business. Separation can help attract and retain talented managers and provide access to outside capital. By establishing joint ventures as a separate business, companies could save expense of starting an Internet channel from scratch, and maintained the option of an initial public offering. Separate ownership can also offer greater flexibility in partnering with other companies. Finally, by maintaining an equity stake in a separate Internet company, a bricks-and-mortar company could reap a windfall in the stock market.
Figure 6: Clicks and mortar spectrum  
Source: Gulati, R. and Garino, J., Get the right mix of bricks& clicks, 2000

2.8 Models of adoption

The model of Venkatraman (1994) suggests that there are five distinct levels of business transformation enabled by traditional IT systems (figure 7). The five levels of transformation are each based on an increasing level of integration between information systems, at first purely within the organization (evolutionary levels) and then with systems outside the organization (revolutionary levels). Venkatraman’s thesis is that the benefits that an organization can realize from its IT investments will increase with these increasing levels of integration, but that in order to realize such benefits, correspondingly greater changes within the organization will also be required. Venkatraman states that most strongly the five levels “are not conceptualized as stages of evolution because effective strategies do not follow one prescribed model”. He does, however, view the levels as a hierarchy.
With Venkatraman’s model as a basis, Poon and Swatman (1999) improved this approach and show more detail. In their exploratory study of e-commerce issues in small businesses, Poon and Swatman (1999) propose the model of integration shown in figure 8. They suggest the following hierarchy. At lowest level, firms develop inter-organizational e-commerce or Internet services, such as e-mail communication with customers or suppliers or the development of information-based web site. At the next level firms undertake a limited degree of integration with their existing internal systems, and only at the highest level is full integration with internal systems achieved.

This suggests that the model of Venkatraman (1994) turns “inside-out” when applied to the E-commerce domain. That is, rather than commencing with internal integration, initial E-commerce developments tend to be inter-organizational in nature. Internal linkages are only addressed at higher levels. Poon and Swatman (1999) do not state that the levels in their model are sequential steps through which firms are expected to pass. However, they suggest that firms are likely to pursue further integration when they perceive benefits arising from their extant use e-commerce, implying a staged approach. Achievement of the first stage of a project or development allows the organization to gain experience, which it can then use to its benefit to move on to the next stage of development, at which point it will gain further experience (Ibid.).
2.9 Value Chain

It is essential to have knowledge about what within an organization creates value to the customers. Porter’s value chain is a useful method for locating superior skills and resources within an organization (figure 8). According to Jobber (1998) Porter’s value chain categorizes an organization’s set of activities into primary and secondary activities. Primary activities are such as logistics, warehousing, material handling, and inventory control as in operations, including manufacturing and packaging, marketing and sales and after sales service among other activities. In all of the primary activities, secondary activities are found consisting of the organizations infrastructure, human resource management, technology development, and procurement. A company can look for and discover the skills and resources that may from the platform for low cost or differentiated positions, and thereby creating margin thorough value, by carefully examine each value creating activity. The value chain by Porters main purpose is to provide a framework that helps understanding the nature and location of the skills and resources that creates a foundation for an organizations competitive advantage.

![Diagram of the value chain](image)

**Figure 9: The value chain**  
*Source: Jobber, 1998 and Porter, 2001*

**The impact of E-business on the organization**

According to Desruelle and Burgelman (2001) the adoption of E-business technologies is irreversible; their impact on the value chain is expected to vary widely. E-business is even more differentiating than the usual factors of size and location. They continue by implying that there are three categories of factors that drive organizations to adopt E-business strategies. First there is the external driver, over which organizations have no direct control, since they are a part of the general business environment. Secondly; the organizations motivations that originates from within the company. Finally there are the factors that act as obstacles or incentives to E-business commerce.
1. **External drivers:**
   - Globalization and trade liberalization
   - Competitive pressure
   - Technological inclusion or exclusion
   - Virtual reduction of physical distance
   - Policies, regulations
   - Inherited industrial structure
   - Hype

2. **Organization motivations:**
   - Inclusion/exclusion/dominance
   - Reduce costs
   - Increase speed and internal coordination
   - Increase coordination of the value chain
   - Develop and improve external collaboration
   - Create interdependency
   - Create more added value
   - Customer relationship management
   - Develop competitive advantage
   - Competitive positioning

3. **Obstacles/incentives to implementation**
   - Investment factors
   - Technical factors
   - Organizational factors
   - Networking factors

Most of the drivers mentioned above have a positive impact on the development of E-business; however the magnitude of the expected impacts varies considerably (Desruelle and Burgelman, 2001). For example, globalization is expected to push the travel sector toward increasing adoption of E-business technologies, where as globalization in the automobile sector already plays an important role and is there for not seen as a relevant future driver for E-business adoption. Inclusion is also a very important factor for the travel industry, where essential players such as airlines and travel agencies may use E-business tools to exclude, rather that include, intermediaries from the value chain. The drivers; customer relationship management, value chain coordination, cost reduction and added value, all relating to the use of information to more efficiently conduct business are expected to continue playing an important role for E-business development. Competitive positioning expects to play a significant role in the future. This driver refers to the adoption of E-business by organizations, essentially because main competitors have already adopted it. The driver inherited industrial structure also plays a strong role, with either a positive or negative impact, depending on the market sector. The travel sector this driver is expected to have negative effect and the reason for this is the fragmented structure of the travel sector that causes the take-up of E-business rather slow (Ibid.).

For companies the implementation of E-business will represent the next wave in series of ongoing technology upgrades and business process reviews. However E-business technologies will not limit the innovation to internal processes, but will link the company to the external world as well.
Desruelle and Burgelman (2001) have come to the conclusion that there are two main possible scenarios of value chain evolution in the travel sector. One is the “added value” scenario where a larger number of organizations offer value added services to their customers in order to increase loyalty, constitutes a re-definition of the role of traditional intermediaries. The second scenario is the “electronic platforms”. It is a platform where existing electronic platforms, based, for example, on global flight and hotel reservation systems, increase their essential role, and possibly further integrate in large e-marketplaces (Ibid).

Both these business scenarios indicate that more complete services will be offered to customers. Traditional travel agents extend their range of services and the new services in the second scenario are offered by emerging essential players such as airlines and global reservation systems. There is also a possible third scenario where large travel agencies become essential players and further extending the scope of their services (Desruelle and Burgelman, 2001).

2.10 Travel agent industry and Internet

Over forty years American Airlines developed a computer reservation system to keep track of seat availability on hundreds of flights for thousands of passenger booked all over the world (Smith and Günther, 2001). As travel passengers volumes increased in the early 1970s, the paper-intense processes travel agents used proved too slow. They needed automation to print itineraries, invoices, and tickets, and to handle accounting. Reservation systems, have transformed the travel industry. They have improved product distribution and customer service. These reservation systems have evolved into a global distribution system, which helps individual airlines sell and manage their own seats, and consolidates information from many airlines, allowing travel agents, businesses, and individuals to shop in a single market electronic marketplace. This marketplace has expanded to include hotel, rental car, and destination products and services (Ibid.).

Prior to the Internet, travel agents communicated across private networks. Public networks supporting the Internet significantly reduced the cost and complexity of communications between travel agents and end consumers. Early Internet reservation applications were limited to booking and payment transactions only. At this stage, paper tickets were mailed to the travelers, and the customers had to make purchases a week in advance it they were to receive their tickets in time to travel. Electronic ticketing facilitated the growth of Internet travel sales by eliminating the need for paper tickets, reducing the time and cost associated with online purchases. Smith and Günther (2001) implies that according to Forrester Research, 9 million households booked travel reservations online in 1999. By 2003, this number is expected to rush forward to 26 million, and another 16 million households will research travel online.

Internet ticket sales have grown rapidly because distribution methods are tailored to customer needs and the one model that dominates the Internet distribution channel is online travel agents. The online travel agents allow customers to search for travel itineraries that best suit their personal preferences through price-driven and time driven searches (Ibid.).

According to Vasudavan and Standing (1999) the role of the travel agencies includes three key tasks; first, to perform the function of information broker passing information between buyers and suppliers. Second, to process transactions, including printing tickets and forwarding money to suppliers and third, to advise travelers.
Travel consultants are presumed to have specialized knowledge and a specialized technology infrastructure namely the Computerized Reservation System (CRS). Equipped with these tools, travel agents have in the past been able to justify their position as experts by integrating the needs of travelers with the suppliers of travel (Ibid.). There is a flurry of activities going on worldwide to transform the distribution of travel through new technologies using the Internet, which will profoundly reshape the way the travel products are distributed. New technologies in the marketplace such as the Internet, electronic ticketing and kiosks are having considerable effects on the travel industry (Ibid.).

According to Vasudavan and Standing (1999) these effects include:

The intermediaries such as travel agents, role in the distribution channel is to be altered, enabling the development of cost-competitive and flexible travel products and assisting in transforming tourism and travel into a more flexible, individual-oriented, sustainable and diagonally integrated industry.

Technology, particularly electronic commerce, will impact on the travel agents role as transaction processors (ticketing and settlement) and suppliers of raw unprocessed, product information. They argue that these roles may easily be replaced by technology, as suppliers using this technology can communicate directly with the consumer.

The traditional travel agents’ role in distribution has been closely tied to settlement, new technologies such as electronic ticketing and the Internet will separate settlement from distribution, thereby reducing the importance of the travel agent’s role regarding settlement.

**Rapid emergence of virtual travel agencies**

During the last three years there has been a rapid emergence of virtual travel agencies (VTAs) particularly in the USA (Vasudavan and Standing, 1999) Virtual travel agencies are Internet based and utilize the Computerized Reservation System (CRSs) used by travel consultants. These agencies offer the same flight information, published and promotional airfares, hotel accommodation and car rentals. In addition, they offer a range of information such as weather, currency exchange, city maps which travel consultants do not have the time to research and present to customers. These are available 24 hours a day. Examples of VTAs are Microsoft Expedia Travel, Travelocity and Australia’s Travel.com.au. Critics of VTAs have argued that while there are many “lookers” visiting the VTA websites, there are actual few actual “bookers”. The weekly sales of Expedia Travel have soared to US $16 million from just over a million dollars during 1999. A phenomenal growth in booking via the Internet booking is expected before the end of 2000. Travel auctions are also popularizing the Internet to seek bargains and bid for airfares, cruises and other packages (Ibid.).

Vasudavan and Standing (1999) argue that new technologies, such as electronic commerce, shift the marketing and selling functions to the consumer. They argue that, not only are these functions able to be performed by consumers, but also that this results in significant savings to the suppliers, for example, reduced distribution costs such as commission payments. When commission payments represent the third largest operating expense for the airlines, reducing this expense is very attractive proposition.
2.11 Travel agents as middlemen

Intermediation according to Chircu and Kauffman (2001) describes the entry of a new company into the value chain that connects a buyer and a supplier, either as a provider of new and innovative services, or as a competitor to existing intermediaries. Electronic markets offer numerous opportunities for intermediation.

*Disintermediation* is therefore defined as replacement of traditional trading mechanisms with alternate trading mechanisms that can be managed either by suppliers or by new, IT-enabled intermediaries (Ibid.).

According to Chircu and Kauffman (2001), the term *reintermediation* was first coined to describe a move from new financial services intermediaries (such as brokers) back to traditional intermediaries (such as banks). Reintermediation refers to the process through which a once disintermediated player is able to re-enter the value-added chain that supports buyer-seller transactions. Reintermediation occurs when the traditional player in the marketplace is able to adopt new and innovative ways for conducting transactions, often enhanced by the application of IT, and thus effectively fight back against other competitors that have created the pressures for disintermediation (Ibid.).

Traditionally, disintermediation has been defined as a development that enables households to bypass banks and place their savings directly with other types of financial institutions. In the context of the Web, it has come to signify the disappearance of a wide variety of "middlemen," or intermediaries, and the creation of an enhanced sales network in which customers deal directly with service providers. The result is supposed to be a "frictionless capitalism" that reduces both inefficiencies and costs.

The first studies on E-commerce provided contradictory predictions about the impact it would have on intermediaries. Some suggested that the Internet would kill them off, while others concluded that their role would become more important than ever. Evans and Wurster (1997) pointed to a critical aspect of the E-business revolution: that the possibility of dissociating the physical flow of products and related information offers a wealth of new opportunities for reshuffling and reconfiguring the relationships among all the participants in the value chain suppliers, distributors, retailers, customers. Evans and Wurster (1997) also contend that predictions of the imminent demise of intermediaries are premature, reflecting both a failure to analyze the variety and importance of intermediary functions and, more important, the lack of an overall strategic view assessing the costs of services intermediaries provide in the context of their perceived value to clients and customers.

Understanding the impact of E-commerce on intermediaries requires an analysis of how the tasks and functions of traditional economic actors are being reformulated and rebuilt. Electronic retailing, or E-tailing, has been a frontier for the development of E-commerce. By examining traditional functions provided by intermediaries in sales transactions, Evans and Wurster (1997) intended to demonstrate that current Internet trends go beyond disintermediation. Emerging new Internet players are being joined by entirely new types of intermediaries, leading to the radical restructuring of industrial and commercial networks.
Impact on corporate strategy

New forms of commerce provided by the Internet represented less than one percent of overall retail sales in the United States in 1999. Nevertheless, millions are buying goods and services online from work or home daily, and millions more are communicating by means of these same open universal electronic systems. This rise in electronic connectivity is arguably the most important driver of the Information Revolution (Jallat, F. and Capek, M., 2001). Over the past few years, most companies have focused on adapting their operations in response to the new information technology (IT). But even though such changes have been widespread, corporate managers and not just those in high-tech industries or telecommunication firms must continue to redefine their strategies as the impact of E-commerce widens. For companies in virtually every industry, this means conducting an ongoing reevaluation of their position in the value chain.

The move from traditional intermediaries to the new "cybermediaries" initially requires an approach that breaks down the sales transaction into its constituent elements and functions (table 2). When carried out either directly or via a third-party intermediary, four key functions make exchanges easier, cut the costs of carrying out the sales transaction, and improve responsiveness to customer needs. These four functions are aggregation, trust, facilitation, and matching.

Table 2: Cybermediaries and their related functions.

<table>
<thead>
<tr>
<th>Function</th>
<th>Site characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregation</td>
<td>- Aggregating demand and wholesale price for household</td>
</tr>
<tr>
<td></td>
<td>- Aggregating supply and traditional online suppliers</td>
</tr>
<tr>
<td>Trust</td>
<td>- Institutionally backed brand or guarantee-based confidence</td>
</tr>
<tr>
<td></td>
<td>- e-trust</td>
</tr>
<tr>
<td></td>
<td>- Guaranteeing purchases</td>
</tr>
<tr>
<td>Facilitation</td>
<td>- Easy payment and logistics</td>
</tr>
<tr>
<td></td>
<td>- Clients fix price &quot;levels&quot; and unsold inventories</td>
</tr>
<tr>
<td>Matching</td>
<td>- Web portals and on-site selections</td>
</tr>
<tr>
<td></td>
<td>- Auctions</td>
</tr>
</tbody>
</table>

Source: Jallat, F. and Capek, M., Disintermediation in question, 2001

Emergence of new intermediaries

Intermediaries exist because they provide value-added services. As figure 10 shows, changes and upheavals sparked by the net do not imply that intermediaries will disappear. Their rapidly evolving but still critical roles are evident in the most advanced sector of E-business: E-tailing. The following three examples illustrate a number of trends in the "new" intermediation:

1. reorganizing networks by substitution
2. disintermediation as the vector for creating new types of business
3. replacing the existing supply chain with novel forms of reintermediation
Virtual Intermediaries

Free access to information on the Web could push customers to make their own choices and bypass intermediaries. But such arbitration is not merely price-based. Other factors must also be accounted for and weighted accordingly, such as time required finding the information, comparative shopping, perceived transaction risk, and so on.

