THE REVIEW OF A BUSINESS MODEL

Research on changing the business model for a Dutch tour operator

Leon van der Heijden - June 2010

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Management summary

The travel industry is one of the largest and also one of the fastest changing industries in the World. The emergence of the internet has radically changed the way business is conducted throughout the industry. This research focuses on a Dutch tour operator which is having trouble adjusting to the fast changing business environment. This tour operator did not make the transition to online direct selling but still sells its products via retail partners only. Due to fierce competition of online niche players, who do not have high overhead costs and a large back-office, profit margins are under pressure and sales are declining. The tour operator has specialized itself in long haul traveling, which means fly-hotel vacation trips outside of Europe. This market segment is shrinking because of the current economic circumstances, which inevitably means a decrease in sales. Other tour operators facing the same problems often chose to change their strategy of indirect retail selling to a dual strategy of both indirect and direct online selling. For the Dutch tour operator it is clear that changes need to be made to the current business model to be able to sustain a profitable business. Research has been conducted to gain insight into the problems of this Dutch tour operator regarding their current business model and to develop a suitable competitive business model.

The results of this research consist of a comprehensive description for a reviewed business model together with the associated critical success factors. The information needed to review the current business model was gathered by analyzing the tour operator itself and its environment. The findings of this analysis show that the main issues the tour operator has to deal with are: inefficient internal handling, slow quote generation, (too) high diversity in product offering, no corporate identity, labor intensive information distribution and diversity in the product offering prevents possible economies of scale. Interviews were conducted with business experts to gain insight into the best practices in the current market and the market environment. The information from the interviews was used to create a best practice business model which could be compared to the current business model. This analysis, together with the identified critical success factors, has led to the identification of nine recommendations divided into three categories: Product, Efficiency and Image. For each of these categories the two most important recommendations are elaborated in the next paragraph which will tackle the formerly mentioned issues and will increase the sustainability of the business model of the tour operator.

Product: Margins are small because the current distribution channel is expensive. Therefore direct selling is a must. To be able to keep the associated travel agents satisfied it is wise to <u>start selling directly to customers</u> under a different brand name with the same price. This is less threatening to travel agents. To be able to compete with the larger tour operators detailed knowledge about the destinations is needed. <u>Specific product selection for specific customer segments</u> is recommended for the product offering. It is essential to evaluate each individual destination that is offered at the moment. Focusing on fewer destinations makes keeping the knowledge up to date easier and reaching critical passenger volumes more feasible. **Efficiency:** An <u>analysis of the internal processes</u> should be conducted. The goal of this analysis is to identify the time consuming elements of the internal processes. By standardizing these activities the total process will become more efficient and less costly. To improve the efficiency of the internal processes even more, the current <u>back-office ICT systems should be evaluated</u> and if needed replaced. **Image:** The brand represents the added value a company is able to deliver and helps customers with their product choice. <u>Increasing brand</u>

awareness starts with the availability of information about the company. Communicating the product offering and the brand values will increase the trustworthiness of the company. A multi-channel strategy for product and information distribution is absolutely essential for a modern tour operator. The role of the internet in this strategy cannot be denied. A state-of-the-art website is a must to succeed.

One of the consequences of these recommendations is that costs will primarily increase to implement a recommendation before it will yield a return. Since there is no room to invest this can be a problem.

Preface

With this research I will complete the bachelor program for Industrial Engineering & Management at the University of Twente, the Netherlands. This report is the end result of my research on changing the business model for a Dutch tour operator performed for Mensink Capital B.V.

In November 2008 Louis Frankenhuis, then CEO at OAD Group, gave a presentation at the University of Twente about the changing dynamics in the travel industry and the challenges that OAD faced at the time. His main message at that time was the need for change. This need for change was instigated by the emergence of the internet which was disturbing the traditional value chain of the travel industry. The way one particular form of new technology could disrupt a complete industry fascinated me and when the opportunity was offered to me to do research on this fast changing industry I was happy to accept. The research for this assignment was performed during a four month internship at a corporate finance boutique; Mensink Capital B.V. This organization has made the tour operating industry one of their main points of focus. Their experience and available knowledge on this subject, gained from completing multiple deals in the this particular industry, was therefore an interesting starting point for a study into the future of the Dutch tour operating industry and especially those companies who seem to be losing out at the moment.

Now that the report is finished I am happy with the end-result and I can look back on a very pleasant internship period. For presenting me with the opportunity to perform this research, and guiding me along the way, I would like to thank Hugo Mensink who has helped me in realizing this report. Furthermore I would like to thank my supervisor Kasia Zalewska-Kurek and co-reader Joris Heuven for their input, the commitment to this project and the pleasant discussions we had during our meetings. Finally I would like to thank my family and friends for the feedback and the support they gave me during the course of this research.

I hope you enjoy reading this report and equally enjoy this quote I found on my journey through the travel industry:

"It is better to travel one mile than to read a thousand books" - Confusius

Leon van der Heijden
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1. Introduction

The emergence of the internet instigated a radical change in the way business is conducted in the tour operator industry. A number of tour operators are struggling to stay competitive in this fast changing market. There is one tour operator in particular who never anticipated the transition to online direct selling and still sells via retail partners only. This company is facing scrimping revenues while operational costs are mostly fixed, thus turned into negative figures. Especially online niche specialists without a large back office and high overhead costs have a negative impact on the market share, revenue and gross margin of this traditional tour operator who is selling its products solely through travel agents. With these market circumstances in mind more and more tour operators successfully shifted to a dual strategy in which they try to find an optimal trade-off between direct and indirect selling. The Dutch tour operator concerned is convinced it will be able catch up with the competition using their experience and reputation, but only if the current business model is to be reviewed. As a case study, I aim to prepare a compiling advice identifying which critical success factors this company should adapt in order to meet today's requirements in the highly competitive Dutch tour operating market.

1.1. Problem statement

The Dutch tour operator is specialized in long haul traveling (fly-hotel vacation trips outside of Europe) and tries to provide a worldwide coverage. It wants to be all-round in this broad market segment by offering a high degree of customization and specialized individual service to their customers via the travel agencies. To present their product offering, the company publishes several brochures each year which are distributed via the travel agencies and to a lower extent the company's website. A customer can either order a published vacation trip from one of the brochures or set for a tailor-made trip making use of the company's in depth knowledge and experience - the company is favored by the travel agencies for this. The high service and customization level leads to high costs while the sales through travel agencies lead to low profit margins. These two factors keep the current business model from being profitable.

This can be summarized in the following problem statement:
The current business model of the target case study is loss making due to the high costs related to the currently used sales channel and the internal handling.

1.2. Objective

The objective of this research is to identify the problems for this Dutch tour operator regarding their current business model and to develop a suitable competitive business model.

1.3. Results

To realize the objective stated above, the current market situation will be described and the business model of the Dutch tour operator will be analyzed on the basis of a literature review and the knowledge of market experts. Then a review of this business model will be performed on the basis of best practices to generate a suitable competitive business model.

The concrete results of the research will therefore be: (1) a description of the current Dutch tour operator market situation, (2) a description of the current business model of the case tour operator and (3) a reviewed business model which is competitive and forms the basis for dealing with the challenges faced by the case tour operator.

1.4. Research design

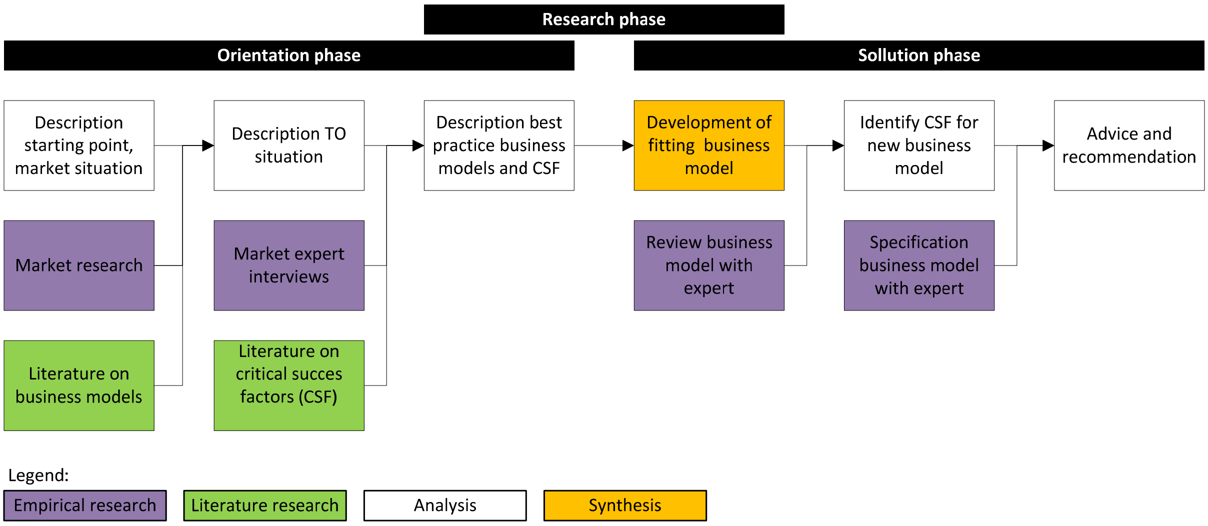

Figure 1.1: Research design

1.5. Research question

Derived from the objective (stated in paragraph 1.2.) the main question of this research is:

What business model less dependent on retail selling and labor intensive handling, can the Dutch tour operator develop to stay competitive? What are the critical success factors for this model?

From this main question two central research questions can be derived:

1. Which business model is most suitable for the Dutch tour operator?
2. What are the critical success factors for such business model?

1.6. Approach

During this research a selected number of methods and techniques are used to gather the required information. First of all a study is done to identify and review relevant literature regarding the subject. Secondly a number of interviews are held with people who can supply expert knowledge in addition to the literature and to identify basic market facts and an expert view on best practices in the tour operating industry. The techniques described by Patton (1980) will be used to develop the interview strategy and questions. Finally a case study is performed to describe the current business model, based on the literature research and additional document or "desk" research. The results of the case study are then compared to the data gathered during the expert interviews. The case study methods described by Yin (1994) are used to develop the design of the case study. The synthesis of the current business model and the best practice views lead to a compiling advice on a new competitive business model for the Dutch tour operator.