As shown in figure 10, each of the four previously identified traditional functions in table 2, can create new intermediation businesses for the materials and logistics of the value chain and, as we have seen, supply more via its virtual and informational facets (Jallat and Capek, 2001). Each time an economic player loses one of these functions to another operator, it runs the danger of seeing its negotiation clout and function in the network wane. By offering most services over the Net, some travel agencies could very well lose a key part of their added value and thus a hefty part of the unique expertise they offer customers (Ibid.).

The generic idea of disintermediation to which E-commerce specialists often refer does not necessarily mean "ending distribution." Rather, it means discovering "new distribution modes." In a fluid or immaterial economy, intermediation has become even more strategic today than in the past, principally because of its virtual and informational aspects.

For new online bookstores to remain viable, entrants may need to be referenced on general public portals that require an entry fee and sales commission. Far from systematically putting distributors aside, electronic configuration often replaces the historical intermediaries (market substitution in the book industry) or even bolsters the number of new players in a specific network (reintermediation in the car market).

A fundamental postulate about the disappearance of intermediaries is based on users being intelligent and expert enough to use and vet the net - and having the time to do so. The distributor's role in terms of advising, warning, or reassuring - of providing aggregation, trust, facilitation, and matching functions - could be replaced by an electronic contact: quick for certain, but relatively impersonal and virtual. This ideal vision of a simple, open, and transparent market, however, often turns out to be questionable when tested in real life.
2.12 Reformulation of research questions

In chapter one the preliminary research questions were formulated as:

1. How can the objectives of the integration of E-business strategies in travel agencies be characterized?
2. How can the introduction and the adoption process of E-business strategies in travel agencies be characterized?
3. What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

After reviewing the theories it became necessary to reformulate the preliminary research questions in chapter one. First of all, as it was not possible for us to find supporting theories to draw a line between the meanings of introduction, integration, and implementation necessary for our study, we then decided to focus on the adoption process of E-business strategies. As the theories give different kinds of suggestions and ideas how to adapt E-business strategies, this study now tries to characterize adoption of E-business strategies in the travel agency market. After looking more in to the adoption process, it feels expected to also look into how the objectives of the adoption of E-business strategies in travel agencies can be characterized. Finally, there is no doubt that new or improved E-business strategies have a certain kind of influence on the business process of every company, keeping this in mind we are especially exploring the perceived advantage and disadvantages of adapted E-business strategies on travel agencies.
The final research questions will therefore be formulated:

1. How can the objectives of the adoption of E-business strategies in travel agencies be characterized?
2. How can the adoption process of E-business strategies in travel agencies be characterized?
3. What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?
3. Frame of references

In order to answer the research questions reformulated in chapter two we have to build a frame of reference. We do this by building a frame of reference based on the literature overview presented in previous chapter. Our frame of reference will constitute a base in collecting and analyzing the data connected to the relevant variable of each research question. Since all the studied theories are important, we have selected all to answer the research questions and the purpose in the most appropriate way.

3.1 Conceptual framework

According to Miles and Huberman (1994), a conceptual framework explains, either graphically or in a narrative form, the main things to be studied. In order to create a conceptual framework Miles and Huberman (1994) state that this process is most easily done after a number of research questions been made. To create this conceptualization the following presentation according to each research question is made. This conceptualization will guide this study’s data collection. We have based our questions in such way that we will capture the three areas of investigation in equal divided sections.

Table 3: Conceptualization of the frame of references

<table>
<thead>
<tr>
<th>Research question</th>
<th>Theory used to answer</th>
<th>Content</th>
</tr>
</thead>
</table>
| How can the objectives of the adoption of E-business strategies in travel agencies be characterized? | All theories from chapter two                                                      | - competitive advantage  
- adding value  
- revenue  
- market share  
- customization  
- accessibility |
| How can the adoption process of E-business strategies in travel agencies be characterized? | Determinants for diffusion and assimilation of IT innovations, Raymond, 2001          | - characteristics of the environmental context  
- characteristics of the organization  
- characteristics of the organization leaders or decision makers  
- characteristics of the technological innovation itself |
|                                                                                 | Three phases of E-business, Hackbarth & Kettinger, 2000                              | - experimentation  
- integration  
- transformation |
|                                                                                 | Models of adoptions, Venkatraman, 1994; Poon and Swatman, 1999                      | - evolutionary level  
- revolutionary level  
- “inside out” |
| What are the perceived advantages and disadvantages of an E-business strategy in travel agencies? | Porter’s five forces, Porter, 2001                                                  | - power of suppliers  
- power of channels  
- power of end users  
- barriers to entry  
- threat of substitute products and services  
- rivalry among existing competitors |
|                                                                                 | Value chain theory, Jobber, 1998                                                    | - firm infrastructure  
- human resource management  
- technology development  
- procurement  
- inbound logistics  
- operations  
- outbound logistics  
- marketing sales & services  
- after-sales service  
- margin through value |
Various factors and reasons made it necessary for the travel agency market to change its strategy to a certain degree. These reasons include the strategic development in general and a fast changing environment. The strategic threat travel agencies have been facing in the recent years could be described according Mintzberg’s (1994) environmental and strategic development theory. Travel agents need to imply a new strategy to stay competitive, but within this implementation process they have to consider all the different sources of incoming strategy influences. Through the recent development in the travel agency industry the actors on the market face a fast changing environment. The change include environmental uncertainty and partners’ influence, an example of this could be that airlines companies nowadays offer travel packages which include flight and accommodation plus rental car etc. on their own website. Before airlines companies just provided customers with the possibility to make reservations and purchase flight tickets. Agencies that specialized on Middle East region faced a strong environmental uncertainty during the Iraq war and they are still suffering based on the outcomes of the war.

These factors and reasons guide us now into our first research question, which will try to answer the why, the how, to gain a deeper understanding of our research problem.

**How can the objectives of the adoption of E-business strategies in travel agencies be characterized?**

After reviewing our literature overview, we have been able to characterize seven specific objectives that are logically linked together as an outcome of expanding business by adopting E-business strategy. This linkage is displayed in figure 12 below.
The starting point of this figure is the accessibility. In terms of travel agencies this could mean offering booking and payment possibilities online increases this accessibility to twenty-four hours, seven days a week. The other six objectives are based on this starting point. The online-offers customizes the usual product and services to customer needs, it provides and obtains more information such as car rental, travel regulations, maps and weather reports, but on the other hand customization and providing and obtaining information will also request an improved accessibility. All these objectives add value to the tangible and intangible product. Through all these objectives the agencies gain a high end competitive advantage which could increase the market share and the revenue.

The next logic step in this sequence is the adoption of the strategies which could possible achieve these objectives. This guides into research question number two.

**How can the adoption process of E-business strategies in travel agencies be characterized?**

After reviewing the literature concerning our topic of study, we came to the conclusion that “the three phase of E-business” theory by Hackbarth and Kettinger (2000) - supported by the models of adoption by Venkatraman (1994) and Poon and Swatman (1999) – will provide a good support for this research question. In the following section we will motivate this decision by adding examples concerning travel agencies and discussing the theory based on the determinants for diffusion and assimilation of IT innovations (Raymond, 2001).

To face these environmental threats and to survive in the highly competitive market travel agencies have to ask themselves how to fight these threats and one possible answer could be the adoption of E-business strategies to a certain degree.
According to Hackbarth and Kettinger (2000) this adoption could pass through three distinct phases: experimentation, integration, and transformation (see table 4).

**Table 4: Three level of E-business**

<table>
<thead>
<tr>
<th>E-Business Strategy</th>
<th>Phase 1 Experimentation</th>
<th>Phase 2 Integration</th>
<th>Phase 3 Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate strategy</td>
<td>No E-business strategy</td>
<td>E-business strategy supports current corporate strategy</td>
<td>E-business strategy is corporate strategy</td>
</tr>
<tr>
<td>Scope</td>
<td>Departmental orientation</td>
<td>Cross-functional participation</td>
<td>Cross enterprise involvement</td>
</tr>
<tr>
<td>Payoffs</td>
<td>Unclear</td>
<td>Cost reduction, business support and enhancement of existing business practices and revenue</td>
<td>New revenue streams, new business lines, drastic improvement in customer service and customer satisfaction</td>
</tr>
<tr>
<td>Levers</td>
<td>Technological infrastructure and software applications</td>
<td>Business processes</td>
<td>People, intellectual capital and relationships, cooperation</td>
</tr>
<tr>
<td>Role of information</td>
<td>Secondary to technology</td>
<td>Supports process efficiency and effectiveness</td>
<td>Information asymmetries used to create business opportunities</td>
</tr>
</tbody>
</table>

Source: Hackbarth, G. and Kettinger, W.J., Building an E-business strategy, 2000

The experimentation phase is based on new technology trends and developments, and also hypes in the business area the company operates. Based on these, the companies face intense investments in time and money to keep its own system up-to-date until the point when it becomes necessary to implement something new. The research and development department becomes essential and the scope is departmental orientation. It’s not possible to see payoffs from this point of the implementation phase, and there is no E-business strategy yet, and the approach itself is focused on technological infrastructure and software applications which fit the company. A practical example in a travel agency would be the informational website, on which the customer could get access to information concerning products, services, and prices as well as booking regulations, but the customer still had to visit the physical store to attempt the final purchase. This first approach to connect the agency with the World Wide Web offers possibilities in different ways. First it guides the customer to the upcoming integration of the new strategy and second it also gives the agency feedback on how the customers accept the new online offers through click counters.

After the experimentation phase has been successful – gained understanding in the new technology and company’s business process, feedback through first payoffs etc. – the agencies will enter the integration phase. In this phase the agencies will try to support its current corporate strategy with the successfully tested new E-business strategy, which will still be just a part of the corporate strategy. The scope in the integration phase will no longer be just on the department, it will now be on cross-functional participation, in the meaning of close cooperation between different departments at different levels. The role the information plays in this phase is supportive; it influences the efficiency and effectiveness of the whole strategy. Finally the approach itself moves its focus away from the technological infrastructure to the whole business process. By adding booking and payment possibilities to the already existing informational website, the agencies support their corporate strategy of finishing travel deals.
To move on from the integration to the *transformation* phase it requires both an understanding of the company’s business processes and also those of customers, suppliers, and competitors. This understanding will be based on knowledge gained through feedback from these four parties. In the transformation phase the agencies expand their E-business strategy to a degree where it becomes the driver for the whole corporate strategy. Their scope will be on cross enterprise involvement and they will try to build strong networks with customers and suppliers. Through this networks they open new revenue streams, introduce new business lines, and their customer service and satisfaction will be improved drastically. An example for the transformation approach is the customization of the agency’s website through login modes. The customer logs in, gets his/her personalized website with the personalized travel offer to destinations which fit previous bookings. Through this the customer feels more delighted than just through an impersonal, general booking page where he/she has to browse through and spend a long time to find other related travel opportunities.

As mentioned in the beginning this “three phases” theory is supported with the determinants of diffusion and assimilation of IT innovations. These determinants include the characteristic of the agencies organization, its leaders or decision makers, and finally the technological innovation itself. It is important for the ongoing study to keep in mind that the three phases of E-business could differ concerning these determinants. Agencies with different organizational structures and leaders coming from a different educational background will adopt E-business strategies in totally different ways. The technology itself also may cause different approaches to adopt it, caused on different educational background of staff and technological resources already offered in an agency.

Now after the adoption of the E-business strategies, the logical result will be perceived advantages and disadvantages of these strategies on the agencies and their industry. This leads to the final research question.

**What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?**

The theoretical framework to this last research question mainly lies in theories from Porter’s five forces and his value chain theory supported by Jobber (1998). We will use these theories as well as the clicks and mortars study by Gulati and Garin (2000) and Networks of exchange relationships by Meyer (2000). The “Strategic internet applications model” by Huizingh (2002) and the study by Chirch and Kauffman (1998) will also provide us with materials to support our research question.

Our literature overview clearly points out that E-business strategies have the potential to radically alter business processes with any industry, in our study the travel industry specifically. E-business applications within the travel agency industry could have a high influence on the five forces of competition. Starting with the intensity of rivalry among existing companies; as a result of internet and E-business strategies the location of the travel agents is no longer an obstacle not to compete. The travel agency market is, on account of Internet, an open system, an electronic marketplace which everybody with knowledge of travel can easily join. It becomes unavoidable for travel agents to offer more value to their current customers in order to maintain market share. In order for the travel agents to stay competitive, they have to maybe position them selves differently, stay effective and offer more to the customers than maybe just a travel. They might need to customize their products offering tailor-maid travel packages to their customers. The Internet is the right intermediate to reach thin markets and niche markets as
well, where buyers and suppliers are small and geographically cut off. However, finding new customers naturally means congregating with new competitors. The barrier to entry the market is reduced by the Internet. With a solid E-business strategy there is no need for travel agencies to actually have a physical store with a sales force working. This means that the need for starting funds is no longer a remarkable barrier to this industry. The bargaining power of the customers strengthens since there now are more actors in the industry and a customer can compare and demand more and always look for alternatives at other travel agents. The bargaining power of the suppliers to the travel agency industry is also strengthened in terms of that they also have more customers to sell their services to. The internet can also be used by the travel agents to strengthen or even change the relationships within their current business network. Another possibility is to form an alliance with their competitors. Travel agents can also make the choice to integrate their online brand with their company name. Integration can lead to synergies as well as sharing knowledge, but brand integration can also result in a virtuous circle, sending online customers to the stores and bricks-and-mortar customers online. Another disadvantage could be that the travel agent loses flexibility in ways of offering the same products and prices as their physical store.

Nonetheless it is crucial for the travel agents to have knowledge about what within the agency that creates value to the customers.

The E-business strategy according to the chosen theories will first be a possible threat for agencies, because bigger travel consultants such airline companies will skip the agencies as middlemen and therefore sell the services and products directly to the customer. This approach is known as the disintermediation of middlemen.

On the other hand the E-business strategies also provide the disintermediated middlemen, here the travel agents, with a possibility to fight back and to find new and innovative ways of maintaining and enlarging their customer base.

3.2 Emerged frame of reference

The conceptualization presented in the beginning of the chapter allows us to provide the study with a framework of theories. This makes a conceptual model evolve of how the different research questions connect to each other and on which background they are based on. Each question relates to a certain area that will work as subject to this study. How these subjects interrelate is illustrated in figure 13. It should also be told that the arrows shown in the figure act as indicators for how the research questions are interrelated. First of all, the research questions are based on the environmental and strategic development, and within this outer circle we will find our specific research questions, which all have an influence on each other. The objectives an organization might have in a specific situation or development that they are currently facing are formulated with regards to the organizations introduction and implementation skills in order to perceive advantages of the E-business strategies, and with advantages comes often disadvantages that must be attended to as well. So as we can see, every stage has an influence on the next. Since each research question use a specific set of theories, they also contribute to a better understanding of the concept of expanding business by integrating E-business strategies.
The theoretical journey starts with key concepts in the beginning of the literature review and ends in this conceptual model describing how the three research questions tie together. Since the aspects of all three research questions blend into each other it also becomes natural that they interrelate and affect each other. Our figure 13 above is trying to explain that phenomena by the use of arrows, pointing at one another of the research areas. Within each of our research areas, we have defined a specific research question that forms the base of the investigation within that specific area. The objectives, the process of adoption and the perceived advantages and disadvantages are all based on a general background including the environmental and strategic development within the travel agent industry. Based on the general objectives of an E-business strategy the integration process will be described as well as a brief presentation of the basic needs for such an approach. To sum up the research question and to build the link back to the objectives, we will try to answer the question about the perceived advantages and disadvantages of such a new strategy.
4. Methodology

A method is a tool that can help solve problems and reach new knowledge (Holme and Solvang, 1997). This chapter will present the procedure of the research. We will describe what methods we have used and why they were selected. In order to do this there are according to Holme and Solvang (1997) a series of steps to be followed and these steps are showed in the following figure. Finally, we discuss the methodology problems and what has been made in order to strengthen validity and reliability of this study.