To be able to answer the first central research question it is essential to start with analyzing the current situation and creating a framework for the business model and its components (see paragraph 2.1.). The analysis of the current situation comprehends an external and an internal view. The external view consists of a quick scan of the direct market environment, which results in an overview of direct competitors and challenges the industry faces. The internal view consists of an analysis of the organization and its current business model as described in the framework. Using the framework and the results of the analysis a new business model is crafted that fits the company's needs. The information needed for the analysis of the current situation mainly comes from interviews with people who have experience in the industry, the Dutch tour operator itself, data collected by representative organizations for the industry (ANVR) and market research organizations.

To answer the second central research question, the relevant critical success factors for the business are identified by using the theoretical framework (see paragraph 2.2.) and expert interviews. After the identification is complete these critical success factors are evaluated for this particular model to identify if they can be met. This gives an insight in whether the proposed business model is realistic or not.

Finally an advice is formed on which business model to use, including the recommendations on how to satisfy the critical success factors.

2. Theoretical framework

2.1. Business model

The business model is a relatively new concept which is mainly associated with the 'internet era'. The context in which the term business model was often used is 'how the web changes traditional business models' (Chesbrough and Rosenbloom, 2002). Until the start of the 21st century a minimal amount of research was done to investigate the concept. Eventually the rise of e-commerce boosted the attention it was given in the academic world. Chesbrough and Rosenbloom (2002) were one of the first scholars who proposed what elements belong into a business model which lead to a refinement of the definition of the concept. The definition is given in terms of functions of the business model:

- Articulate the value proposition
- Identify a market segment
- Define the structure of the value chain within the firm required to create and distribute the offering, and determine the complementary assets needed to support the firm's position in this chain
- Estimate the cost structure and profit potential of producing the offering, given the value proposition and value chain structure chosen
- Describe the position of the firm within the value network linking suppliers and customers, including identification of potential complementors and competitors
- Formulate the competitive strategy by which the innovating firm will gain and hold advantage over rivals

This business model concept provides a coherent framework that takes technological characteristics and potential as inputs, and converts them through customers and markets into economic outputs. The business model is thus conceived as a focusing device that mediates between technology (development) and economic value creation (Chesbrough and Rosenbloom, 2002). In other words a business model can be described as an abstract conceptual model that represents the business and money earning logic of the company and as a business layer (acting as a sort of glue) between business strategy and processes (Osterwalder, 2004). This definition formed the basis for an extensive literature review, including the article of Chesbrough and Rosenbloom (2002), which lead to the definition of a generic business model consisting of nine different building blocks, as can be seen in figure 2.1. Based on the literature synthesis leading to the identification of these nine building blocks the following definition of a business model was proposed.

Business model definition:
A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams (Osterwalder, Pigneur and Tucci, 2005).

	Building block of business model	Description
Product	Value propositions	Gives an overall view of a company's bundle of products and services.
Customer interface	Customer segments	Describes the segments of customers a company wants to offer value to.
	Channels	Describes the various means of the company to get in touch with its customers.
	Customer relationships	Explains the kind of link a company establishes between itself and its different customer segments.
Infrastructure management	Key resources	Describes the assets required to offer and deliver the previous elements…
	Key activities	…by performing a number of activities arranged in a specific way.
	Key partnerships	Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.
Financial aspects	Revenue streams	Describes the way a company makes money through a variety of revenue flows.
	Cost structure	Sums up the monetary consequences of the means employed in the business model.

Figure 2.1: The nine building blocks of a business model (synthesis of Osterwalder, 2004 and Osterwalder and Pigneur, 2009)

The first three functions of the business model described by Chesbrough and Rosenbloom (2002) correspond with the first six building blocks identified by Osterwalder and Pigneur (2009). Where the building blocks customer segments, channels and customer relationships can be summarized by the function of identifying a market segment, the building blocks key resources and key activities match the (internal) value chain. The importance of the comparability of the two models lies in the fact that the functional approach of Chesbrough and Rosenbloom is more concise while Osterwalder makes the different elements more operational. For the remainder of this report the functions/building blocks of the business model will, for the sake of continuity, be called elements as stated in the abovementioned definition. With regard to the elements of the business model the following denominations and abbreviations will be used: value propositions (VP), customer segments (CS), channels (CH), customer relationships (CR), key resources (KR), key activities (KA), Key partnerships (KP), revenue streams (R$) and cost structure (C$). In the following sections these elements will be elaborated.

2.1.1. Value propositions

The value proposition defines how items of value (product and service features as well as complementary services) are packaged and offered to fulfill customer needs (Kambil, Ginsberg and Bloch, 1996). It gives an overall view of one of the firm's bundles of products and services that together represent value for a specific customer segment. It describes the way a firm differentiates itself from its competitors and is the reason why customers buy from a certain firm and not from another. A value proposition creates value for a customer segment through a distinct mix of elements catering to that segment's needs. Values may be quantitative (e.g. price, speed of service) or qualitative (e.g. design, customer experience). Some value propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers but with added features and attributes (Osterwalder and Pigneur, 2009). By describing these different features and attributes of a value proposition a firm can better observe how it situates itself compared to its competitors (Osterwalder, 2004). This can be used to visualize the value proposition in different ways which creates a deeper understanding about the market position and competitive position. The price level (cost) and value level (performance) can be used to draw a so-called value map of the industry (for an example see figure 2.2). This value map helps define the relative position in an industry along the price-value axis. The value frontier defines the maximum value (performance of the value proposition) currently feasible for any given cost (to the customer) and represents the different segments offered to customers. Successful market leaders create unique positions on the value frontier (Kambil, Kinsberg and Bloch, 1996).

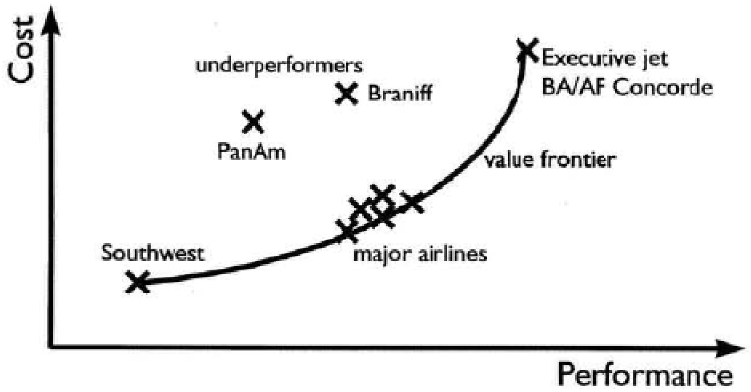

Figure 2.2: Value map example for the airline industry (Kambil, Kinsberg and Bloch, 1996)

Market leaders need to keep extending and reinventing or radically shifting the value frontier to differentiate themselves from their competitors. There are three main strategies for changing value propositions with a value map (figure 2.3): extending the value frontier toward the low-end meaning a back to basics approach competing on low cost, extending the value chain towards the high-end focusing on superior value for a higher price and shifting the value frontier by providing more value or a lower price than the rest of the industry.

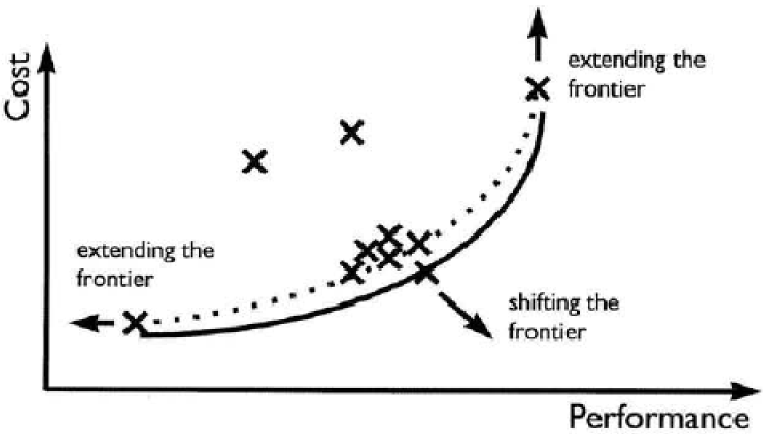

Figure 2.3: Value map transformations (Kambil, Kinsberg and Bloch, 1996)

To visualize the competitive position of the individual elements a so-called value curve or strategy canvas (Kim and Mauborgne, 2002) can be drawn. In the strategy canvas the value level of the individual elementary offerings are plotted against those of the competitors (see figure 2.4 for an example). This gives a clear view where the opportunities for differentiation lie.

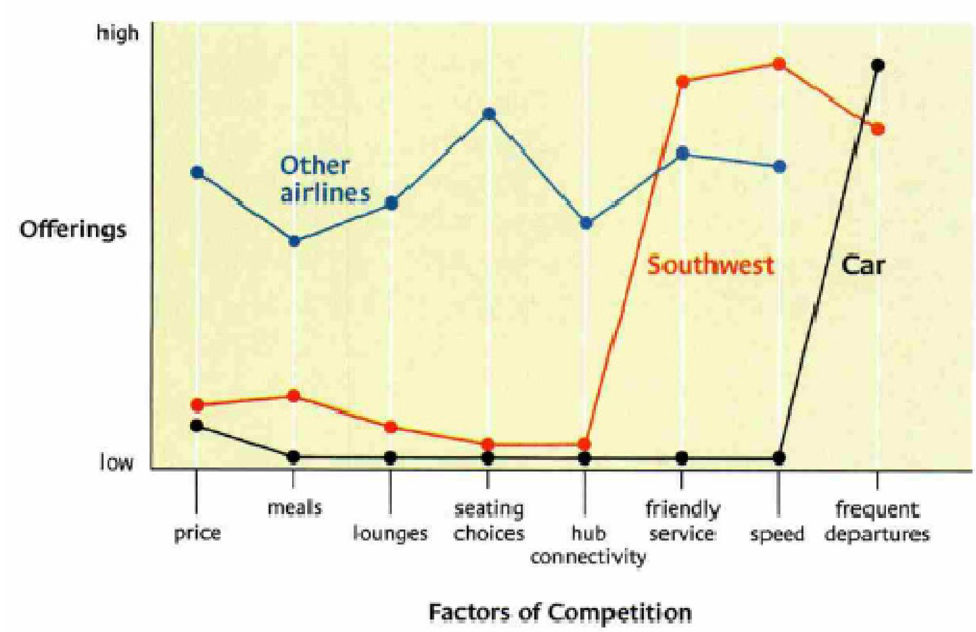

Figure 2.4: Strategy canvas example for the short-haul airline industry (Kim and Mauborgne, 2002)

2.1.2. Customer segments

The customer segment can be defined as the different groups of people or organizations an enterprise aims to reach. Customers comprise the heart of any business model. Without customers, no company can survive for long. In order to better satisfy customers, a company may group them into distinct segments with common needs, common behaviors or other attributes. A business model may define one or several large or small customer segments. An organization must make a conscious decision about which segments to target and which segments to ignore. Once this decision is made a business model can be carefully designed around a strong understanding of specific customer needs. Customer groups represent separate segments if their needs require a distinct offer, they are reached through different distribution channels, they require different types of relationships, they have substantially different profitability's and they are willing to pay for different aspects of the offer. Different types of customer segments can be identified, for example mass market, niche market, segmented (see next paragraph), diversified and multi-sided platforms (e.g. newspaper needs readers and advertisers) (based on Osterwalder and Pigneur, 2009).

Effective segmentation enables the company to allocate investment resources to target customers that will be most attracted by its value proposition (Osterwalder, 2004). According to Kotler (2003) segment marketing offers several benefits over mass marketing: fine tuning of product or service offering, appropriate pricing per target segment, selection of best distribution channels and a clear view of the competitions. However, a segment is partly a fiction because not everyone wants exactly the same. Therefore a flexible market offering is preferred over a standard offering to all members of a segment. A flexible market offering consists of two parts: a naked solution containing the product and service elements that all segment members value, and discretionary options that some segment members value. For the segments to be useful they must be measurable (size, purchasing power and characteristics of the segments), substantial (large and profitable enough to serve), accessible (can be effectively reached and served), differentiable (conceptually distinguishable and respond differently to different marketing mix elements and programs) and actionable (effective programs can be formulated for attracting and serving the segments). Four major segmentation variables, which form the basis of the needs-based segmentation, can be identified. These are geographic, socio-demographic, psychographic and behavioral segmentation (see figure 2.5). Dolničar (2005) identifies a number of additional attributes for the tourism industry: country of origin (geographic), vacation activities, choice behavior, vacation habits (e.g. number of vacations, length of stay), expenditures (behavioral), travel motivation, interests and guest satisfaction (psychographic).

	Attributes
Geographic	Region, City size, Density, Climate, Country of origin
Socio-Demographic	Age, Family size, Family life cycle, Gender, Income (purchasing power), Occupation, Education, Religion, Race, Generation, Nationality, Social class
Psychographic	Lifestyle, Personality, Interests, Travel motivation, Guest Satisfaction
Behavioral	Occasions, Benefits, User status, Usage rate, Loyalty status, Readiness stage, Attitude toward product, Vacation activities, Choice behavior, Vacation habits, Expenditures

Figure 2.5: Major segmentation variables for consumer travel markets (based on Kotler, 2003 and Dolničar, 2005).

2.1.3. Channels

When the customer segments are identified the value propositions need to be connected to their subsequent markets. This can be done by selecting one or more suitable distribution channels, allowing the company to deliver value to its target customers. A distribution channel describes how a company communicates with and reaches its customer segments to deliver a value proposition (Osterwalder and Pigneur, 2009). Channels are customer touch points that play an important role in the customer experience. Its primary purpose is to make the right quantities of the right products or services available at the right place, at the right time to the right people (Pitt, Berthon and Berthon, 1999), but also the value created in the awareness phase, the evaluation phase, and the after sales phase are of critical importance during the customer's buying cycle. That is why a distribution channel should be studied over the entire length of the customer's buying cycle (Osterwalder, 2004). The buying cycle consists of five phases: awareness, evaluation, purchase, delivery and after sales. There are two types of distribution channels: direct (sales force, website) and indirect (own stores, partner stores and wholesaler). These channels can be company owned or partner owned (Based on Osterwalder and Pigneur, 2009).

2.1.4. Customer relationships

The customer relationship element describes the types of relationships a company establish with specific customer segments. A company should clarify the type of relationship it wants to establish with each customer segment. Relationships can range from personal to automated and may be driven by different motivations. The motivation for maintaining a relationship with a customer can either be customer acquisition, customer retention or boosting sales. The customer relationships called for by a company's business model deeply influence the overall customer experience. Several categories of customer relationships can be distinguished which may co-exist in a company's relationship with a particular customer segment. These relationships are: personal assistance, self service, automated services, communities and co-creation (based on Osterwalder and Pigneur, 2009).

2.1.5. Key resources

Every business model requires assets or key resources to let the model function. These resources allow a company to create and offer a value proposition, reach markets, maintain relationships with customer segments and earn revenues. Key resources can be physical, financial, intellectual or human. Key resources can be owned or leased by the company or acquired from key partners (Based on Osterwalder and Pigneur, 2009).

2.1.6. Key activities

To be able to actually make what it wants to sell, a firm needs to have an activity system in place. An activity system is an integrated set of value creating processes leading to the supply of product and/or service offerings. Each company needs to perform a number of activities to successfully fulfill the customer's needs. The key activities are those activities that are of the utmost importance to the company and let it operate successfully. Like key resources they are required to create and offer a value proposition, reach markets, maintain customer relationships, and earn revenues. Key activities differ depending on the business model type. Three main categories of key activities are identified by Osterwalder and Pigneur (2009): production activities, problem solving activities (e.g. product development) and platform/network activities (e.g. CRM maintenance).

2.1.7. Key partnerships

The key partnerships form the network of suppliers that make the business model work. Companies forge partnerships for many reasons and partnerships are becoming a cornerstone of many business models. Companies create alliances to optimize their business models, reduce risk, or acquire resources. Four different types of partnerships can be distinguished: strategic alliances between non-competitors, coopetition: strategic partnerships between competitors, joint ventures to develop new businesses and buyer-supplier relationships to assure reliable supplies. Generally there are three reasons for creating partnerships: optimization and economy of scale, reduction of risk and uncertainty and acquisition of particular resources and activities (based on Osterwalder and Pigneur, 2009).

2.1.8. Revenue streams

The income a company generates from each customer segment is represented in the revenue streams element of the business model. A business model can involve two different types of revenue streams: transaction revenues resulting from one-time customer payments and recurring revenues resulting from ongoing payments to either deliver a value proposition to customers or provide post-purchase customer support. A company must ask itself; for what value is each customer segment truly willing to pay? Successfully answering this question allows the company to generate one or more revenue streams from each customer segment. There are several ways to generate revenue streams such as asset sale, usage fee, subscription fee, lending/renting/leasing, licensing, brokerage fees and advertising (based on Osterwalder and Pigneur, 2009).

2.1.9. Cost structure

The cost structure element describes all costs incurred to operate a business model. Creating and delivering value, maintaining customer relationships and generating revenue all incur costs. Such costs can be calculated relatively easily after defining key resources, activities and partnerships. Some business models are more cost-driven than others. So-called “no-frills” service providers, for instance, have built business models entirely around low cost structures. Low cost structures are therefore more important to some business models than to others. Two broad classes of business model cost structure can be identified: cost-driven and value-driven. Cost structures can have the following characteristics: fixed costs, variable costs, economies of scale and economies of scope (based on Osterwalder and Pigneur, 2009).

2.1.10. The business model canvas

The nine business model elements have been graphically integrated into a useful tool called “The Business Model Canvas”. This tool resembles a painter’s canvas, preformatted with the nine business model elements, which allows the user to paint pictures of new or existing business models. It is a hands-on tool that fosters understanding, discussion, creativity and analysis (Osterwalder and Pigneur, 2009).

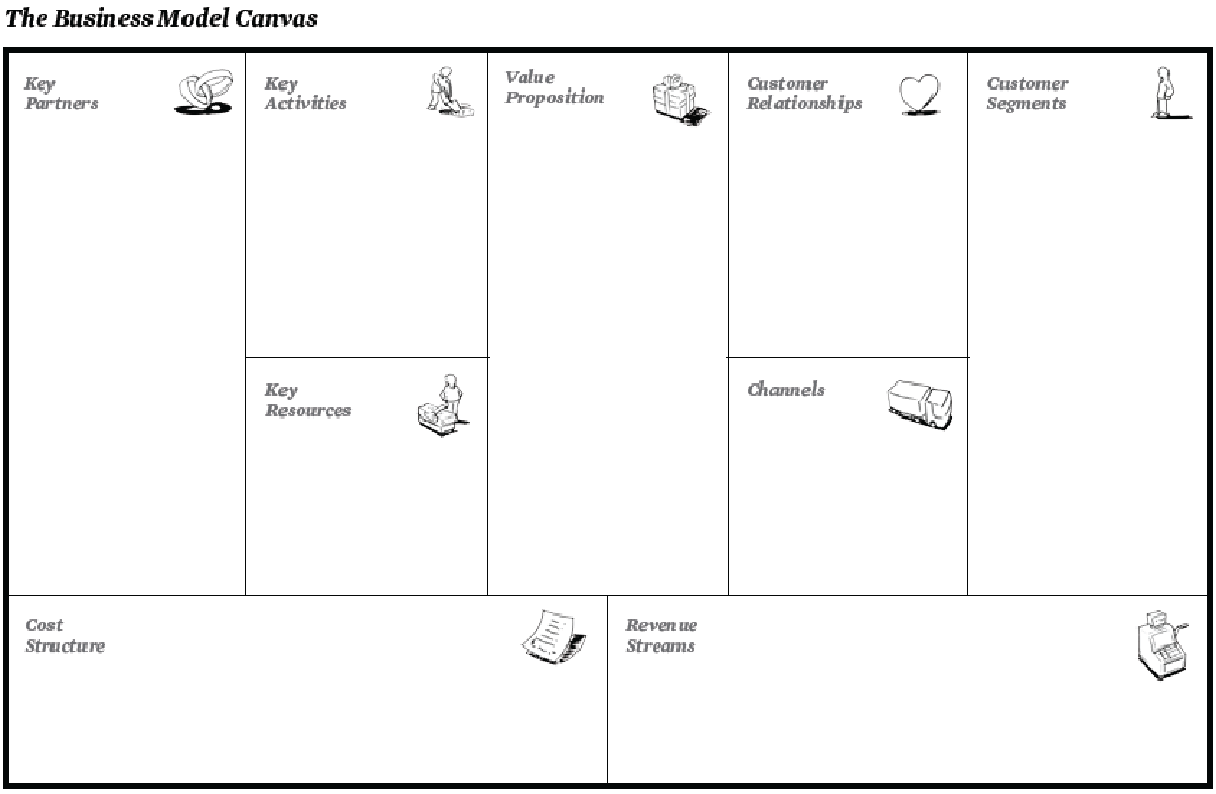

Figure 4.7: The Business Model Canvas (Osterwalder and Pigneur, 2009)