![Figure 14: Schematic presentation of the methodology]

4.1 Research purpose

Yin (1994) explains that a scientific research has three different purposes: explore, describe, or explain. Eriksson and Wiedersheim-Paul (1997) also divides research into three different categories; exploratory, descriptive and explanatory.

Exploratory research according to Eriksson and Wiedersheim-Paul (1997) is useful when the problem is difficult to limit and when the perception of which model to use is diffuse and it is unclear what characteristics and relations that are important. In an exploratory study it is common to use many different sources to gather as much information about a specific subject as possible. Wallén (1996) states that an exploratory research is a suitable approach when the researcher is uncertain which theories are relevant and when important characteristics and relations are difficult to determine.
Descriptive research is appropriate when a problem is clearly structured and when the intention of the study is not to conduct research about factors related causes and symptoms (Eriksson and Wiedersheim-Paul 1997). The researcher conducting the study knows what he or she wants to investigate but not the answers (Ibid.) According to Wallén (1996) descriptive research is appropriate when the problem is clearly structured, however the intentions are not to establish connections between cause and symptoms. Descriptive research stress that the researcher knows what to look for but does not know the answers (Ibid.)

Explanatory research is, according to Eriksson and Wiedersheim-Paul (1997), helpful when studies involve relations between causes and symptoms. According to Yin (1994) an explanatory research approach could also be helpful when the study aim to explain certain phenomena from different perspectives or situations with given sets of events.

Since expanding businesses by integrating E-business strategies within the travel agent industry is a fairly new area, not many studies have been presented within this area. Theories about E-business strategies do exist, however there are some doubt about what specific theories that are best suited for investigating the travel agency market. An exploratory research will therefore be performed in order to gain an understanding of how the phenomena of the study could be characterized. We also intend to describe the discovered patterns of the exploratory section. This leads to a descriptive research as well. The research purpose of this specific study is both descriptive and exploratory.

4.2 Research approach

There are two main research approaches to choose from when conducting a scientific research: qualitative or quantitative method (Yin 1994). There is one important difference between these two approaches and that is that the quantitative approach, results are based on numbers and statistics and are presented in figures. In a qualitative approach, the focus lies on describing an event with the use of words, the researcher strives to obtain a complete understanding and overview of the problem or situation rather than just focusing on specific variables (Holme and Solvang, 1991). Using this approach the researcher tries to separate the specific or odd and strives to create a complete understanding of the situation (Ibid). Characteristics of qualitative studies are that they are based largely on the researcher's own description, emotions and reactions (Yin, 1994).

The quantitative approach uses generalizations based on the processed results of the investigation. For the qualitative approach the research problem is described out of the situation as a whole, without basing it on generalizations. The approach best suited depends on the specific study’s research problem and accompanying research questions. (Yin, 1994)

The purpose of our research is to examine the characteristics of a phenomenon by gathering, analyzing, interpreting and identifying data. As we mentioned in an earlier section, our purpose of this study is exploratory, and an exploratory research is not possible to quantify. We also aim to gain a better understanding of the phenomenon being studied as a whole, and therefore a qualitative study comes as a natural selection. This study does not intend to draw any generalizations. By studying a relative small number of cases, it makes it possible to explore more deeply the area of research and better understand the intention of this study.
4.3 Research strategy

Each alternative way of collecting and analyzing empirical data follows its own logic and each strategy has its own advantages and disadvantages. In the process of collecting data there are a number of alternatives to choose when selecting the appropriate research strategy. According to Yin (1994) there are five different strategies to use when collecting and analyzing empirical evidence. Each strategy is depending on the characteristics of the stated research questions. The researcher can select among the following alternatives: an experiment, a survey, history, an analysis of archival records and a case study (Ibid.).

**Table 4: Relevant situations for different research strategies**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioral events?</th>
<th>Focuses on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin, 1994

When investigating the table above for different research strategies, using our formulated research questions, we came to the conclusion that the form of our questions asks “how” and we also have no control over behavioral events in our study, however we do focus on contemporary events. This leads us to assume that a case study will be most suitable to the general plan of how we will go about answering our research questions. A case study is appropriate for our particular research questions and objectives. Case studies have a distinct advantage when a “how” or “why” question is being asked about a current set of events over which the investigator has little or no control (Yin, 1994). A case study also helps to explain and describe the casual links in real-life interventions (Ibid). By conducting a case study we will, gain a rich understanding of the context of the research. We do not intend to claim that our results, conclusions or theory can be generalized to all populations. The characteristics of our research questions will provide us with relatively many variables, which is a further reason for selecting the case study.

If conducting a case study research in an organization, then the purpose of the research can not be to produce a theory which is generalizable to all populations. The task will simply be to try to explain what is going on in the particular research setting. (Saunders, 2000) However, case studies are generalizable to theoretical propositions and not to all populations or universes (Yin, 1994).

According to Yin (1994), a case study can involve a single or a multiple case study. A single case study makes an in depth investigation regarding only one organization or decision.
When two or more organizations are investigated, it is called a multiple case study, which gives the opportunity to compare studies in a cross-case analysis, so that a higher level of understanding can be reached (Ibid.) According to Eriksson and Wiedersheim-Paul (1997) the risk when conducting a multiple case study is that each case might be less in depth investigated. Yin (1994) further states that evidence from a multiple case study is often considered as more compelling than evidence from a single case study, and therefore the multiple case study is looked upon as more robust.

Miles and Huberman (1994) explain how a multiple case study can make it possible to specify how, where, and sometimes also why a certain phenomena has a specific behavior. A multiple case study adds to validity, precision and the stability of the findings (Ibid.).

We will conduct a multiple case study with three travel agencies being investigated. This enables us to compare the results from each case in a cross-case analysis.

### 4.4 Sample selection

McDaniel and Gates (1999), states that the basic issue when defining the population of interest is to specify the characteristics of those individuals from whom information is needed. In order for the investigator to find out if the individual is suited for the specific wanted population, he/she can ask questions at the beginning of the interviews. The selection of sampling method will depend on the objectives of the study, the financial recourses available, time limitations as well as the nature of the problem under investigation (Ibid.).

There are two sampling methods that can be used; probability sampling methods and non-probability sampling methods. Any sample that does not meet the requirements of a probability sample is according to McDaniel and Gates (1999), a non-probability sample. Since probability samples must be selected in such ways that every element of the population has a known nonzero probability of selection and that every member of the population has an equal probability of being selected, we will use the non-probability method for our study. According to McDaniel and Gates (1999) non-probability samples include the selection of specific elements from the population in a non-random manner.

We will non-randomly select our elements of the population based on how easy the organization would be to reach and their cooperativeness. The characteristics of a non-probability sample selection have a considerable appeal when accuracy is not of crucial importance (McDaniel and Gates 1999). The non-probability sample selection supports our study since our study is exploratory and we have no intention of project our results to the total population.

After coming to the conclusion that our study intend to exercise the non-probability sample selection there are a numerous of methods that can be used: convenience, judgment, quota and snowball samples (Ibid.)

Convenience samples are used mainly for reasons of convenience; judgment samples are based on personal judgment that the element is representative of the population under study. The quota sample is established for subgroups and snowball samples are samples which selection of additional respondents is based on referrals from the initial respondents (Ibid.).
Based on these criteria for different methods, and since the choice of our respondents will be based on our personal judgment the most suited method of sample selection is judgment sample selection.

Selecting the respondents with the right knowledge about the research area is crucial for qualitative research (Holme and Solvang 1991). In all our cases, except from one case, we will follow identical procedures in choosing the respondents. We intend to go into their physical travel agent store and introduce ourselves, also explaining our purpose of the visit and then we ask if the person, who we initiated the contact with, could advise us to the person in the office with most knowledge of the subject in question. For one of the cases, we send an E-mail where we explained our purpose and asked them to find the person within the organization that would be most suited to help us.

The travel agents that will cooperate with us, are: KILROY Travels AB, TravelNet and Ticket Resebyrå AB.

Miles & Huberman (1994) states that regarding how many cases a multiple case study should consist of, it all depends on how rich and complex the within-case sampling is. In order for us to focus successfully and to realize the exploratory and descriptive purpose of our research, we decided to include three travel agents in our sample. These three travel agencies are good examples for different thoughts, ideas and backgrounds on the new Internet market for the travel agent industry. The main differences between these travel agencies are in terms of target group, usage of Internet, expectations towards the Internet usage and educational background within the management. These facts give us the possibility to explore the new development of integrating E-business strategies concerning different motivations and positions on the market.

4.5 Data collection method

According to Yin (1994) there are six available forms for collecting qualitative empirical data. An overview of these six sources of evidence is provided in table 5, together with their strengths and weaknesses. A major strength of case study data collection is the opportunity to use several different sources of evidence (Ibid.).
Table 5: Six sources of evidence: strengths and weaknesses

<table>
<thead>
<tr>
<th>Sources of evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>- stable – can be reviewed repeatedly</td>
<td>- retrievability – can be low</td>
</tr>
<tr>
<td></td>
<td>- unobtrusive – not created as a result of the case study</td>
<td>- blazed selectivity, if collection is incomplete</td>
</tr>
<tr>
<td></td>
<td>- exact – contains exact names, references and details of an event</td>
<td>- reporting bias – reflects (unknown) bias of the author</td>
</tr>
<tr>
<td></td>
<td>- broad coverage – long span of time, many events, and many settings</td>
<td>- access – may be deliberately blocked</td>
</tr>
<tr>
<td>Archival records</td>
<td>(same as above for documentation)</td>
<td>(same as above for documentation)</td>
</tr>
<tr>
<td></td>
<td>- precise and quantitative</td>
<td>accessibility due to privacy reasons</td>
</tr>
<tr>
<td>Interviews</td>
<td>- targeted – focuses directly on case study topic</td>
<td>bias due to poorly constructed questions</td>
</tr>
<tr>
<td></td>
<td>- insightful – provides perceived causal inferences</td>
<td>response bias</td>
</tr>
<tr>
<td></td>
<td></td>
<td>inaccuracies due to poor recall</td>
</tr>
<tr>
<td></td>
<td></td>
<td>reflexivity – interviewee gives what interviewer wants to hear</td>
</tr>
<tr>
<td>Direct observations</td>
<td>- reality – covers events in real time</td>
<td>time consuming</td>
</tr>
<tr>
<td></td>
<td>- contextual – covers context of events</td>
<td>selectivity – unless broad coverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>reflexivity – event may proceed differently because it is being observed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>cost – hours needed by human observers</td>
</tr>
<tr>
<td>Participant observation</td>
<td>(same as above for direct observation)</td>
<td>(same as above for direct observation)</td>
</tr>
<tr>
<td></td>
<td>- insightful into interpersonal behavior and motives</td>
<td>bias due to investigator’s manipulation of events</td>
</tr>
<tr>
<td>Physical artifacts</td>
<td>- insightful into cultural features</td>
<td>selectivity</td>
</tr>
<tr>
<td></td>
<td>- insightful into technical operations</td>
<td>availability</td>
</tr>
</tbody>
</table>

Source: Yin, 1994

The most significant source for obtaining case study information is interviews. (Yin, 1994) Interviews allow interactions between the respondent and the interviewer. According to Holme and Solvang (1991) interviews are ideal when in-depth information is preferred and that it allows flexibility and closeness to the respondents, which is important when conducting qualitative studies. An interview is a two-way conversation which gives the interviewer the possibility to actively participate in the interview (Yin, 1994). Based on what was mentioned in the section above, the interviews are considered to be the most suited as a primary source of evidence in this study.
There are, according to Eriksson and Wiedersheim-Paul (1997), two different types of interviews: personal interviews and telephone interviews. The advantages with personal interviews over telephone interviews are that the personal interviews give the interviewer the confidence of face-to-face interactions (Ibid.)

Since one of the three respondents is not located in Luleå, we will carry out a telephone interview with the respondent in Stockholm. The other two agencies we will visit in person to conduct the interviews.

Interviews can be based on three different strategies: open-ended interviews, focused interview, and a structured interview following the line of a formal study (Eriksson and Wiedersheim-Paul 1997). In the open-ended interview, the interviewer does not follow any structured questions. This allows the respondent to provide both facts and personal opinions regarding a certain matter. In a focused interview, the respondent is interviewed in a short period of time.

The focused interview can remain open-ended; however, the respondent is more likely to follow a certain set of questions derived form the case study protocol. The third strategy is more structured, along the lines of a formal study.

Since we want an answer to a certain set of questions in order to obtain data related to our research, the focused interview becomes our choice. The interview also will be open-ended to some extent since our research is exploratory and because we want to preserve the flexibility of the interview. The interviews end by making sure of that no questions are left out and if any additional question should arise, the respondents will be contacted again so that the purpose of the study could be fully answered.

We constructed an interview guide that can be reviewed in APPENDIX A. In accordance to Holme and Solvang (1991) the interview guide was constructed in order to obtain answers on our set of questions. The same interview guide was used during all the three interviews.

Before conducting the interviews, we first contacted the company to see who had most knowledge of our topic, after finding the right person we contacted them and made an appointment for an interview. We sent them a mail with a summary of our emerged frame of reference, so that the respondent would have time to prepare himself/herself. The interview guide functioned as a support tool during our interview and we let the respondent talk freely with the interview guide as a base. The interviews were scheduled for approximately one hour and that was the correct estimation. We were conducting a total of three interviews.

4.6 Data analysis

Data analysis involves examining, categorizing, tabulating or otherwise recombining the collected data. Every investigation should have a general analytical strategy in order to determine what to analyze and why. Two general strategies are suggested. The researcher can either follow the theoretical propositions that led to the case study or develop a descriptive framework to organize the case study (Yin, 1994). When analyzing the data collected from the interviews, the intentions were to find answers connecting to the earlier stated research questions. This research presents a multiple case study, and therefore, the comparisons will be conducted within the different cases as well as between the cases, in a cross-case analysis.
According to Miles and Huberman (1994), a qualitative data analysis focuses on data in the form of words. The data analysis is believed to consist of “three concurrent flows of activity”:

- **Data reduction**: The process of selecting, focusing, simplifying, abstracting, and transforming the data. The purpose is to organize the data so that final conclusions can be drawn and verified.

- **Data display**: Taking the reduced data and displaying it in an organized, compressed way so that conclusions can be more easily drawn.

- **Conclusion drawing/verification**: Deciding what things mean – noting regularities, patterns, explanations, possible configurations, causal flows, and propositions.

When we analyze the research data, we use the points lifted out by Miles and Huberman (1994). For each research question, we will make a data comparison through a within-case analysis, which makes it possible to reduce the amount of data.

To do our systematic analysis we will turn to Holme and Solvang (1991) and their recommendation on how to do it. Beginning with the within-case analysis and followed by the cross-case analysis.

The within-case analysis will be conducted by comparing our empirical findings with theories used in our frame of reference. Thereafter we intend to display the reduced data in a cross-case analysis, also according to each research question. What the cross-case does is that it allows data to be compared within the selection of the chosen companies. Organized and compressed ways of comparing our samples motivate the way discussions evolved regarding the existing differences and similarities. When we finally complete the within-case and cross-case analysis, our findings and conclusions of the research will be drawn. To do this each research question will be re-stated and answered based on the findings of our study.

As we now have described how the data will be analyzed, the following section will present how we will handle the reliability and validity issues in this thesis.

### 4.7 Validity and Reliability

To establish what sort of reliance and quality the research study is entitled to, Yin (1994) propose four commonly used testing methods. These testing methods could be described as construct validity, internal validity, external validity and reliability (Ibid.).