2.1.11. The business model environment

Business models are designed and executed in specific environments. Developing a good understanding of the organization’s environment helps conceive stronger and more competitive business models. Continuous environmental scanning is more important than ever because of the growing complexity of the economic landscape, greater uncertainty (e.g. technology innovations) and severe market disruptions (e.g. economic turmoil or disruptive new value propositions).

Understanding changes in the environment helps to adapt the business model more effectively when external forces are shifting. The business model environment can be roughly mapped into four areas: market forces, industry forces, key trends and macroeconomic forces (based on Osterwalder and Pigneur, 2009).

2.2. Critical success factors

The business model theory described above is useful to grasp the business logic of a firm and identify the value it offers its customers. The main disadvantage of the model is the fact that it does not specify the criticality of the individual components. It is useful to identify the most critical components of the business model because these factors have the biggest impact on the chances of success for the company. The identification of Critical Success Factors (CSF's) provides a means by which an organization can assess the threats and opportunities in its environment. CSF's also provide a set of criteria for the strengths and weaknesses of the firm. CSF's are those characteristics, conditions, or variables that when properly sustained, maintained or managed can have a significant impact on the success of a firm competing in a particular industry. A CSF can be a characteristic such as price advantage; it can also be a condition such as capital structure or advantageous customer mix; or an industry structural characteristic such as vertical integration. Based on Leidecker and Bruno (1984) three techniques to identify CSF's are chosen for this research: analysis of the industry structure, company assessment and industry/business experts. This choice is made on the basis of complementary advantages and disadvantages of the techniques.

The analysis of the industry structure allows the user to understand the interrelationships between the industry's structural components and leads to a macro level focus. The main disadvantage of this technique is the lack of usefulness to identify firm specific CSF's. This lack of insight in the company specific CSF's is countered by the company assessment technique which focuses on the objective identification of strengths and weaknesses which may assist CSF development. The lacking macro focus of this technique is countered by the former technique. The analysis of the industry structure (an outside-in approach) can be done by analyzing the earlier mentioned areas (see 2.1.11.) of the external environment of the company. For the company assessment (an inside-out approach) the tool called a "SWOT analysis" is widely used. By identifying the Strengths & Weaknesses (the internal factors) and the Opportunities & Threats (the external factors) of the company the SWOT analysis complements the analysis of the industry structure and also covers the company assessment. Osterwalder and Pigneur (2009) have developed a SWOT analysis that fits their business model approach, which helps the user to identify the Strengths, Weaknesses, Opportunities and Threats for each individual business model element.

Finally the involvement of industry experts is a means of soliciting 'conventional wisdom' about the industry and firms. This subjective information is often not discovered with more formal, analytical and objective approaches (Leidecker and Bruno, 1984). The disadvantage of lack of objectivity can be countered by involving multiple market experts and comparing the results. A common way of gathering information form industry experts is conducting surveys or interviews.

The theories that were discussed in this chapter define the terms used in the research questions and serve as the basis for the remainder of this research.

3. Dutch tour operator industry

3.1. General description

The origins of the Dutch tour operator industry can be traced back to the late 1800's. Up till World War II the industry was mainly focused on the domestic market using cars and autobuses for group travels. The longer overseas trips that were undertaken by boat were more often used for migration than for holiday purposes. After the war, along with the recovery process, the tour operator industry started to flourish. The tour operators that specialized in bus travels expanded their product offer with the very successful multiple day touring car holidays, which made traveling throughout Europe available and affordable for the middle class citizens, although the biggest change in traveling history was yet to come with the introduction of the modern long-range commercial aircraft. New aviation technology resulted in lower cost of airfares and thus the opportunity for the middle class to travel overseas. The introduction of the commercial airlines marks the beginning for the long haul travel segment.

Now being one of the largest industries in the world the travel industry has been growing ever since the end of World War II. Because it continues to grow, except for some periods of temporary disruptions (war, terrorism, disease outbreaks and a soft economy, for example: Balkan war, Bali attack, SARS and the current financial crisis), it should be able to remain in that position at least for a number of years to come. Although the industry has a bright future it is not often recognized that it has become a mature industry. This fact has consequences for the future development of the industry: slower growth, multiple competitors in similar categories, pricing pressure, increased difficulty for new entrants and a new search for previously overlooked segments (Plog, 2005). Especially tour operators, which gather individual components and offer packaged travels to their customers, are increasingly interested in uncovering new possible market segments.

The number of holidays undertaken by the Dutch has been stable the past few years (see figure 3.1). This corroborates the statement about slower growth made in the previous section regarding the number of holidays. Furthermore it can be concluded that the number of short holidays (less than four consecutive nights) are gradually declining and the number of long holidays (at least four consecutive nights) is gradually increasing.

	2002	2003	2004	2005	2006	2007	2008
Total number of holidays (mio)	35,5	34,6	35,2	34,4	34,5	35,1	35,9
Number of travelers (mio)	12,3	12,5	12,5	12,4	12,4	12,5	12,7
Average number of holidays	2,89	2,77	2,82	2,77	2,78	2,82	2,84
Number of short holidays (mio)	13,1	12,6	12,5	12,2	12,2	12,8	12,3
Number of travelers (mio)	6,3	6,3	6,2	6,2	6,3	6,4	6,3
Average number of short holidays	2,09	1,99	2,01	1,96	1,92	2	1,96
Number of long holidays (mio)	22,4	22	22,7	22,2	22,4	22,3	23,6
Number of travelers (mio)	11,3	11,4	11,6	11,5	11,4	11,4	11,6
Average number of long holidays	1,98	1,93	1,96	1,93	1,97	1,96	2,03

Figure 3.1: Volume and intensity of holidays of the Dutch (CBS: Tourism and recreation in numbers 2009)

The long-haul tour operator on which the case is based almost exclusively sells long holidays. The 23.6 million long holidays that are undertaken each year can be split into three destinations: domestic, abroad and rest of world (RoW). Eleven percent of all long holidays have a destination outside of Europe, which is considered long-haul (see figure 3.2).

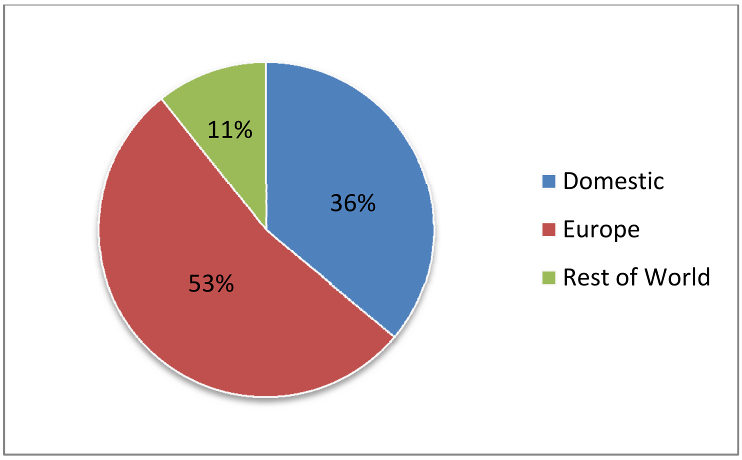

Figure 3.2: Long holidays by destination (based on CBS: Tourism and recreation in numbers 2009)

The statement about slower growth is not supported by the data about the total expenditure on holidays by the Dutch. The total expenditure has been growing gradually and increased more than 1.4 billion Euros with respect to 2007 (see figure 3.3). In 2009 the industry expects a decline but these figures have not yet been published.

	2002	2003	2004	2005	2006	2007	2008
Domestic	2.900	2.630	2.568	2.482	2.570	2.702	2.699
Abroad	9.730	9.760	10.121	10.257	10.413	11.105	12.555
Total	12.630	12.390	12.688	12.739	12.983	13.808	15.255

Figure 3.3: Expenditure (in million Euros) of the Dutch on holidays by destination (CBS: Tourism and recreation in numbers 2009)

The total spending of 15.3 billion Euros in 2008 includes a total of 13.6 billion Euros spent on long holidays (CBS: Tourism and recreation in numbers 2009). Of the 13.6 billion Euros approximately 31 percent was spent on holidays with a destination outside of Europe (see figure 3.4).

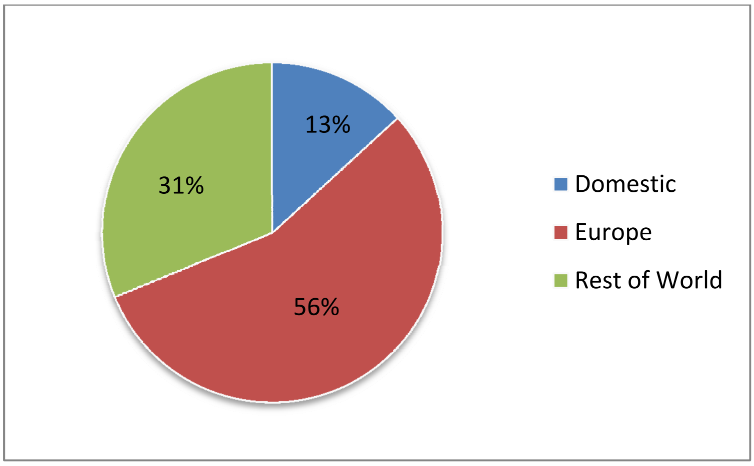

Figure 3.4: Long holiday expenditure by destination (based on CBS: Tourism and recreation in numbers 2009)

More than two-thirds of all the long travels undertaken are in an organized form (CBS: Tourism and recreation in numbers 2009). The companies that organize those trips are the tour operators. To give a better view of the position of a tour operator within the industry the following industry value chain is proposed.

Figure 3.5: Travel industry value chain

In this value chain the first four elements can be considered as suppliers. The travel agent is an intermediary between the suppliers and the demand generated by the customer. The role of the Tour operator is to package the local activities, accommodation and transport into holidays. The ANVR (Dutch association for travel organizations) defines the term tour operator as follows: "a tour operator is anybody who offers agreements for transport and/or accommodation regarding travels of more than one day. The participation by this person in this business, in the Netherlands, is offered to the public through a seasonal or yearly brochures program or other (technological) writing" (translated from Eijken, 1998).

In total there are 205 ANVR registered tour operators in the Netherlands. The top 40 tour operators (see figure 3.6) control around 60 percent of the market with a total turnover of 3.8 billion Euros (Unigarant Travel top 50, 2009). This indicates that the total size of the tour operator market for the Netherlands is approximately 6.3 billion Euros.

		Turnover 2007 (mio)	Turnover 2008 (mio)	Change (%)	Market share 2007 (%)	Market share 2008 (%)
1	TUI Nederland (1) *1	794	789	-0,6	13,1	12,5
2	Oad (2) *2	499	543	8,8	8,3	8,5
3	Thomas Cook Nederland (3)	485	497	2,5	8	7,9
4	Sundio Group (4) *3	280	310	10,7	4,6	4,9
5	ANWB Reizen groep (5) *4	167,9	181,7	8,2	2,8	2,9
6	De Reisspecialisten Groep (7)	115	114	-0,9	1,9	1,8
7	Kuoni Travel Nederland (6)	118	108	-8,5	1,9	1,7
8	De Jong Intra Vakanties (9) *6	95,2	97,5	2,4	1,6	1,6
9	FOX Vakanties (12)	81	90	11,1	1,3	1,4
10	Corendon (11)	81,9	88	7,4	1,4	1,4
11	Vacansoleil (10)	85	87	2,4	1,4	1,4
12	First Choice Nederland (15) *7	61	71	16,4	1	1,1
13	@ Leisure (Euro Relais/Belvilla) (16) *8	57,8	66,7	15,4	1	1,1
14	Weekendjeweg.nl (13) *9	63,6	65,4	2,8	1,1	1
15	Alltours (33)	20	47,6	138	0,3	0,6
16	Bizz Travel/Ferio (17)	49	46	-6,1	0,8	0,7
17	Djoser (18)	47,5	45,3	-4,6	0,9	0,7
18	Solmar Tours (20)	35,2	39,4	11,9	0,6	0,6
19	DTI Travel (19)	39	37,5	-3,8	0,7	0,6
20	Sky International (21)	35	35	0	0,6	0,6
21	Terra Travel (23) *10	29,5	34,7	17,6	0,5	0,6
22	Wereldcontact/ITG (39) *11	15	32	113,3	0,3	0,5
23	VacanceSelect (25)	25,5	30,8	20,8	0,4	0,5
24	Does & Cadushi (22)	30	29	-3,3	0,5	0,5
25	Cruise Travel (29)	22,2	28,8	29,7	0,4	0,6
26	Club Med (26)	24,5	27	10,2	0,4	0,4
27	Travel Trend (24)	26,4	26,5	0,4	0,4	0,4
28	Buro Scandinavia/Buro Britain (27/28)	24	26	8,3	0,4	0,4
29	Snoeyink Reizen (31/32)	21	25	19	0,3	0,4
30	Sunair (27/28)	24	24,8	3,3	0,4	0,4
31	Jan Doets (30)	22	23,8	8,2	0,4	0,4
32	333Travel (34)	19	22	15,8	0,3	0,3
33	Eurocamp (31/32)	21	20,9	-0,5	0,3	0,3
34/35	Q-International (35)	18	18	0	0,3	0,3
34/35	Novasol (37/38)	16	18	12,5	0,3	0,3
36	Beter Uit Reizen (36)	17,4	17,7	1,7	0,3	0,3
37	Benga/Peter Langhout (37/38)	16	16	0	0,3	0,3
38	Askja (40)	14	15,8	12,9	0,2	0,3
39	Van Nood (-)	11,9	11,9	0	0,2	0,2
40	Pelikaan Reizen (-)	(-)	7,5	(-)	(-)	0,1
	Total	3607,5	3815,3		59,9	60,5

Figure 3.6: Top 40 ANVR registered tour operators in the Netherlands (Unigarant Travel top 50, 2009)

4. Research methods

4.1. Research on the business model

The starting point for the research on the business model was desk-research. The desk-research consisted of an internet search (e.g. tour operator website and travel agent websites), brochure search (e.g. own brochures and competitors') and conversations with the principal of this project to gain detailed insight in the inner workings of the Dutch tour operator. Unfortunately there was no possibility to directly contact employees or other parties involved because of the sensitivity of the project. To describe the current business model of the case tour operator the desk-research and the theoretical approach described by Osterwalder and Pigneur (2009) was used. This approach describes each of the nine business model elements (see paragraph 2.1.) individually. The elements have been operationalized on the basis of the variables of each individual element (see figure 4.1) identified by Osterwalder and Pigneur (2009).

	Variables	Values
Value proposition (VP)	Elements of value	Qualitative (e.g. design, customer experience) / Quantitative (e.g. price, speed, service)
	Fulfilled customer needs	Non-exhaustive (e.g. low price, convenience, customization)
	Product types	Non-exhaustive (e.g. roundtrips, city trips, beach holiday)
	Degree of differentiation	Highly differentiated (multiple products to multiple destinations) / Differentiated / Specialized (specific products to specific destinations)
Customer segments (CS)	Segment	Domestic / Europe / Rest of World (= long-haul)
	Customer groups	Geographic (e.g. region) / Socio-demographic (e.g. income) / Psychographic (e.g. travel motivation) / Behavioral (e.g. vacation habits)
Channels (CH)	Type	Direct (e.g. sales force, website) / Indirect (e.g. own stores / partner stores / wholesaler)
	Functions	Awareness / Evaluation / Purchase / Delivery / After sales
Customer relationships (CR)	Categories	Personal assistance / Dedicated personal assistance / Self service / Automated services / Communities / Co-creation
	Motivation	Customer retention / Customer acquisition / Up selling
Key resources (KR)	Categories	Human / Physical / Intellectual / Financial
Key activities (KA)	Categories	Production / Problem solving / Platform/network
Key partners (KP)	Categories	Strategic alliances / Coopetition / Joint ventures / Buyer-supplier
Revenue streams (R$)	Type	One-time payment / Recurring payment
	Generation	Asset sale / Usage fee / Subscription fee / Lending renting leasing / Licensing / Brokerage fee / Advertising
Cost structure (C$)	Characteristics	Fixed costs / Variable costs

Figure 4.1: Operationalization of the business model elements (based on Osterwalder and Pigneur, 2009 and the description of the Dutch tour operator industry (see paragraph 3.1.))

The evaluation of the current business model has been done by following an inside-out and an outside-in approach. For the inside-out approach a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis has been performed. For the outside-in approach an analysis of the environment was performed, which describes the challenges faced and best practices used. The research into the environment has been done by conducting interviews with an exploratory character. This research does not focus on explaining relationships or identifying connections but rather on finding reasons and causes. For this reason a qualitative rather than a quantitative research method is chosen. The ability to respond to the answers the interviewee gives is important to gain further insight, therefore the choice is made for using the more dynamic, exploratory interview method (reasoning based on Hargie and Tourish, 2002).

The interviews were conducted following an interview plan which is included in Appendix A - Interview plan. The interview plan was drawn up on the basis of the preliminary environmental analysis and the operationalization of the business model (see figure 4.1). The first part of the interview had a more general approach with respect to the market situation. In the second part of the interview the interviewee was challenged to give his/her view on an ideal business model for a tour operator keeping a specific market segment in mind. The case tour operator is active in the same market segment which enhances the comparability of the current business model and business models described by the respondents.

In total five market experts were willing to participate in this research. These participants include two former CEO's of top 5 travel companies active in the Dutch market, a CEO/owner of a medium sized tour operator, a marketing manager of a top 40 chain of travel agents active in the Dutch market and the editor in chief of a Dutch travel industry magazine. The interviews were taped and subsequently elaborated. The elaboration of the interviews was done following the initial model used to describe the case study. This descriptive approach can be used to identify an overall pattern of complexity (Yin, 1994). This can ultimately be used in a causal sense to explain why the initial model is loss making. The relevant information is tabulated and organized following the interview plan. A synthesis of the resulting overview of the interview results resulted in a best practices business model for a medium-size tour operator. During the creation of one best practices business model, choices had to be made between different opinions of respondents, when there was no consensus on that specific subject. In the case of a majority of comparable opinions, that answer was considered to be the best practice option. When there was no majority of comparable opinions the weight of the opinions of the three CEO's increased since they respectively have/had more responsibility and experience within their function. The synthesis of the results and the description of the current business model eventually led to the recommendations and conclusions.