- **Internal validity** - establishes a causal relationship in which certain conditions are shown to lead to other conditions, as distinguished from fake relationships

- **External validity** - establishes the domain to which a study’s findings can be generalized.

- **Construct validity** - establishes a correct operational measure for the concepts being studied.

- **Reliability** - demonstrating that the procedures of a study such as the data collection can be repeated by others with the same results.
Since our study is exploratory and descriptive we will not be reviewing all four testing methods as the internal validity only applies for explanatory or causal studies, and not for descriptive or exploratory studies.

4.7.1 Validity

Validity is the most important requirement on a measurement instrument (Eriksson and Wiederheim-Paul 1997). Three sorts of validity need to be considered (Yin, 1994). We have to decide if our method of collecting data gives us the information that we are looking for. In this case we consider the construct validity through asking an outsider well known with the complex of problems about his/her opinions. Together we will discuss the research area and how we tend to collect data.

Eriksson and Wiederheim-Paul (1997) mention that with the help of external validity, dealing with the establishment of the domain on to which a study’s findings can be generalized. Yin (1994) proposes ways to increase the external validity, which emphasizes the importance of using replication logic in multiple-case studies. Theories must be tested through replication of the findings in similar surroundings meaning that a specified theory has to come up with the same result (Ibid.). Once a replication is made, it provides the findings to be generalized to a greater number of surroundings (Ibid.). To reach our findings we will test the relevant theories in three different cases. Construct validity means that we have to see if our related idea corresponds with our measurements. However, it is hard to get construct validity because our research is a qualitative one. Construct validity includes the establishment of correct operational measures for the concepts being studied. Yin (1994) writes that there are three tactics available in order to increase construct validity.

- Use multiple sources (when collecting evidence during data collection)
- Establish a chain of evidence (during data collection)
- Construct a case study report (to be reviewed by the key-informants)

The choices of using interviews and documentation were made to increase the validity in this thesis. In relation to the construct validity of this study, we used “triangulation”, which according to Yin (1994) justifies the use of multiple sources. We used both documentation techniques and interviews. The documentation techniques were used to conduct further research on the respondents’ websites to gather additional information to their statements. To strengthen the validity even more we will talk over the phone making sure that the respondents for the interviews were targeted right. This will make clear what this study is all about, and minimize misunderstandings. The validity will be also increased due to that we make contact with people that were involved in the adoption process the E-business strategy in a managerial position. What further affects our validity is the respondents’ degree of openness and participation during the interviews and their willingness to share their knowledge.

The same interview guide will be used in all our interviews. Furthermore, the collected data will be organized into separate sections where each of the agencies will be presented. We try to put the structure of the thesis in an easy way for other researchers or other readers can retrieve any desired material.
It should also be mentioned that all our interviews will be conducted in English. This automatically excludes the risk of making translation errors. Therefore it is the most natural way of conducting our interviews. As Yin (1994) brings up it is always risk that personal biases might interfere the interviews however cautious one tries to be. We must therefore bear in mind that the influence of the respondents as well as our own attitudes and values can always be questioned.

4.7.2 Reliability

A measure is considered reliable if a person's score on the same test given twice is similar (Holme and Solvang, 1997). It is important to remember that reliability is not measured it is estimated (Yin, 1994). There are two ways that reliability is usually estimated, test/retest and internal consistency. Test/retest is the more conservative method to estimate reliability. Simply put, the idea behind test/retest is that you should get the same result on test one as you do on test two. The three main components to this method are as follows (Ibid.):

- Implement your measurement instrument at two separate times for each subject
- Compute the correlation between the two separate measurements
- Assume there is no change in the underlying condition or trait you are trying to measure between test 1 and test 2

Internal consistency estimates reliability by grouping questions in a questionnaire that measure the same concept. For example, you could write two sets of three questions that measure the same concept and after collecting the responses, run a correlation between those two groups of three questions to determine if your instrument is reliably measuring that concept. The primary difference between test/retest and internal consistency estimates of reliability is that test/retest involves two administrations of the measurement instrument, whereas the internal consistency method involves only one administration of that instrument. (Yin, 1994)

Regarding the test/re-test issue, we measure our responding agencies with the use of interviews, which we intend to seek out patterns of correlation. Yet only one interview per company will be made. To improve our reliability, we conduct the interviews with persons with similar knowledge in our research area in all three cases. This way the reliability in testing against each other hoped to increase.

To increase the reliability in our study, we plan to take notes during the interviews. These notes are going to be both answers and reflections that came from the respondents. To increase the reliability even more, we will use a tape recorder and record the interviews. By taking these measurements, we want to try to minimize the probability of misunderstanding and the risk of letting out something vital. Another thing that will be done to increase the reliability is to avoid asking leading questions or commenting the answers from the participants. One thing that cannot be avoided and could affect the reliability was personal chemistry and personal interaction.
5. Data presentation

In this chapter, we will present the empirical data collected from the three companies involved in this study. Each agency will be presented one by one. The presentation is divided into sections, where we begin each one with an introduction to the agency. We move on by presenting the collected data. This will be done in the same order as our reformulated research questions are posed.

5.1 KILROY travel

KILROY travels was founded 1946 by different student organizations from the Nordic European countries. First it was known as SSTS (Scandinavian Student Travel Service), which was owned by the student organization at Helsinki University. In 1991 SSTS was renamed in KILROY travels to get a more consistent and stronger profile. Today, KILROY travels employs 550 people and the staff’s average age is still university level, 23, 2 years. KILROY operates in 33 shops in 6 different countries as well as on one basic web site. Its focus is obvious; KILROY travels deals with students and therefore is its basic business process focused on leisure and cheap travels. The total turnover of KILROY travels in 2002 was 340 Million SEK and 10 percent of this is originated from online businesses. It is important to keep in mind that KILROY travel focuses mainly on young people and students between 16 and 26 years old, which are interested in weekend trips within Europe, student exchanges in Australia and round the world trips.

We made a 60 minute telephone interview with Anna Barkewall, the marketing manager of KILROY travel. She could provide us with profound knowledge concerning E-business strategies and recent developments concerning the Internet.

5.1.1 How can the objectives of the adoption of E-business strategies in travel agencies be characterized?

In terms of accessibility the respondent mentioned that the website is the first point of entry for the customer. Before the launch of the website, the customer had to contact KILROY via phone or visit the physical store; therefore the accessibility and information sources were limited geographically and to certain office hours. Especially for KILROY travel, which focuses on the youth and student travellers market, it is essential to be accessible twenty-four hours a day, seven days a week all over the world. The customer could gather all information needed on the website except the experience of the physical purchase itself, and also the enthusiasm and the inspirational behaviour of the sales personnel.

Connected to the accessibility is the customization, which will be a goal for KILROY to achieve and improve over the time and through the website. The respondent pointed out that the personalization is the major objective for KILROY to reach with its website, but they did not reach this yet.

The site basically provides the customer with information and booking facilities that requires no personalized log in. There the willing traveller purchases as an anonymous person. The first step towards a more sophisticated, personalized website so far taken by KILROY is the newsletter feature, where customers have to sign up for a subscription to get upcoming special offers.
When it comes to provide and obtain information, KILROY travel’s online store is linked to the Lonely Planet tourist guide, which contains a large amount of information, texts, and event calendars for specific countries. According to the respondent, the traveler could get as much information online as he/she desires. In KILROY’s physical stores, the service that the salesperson gives the customer is more about information concerning different connection and routings possible with your ticket. Through the time limitation of queues and limited office hours, the physical sales person could not provide all the in depth information which the website provides. The backside of this easy access to a lot of information is that it could be too much information to the customer, so that he/she misses out important information such as the automatically send confirmation mail of a booking. KILROY travel does not offer a virtual community for travelers so far. This would be a place for customer to give their opinion about recent travels, airline companies, and destinations. It could be an interactional database for KILROY travellers to search for travel partners and more detailed, customer specific information, but this will be a future goal for KILROY according to the respondent. The only feedback possibility so far is the usual way of e-mailing complaints or thoughts to the agency.

The respondent implies that the main actions that KILROY takes to add more value to the products and services is first of all the online news letter, where the customer gets information immediately about campaigns, special offers and competitions that are not displayed in the physical store. Moreover, the booking fee online is only a third of the fee when purchase in the physical shop. The action taken offline such as packaging lists, visa advice, vaccinations and hotels are supporting the offered help online. KILROY’s final goal, according to the respondent, is to make the trip as comfortable and cheap for the customer as possible.

The most refined tool to stay competitive online is the booking engine in case of the online student travel market and on the other side KILROY has additional possibilities to book other airline ticket both online and offline, whereas the specific airline company websites have only online bookable tickets. KILROYtravel.com has an immediate price search with updated information. Another advantage of the Internet KILROY is the possibility to link the customer to a personalized site, where the customer’s travel arrangements such as schedules and time tables for flights and destinations are constantly updated.

The respondent said that the market has changed a lot the last three years through September 11th, low economy, the Bali incident, and SARS. But overall KILROY gained market share compared to its closest competitors. This environmental dependence and the fast moving market forced KILROY to introduce and develop a distinct E-business strategy, whose adoption process will be described in the following paragraph.

5.1.2 How can the adoption process of E-business strategies in travel agencies be characterized?

According to our respondent the work force is experienced in sales and has in depth knowledge in the travel business. KILROY also invests in its staff by providing them with internal education possibilities to keep them up-to-date. In terms of the innovative background the respondent just mentioned that KILROY now has its own booking engine after two of the most common engines failed previously.

The main developments in the travel agency market in the last few years were according to the respondent that the local carriers (traditional airlines such as SAS and Lufthansa) took over the European traffic and through this KILROY get more competitors.
In addition to a tighter market the ticket prices decreased in the last two years with about 30% and makes it harder for KILROY to gain the same profit with the same amount of customers. As the airlines cut the commissions for flight tickets it became nearly impossible for travel agents to earn any money by just selling tickets. They are forced to sell more customized packages. Instead of this commission the airlines offer only a so called net price for the tickets and then it is up to the agencies to gain a profit out of that.

Concerning these threats KILROY launched its website, first as a direct connection for their customers to their booking engine. Over the years it developed to a high standard booking and information database. Today the respondent sees KILROY in between the integration and transformation phase. However KILROY will move up to the transformation phase as fast as the technology allows them to, but the actual plans are to reach this stage within a year. Offline customers are holding back the online development as they are still not fully aware and used to it. To reach the transformation phase KILROY wants to improve their website with personal log in and personal offers concerning previous purchases. On the other hand KILROY still wants to focus just on the youth and student market, because they are adopting the online facilities faster and easier than the average person.

The respondent says that KILROY is forcing their customers to book online in order to save money. KILROY even has PCs in their physical store for the customer to use.

There is no main difference between the online and the offline strategy except that booking is preferred to be online. KILROY tries to provide the customers with a sophisticated atmosphere in both the online and offline store.

On fast moving markets, like the one travel agencies compete on it is always hard to distinguish advantages from opportunities and disadvantages from challenges, but the following paragraph will try to point out the main advantages and disadvantages KILROY travel gained and received through its E-business strategy.

5.1.3 What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

The respondent describes KILROY’s decision and reason for the introduction of an Internet shop as essential and necessary as their potential customers were already there, so otherwise KILROY would lose the competition. The agency finds itself in a reintermediation phase, in which it tries to settle itself in the market again.

The respondent implies that the one advantage of this technological development is the pricing structure coming along with online bookings. KILROY is now able to provide their target group with more reasonable price as they lower the service fees online compared to offline. These lower fees in connecting to an increased accessibility and a higher degree of convenience also affected KILROY’s relationship management. The respondent states that KILROY travel has more visitors than before the launch of the website, but this does not necessarily mean that they have purchasing customer, because the site offers also possibility to browse through given information. The brand awareness increased due to the online stores, but the customers are not as loyal online as offline and the respondent based this on the more anonymous purchases.
To formulated a cooperate strategy, which connects online with offline businesses, is the main challenge that they face today.

KILROY is facing this general disadvantage of just being one click away from other competitors too, as students compare the prices on similar agency or airline web site and they would not come back if the prices are lower or the same. Offline the customer returns to the store because of its personalized service and probably the sales persons which are similar to the young customer. Another disadvantage KILROY has to deal with now is that its competition has changed through the technological development of Internet and online booking. Today, the most important competitors are, according to the respondent, superior airlines such as SAS and KLM, which have increased marketing activities towards students in the recent time. Small independent travel agencies are not competitors in the same way, the respondent continues, since smaller agencies tend to focus more on business travelers and not students. In addition to that, there are more disadvantages coming along with this new technology. Today KILROY has to cope with decreasing trust and the lack of knowledge about online booking.

Furthermore the rivalry for KILROY travel increases as entry barriers to the market are very low or are almost gone according to the respondent. The respondent sees an easy possibility for everybody with some knowledge in the travel business to enter the market. The Internet also makes it easy and affordable to start new businesses. To fight this development, the respondent states, that in order to attract new customers, KILROY’s offline advertisement always has to include the KILROY online facilities address, to create more awareness about their homepage. KILROY has to connect its offline with its online marketing activities, because otherwise two independent strategies could distract the customer.

Moreover KILROY is now facing an increased customer power today as he/she has the possibility to get an overview of different offers and to compare the price buy just clicking on them. This price comparing behaviour of the online booker threatens KILROY to accept the price competition with increased marketing activities. On the other the side suppliers bargaining power enlarged also during the recent development on the market. Corporation of airlines threaten the travel agency market through their higher price power, for example SAS and Lufthansa skip the commission for flight tickets. Since the Internet offers unlimited accessibility and unlimited information the suppliers can now provide this information to everyone everywhere without using middlemen.

To meet these threats KILROY changed its marketing mix and media plan to a certain degree. In particular that means that KILROY puts more effort into forcing customer to go online. Approaches for that are, according to the respondent, the online pricing strategy, online marketing in general, promotion of webpage through search engine optimization and offline activities, banner campaigns on partner sites, e-spotting (sponsored search words), and the newsletter.
5.2 Ticket

Ticket was founded in 1989 through the fusion of Nyman & Schultz and SJ Resebyrå. Over the last eight years Ticket faced some organizational and financial changes, for example the foundation of Ticket Travel Group AB as a stock corporation 1995 and the entering of the Swedish stock market 1997. The major development in the recent years which is especially interesting for this study was the opening of the first Ticket Internet travel agency in 1998. Today; Ticket has 64 agencies in Sweden and 33 in Norway. Both the Swedish and Norwegian section has its own, independently working Internet travel agency. In the 97 physical store work about 400 employees and three of them work in the Luleå agency.

The net sales of Ticket’s Internet shop increased to 3 billion SEK in 2002. They are operating mainly as in the leisure and business travel bracket which includes everything from flight ticket to car rentals. Our respondent for the 60 minute interview at Ticket was Brita Joderus. She is the office manager responsible of the agency in Luleå. Since she is considered the most experienced individual to deal with issues regarding E-business strategies, we undertook the personal interview only with her.

5.2.1 How can the objectives of the adoption of E-business strategies in travel agencies be characterized?

According to the respondent the virtual store offers just another possibility to purchase the exact same services as in a physical store. The difference is only that the online store is open all the time everywhere around the world. Therefore it increases the accessibility of the services to an unlimited extent.

Concerning customization the respondent mentions that the website has a log in for frequent visitors where they get their own personalized page (“Min sida”) with all the private data connected to themselves and to their recent bookings. Sometimes customers come to the physical outlet to ask questions or complain about the online booking, even though Ticket.se offers a help center.