4.2. Identifying critical success factors

Based on the three techniques chosen for identifying CSF's the following methods were used. First of all for the analysis of the industry structure desk-research was conducted into the market environment. This information combined with the additional market information gained in the first part of the interviews was used to distill the CSF's regarding the industry structure/environment. Secondly the company assessment was done by using the desk-research and the current business model as an input for the SWOT analysis (see paragraph 2.2.). The complete SWOT analysis framework proposed by Osterwalder and Pigneur (2009) is included in Appendix B - SWOT analysis of a business model. Finally the involvement of industry/business experts was done through the abovementioned interviews. At the end of the interviews the interviewees were made familiar with the term CSF and were asked to identify the CSF's for the business model they had just described. Comparing the answers of the five interviews gives a good view of what is deemed to be of the utmost importance to succeed in this industry. The current business model CSF’s combined with the CSF’s identified by the market experts and the other industry factors led to the conclusions and recommendations on CSF’s.

5. Research results

The research results are presented in two parts: the case study and the expert interviews. Both parts consist of the three elements described in the theoretical framework of chapter two: the environment, the business model and the critical success factors.

5.1. Case study

The information gathered in this section of the report will be used to eventually contribute to the answer to the research questions in paragraph 5.2.

5.1.1. Environment

Sales channels

The basic service a tour operator provides to customers is packaging individual travel components into fully arranged travel programs. The tour operator has the choice to market these programs through various distribution channels. The choice of sales channels is becoming increasingly important for each individual travel product because customers' preferences for buying travel products are becoming more diverse. The rise of the internet and the fast adoption of this technology among customers had a significant impact on the distribution model of the industry. This has led to increased opportunities for tour operators (and other businesses in the value chain) to bring travel products to market and also made it easier for customers to compare the different options. The travel industry is not the only industry impacted by the rise of the internet. Analyzing the parallels that exist with other industries has therefore been helpful to clarify "the big picture". The results of this analysis for the telecom, food retail and financial industry can be found in Appendix C - Parallels with other industries.

From the definition of a distribution channel (see paragraph 2.1.2.) it can be concluded that a distribution channel forms the link between a producer and a consumer. Therefore there are basically five distribution channels available for a tour operator. These are: email, internet, telephone, retail and conventional mail. All these distribution channels can be used for either indirect or direct selling, meaning either with or without a retailer positioned between the producer and the customer.

The use of multiple distribution channels is common for most industries. Especially the rise of the internet has incited many companies to review their channel strategy and integrate the opportunities the internet offers. ICT, and particularly the internet, has a great potential to complement rather than to cannibalize a business' existing channels (Osterwalder, 2004). The channels used in a marketing strategy have a mutual supporting role in which for example the internet is not necessarily used as a sales function but rather as a sales supporting information source. The kind of multichannel retailing that fuels sustainable growth and margin expansion requires a tightly integrated strategy across all channels, including physical stores, catalogs, the Internet and mobile services (Noble, et al., 2009). However selling through several channels simultaneously, in which the channels compete to reach the same customers, can eventually cause channel conflict (Steinfeld, Bouwman and Adelaar, 2002). This also is the case for the tour operating industry since the direct sales approach via internet is competing with the indirect sales via retailers. This leads to disgruntled retail partners who try to protect their business. This is a very delicate issue and needs to be dealt with to be able to effectively sell direct online.

Noble, et al. (2009) argues that there is no one-size-fits-all approach to developing a strong multichannel strategy, but successful efforts typically involve many of the following four steps. First of all: understand how consumer, technology, and competitive trends are evolving. Consumer shopping behavior, for example, has changed dramatically given the ease and power of internet access. Companies must adjust their marketing mix and channel strategies to better serve those customers. Secondly: develop a clear sense of the growth pockets that are being targeted. Is the multichannel strategy designed to acquire new customers online, or is the ambition to capture a greater share of the overall spending of current retail customers by also meeting their online needs? Thirdly: sell the right products through the right channels by tailoring each category's product assortment to the economics of different channels and making it easy for customers to buy what they want, when they want, where they want. Finally: understand the value of growth options and ranking them by their potential returns and relative difficulty. Systematically analyzing different options enables companies to make trade-offs, such as deciding whether to invest in mobile commerce or instead to aim for driving higher retail sales.

Impact of the internet

In 2008 an ample 1.9 billion Euros worth of travels, including holidays and business travels, were sold online in the Netherlands. This comprises around 30 percent of the total turnover of the industry. This number has grown from 1.6 billion Euros in 2007 and is expected to continue to grow in 2009 (Unigarant Travel top 50, 2009). So in 2009 almost one third of the total turnover will be realized via online sales. This number is expected to keep growing in the years to come because the adoption of the internet by the population is in full swing the past few years.

When companies fail to recognize the importance and impact of the challenges that a new technology brings, it could face severe difficulty to remain competitive with their current business model. The failure of incumbent firms to manage effectively in the face of technological change can be understood as the difficulty these firms have in perceiving and then enacting new business models, when technological change requires it. It is argued that firms need to understand the cognitive role of the business model, in order to commercialize technology in ways that will allow firms to capture value from the technology, when opportunities presented by the technology do not fit well with the firm's current business model (Chesbrough and Rosenbloom, 2002). The inherent value of the technology remains latent until it is commercialized in some way. In some instances an innovation can successfully employ a business model already familiar to the firm. In other cases, though, such a business model will not fit the circumstances of the technological or market opportunity. In the latter cases perspectives must be expanded to find the right business model, or 'the architecture of the revenue', in order to capture value from the technology. Failure to do so will cause technologies to yield less value to the firm than they might otherwise. Consistent failure to do so may cause the company to reduce (Rosenbloom and Spencer, 1996).

The combination of external developments and internal factors determine the success of the companies in the travel industry and especially give an insight in the continuity and the credibility of the business model. The external developments in this case are important because they greatly influence the internal factors.

Nowadays it is impossible to imagine the travel industry without the presence of the internet. The internet can be found at the heart of the distribution model (see figure 5.1) and helped create a level playing field in which both large and small companies can compete. The thresholds for market entrance were significantly reduced, allowing new competitors to enter the market. This new generation of resellers used business models with only one distribution channel: the internet. They serviced the market in a cost efficient way by using the newest technology. With the rise of the internet, companies were able to improve their communication with customers, enlarge their scope and lower their transaction costs. On the other hand a large number of (traditional) travel agents and tour operators have disappeared because of the irrepressible advance of the internet. The travel industry has thus become highly competitive with a growing number of competitors and an almost constant demand, which resulted in lower margins.

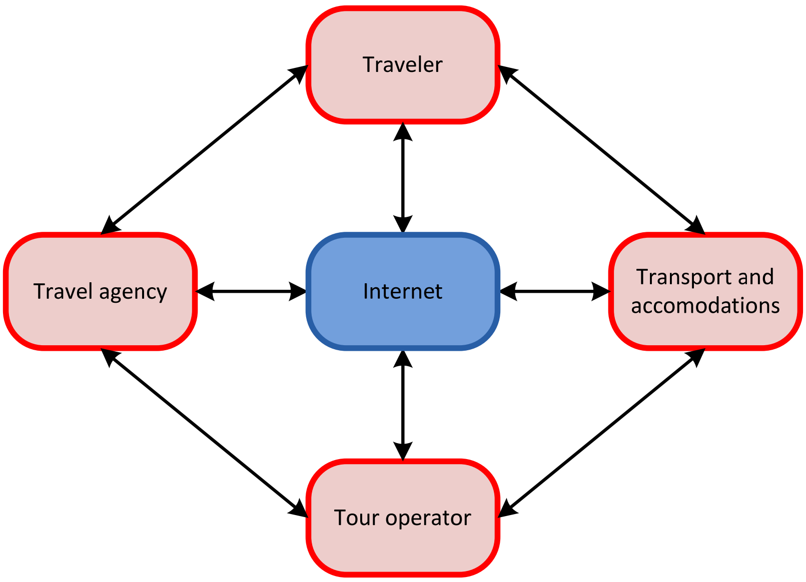

Figure 5.1: Travel industry distribution model (based on Burgering, 2009)

Looking at these developments it can be concluded that the rise of the internet has had both a positive and a negative impact on the industry. The business models of a large number of companies active in the travel industry have become increasingly customer focused. The availability and transparency of information has become larger for customers and the opportunities for self-packaging have increased. With this the consumers increased their power and control and were enabled to compare the different offers in a transparent way. The changes instigated by the internet technology forces companies in the travel industry to strategically rethink the future. Because of the heavy competition a large number of small and medium sized companies are faced with the possibility of discontinuity.

The external forces described above have a significant impact on a number of internal factors. These factors comprise the financial, technical, organizational and administrative processes of the organization which influence daily routines. Structural changes or disruptions regarding these internal factors could have extensive consequences for the business model of the company (based on Burgering, 2009).

5.1.2. Business model

Company description

The company of interest is a Dutch tour operator that focuses on the long haul market segment (fly-hotel and roundtrip holidays outside of Europe). The products it offers can be described as flexible long haul vacations which are sold via external travel agents (reseller model). The unique selling points of this offer are the high service towards the travel agents and value for money for the customer. The key activities the company performs are purchasing and packaging, marketing and publishing, internal handling, and sales and service.

Figure 5.2: Internal activity flow

Purchasing for a tour operator is the acquisition of the individual travel components (transport and accommodations). The most important partners in this case are five large hotel agents, a selection of major airlines and a large car rental company. With these, and a number of smaller partners, delivery agreements are made and volume bonuses are negotiated. During the purchasing process these individual travel components are packaged into travel packages which generally include plane tickets, hotel reservations and a transfer from the airport to the hotel or a rental car.

Marketing and publishing comprises the creation of the travel brochures the company produces two times a year (summer and winter season), and the promotion and distribution of those brochures, and thus the travel products, among the associated travel agents.

The internal handling process comprises the handling of requested quotes, the actual booking of the individual components when they are ordered by the customer and the adjustment of the variables for those components when changes are necessary (e.g. different flight date, longer stay, additional excursions, etc.). This process is the most time consuming because it is done for every individual customer, but also a very important part of the unique selling points for the company as mentioned above.

The sales and service activities form the link between the company and the associated tour operators which sell its products. This link is important because the high service provided to each individual travel agent encourages those agents to use the services more often and therefore generating more business. The biggest disadvantages of this high level of service are the high costs that are incurred to provide the services, because they are very labor intensive and do not directly generate (extra) margin.

Keeping up a (too) high service standard, together with labor intensive handling, has led the current business model to be loss making. The following figures underline this fact. These figures do not represent the actual results of the company but they are based on reality to give a good impression of the current state of affairs. This has been done to prevent giving away any competitive information.

	2007	2008	2009	2010
Turnover (mio)	€ 55	€ 48	€ 42	€ 46
Gross margin	20,0%	20,0%	20,0%	20,0%
Travel agent fee	-10,0%	-10,0%	-10,0%	-10,0%
Personnel	-7,0%	-8,0%	-7,0%	-6,0%
Sales and marketing	-2,0%	-2,0%	-2,0%	-2,0%
General overhead	-2,0%	-2,0%	-1,5%	-1,5%
EBITDA	-1,0%	-2,0%	-0,5%	0,5%

Figure 5.3: Financial results case-study tour operator

As can be seen there has been a negative result for the last three years and because of cost reductions a small profit is predicted for 2010. The problem is that the cost reductions have reached its limit and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is still only 0.5 percent. Personnel cost cannot be reduced anymore because the workload would then become too high. Sales and marketing and the general overhead cost (e.g. accountant, ICT, rent, etc.) are also at a minimum. The current level of costs ensures the continuity of the firm but the profit is so low there is no room for future investments. The company is so to speak "stuck in the middle".

Current business model

The analysis of the business model will follow the methodology of Osterwalder and Pigneur (2009) (see paragraph 2.1. for more detail on the business model and 3.1. for more detail on the variables used to operationalize the elements).

Value propositions (VP)

"Customized value for money long-haul holidays with a global scope and high service towards the travel agents". This implicates that the company differentiates on flexibility and especially service towards travel agents.

Elements of value: Flexibility, service, value for money (quantitative), tailor made (qualitative).
Fulfilled needs: Customization, convenience, accessibility
Product types: All-round
Differentiation: Highly differentiated

Customer segments (CS)

The customer segment the tour operator focuses on can be described as "long-haul". This means travelers who are looking for destinations outside of Europe.

Segment: Long-haul

Customer groups: All-round

Channels (CH)
The channel the company uses to sell its packaged holidays is the travel agencies. The travel agencies receive a ten percent fee for their services.

Type: Indirect (travel agent)
Functions: Travel agent: awareness, evaluation, purchase, delivery and after sales

Customer relationships (CR)
There is no direct contact with the end-customer (traveler). All communications takes place via the intermediary (travel agent). Since there are no direct relationships with customers the variables regarding the category in which the relationship can be placed and the motivation underlying the relationship are set to “not applicable (NA)” for the current business model.

Categories: NA
Motivation: NA

Key resources (KR)
Two key resources can be indentified: employees and content. The company heavily relies on their employees to develop content (i.e. packaged travels) and provide the service required by the travel agents. The content is obviously important because that is the actual product the tour operator sells.

Categories: Human (employees), intellectual (content)

Key activities (KA)
Content management, generating quotes, creating tailor-made travel packages, internal handling of bookings and marketing are the key activities for this tour operator.

Categories: Problem solving (all activities)

Key partners (KP)
Capacity providers (e.g. five large hotel agents, large airlines), travel agents and local agents, who provide the service required by the customer during their holiday.

Categories: Strategic alliance (travel and local agents), buyer-supplier (capacity providers)

Revenue streams (R$)
There is only one revenue stream: income from sold travel products (20 percent gross margin).

Type: One-time payment (sale of travel components), recurring (marketing)
Generation: Brokerage fee (sale of travel components), Advertising (marketing)

Cost structure (C$)

The cost structure for 2008: travel agent fees (10%), employees (8%), sales and marketing (2%) and general overhead (2%).

Characteristics: Fixed costs (employees, overhead, marketing)
Variable costs (travel agent fees)

To summarize the business model in one sentence: Developing flexible customized value for money long-haul travel packages with a world-wide scope and bringing those packages to market through travel agents with a high degree of service.

5.1.3. Critical success factors

By performing an inside-out analysis on the current situation, using a SWOT analysis, all strengths, weaknesses, opportunities and threats for the business model of the Dutch tour operator are identified. This is essential to fully grasp the workings of the company.

SWOT analysis

The SWOT analysis is performed for every individual business model element following the model proposed by Osterwalder and Pigneur (2009), which can be found in Appendix B - SWOT analysis of a business model. After the SWOT analysis is performed the CSF's can be identified by looking at their criticality with regards to the entire business model. This can be done by performing a criticality analysis when the SWOT analysis identifies a large number of potentially critical variables.

Strengths

VP: The value proposition is well aligned with customer needs. The customers are very satisfied with the products and services offered. This applies to the travelers who value the flexibility and the travel agents who value both service and flexibility. Next to this there are strong synergies between the products and services that are being delivered. The back office process for the handling of the bookings is standard for all products and product development ideas can be applied to multiple destinations.

CS: There are no strengths related to the customer segments that are currently serviced. Customer churn rates are high, the customer base is poorly segmented and the tour operator fails to acquire (enough) new customers (for more details see weaknesses).

CH: The current channel (travel agents) is an effective way of reaching a significant part of the market. The channel provides economies of scope, which means that all products are marketed and sold through this channel.

CR: There are no strengths related to the customer relationships since there is a lack of direct customer contact.

KR: The key resources are deployed in the right amount at the right time, since the necessary activities to keep the company running are fulfilled in time (cost reductions have lead to a minimal number of employees to perform the necessary tasks leading to a maximal workload level). This means the key resources are being used effectively.

KA: Execution quality of key activities is high.

KP: Working relationships with key partners are good. Especially the travel agents are very satisfied with the service received and the quality of products offered.

R$: The single revenue stream generated at the moment has no obvious strengths (see weaknesses for more detail).

C$: Costs are predictable.

<u>Weaknesses</u>
VP: The value proposition has no obvious weaknesses since the products delivered meet basic customer needs and the service provided to travel agents is satisfactory. This can be concluded from the fact that the company has won several product awards and the positive feedback it receives from travel agents on their product offering and service.

CS: The customer base is not segmented in detail. This could prevent potential customers with specific needs to evaluate the offerings. Customer churn rates are high, meaning that there are a lot of one-time customers. This means a lot of new customers are needed to maintain sales levels. Unfortunately the company has not been able to acquire (enough) new customers during the last couple of years.

CH: The costs incurred for the travel agent channel are high (10% fee). These costs prevent the channel from being profitable so the channel is inefficient. Furthermore a lot of prospects are not aware of the products that are being offered since more and more people use other channels to find travel products. The channel is shrinking and therefore channel reach is weak among customers. Other available channels are poorly integrated and the channel is poorly matched to the customer segment because a lot of potential customers do not require a lot of service and flexibility but, for example, speed and ease of use.

CR: Customer relationships are non-existing and thus poorly matched to customer segments. Customer switching costs are low and the brand is weak.

KR: The key resources can easily be replicated by competitors and resource needs are partly unpredictable.

KA: The key activities are executed inefficiently. A lot of time goes to waste performing administrative tasks. The key activities can easily be copied by competitors and possibly too few activities are outsourced.

KP: The tour operator is unfocussed and fails to work sufficiently with partners.

R$: The products and services that are being sold generate poor margins, revenues are unpredictable because of volatile customer demand and revenues are transactional with few repeat purchases. The company is (largely) dependent on a single revenue stream and the sustainability of this revenue stream is questionable.

C$: High costs prevent the business model from being profitable because the back-office operations are cost inefficient while generating higher margins is seemingly impossible. The company enjoys too few economies of scale because of high diversification and flexibility in the offerings.

Opportunities
VP: Binding customers to invoke repeat business, identifying additional customer needs that could be served, additional elements of value that could complement the value proposition and complementary jobs that could be performed on behalf of the customer.

CS: Benefitting from a growing market, serving new customer segments, improving the segmentation of the long-haul segment.

CH: Looking for complementary partner channels, improving channel efficiency, increasing margins by directly serving customers.

CR: Increasing customer follow up, tightening existing relationships, improving personalization, increasing switching costs, automation of relationships.

KR: Using less costly resources, sourcing key resources from partners. Under-exploitation of resources and availability of unused intellectual property should be investigated.

KA: Standardizing key activities, improving efficiency in general and/or via ICT support.

KP: Outsourcing key activities to partners, improving collaboration with key partners to help focus on core business, cross-selling opportunities, identifying partner channels to help reach customers, identifying partners that could complement the value proposition

R$: Replacing one-time revenues with recurring revenues, offering additional products that customers are willing to pay for, creating additional revenue streams, increasing prices.

C$: Reducing costs.

Threats
VP: Substitute products are readily available and competitors are threatening to offer better price, value, are better known (awareness) and have a better image.

CS: The travel market is saturated and competitors are threatening the tour operators' market share. Customers are likely to defect and competition can quickly intensify (new entrants).

CH: Competitors do not threaten the availability of the currently used channel and the channel is not likely to become irrelevant soon. The biggest share of the customers still uses the travel agent to book a holiday.

CR: The relationship with the travel agents can deteriorate quickly when other tour operators offer higher margins. Customer relationships do not exist at the moment so there is no threat of deterioration.

KR: The quality of the key resources is not threatened and disruption of supply is not likely.

KA: The key activity that could be disrupted in the near future, due to a lack of available funds, is marketing.

KP: There is no danger of losing key partners, although partners might collaborate with competitors. The company is not too dependent on certain partners.

R$: The margins are threatened by competitors and by technology. Keeping up with technological developments is the key to stay ahead of competition in the fast changing travel industry. The company depends excessively on one single revenue stream (income from sold travel products), although this revenue stream is not likely to disappear.

C$: There are no unpredictable costs. Employee costs threaten to grow more quickly than the revenues support.