The respondent sees the website as an online catalogue, which provides the customer only with basic information about flights, destinations and weather in specific places. She also says that the average customer goes to the website first to seek for good deals and information, and then he/she will return to the physical store for the final purchase. The respondent based this statement on the need of personal interaction between customer and travel agent, for example in getting a booking confirmation at place. The limitation of providing information offline for her was that the travel agents operate just in a certain time frame. The online limitation would be the total amount of information, which means to the respondent that too much information could be distractive for the customer. Ticket.se has no interactional section for the customer to customer information exchange, however the respondent points out that an unsatisfied customer comes back to the real store to complain. That is the only feedback the travel agents receive.

To add value to the services Ticket carries out certain campaigns during different seasons. During these all agencies – even online – offer the same special deals of packaging tours or cheap flights. The respondent also said that Ticket.se does not propose any discounts when purchasing online. The marketing effort Ticket undertakes to penetrate the market or stay competitive is also connected to these seasonal offers. Ticket just displays these offers either in the windows of their physical stores or on banners on their own website.
The lasting competitive advantage Ticket can rely on, according to the respondent is their reputation. This reputation is approved through quality of services and high level of support for the customer. The website is supposed to continue and enforce this approach.

5.2.2 How can the adoption process of E-business strategies in travel agencies be characterized?

According to respondent the organizational structure of Ticket is flat and run by a general management team. All the agencies are on the same level and even the online agency is only an additional store there. The shops are closely interacting with each other. The educational background of the staff in the Luleå agency is the general sales and travel agent experience.

The respondent points out again that the agents are not advising the customer to go online and seek for information there, they want to keep the business in the shops, even though all physical outlets have the technological resources to show the customer more detailed information about the bookings online.

The respondent points out that more and more customer are looking on website for different options, but this is only additional segment for her. She also states that the airlines cut the commission for flight tickets and therefore make it hard for travel agencies to survive. On the other hand the respondent also assumed that the airlines or bigger travel agencies still cooperate with smaller ones instead of skipping them totally. According to the respondent the main offline competitors for Ticket in Luleå are the local travel agencies like NEX resebyrå, Ving, and TravelNet. For the virtual market she implies that their competition comes from airlines and larger agencies like Fritidsresor. To fight this online competition the respondent assumed that Ticket’s E-business strategy does not distinguish itself from the corporate strategy. Ticket only uses seasonal campaigns to penetrate the market as mentioned before.

Concerning the respondent Ticket find itself in the integration phase, because they offer some information about the trips, as well as the booking facility, and all the agencies are connected through the website. To step up to the transformation phase does not lay in the near future for the respondent as the booking facility concerning charter flights is too complicated, and information is too weak compared to competitive website. For future plans the respondent mentioned that Ticket has no intention to integrate online and offline business more than they are right now. The only future ideas she could tell us were improved back up plans for other environmental disasters like this year (Iraq war, SARS).

5.2.3 What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

The intensity of rivalry among travel agencies increased due to Internet. Travel agents are facing a harder competition on the market, which enhanced its size by adding new segments like young people and Internet aware travellers. To attract more customers Ticket is starting to create a database with travel dates and personal information, such as birthdates and addresses etc. This database will first start offline to address the average customer with direct mail advertising concerning previous bookings. The advantage that this database offers Ticket is the ability to track person’s travel habits in order to customize the services in the future.

The respondent does not believe that the barriers to enter the market have lowered; on the contrary she thinks it is harder to enter the market nowadays, because of the Internet.
The customer got more power on the market through the introduction of web based booking facilities, where the competitions and the cheaper prices are just one click away. This power is also dependent on the personality of the customer, for example in terms of brand loyalty. According to the respondent, the suppliers are becoming a bit more powerful, as they now have the possibilities to address their offers directly to the customer. The main target group of Ticket is the families going on vacation during summer- or wintertime. This group books either direct flights or charter flights to popular European tourist destination. The other small group Ticket is targeting on, according to the respondent, is students, which book long distance trip to exotic destinations.

The respondent continues by mentioning that, the business travel bracket is of no concern for Ticket. This target group’s wish to get the whole travelling package booked at one place weakens the suppliers bargaining power. They do not want to go first on the airline website to book the flight tickets and then on another website to make the hotel reservations.

The respondent continues by saying that the position in the charter flight market has improved through the introduction of the Internet, but on the other hand Ticket’s position on the domestic flight market has worsened through the price penetration strategy of the local carriers, such as SAS and Nordic Airlink. This also implies that Ticket find itself as the previous intermediary on the charter travel market, but there are getting disintermediated from the domestic flight market.

5.3 TravelNet

The TravelNet Group was formed 1995 with the merger of 8 independent travel agencies. The chain consists of independent agencies which just cooperate under the name TravelNet Group and get its support. Today the TravelNet Group has 50 agencies spread all over Sweden. The TravelNet Group in Luleå has two employees in the travel agency and another 3 in the administration. The focus of the corporation is on business (60%), leisure (30%), and group and conference travels (10%). The total sales of TravelNet in 2002 have been 1,5 billion SEK. TravelNet’s business idea is to offer their partner agencies support, information, supplier agreements, and administrational advantages. The organizational structure of TravelNet is like an umbrella, where every independent agency has an equal right to sell the deals to their customers accessible via TravelNet.

Our contact person at TravelNet was Per Åke Nåden a sales person of the Lulea agency, who is responsible for development and maintenance of the web site. He had in-depth knowledge about recent strategies and changes within the agency and that served our questions best. We conducted a 50 minute personal interview with him in the local office of TravelNet.

5.3.1 How can the objectives of the adoption of E-business strategies in travel agencies be characterized?

The respondent’s opinion of accessibility within TravelNet is basically that the online and offline possibilities only differ in matters of time. The website provides a booking facility and a well developed information database. This database could be reached by any interested browser however the booking system can only be reached through a log in. For this log in the customer does not have to submit personal data which could be stored in a customer database. The whole log in system shows personalized offers connected to the recent buying or traveling behavior of the customer.
The website designed by the respondent is connecting the customer directly to the TravelNet booking engine called GALLILEO, but the website is not centralized launched by TravelNet, it is the respondent’s own idea to improve his business.

As far as providing and obtaining information the respondent says that the website definitely provides more information than the travel agents in a limited time. The customer also has the opportunity to join a virtual community, which offers a virtual interaction between customers. Through this customers could exchange experiences and information about recent travels, destinations, and the travel agency itself.

TravelNet does not have any seasonal offers for their customers. The only adding value idea is the respondent’s website, which provides the customer with all imaginable information he/she could seek for. Concerning the actions taken by TravelNet to stay competitive are not so well developed in terms advertising. TravelNet sometimes cooperates with the local newspaper to communicate a certain event. They also have banner ads on cooperating partners’ and suppliers’ websites, a newsletter and an offline travel magazine. The TravelNet agency gives frequent customer also the opportunity to get discount on their booking if they purchase travel packages online. The main goal of the online approach is to bring the customer in the physical store after gathered a lot of information on the website.

The paragraph above displays the objectives reached by the integration of the website. To achieve these objectives TravelNet had to develop a certain E-business strategy whose adoption and implementation process will be described in the following paragraph.

5.3.2 How can the adoption process of E-business strategies in travel agencies be characterized?

The respondent is, according to himself, a self educated salesperson and innovator within the technology area. He is also responsible for the maintenance and development of the homepage.

The basic idea of launching the website was to create awareness among the customers and make them call or visit the office. Altogether the website started as a marketing tool for the physical outlet. In recent time this website improved more and more, and as a spin off of this marketing tool he added a booking facility. This meets the recent development in the travel agency market. According to him that is that airlines like SAS have cut off the commission fees to the travel agencies and therefore the agents are forced to have cost-saving solution.

In the development of the E-business process, the respondent states that his website finds itself in the integration phase with a certain tendency to the transformation phase. Today the TravelNet website offers a wide range of information concerning the travel arrangement and the agency in general, but in the future the respondent would like to develop the website more customized towards his main target group of business travelers. He wants to achieve this through a log in and more special deals for this group to establish his agency within this segment.

This development has positive and negative impacts on the travel agency and the market. To face these impacts the agencies have to be prepared to meet and fight these threats. The next paragraph will show the disadvantages and advantages of an E-business strategy of TravelNet.
5.3.3 What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

There is, according to the respondent, an increased concentration on the market towards different segments as for example student tickets, domestic- and international flights. The rivalry within these segments depends on the amount of information which the customer demands for a booking.

Student tickets, for example are sold on a hard fought market because they require less information intense and cheap solutions.

On the other hand, the international flights segment is less tense because the market participants have to provide the customer with more in depth information and create a higher level of awareness to make the customer purchase.

The respondent believes that the barriers to enter the market have lowered due to the introduction of IT technologies in travel agencies. That means for him that everybody could enter the market and turn out as a possible competitor. In terms of the bargaining power of the customers he feels that nothing changed at all or maybe even weakened a bit as the customers are still just able to purchase what the agents offers. The suppliers’ bargaining power on the other hand increased through their development of their IT capabilities in the recent years. The airlines and destinations nowadays address their offers directly to their customers.

He thinks that airline websites are not a threat for the travel agent market, as the customer is asking for an overview of the flights offers and does not have the patience to visit every airline’s website. But on the other hand he sees every travel agency worldwide as a potential competitor. The respondent states also that TravelNet’s position as a middleman between supplier and customers improved through the dual linkage with both partners. Within this relationship with supplier on the one side and the customers on the other side the respondent believes that his agency is still the middleman and plays an important role.

Through the launch of the website TravelNet’s relationship management changed a bit. TravelNet gained another segment with the day-, weekend- and event-travelers, and the segment of business travelers increased also through this introduction. These business travelers then come back as private travelers too.

In addition to TravelNet’s marketing efforts mentioned before, they also have a sales representative, who visits business clients to keep them up to date with new offers and tries to attract new customers. Through this offline effort TravelNet tries to lower the disadvantages and gain more market influence.
6. **Data analysis**

In this chapter, the data presented in the previous chapter will be analyzed. First, we will conduct within-case analyses for each case. Here, we will compare the collected data with previous research in the area, followed by a cross-case analysis for each of the research questions. The cross-case analyses will compare the data from the three cases with each other.

6.1 How can the objectives of the adoption of E-business strategies in travel agencies be characterized?

In the following section we will analyze the data collected for the first research question. The section will start with the within-case analysis for the three different agencies and will end with a comparison of all three agencies in a cross-case analysis.

6.1.1 KILROY travel

KILROY travel’s main target group is young people and students which have high awareness of Internet possibilities. Therefore KILROY’s online shop will adapt their services for these customers. The adaptation will not be just in terms of size and location, but also in speed and amount of information. This is, according to Porter (2001), enhancing the operational effectiveness in ways of speeding and easing the exchange of information. The customer usually makes the first contact with the agency by visiting the website. Through this, based on Vasudavan and Standing (1999), the customer enters the interactional phase where the website takes the part of the travel consultant in providing and obtaining information twenty-four hours a day, seven days a week all over the world. KILROY also overcame the geographical boundaries and time limitation through the launch of the website.

Basically KILROY has improved their product distribution and customer service through the launch of their website. The website provides companies with the opportunity to extend mass customization to other essentials, for instance price, distribution and communication (Huizingh, 2002). The online booking also provides the customer with the necessary tools to purchase direct from at home, and the customer can build his/her desired travel on her/ his own. According to Huizingh (2002), many companies offer their customers components, so that the customers themselves can combine into tailor made products. KILROY sends out news letters to keep their customers up to date with recent development and special offers. With this feature in addition to the provided information on the website KILROY serves the function of an information broker between buyers and suppliers according to Vasudavan and Standing (1999). Organizations can redefine their position on the market in many ways (Huizingh, 2002). KILROY formed an alliance with Lonely Planet to improve their services and provide more and detailed information.

Through the increased amount of information KILROY tries to add value to its services. The company’s website generously grant opportunities to provide added value for current customer, the organization has to constantly increase the value they offer to prevent customers from switching to other suppliers (Huizingh, 2002). According to Smith and Günther (2001), public networks supporting the Internet significantly reduce costs and complexity of communication between travel agents and consumers.
KILROY indeed reduced its operational costs through the launch of the website, but on the other hand the complexity of communication did not necessarily decrease as too much information could be distractive and misleading to the customer. Porter (2001) states, that different ways of adding value to the customers can be accomplished by for instance offering different sets of features, different array of services, or different logistical arrangement. KILROY adds value to their online customers in terms of providing them with services to fair prices, as well as the global twenty-four hour, seven days a week accessibility. As the service fees play a major role in the annual revenue streams, and KILROY is cutting them down online is a very attractive proposition to the customer. Desruelle and Burgelman (2001), say that value added services to their customers in order to increase loyalty, constitute a re-definition of the role of traditional intermediaries. This theory is only partly supported by the KILROY case as the agency’s website even decreases loyalty through anonymous booking facilities, but KILROY does redefine its position as an intermediary on the market according to the respondent. Basically KILROY confirms Vasudavan’s and Standing’s (1999) theory of an intermediary, saying that the role of this intermediaries in the distribution channel is to be altered, enabling the development of cost-competitive and flexible travel products and assisting in transforming tourism and travel into a more flexible, individual-oriented, sustainable and diagonally integrated industry.

According to Porter (2001) competitive advantages can be reached through operational effectiveness and through strategic positioning. KILROY achieves competitive advantage through both operational effectiveness throughout their booking engine, having better trained staff and adding superior inputs such as updated information, and strategic positioning in terms of delivering a unique type of value to their specific target group.

KILROY is a business leader within their market, and according to Hackbarth and Kettinger (2000) business leaders require a method that exploits strengths, minimizes weaknesses, capitalizes on opportunities, and minimizes threats to systematically adjust businesses to rapidly changing business environments. KILROY, as an early adopter within their market, are moving toward higher level of personalization in order to defend their position and reputation as a leader and to stay competitive. By doing so, they adjust to their changing business environment and stay competitive.

6.1.2 Ticket

The fact that Ticket.se offers no more information and services than the regular physical travel agency contradicts the theory of Vasudavan and Standing (1999) saying that the IT technologies will provide physical businesses with more opportunities of providing information and services. The online shop is just an additional booking facility in addition to the physical stores. Customers are able to purchase the same services and find the same information in either the offline or the online store. Compared to the still limited information and services offer online, Ticket opens the time and geographical boundaries to an unlimited extend, as the website is available twenty-four hours a day, seven days a week all over the world.

This all-time open shop offers the customer a log-in function where frequent travelers can check back travel dates and others facts concerning their trip on a personalized website. Even though Ticket.se provides the customer with an online help center, the booker usually comes back to the closest physical store to complain or ask question, because Ticket’s main target group wants to have the personal interaction with the travel agent.
These facts partly support Huizingh’s (2002) theory about customization of products and services through IT technologies.

Huizingh states that one way to customize services could be to provide components which the customer can then combine individual. This would be the case with the online booking facility on the Ticket.se website, where the customer uses the same booking engine the travel agent uses in the physical store. The customer can decide individually where and when to go, and which additional activities or events he or she wants to visit there. This gives Ticket the possibility to mass customize the services and information sold or provided on their website, but on the other hand Ticket does not use the website to customize other essentials like prices or distribution as they do not offer online discounts or e-tickets. This fact contradicts the customization theory by Huizingh (2002). Basically it is possible to say that the Internet shop – even if it just is an additional store – transformed the travel agency by improving or changing customer service and information offers (Smith and Günther, 2001).

Generally speaking, for Ticket the website is only an additional store which provides the customer with the same information as online, only the possibility to book individually online makes the differences between on- and offline shop. The information online is offered through a newsletter and something like an online catalog, similar to the offline ones displayed in the physical store. The website therefore just provides the customer with basic information and does not use the unlimited space offered by the Internet to provide endless information. Ticket’s goal with the web store is to make the customers come to the physical store and book their flights there. These points basically sustain the thoughts of Smith and Günther (2001) which stated that Internet travel sales can reduce time and complexity within the purchase process, but the same statement says also that the Internet could eliminate the need for paper traffic through e-tickets and that it would reduce price through cutting online commissions. So far Ticket has not developed their online portals to this extend. The Ticket.se website still serves the function as information broker passing information between buyers and suppliers, process transaction, and finally advice travelers. This function could, according to Vasudavan and Standing (1999), nowadays be improved by adding specialized knowledge and specialized technology infrastructure to the whole broking process.

The Ticket case also supports Porter’s theory (2001) about gaining competitive advantages through operational effectiveness and strategic positioning. But there is a certain difference in the extend these two points give advantages for Ticket. The operational effectiveness is less important to Ticket as they just copied the technological structure of competitive website and they do not use all the possibilities such an online portal could offer. On the other hand tries Ticket to enhance its strategic position on the market, first through the new website and second through the reputation Ticket already has on the market. This reputation will also be improved through a sophisticated website which even enhances the knowledge of the brand. In opposition to these approaches Ticket misses the opportunity of enhancing its image by running advertising campaign on- and offline. The only marketing activities conducted are window displays in the physical stores and the online counterpart – banner ads – on Ticket.se. Ticket also tries to add value to their customers in order to increase their loyalty, but they do not try to achieve this through a competitive pricing strategy online. Ticket basically followed the example of its competition and made the step online to increase its essential role on the market, and possibly further integrates itself in larger e-marketplaces. The development Ticket will achieve in the following years is to offer cost competitive, flexible travel products. These facts support the statements mentioned by Vasudavan and Standing in 1999.
6.1.3 TravelNet

The great paradox of the Internet is that its very benefits also make it more difficult for companies to capture these benefits as profits, because of the high accessibility (Porter, 2001). As this happened to the centralized launched TravelNet website too, the respondent started his own web portal only for his subsidiary, www.skaresa.nu. The web store differentiates the business idea more than the usual factors of size and location; it offers the services to an unlimited time extend all over the world. This fact again supports the statement of Desruelle and Burgelman (2001). The online booking facility, TravelNet basically provides the customer with, sets the travel agents in a disintermediation phase as the direct connection to the company’s booking engine GALLILEO gives the customer the possibility to skip the agent as a middleman. Vasudavan and Standing (1999) wrote that the role of travel agents includes three main tasks: passing information between customers and suppliers, processing transaction, and finally advising travelers. The travel agent will recognize switching tasks through a well developed web site. Customers only come by the physical store to complain or ask for advice, but the function as information broker and consultants for transaction will be taken away from the stores.

TravelNet Lulea’s website contains a log-in function for frequent users and partners. On this personalized web site the customer can find his/her recent bookings, information to related destinations, and new offers. In addition to this anonymous log-in function offers the online store components – like flights, hotels, car rentals, etc – with which the customer can tailor-maid his/her booking. This provides the agency with the opportunity to mass customize its products and services to a low price and high speed. According to Huizingh (2002) this customization builds the main source of added value in the cyberspace era.

TravelNet does not only use the world wide web to mass customize its services but also to provide and obtain more and detailed information about destinations, flights, partners, thoughts and ideas of customers and suppliers. Based on Vasudavan and Standing (1999) will the Internet offer an unlimited extend of space for endless information and feedback from travelers. Skaresa.nu serves this with a huge information database with contents about everything related to a travel and a virtual community – a forum – where the customers could virtually interact with each other and exchange experiences.

As already mentioned before TravelNet tries to add value to its products and services by attempting to mass customize these to a larger target group and by providing more travel related information. According to the respondent is the web site itself added value to the services and products as improved or better technologies compared to competitors delivers a unique type of value (Porter, 2001). This fact is also supported by Huizingh (2002) saying that companies consider the Internet and E-business as a means to an end and the result of integrating Internet capabilities with the business process is an increased customer value. On the other hand TravelNet does not use the web portal to ease up the internal organization or its value chain. Jobber (1998) states that the Internet could be the most sophisticated tool to ease and speed up the value chain on a low level of investments, but this is probably still to come for TravelNet. Even though there is no or less coverage of the value chain with the Internet, TravelNet tries to offer value added services to its customers to increase loyalty and redefine itself as an intermediary on the market (Desruelle and Burgelman, 2001). To sum up the adding value approaches, TravelNet basically has already or will enable the development of cost-competitive and flexible travel products by integrating the E-business strategy to their core business.
According to Vasudavan and Standing (1999) will the Internet assist to transform tourism and travel into a more flexible, individual-oriented, sustainable and diagonally integrated industry. As the two cases before TravelNet also tries to achieve competitive advantages through operational effectiveness and strategic positioning.

The agency operates on a highly competitive market where nearly all competitors do business in the same or at least similar way. Therefore TravelNet includes new technologies, like the forum or the newsletter, to reach a higher degree of competitive advantage. According to Porter (2001) the Internet is the most powerful tool to speed up and ease information exchange, and enhance the operational effectiveness. To strengthen its position on the market TravelNet focuses less on advertisement but more on providing information on- and offline through the newsletter and the monthly travel magazine. The only advertising TravelNet runs sometimes is banners ads on partners’ websites or ads in local newspapers, but this approach is either geographically limited or target on the already existing customers. The respondent also mentioned that he launched the website to answer the strong question of the customers for an online shop as the recent development went in this way. This fact supports the statement of Hackbarth and Kettinger (2000), which says that early adopters require a method that exploits strengths, minimizes weaknesses, capitalizes on opportunities, and minimizes threats to systematically adjust strategies to rapidly changing business environments.

6.1.4 Cross-case analysis

In this section, the cross-case analysis will compare the objectives of an E-business adoption set by the three organizations. Table 6 shows the presented companies and their listed parameters.

<table>
<thead>
<tr>
<th>Objectives of:</th>
<th>KILROY travels</th>
<th>Ticket</th>
<th>TravelNet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- unlimited boundaries of location and time</td>
<td>✦</td>
<td>✦</td>
<td>✦</td>
</tr>
<tr>
<td>- additional store (same services as offline)</td>
<td></td>
<td>✦</td>
<td></td>
</tr>
<tr>
<td>Customization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- personalized website</td>
<td></td>
<td>✦</td>
<td></td>
</tr>
<tr>
<td>- interaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing/obtaining information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- extend (higher than offline)</td>
<td></td>
<td>✦</td>
<td></td>
</tr>
<tr>
<td>Adding value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- online customization</td>
<td></td>
<td></td>
<td>✦</td>
</tr>
<tr>
<td>- IT technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- information flow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- transaction speed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- simplicity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- offline strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- online pricing strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- offline focus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- online focus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- online advertising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- online pricing strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This table shows the different objectives set and achieved by the three different organizations. These objectives were the purpose of the adoption of the E-business strategy.
In terms of accessibility all three agencies try to enlarge their geographical coverage to an unlimited extends with their new Internet shop. As web sites are accessible twenty-four seven, all three agencies are now able to serve their customers all day every day a week. The understanding of the web store differs from case to case.

Ticket sees its web shop as just an additional store which offers the same services and provides the same information as the physical store. The web sites of KILROY travel and TravelNet are expansions of the core business in terms of providing information, customization, adding value and competitive advantage.

We found that the customization achieved through E-business strategies – mainly through the introduction of a web site – differs in terms of degree of personalization and interaction. Ticket and TravelNet offer a personalized site for frequent online bookers where they can log-in and find related information to recent bookings and special deals. The interaction on the web sites of the three cases shows different levels of development. The KILROY travel web site has no forum, guestbook, or feedback facility, but at least it offers the possibility to ask or complain via email. Ticket.se offers a help center function, but no forum or guestbook, and definitely no customer interaction with each other and the travel agents. According to the respondant is the help center not used yet, the customers still prefer to come back to the physical store to complain or ask for advice. Skaresa.nu, the web site of TravelNet Lulea, offers the most developed interaction between travel agents and customers and the customer’s interaction within each other is also very well developed. The web site provides the customer with links to related travel information sites; it also contains a forum for customers to post their experience with the agency and different destinations or hotels. Customer can tailor-make their vacations according to this experiences or collect additional information about destinations and hotels on linked web sites.

Concerning providing and obtaining information the three cases differ in the amount of information they provide and in the fact of how they collect feedback from customers or partners. KILROY travel and TravelNet use the opportunities and space the Internet offers in terms of providing more information than offline. First it is the endless timeframe the customer can search information online and second the next or additional information is only one click away and therefore easier to reach for everyone connected to the net. For Ticket the web site is just an online catalog providing the same information as the travel agents offline. The web site does not use the unlimited space the Internet provides for information and it also misses out to offer spaces – like forums or communities – to obtain information from customers or suppliers. Ticket.se just enlarges the offline information offer to an unlimited time extend.

All three agencies try to add superior value to their products or services through their E-business strategy, but they all do this to different extends, characteristics, and to reach different goals. All cases agree to add value to their services through the new technology they use to offer their services. They all use web sites which connect the customer to their booking engine which provides the customer with the same tools to book the flights or trips as the agents use in the physical store. This accelerates the transaction speed which is indisputable another added value all three respondents want to achieve. Finally the simplicity achieved through offering all necessary booking information online and the abandonment of paperwork is the last added value the agencies operate similar in terms of added value. TravelNet for example is the only agency focusing on online customization as the web site provides personalized log-ins for frequent bookers, additional information to related travels, a virtual community and one-to-one interaction with the agent online.
In addition to this offers skaresa.nu the possibility for the customers to tailor-maid the travels with the components provided by TravelNet itself and its partners. KILROY travels and TravelNet have the same online strategy in terms of information flow and pricing.

They both try to use the unlimited space the Internet offers to provide as much information as possible to their services to make it easier for the customer to book without the consultancy of the offline agent, and they also offer online discounts for frequent bookers or they skip the offline consultant fees for flights or hotel bookings to make the online purchase more interesting for their customers. Even though all three agencies try to add value to their services and products with their E-business strategy, Ticket and TravelNet still try to finish the actual booking in the physical store and want the customer just to browse for information on their web sites. They both are, according to the respondents, very dependent on their local reputation which, nowadays, could only be ensured and enlarged offline. This fact means that both agencies prefer to save their added value through their brand image in a limited geographical space than to enlarge their customer to an unlimited extend worldwide.

The point before guides us directly into the competitive advantages achieved or spin off by the E-business strategy or the results for the offline strategy for the single agency. As mentioned before do Ticket and TravelNet still focus on their local offline advantages like reputation, brand image and on the frequent purchasers coming back no matter what happened on the market. KILROY travel on the other hand tries to serve its young clients with a sophisticated online strategy which is definitely the major competitive advantage for KILROY on the student market. In all three cases it is important to see their different target groups as background for the objectives set and achieved by the E-business strategy. KILROY focuses on the high innovative group of young people and students which have a high degree of Internet knowledge and a fast apprehension towards new technologies. The other two agencies on the other hand try to serve the broad range of the population – from students to retired people and from families to frequent business travelers – and therefore they have to keep in mind which is their main target group and how to meet this group’s travel problems best. For both are the business and leisure travelers the main group to target on, that is why they still prefer their offline strategy to their online achievements. Even though Ticket and TravelNet focus on their offline achievements to stay competitive, they also try to enlarge this with online advertisement on their own web page or on the sites of their partners. KILROY otherwise believes in the word of mouth propaganda within their target group and in its online reputation achieved over the years as the early adopter of the new technology in their sector. As final point of achieved competitive advantage through an improved strategy is the pricing strategy KILROY and TravelNet have only online and offers the customers the same services to better prices through time and cost savings offline.

### 6.2 How can the adoption process of E-business strategies in travel agencies be characterized?

In the following section we will analyze the data collected for the second research question. The analysis will textual be divided in two parts, first the reasons and background of each agency and second the adoption approach itself. The section will start with the within-case analysis for the three different agencies and will end with a comparison of all three agencies in a cross-case analysis.
6.2.1 KILROY travel

KILROY had to adopt its E-business strategy as the travel agency market changed in the recent years to a fast moving Internet market, and as KILROY’s target group is highly aware of this technology there was a given need to introduce this technology, too, to stay competitive.

This competitive pressure builds according to Raymond (2001) the base for technical changes or innovative influences on business processes. Raymond also stated that the adoption of IT innovation is intertwined with the firm’s business strategy. This proves KILROY as it wanted to serve the Internet aware target group of students and young people. In addition to that is KILROY led by a highly innovative management which is well educated, professional in the technology as well as in the travel sector, and which has a high degree of managerial tenure and receptive towards changes. These factors also support Raymond’s (2001) statement about predictors of innovation diffusion and assimilation. Such an adoption is not only connected to the already existing business strategy in general but specifically the cost reduction to achieve profit on a high competitive market, and KILROY tries to reach this by reengineer its business process.

In table 7 we will try to identify the adoption phase of KILROY travel concerning the definition of Hackbarth and Kettinger (2000) and then compare it to the thoughts of the respondent about the phase KILROY is in. The grey color will mark the different approaches KILROY reaches in the different levels of the adoption phases.

Table 7: Three phase of E-business adoption: KILROY case

<table>
<thead>
<tr>
<th></th>
<th>Phase 1 Experimentation</th>
<th>Phase 2 Integration</th>
<th>Phase 3 Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Business Strategy</td>
<td>No E-business strategy</td>
<td>E-business strategy supports current corporate strategy</td>
<td>E-business strategy is corporate strategy</td>
</tr>
<tr>
<td>Corporate strategy</td>
<td>E-business strategy not linked to corporate strategy</td>
<td>E-business strategy subservient to corporate strategy</td>
<td>E-business strategy is a driver of corporate strategy</td>
</tr>
<tr>
<td>Scope</td>
<td>Departmental orientation</td>
<td>Cross-functional participation</td>
<td>Cross enterprise involvement</td>
</tr>
<tr>
<td>Payoffs</td>
<td>Unclear</td>
<td>Cost reduction, business support and enhancement of existing business practices and revenue</td>
<td>New revenue streams, new business lines, drastic improvement in customer service and customer satisfaction</td>
</tr>
<tr>
<td>Levers</td>
<td>Technological infrastructure and software applications</td>
<td>Business processes</td>
<td>People, intellectual capital and relationships, cooperation</td>
</tr>
<tr>
<td>Role of information</td>
<td>Secondary to technology</td>
<td>Supports process efficiency and effectiveness</td>
<td>Information asymmetries used to create business opportunities</td>
</tr>
</tbody>
</table>

Source: Hackbarth, G. and Kettinger, W.J., Building an E-business strategy, 2000

As obvious in the table is the majority of approaches reached by KILROY so far already in the transformation contradicting the understanding of the respondent who saw KILROY only in an early integration level. Her understanding of payoffs and the role of information corresponds to the definition by Hackbarth and Kettinger (2000).
Now to the contradiction arguments: the level of the E-business strategy KILROY uses has already taken over the corporate strategy and has become it. KILROY travel focuses on its web site and their online facilities, it even provides customer with PC terminals in its few physical stores and the agents even advice the customers to go online to book their flights or trips. The E-business strategy also became the driver of the corporate strategy as KILROY tries to focus its business process on online bookings. The third supporting point for the transformation phase is the levers which run the strategy or build the base for it. The agency is dependent on their trained staff, the staff’s intellectual input, and, of course, the relations to its partners.

To keep the staff up-to-date with the new technology, KILROY provides them with in-organization training programs and further education. Through this and young fresh ideas from its young staff KILROY keeps moving forward and tries to avoid a status quo.

The corresponding argument of the payoffs reached or tried to reach by KILROY meets the definition of Hackbarth and Kettinger (2000) in the points of cost reduction and business enhancement of existing business practices. The web site definitely reduces consulting cost and enhances the consultancy to an unlimited time, and it also offers KILROY to operate on a worldwide market. On the other hand did the online shop not necessarily enlarge the revenue, it spread the revenue stream on a broader range, but the number is more or less the same as before due to harder competition. The role the information plays in KILROY’s online business process corresponds 100 percent to the definition. The information supports the process efficiency and effectiveness, the more information the customer finds online the more comfortable he/she is with the offered services and the less critic is he/she and goes to the physical store to book and get real time advice. These factors make KILROY work more efficient and effective.

So these points guide us basically to the statement that the respondent was right with her statement that KILROY is somewhere in between integration and transformation phase. There are supporting factors for the integration phase in her statement as well as contradicting factors for it.

6.2.2 Ticket

Ticket’s organizational characteristics are significant for an innovative company according to Raymond (2001). The organizational structure is flat, with all agencies on one level and one central management team which constitute the decision making unit when it comes to organizational decisions. The firm’s internal and external information network was also a driver for the introduction of an E-business strategy. The management saw the need to improve the interaction within the organization and with its partners, and therefore it launched the web site Ticket.se. Raymond (2001) stated as well that the educational level, the professionalism, the managerial tenure, and the receptivity towards change of the driving persons within the organization are predictor of innovation diffusion and assimilation. The management of Ticket has a strong sales and travel background, but the team was also aware of the changes in the market and was able to react in short time. Quoting Raymond (2001) is the adoption of an IT innovation also connected with the company’s business strategy, be it to reduce costs and reengineer business processes, to increase product or service differentiation, to achieve growth by developing new products and entering new markets, or to develop strategic alliances. Ticket felt the threat of all their cooperating partners going online and though the agency had to follow the example to save their existing alliances and keep the possibility to develop new ones.
The airlines cutting the flight commissions for travel agents was also a risk for Ticket, this made the agency think about a more cost saving business strategy which still offers the same services and keeps up the reputation achieved over the years. The web shop combined all these factors and even enhance the accessibility to an unlimited time and geographical extend.

Table 8 will try to identify the adoption phase of Ticket concerning the definition of Hackbarth and Kettinger (2000) and then compare it to the understanding of the respondent about the phase KILROY is in. The grey color will mark the different approaches Ticket reaches in the different levels of the adoption phases.

Table 8: Three phase of E-business adoption: Ticket case

<table>
<thead>
<tr>
<th></th>
<th>Phase 1 Experimentation</th>
<th>Phase 2 Integration</th>
<th>Phase 3 Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E-Business</strong></td>
<td>No E-business strategy</td>
<td><strong>E-business strategy supports current corporate strategy</strong></td>
<td>E-business strategy is a driver of corporate strategy</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td></td>
<td><strong>E-business strategy subservient to corporate strategy</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate</strong></td>
<td>E-business strategy not linked to corporate strategy</td>
<td>Cross-functional participation</td>
<td>Cross enterprise involvement</td>
</tr>
<tr>
<td><strong>strategy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Departmental orientation</td>
<td><strong>Cost reduction, business support and enhancement of existing business practices and revenue</strong></td>
<td>New revenue streams, new business lines, drastic improvement in customer service and customer satisfaction</td>
</tr>
<tr>
<td><strong>Payoffs</strong></td>
<td>Unclear</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Levers</strong></td>
<td>Technological infrastructure and software applications</td>
<td><strong>Business processes</strong></td>
<td>People, intellectual capital and relationships, cooperation</td>
</tr>
<tr>
<td><strong>Role of</strong></td>
<td>Secondary to technology</td>
<td>Supports process efficiency and effectiveness</td>
<td>Information asymmetries used to create business opportunities</td>
</tr>
<tr>
<td><strong>information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Hackbarth, G. and Kettinger, W.J., Building an E-business strategy, 2000

Table 8 shows that the understanding of the respondent generally corresponds to the definition of the integration phase of Hackbarth and Kettinger (2000). The only variation to the definition is role of information, but we will come back to this later in this paragraph. First the supporting approaches for the integration phase achieved by Ticket so far. The E-business strategy used by Ticket is subservient to the corporate strategy, it even supports the whole process with an information database and booking facility, but the organization’s focus is still on their offline business process (we contradict the respondent’s statement here because the facts were to distinct for another conclusion). Ticket uses its E-business strategy and namely the web site to connect the different agencies spread in Sweden to a central booking engine and information database. It also builds the linkage to the partners’ online approach and through this an online alliance with its offline partners. The level this connection displays is only participative right now as the agencies only participate in the network but do not bring any input for improvements or changes. In terms of payoffs the understanding of the respondent agrees also to definition of Hackbarth and Kettinger (2000) concerning the integration phase. Ticket tries to work more cost effective through the Internet shop as the competition got harder and harder and as the airlines cut the commissions for travel agents. The web store also supports Ticket’s existing business processes in terms of providing information and operating transaction, and it even offers new revenue stream through an unlimited accessibility.

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The last point in the definition corresponding to the respondent’s understanding is the levers building the base for the E-business strategy. In the Ticket case would this be the business process itself.

The only contradicting factor is the role of information, which is still in an experimentation level. Ticket puts emphasis on its technology used for its E-business strategy and puts the information on second place. The web site is just used as an online catalog and the space offered is not even used close.

All in all it is possible to say that the respondent was right seeing Ticket in an integration phase, even though she was mistaking in the fact that the E-business strategy already became the corporate strategy. The only contradiction of the role of information is just an incidental factor which varies concerning the use of the web appearance.

6.2.3 TravelNet

The basic reasons for the introduction of an E-business strategy were, according to the respondent, the airlines cutting commissions for travel agents and a with this connected cost saving business solution as well as the increasing competition on the travel agent market. These reasons support Raymond (2001) who said that industrial factors such as competitive pressure or peer influences (e.g. from competitors or partners), and market volatility have been found empirically to influence innovation in particular. The same author stated that the adoption of new technologies could also be based on a reduction of costs, on growth by developing new services or business process reengineering. TravelNet conducted all three points in its E-business strategy as it tries to save cost through its web portal, it developed new services by providing the customer with online booking facilities and information databases, and finally it uses the web site as a marketing tool to enhance awareness and build brand loyalty through new and old customers. Raymond (2001) also gave the leader a high importance in the adoption process and this could be dependent on the leader’s educational background, managerial tenure or receptivity towards new technologies. The respondent, who also is the leader of the Lulea office, is a self educated salesperson; he is responsible for the development and maintenance of the web site and, in his own eyes, a technological innovator.

Table 9 will try to identify the adoption phase of TravelNet concerning the definition of Hackbarth and Kettinger (2000) and then compare it to the understanding of the respondent about the phase his agency is in. The grey color will mark the different approaches TravelNet reaches in the different levels of the adoption phases.
Table 9: Three phase of E-business adoption: TravelNet case

<table>
<thead>
<tr>
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</table>

Source: Hackbarth, G. and Kettinger, W.J., Building an E-business strategy, 2000

The respondent sees TravelNet in the integration phase with a certain tendency to the transformation phase. The following paragraph will try to prove or refute this understanding by using the table above concerning the E-business adoption phase definition by Hackbarth and Kettinger (2000). The supporting factors for the integration phase are the strategy level and the payoffs achieved by the new technology. Contradicting points are the scope of the whole strategy, the levers and the role of information in the process.

First to the supporting arguments; the E-business strategy supports the corporate strategy and is subservient to it. TravelNet’s web site creates awareness among the customers and makes them come to the physical store or call the travel agents. The web appearance is, according to the respondent, just a marketing tool to improve the brand image and reputation of the agency. The agency still focuses on the offline business; the agents do not advice customers to go online to book and the main strategy targets on the customers in the physical store. In terms of payoffs TravelNet tries, according to the definition, to reduce cost, support its existing business processes and create new revenue streams through increased accessibility. The cost reduction became a must for TravelNet as the airlines cut the commissions for travel agents and it became harder to survive on the market.

In opposition to these facts for the integration phase is the scope of the E-business strategy which is, according to the definition of Hackbarth and Kettinger (2000), still in the experimental phase. The scope is a departmental orientation within the organization, but this is caused on the fact that the investigated strategy is the independent one of a subsidiary of the whole organization and the web site was the idea of the local office manager in Lulea. The web site is connected to the organization’s booking engine, but the scope is just on the agency here in Lulea. The levers and the role of information on the other hand are already in the transformation phase. The lever of the launch of the web site was the sales manager himself and it was his idea to introduce the online strategy to the corporate strategy. The online appearance is still very dependent on the intellectual input of either the agents or the customers in the virtual community. The linkage between suppliers, agency, and customer is also given on the web site.

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The immense amount of information provided and obtained on the website and in the virtual community offers TravelNet the possibility to create new business opportunities. For example TravelNet will be used as an information database for travelers which look for interesting travels and a frequently visited site will be very interesting for travel providers – like airlines, destinations, other agencies – to advertise on.

Basically it is possible to say that TravelNet is on its way to enter the transformation phase and it will reach this phase easier if it would have a centralized strategy either online or corporate, because then the scope could be formulated more clearly to the whole organization.

6.2.4 Cross-case analysis

This section will compare the reasons and backgrounds for the E-business adoption of each case and also the phases and approaches reach by the three agencies. The following table tries to display similarities and differences according the mentioned parameters.

Table 10: Reasons and background for the E-business strategy and the reached phase of the adoption

<table>
<thead>
<tr>
<th>Decision maker/driver</th>
<th>KILROY travels</th>
<th>Ticket</th>
<th>TravelNet</th>
</tr>
</thead>
<tbody>
<tr>
<td>- sales/travel education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- innovative</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>- receptivity towards new technology</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reasons/backgrounds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- competition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- supplier</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- customer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process/phase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- experimentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- integration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- transformation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As the table above clearly displays all three cases have similar characteristics of their decision makers or drivers of the adoption of their E-business strategy. Only the receptivity of Ticket’s decision makers is not as distinct as the one of the others. That obviously shows the well educated and developed intellectual base for the adoption. Also the reasons and backgrounds for the adoptions of the agencies are similar. There are just little variations in some cases like supplier, customer, and organization. All three agencies launched their Internet agency because of their competitions’ pressure and because of the fast moving and promising Internet market. Ticket and TravelNet felt also threatened by their supplier going online and trying to skip them as middlemen, that is another reason for them to introduce an E-strategy. TravelNet was unlike the other two not forced to use the organizational web site, so the local sales staff could create an own web store. And as opposed to KILROY and TravelNet did Ticket not see it as a threat that more and more customer book online as the organization still focuses on offline customers and tries to bring more customers in its physical shop through the website.

All organizations found themselves in the integration phase, according to the definition of Hackbarth and Ketinger (2000). They just differ in the orientation within that phase and the tendency to the next or previous phase.
KILROY and TravelNet, for example, are definitely oriented to move up to the transformation phase in a certain time frame, whereas Ticket has still origin in the experimentation phase and will have to improve their E-business processes more than the other two to enter the next phase. KILROY and TravelNet are in the same phase but if one takes a closer look at the different factors it is obvious that there are immense differences between the two travel agencies. KILROY’s strategy has already reached the advanced level of the transformation phase, whereas TravelNet’s E-business strategy is still supporting the corporate strategy and subservient to the same. On the other hand have TravelNet’s levers and information reached the transformation level as they are based on intellectual input of the staff and create new business opportunities. KILROY’s role of information is just supporting the efficiency and effectiveness of the business process, and therefore situated in the integration phase.

This paragraph shows the differences of the three organizations concerning the adoption process, but it does not answer the question of why the organizations are so different from each other even if they operate on the same market. The following table tries to answer this question.

**Table 11: Possible reasons for different characteristics in the adoption process of E-business strategies**

<table>
<thead>
<tr>
<th>Usage and goals of website</th>
<th>KILROY travels</th>
<th>Ticket</th>
<th>TravelNet</th>
</tr>
</thead>
<tbody>
<tr>
<td>- booking facility</td>
<td>- brings/attract customer to physical store</td>
<td>- brings/attract customer to physical store</td>
<td></td>
</tr>
<tr>
<td>- information database</td>
<td>- online catalog</td>
<td>- information database</td>
<td></td>
</tr>
<tr>
<td>- experience</td>
<td>- information database</td>
<td>- booking facility</td>
<td></td>
</tr>
<tr>
<td>- marketing tool</td>
<td>- booking facility</td>
<td>- marketing tool</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target group</th>
<th>KILROY travels</th>
<th>Ticket</th>
<th>TravelNet</th>
</tr>
</thead>
<tbody>
<tr>
<td>- young Internet generation (students)</td>
<td>- business travellers</td>
<td>- business travellers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- leisure travellers</td>
<td>- leisure travellers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- “older” generation (less Internet aware)</td>
<td>- “older” generation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- frequent customers which come back because of the reputation</td>
<td>- weekend travellers</td>
<td></td>
</tr>
</tbody>
</table>

The table tries to display and confront the different target groups and usages and goals of the website to explain the variation in the phase of the E-business adoption of the three cases.

### 6.3 What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

The following section contains the analysis of the data collected for the third research question. The section will start with the within-case analysis for the three different agencies and will end with a comparison of all three agencies in a cross-case analysis.

#### 6.3.1 KILROY travel

The following table 12 will state the advantages and disadvantages or challenges for KILROY travel aroused through the adoption of the new E-business strategy.
It is necessary to say that the following points are subjective thoughts of the respondent and subsequent we will analyze these thoughts according to the used theory.

Table 12: Advantages and disadvantages of the E-business adoption for KILROY travel

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages/challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>- online pricing structure</td>
<td>- formulation of corporate strategy</td>
</tr>
<tr>
<td>- more potential customers through launch of the web site</td>
<td>- increased customer power</td>
</tr>
<tr>
<td>- increased brand awareness</td>
<td>- increased rivalry through low entry barriers</td>
</tr>
<tr>
<td></td>
<td>- increased bargaining power of supplier</td>
</tr>
<tr>
<td></td>
<td>- lack of personal interaction</td>
</tr>
<tr>
<td></td>
<td>- lack of knowledge about online booking</td>
</tr>
<tr>
<td></td>
<td>- decreasing trust and loyalty</td>
</tr>
</tbody>
</table>

We will now analyze the advantages and disadvantages step by step and we will start with the advantages to clearly distinguish the two analysis.

The statement of the respondent that the adoption brought an improved online pricing structure which improved the competitive position of KILROY is supported by Porter (2001) saying that IT technology and mainly the Internet can lower operating cost and result a competitive advantage through a new, distinct pricing strategy. It is also Porter (2001) who mentioned in his five forces model that the Internet provides companies with new more direct contacts to a wider range of customers; therefore the respondent’s statement about gaining new customers is also supported by theory. But on the other hand unlimited accessibility of endless web site with the similar offers will provide the buyer with easier access to information about products and suppliers, thus bolstering the buyers’ bargaining power. The increased brand awareness is also supported by Porter’s five forces (2001) as he says that the Internet will reduce the difficulty of marketing and distribution.

The challenge of formulating a corporate strategy out of the new E-business strategy is supported by Chircu’s statement that corporate manager must continue to redefine their strategies as the impact of E-commerce widens. For companies in virtually every industry, this means conducting an ongoing re-evaluation of their position in the value chain. The increased power of customers and suppliers as well as the increased rivalry through low entry barriers is based on Porter’s (2001) five forces model and the Internet too. As already mentioned above, the Internet can enhance the customers’ bargaining power by providing them with easier access to information about products and suppliers. The Internet also reduces the barriers to entry the market by rendering the physical settings for a company online, for example companies do not need established sales force or access to existing channels anymore. As the Internet is an open system, which everybody could join easily companies have more difficulties maintaining proprietary offerings, therefore the rivalry among existing competitors intensifies. The lack of personal interaction lies in the character of the Internet itself and it results in decreasing loyalty and trust. These facts are supported by Gulati and Garino (2000) saying that an online store is forced to offer the same products or prices as its physical counterparts - or the risk leaving customers confused and distrustful. And the final disadvantage of the customers being not familiar with new technologies is based in the mind of every human being which will always be critical towards new and different things.

6.3.2 Ticket

The following table will state the advantages and disadvantages or challenges for KILROY travel aroused through the adoption of the new E-business strategy.
It is necessary to say that the following points are subjective thoughts of the respondent and subsequent we will analyze these thoughts according to the used theory.

Table 13: Advantages and disadvantages of the E-business adoption for Ticket

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages/challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>- collecting information for customer database</td>
<td>- increased competition</td>
</tr>
<tr>
<td>- clarity on market through higher entry barriers</td>
<td>- increased customer power</td>
</tr>
<tr>
<td>- new customers</td>
<td>- decreased loyalty</td>
</tr>
<tr>
<td></td>
<td>- weaker position on domestic flight market</td>
</tr>
</tbody>
</table>

The Internet offers Ticket the possibility to collect data about customers in form of personal dates and preferred bookings and browsing habits. This gives Ticket the opportunity to customize the web site concerning every frequent booker and therefore increase the degree of personalization in the net. The clarity on the market mentioned by the respondent contradicts Porter’s idea about the entry barriers totally.

Porter (2001) says that IT technology will reduce the barriers to entry the market as major components of the business process could leave out – such as sales forces or access to existing channels. The fact that Ticket found new customers through the launch of the web site also supports Porter’s five forces and the Internet theory saying that the global network – the Internet – reaches more people than the usual channels.

Concerning the disadvantages and challenges Ticket faces now through the E-business strategy they conduct, it is possible to support the major ones also through Porter’s five forces theory (2001). The increased competition and customer power led to a weaker position of Ticket on the market as the customers can switch the travel service provider by just clicking on one button and the competitors are also able to apply the new technology to their use. The decreased loyalty is based in the missing personal interaction and the customer’s lack of knowledge in the new technology. Gulati and Garino (2000) say that usual offline customers get into serious trouble if the online counterpart of the physical store does not provide the same offerings and prices. The impersonal log-in may increase this lack of loyalty even more.

6.3.3 TravelNet

The following table will state the advantages and disadvantages or challenges for KILROY travel aroused through the adoption of the new E-business strategy. It is necessary to say that the following points are subjective thoughts of the respondent and subsequent we will analyze these thoughts according to the used theory.

Table 14: Advantages and disadvantages of the E-business adoption for TravelNet

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages/challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>- less customer power</td>
<td>- increased rivalry</td>
</tr>
<tr>
<td>- improved position on the market</td>
<td>- bargaining power of supplier</td>
</tr>
<tr>
<td>- improved relationship management</td>
<td>- worldwide competition</td>
</tr>
<tr>
<td></td>
<td>- price penetration strategies online</td>
</tr>
<tr>
<td></td>
<td>- missing personal interaction</td>
</tr>
</tbody>
</table>

All three advantages could be supported or contradicted by Porter’s five forces model (2000) saying that the Internet opens the agency to the world until the agency’s web site is online. Through this worldwide accessibility can the company attract more customers than in a local store.
Concerning positioning on the market the theory says that it should actually lose strength. The position on the market will be threatened through the Internet through more rivalry and competition on an easy to enter market. The customer power on the other side should increase according to Porter (2000), as the Internet provides the customers with easier access to information about products and suppliers. The customer is also just one click away from the next store and the Internet enabled new approaches to meet needs and perform functions, and it creates new substitutes, which could also distract the customer in his/her buying decision.

The increased rivalry and competition disadvantage correspond to Porter’s five forces model, so does the increased bargaining power of suppliers.

The price penetration strategy online is supported by Smith and Günther (2001) saying that Internet travel sales can eliminate or reduce costs and therefore led to price dumping as the travel agencies or airlines operate more cost efficient. The missing personal interaction again is the result of the customer not being used to no advice before, during and after the final purchase. But it will just be a matter of time until the technology will reach the point when the customer can interact with the travel agent if they are in the same room, but actually thousands of kilometres away.

6.3.4 Cross-case analysis

The following table will display the advantages and disadvantages of all three cases. The table is divided in the major advantages and disadvantages as the comparison parameters on the very left side. These parameters will then be marked as advantage or disadvantage recognized by the different agencies.

**Table 15: Advantages and disadvantages of the adoption of E-business strategies in the three cases**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>KILROY travels</th>
<th>Ticket</th>
<th>TravelNet</th>
</tr>
</thead>
<tbody>
<tr>
<td>- pricing strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- new customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- increased brand awareness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- personal interaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- decreasing trust and loyalty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- knowledge about online booking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- market entrants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- competition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- customer power</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- position on the market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- supplier power</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- rivalry on the market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- formulation of corporate strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As the table shows the five forces of Porter are – bargaining power of suppliers, threats through substitute products, bargaining power of customers, barriers to entry and rivalry on the market – perceived different from all three agencies. KILROY for example completely sees them as negative outcomes and disadvantages or challenges for its business process. Whereas TravelNet identifies the barriers to entry, the lowered customer power and its position on the market as a positive outcome of its strategy change.
The new pricing strategy online offers KILROY a competitive advantage and is therefore a positive outcome of the new strategy, but for TravelNet is the pricing penetration in the net a threat which is hard to cope with. All three agencies gained new customers or at least new potential customers through the launch of the web site. Every organization perceived a disadvantage through the impersonal character of the web site as customers ask fortified for personal interaction and their loyalty and trust to the company decreased. The disadvantages of lack of knowledge about online booking and the formulation of a corporate strategy are also important points to analyze, but they were only threats for KILROY, though a cross case analysis would be not representative.
7. Findings and conclusions

In this chapter, conclusions and implications drawn from the research performed in this study will be presented. We will repeat the research questions and based on our conducted research, we will try to answer them. Thereafter we will present implications for travel agencies and literature overview.

7.1 In general

After all the research for this study, as well as the findings and conclusions, we figured that basically every travel agency has a web site today allowing the customer to research travel destinations, as well as check and reserve airline tickets, car rentals and hotel rooms. The agencies are forced to do so by the strong competition and the increased rivalry on the market. They keep track of frequent-flyer memberships and provide deals on such leisure travel items as cruises and resort packages. Online competitors use the full throttle of computer power to their advantage. Keeping track of every airline that flies a particular route, and of the different prices, is something that computers and by extension, the Internet do well. All travel agents have seen their profit margins cut in recent years as airlines have trimmed and set caps on agency commissions. Online services have suffered the same fate, but they also draw revenue from advertising and from fees for providing car-rental firms and hotels with a prominent place on Web pages. Along with cuts to commission, competition from the Web has become yet another cross to bear. But travel industry executives still believe agents can compete. One answer is with their own Web sites, or maybe the best way to stay in the game is through exceptional service.

By integrating E-business strategy a clear conclusion is the fact that it has improved product distribution and customer service. This global distribution system called Internet promoted by E-business has consolidated information from many airlines, allowing travel agents, businesses and individuals to shop in a single electronic marketplace, a marketplace which now includes hotel, rental car, and destination and product services.

In order for an organization to stay competitive and enjoy an added value over their competitors, they need to provide a personal identity and a unique password to the E-customer. The purpose of providing an E-customer with such services, is to track customer behavior in the cyberspace as well as the ability to focus on the E-customer as an individual with the opportunity for the organization to provide a particular solution if required. The organizations relationship with the E-customer is essential to develop in order to improve the effectiveness of the online experience. The developing of the customer relationship can be features such as E-ordering online and E-customer discount.

Basically the goal of E-business designs it to create flexible solutions, which not only off load costs, but also customizes. Customers want companies that they do businesses with to continuously improve:

- Speed, service can never be too fast.
- Convenience, on stop-shopping.
- Personalization, customers wants to be treated as individuals.
- Price, nothing can be too affordable.

Successful companies no longer just add value, they invent it.
7.2 How can the objectives of the adoption of E-business strategies in travel agencies be characterized?

The result of the research conducted in all three travel agencies indicates that it was clear that they all were very aware of the need to enlarge their marketplace in terms of high accessibility and overcoming the geographical boundaries. However the way that the travel agencies characterize their web stores differs somewhat. For the KILROY and TravelNet cases it is obvious that their main objectives are characterized mainly in terms of providing and obtaining information, whereas Ticket only sees Internet and E-business features as an add on to their usual business process. Even if the three organizations characterized the main use of the web site different, they all use the new technological innovation to improve their position on the market through gaining new and more customers and through increasing their market influence.

The E-business strategy builds now competitive advantages in nearly every business sector of the three organizations. It gives the possibility for a different pricing strategy online, it eases the distribution and administration, it improves the relationship management between supplier, customer and middlemen, and it enlarges the economical influence of the organization to a global extend.

In this study, we found that all three travel agencies add superior value to their services through their E-business strategy, but to different extends.

7.3 How can the adoption process of E-business strategies in travel agencies be characterized?

The conclusion of this research question is that the adoption process of E-business strategies has, in all three cases, similar characteristics. The travel agencies E-business strategies mainly lie in the integration phase, and moving towards transformation, however KILROY are moving in a faster pace. The reason for this could be that KILROY’S target groups have a higher degree of Internet awareness since they are students and youth as oppose to the two other travel agencies. The similar characteristics are also originated in the comparable background and reasons for the adoption. All three organizations have decision makers which have a sales and travel education, a high receptivity towards innovations and managerial tenure.

Also every agency felt the threat of the nearly unpredictable travel market with the natural disaster or political interferences influencing whole regions and therefore the tourism there. The travel agency nowadays wants to assure its business against the external circumstances, but as these factors are unpredictable the travel agents have to use new technologies to enlarge the opportunities with which changes could make easier and faster in such a case.

7.4 What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

All in all it is possible to say that the innovation of a new strategy brought major advantages to every organization investigated in this study, but the extends of the influences of this advantages or disadvantages on the single agency differ from case to case. Every organization enjoys the advantages of the Internet of being global by just launching the web site to comparable low costs. This enhanced accessibility enlarged the target group of every
organization. The majority also sees itself in a better market position than before the introduction of the new strategy.

But on the other hand they also face the disadvantages of such dramatic innovation like the Internet characterizes. All three have to fight stronger competition on the market as the Internet lowered the barriers of entry, they are confronted with an increased rivalry on the market due to loss of geographical limitation for single agencies in the Internet and they have to cope with price dumping strategies of Internet agencies which skip the service totally.

Generally speaking the perception of similar or even the same factors shows huge differences in the different cases. Porter five forces for example were perceived differently through all three agencies. Once they were perceived as advantages and the same force in a different environment was recognized as a disadvantage. This lets us draw the conclusion that advantages and disadvantages are highly dependent first on the organization’s perception and second on the environment the organization finds itself.

### 7.5 Implications for travel agencies

The travel agents have in the recent year faced a tough time, not only have the airlines cut off commission to the travel agents, but competition on the market has due to the new technology and Internet increased. In this new way of doing businesses, travel agents are in the need to find a “golden halfway”, where they can provide the customer with so much information that if the customer chooses to, is not obliged to enter a physical store for a final purchase, and at the same time by customizing to that degree, the travel agents risks to cut themselves out as middleman between customer and supplier. At this point it is a necessity for the travel agencies to create loyalty and trust with their customers.

Our study has showed that it is necessary for the travel agencies to adopt E-business to some degree and to continuingly upgrade the Internet awareness within the organization in order for the travel agencies to stay competitive

### 7.6 Implications for the literature overview

Finally, in the long-term, the E-business will need to coverage many new technologies, both those that are around today and those that will be available in the future. So for an E-business to continue to be more competitive and lasting, organizations need to have an E-strategy framework in place. The implementation of an E-business strategy will improve competitiveness through forming nearer links with customers, and this positive approach to improve the business services will also in the long run become the organizations trademark in the emerging global E-markets.

What the literature overview does not fully indicate in this research is the fact that there is no universal solution for travel agencies to successfully expand businesses by integrating E-business to their strategy. Each and every travel agency is faced with different environments, cultures, and competition.

Also different political situations, war, rules and regulations, fraud and natural disasters affect the travel industry to a high degree. This is something to have in mind when reading in the literature overview of this research.
7.7 Further research

This study was within the service oriented sector of the travel agency industry. The multiple case studies therefore investigated in a limited area. Our findings in this study are specific for these certain organizations. Even for us it is not possible to generalize within the three different cases of KILROY, Ticket, and TravelNet, because of the different organizational backgrounds, sizes and target groups etc. The whole E-business strategy adoption process offers huge possibilities for further research such as within the areas concerning the different organizational backgrounds, products, customers, markets, competition. Further research could be conducted concerning our model of logical linkage between objectives (figure 12). This model could be used to interrelate the discovered objectives in different cases.

In additional to this theoretical proposition for further research within the same topic, researcher always have to keep in mind that the technology nowadays is moving fast.

This study tried to explore and describe the phenomena of expanding businesses by a balanced integration of E-business strategies. This has been and still is an important development in strategic matters for companies, but as the technological progress never stops there are more upcoming opportunities to change the company’s strategy. The new, sophisticated mobile technology with its wireless connections everywhere on earth and its increasing importance in doing business is one of these new technologies. The mobile communication had faced an immense growth in the last years and it is not just a possibility anymore, it is a threat but just if you do not join the development.
References


Desruelle, P. and Burgelman, J. (2001), *The impact of e-commerce on the value chain*. Emerald vol.3 No.6


Appendix

Interview guide

All questions based on the general question: were the results planned or not?

\textit{RQ 1}
\emph{How can the objectives of the adoption of E-business strategies in travel agencies be characterized?}

1. Accessibility.

2. Customization.
   • Just a general homepage?
   • Log in?
   • Personalized?

3. Providing and obtaining information.
   • Are you providing more information online then in your physical store?
   • Is there a section on the website where customers can give you feedback or where you can gather customer’s information about destinations, recent travels etc.? (Compare websites concerning contents, not functions)
   • What is the main, typical customer of your agency? (frequent traveler, business traveler…)

4. Adding value
   • What actions do you take to add value to your products/services through E-business?
   • What actions do/did you take to add value to your value chain?
   • Was it a planned action?
   • Did you focus on this or was it just a spin-off?

Did the four points above somehow influence your relationship management?
   • Customer acquisition
   • Customer retention
   • Customer extension
   • Customer selection

5. Competitive advantage.
   • What do you do strategically to stay competitive?
   • Further approach or additional approaches to the E-business strategies?

6. Increase the market share and revenue
   • tables
   • figures and
   • numbers of the recent development before and after
RQ 2

How can the adoption process of E-business strategies in travel agencies be characterized?

1. Explain the organizational structure of your agency plus the characteristics of the leader(s) in case of education and innovative background, and what are your technological resources so far?

2. What were the main developments/changes/trends in the travel agency market in the last 5 to 10 years? (internet?, networking?, dis-, re-, intermediation?.....)

3. What are your main competitors (local, regional, national, international) and how did they change recently? (airlines becoming travel agents…?)

4. Do you have an E-business strategy at all? Why not?

5. In which stage do you find yourself according to the three phase’s theory? And why?

6. What are your future thoughts/plans/ideas in this case?

RQ 3

What are the perceived advantages and disadvantages of an E-business strategy in travel agencies?

1. Has the intensity of rivalry among travel agencies increased during the last couple of years?

2. How do you go about to find new customers?

3. Have the barrier to entry the market lowered?

4. What about the bargaining power of your customers? (Has the relationship changed according to the respondent?)

5. What about the bargaining power of your suppliers? (Pros and cons?)

6. Have internet/E-business led to strengthening or even changing the relationships within your current network?

7. Have you chosen to integrate your online brand with your company name?

8. Are you aware about what within the agency that creates value to the customers?

9. In which intermediation phase do you find yourself right now? Are you still the original intermediary what a travel agency was basically, or are you facing the disintermediation threat from bigger agencies or partners, or are you fighting this development with a certain E-business strategy to reintermediate your agency?