The SWOT analysis shows that there are only two critical components in the current business model. Therefore the current CSF's for the Dutch tour operator are the value proposition and cost control. The strong value proposition has kept the company in business. If the content and quality of the products and services offered was not as high as they are, the loyalty of the travel agents would have deteriorated and sales would have stalled. Cost control has been actively pursued during the past period. This has led to an expected small positive result. If the costs had not been reduced the company would still be loss making and a bankruptcy would have been imminent.

CSF's: strong value proposition, cost control.

TOWS matrices

Identifying the current CSF's is not the only purpose of the SWOT analysis. The identified strengths, weaknesses, opportunities and threats contain strategic possibilities which can help the company. To be able to match the environmental threats and opportunities to the companies weaknesses and strengths a TOWS matrix (Weihrich, 1982) is proposed. By using the TOWS matrix relationships between the individual factors can be systematically identified and eventually used in the strategy generating process. By analyzing the SWOT analysis three main subjects where identified on which the following three different TOWS matrices are based: product, efficiency and image. To keep the matrices as clear as possible only the most relevant cells were cross-referenced (see figure 5.4, 5.5 and 5.6).

Product	S1: VP (Strong value proposition)	W1: CS (No detailed segmentation)	W2: R$ (Low margins, sustainability questionable)
O1: VP (Serve additional needs, add value elements, perform complementary jobs)	Complement VP		
O2: CS (Serving new customer segments / improving segmentation)		Specific product selection for specific customer segments	
T1: R$ (One revenue stream)	Generate additional revenue streams and serve customers directly		Generate additional revenue streams and serve customers directly

Figure 5.4: TOWS matrix - Product

Efficiency	S1: C$ (Costs are predictable)	W1: KA (Key activities executed inefficiently)	W2: C$ (Back office inefficient with high costs)
O1: C$ (Reducing costs)	Review and standardize internal processes		
O2: KA (Standardizing and improving efficiency)		Review and standardize internal processes	Implement ICT solutions to increase efficiency
T1: R$ (Margins are threatened by competitors and technology)			Implement ICT solutions to increase efficiency

Figure 5.5: TOWS matrix - Efficiency

Image	S1: CH (Channel effectiveness and economies of scope)	W2: CH (Channel inefficiency, weak reach, high cost and poor integration)	W3: CR (No customer relationship and weak brand)
O1: CH (Improving channel efficiency and looking for partner channels	Integration of multiple distribution or information channels	Integration of multiple distribution or information channels	
O2: CR (increasing customer follow up and creation personalized customer relationships)			Create customer relationship (CRM)
T1: VP + CS (Weak brand)			Marketing of brand(s)

Figure 5.6: TOWS matrix - Image

In total eight possible strategic options are identified by the use of the TOWS matrix. These options will eventually be used to give recommendations regarding the critical success factors that are identified in paragraph 5.2.3.

5.2. Expert interviews

The results of the expert interviews consist of four main parts. The first two are the current competitive position of the tour operator the future perspective described by the respondents for medium-size tour operators, which will be discussed in paragraph 5.2.1. The third one is the business models generated during the interviews based on best practices. These elements will be analyzed in paragraph 5.2.2. and will eventually lead to a reviewed business model. These first two paragraphs will answer the first central research question "Which business model is most suitable for the Dutch tour operator?". The fourth and final part, the expert views on the critical success factors for the tour operator business models, is described in paragraph 5.2.3. Furthermore the external environment of the company, based on the market research (see paragraph 3.1. and 5.1.1.), and the information gathered from the conducted interviews will be analyzed. This will answer the second central research question "What are the critical success factors for such business model?". To avoid interpretation and translation inaccuracies the exact Dutch version of the quotes that are used in the remainder of this chapter are included in Appendix D - Original Dutch quotes.

5.2.1. Environment

Competitive position

The respondents agree on the fact that the factors on which tour operators are going to compete in the near future will be price and content (adding specific value). Price competition is only possible for medium sized tour operators if it can become market leader on specific destinations (airports). It is essential to reach a high passenger volume to be able to offer the lowest price. Content competition by adding specific value can be done by providing improving the following factors: flexibility level, service level, knowledge of destination, customization level, brand values, speed of handling and especially customer intimacy. Based on the conducted interviews and the market research (see chapter 3) a strategy canvas (Kim and Mauborgne, 2002) can be created for the current situation in the long-haul industry (see figure 5.7). From this figure it becomes clear that for the case tour operator the price, brand, speed and customer intimacy are the factors that can be improved.

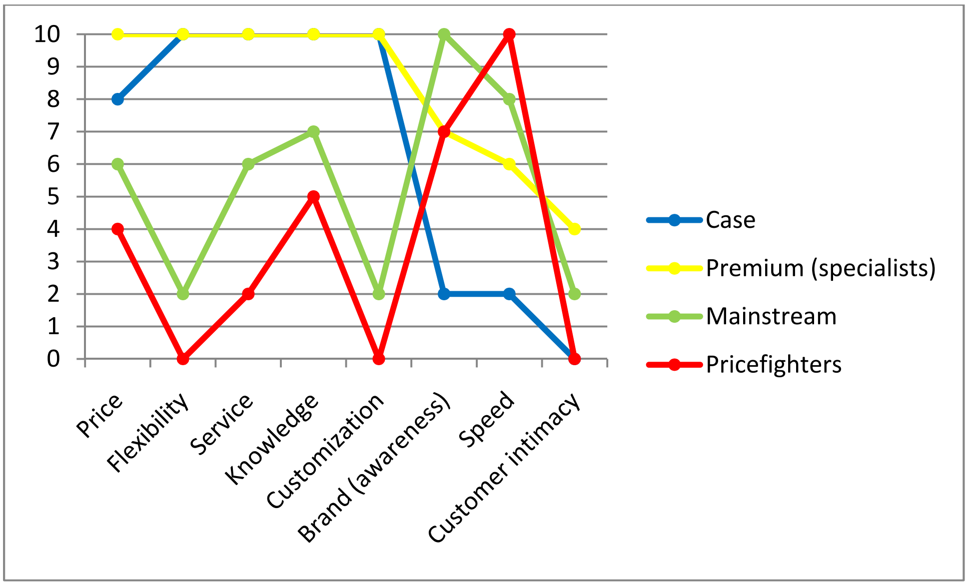

Figure 5.7: Strategy canvas for the long-haul travel industry

Taking the factors of competition into account from a number of influential players on the travel market, identified by the respondents, a value map (Kambil, Ginsberg and Bloch, 1996) can be created (with cost being the price of the offering and performance being the content of the offering). By improving the factors of competition the case tour operator can be moved toward the value frontier. The business model based on best practices should be able to facilitate these improvements which will be elaborated in the next paragraph.

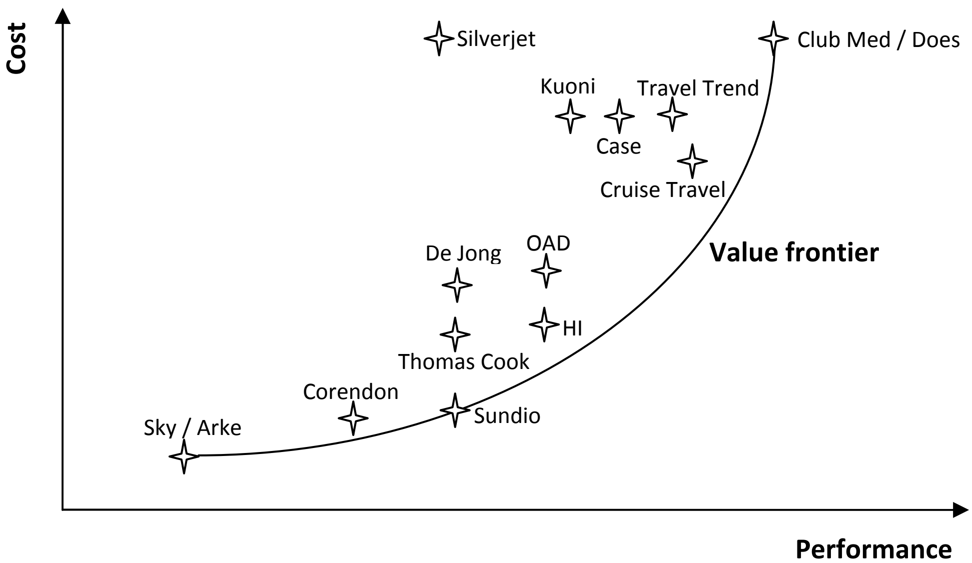

Figure 5.8: Value map of the tour operator industry.

Future perspective

A general consensus exists among the interviewees regarding the future perspective for the medium-size tour operators. A tour operator has no reason to exist if it cannot add enough value to its product. A specialist adds value through customer intimacy and a wholesaler adds value through operational excellence. Competing with the large mainstream wholesalers (Sundio, Thomas Cook, OAD and TUI) has become impossible because of their advantage in operational excellence and scale advantages. The medium-size tour operators that tried to compete were eventually priced out of the market and have been acquired by the large tour operators. This means the future perspectives lie in some form of specialization for the medium-size tour operators. Large mainstream tour operators ignore some parts of the market because these parts require specific knowhow and entail high labor costs (customization). These parts of the market are interesting to specialists to develop a product, which requires specific added value, for that specific market segment. It is important for those specialists to make their areas of expertise known to their customers and create a strong brand around this expertise. The format used for one specific destination can be copied for other destinations which creates economies of scope and synergies in the back office. *"It is most important that commercial choices are made, that means some products will be offered and some will not. A tour operator has to make this analysis for itself but most tour operators just do not. Everyone wants to do everything, which is the biggest danger in the travel industry"* (1).

5.2.2. Business model

The data from the interviews has been processed following the qualitative data analysis methods described by Miles and Huberman (2002). A "meta-matrix" was created, which can be found in Appendix E - Interview results on business models, to summarize the information gathered in the five interviews. This was done according to the interview plan and subsequent questions. On the basis of this table each business model element will be elaborated by giving a synthesis of the variables and a description of the best practices.

<u>Value proposition (VP)</u>

Elements of value:	Tailor made, knowledge, (travel) experience (qualitative) Value for money, trust, service, flexibility (quantitative)
Fulfilled needs:	Convenience, accessibility, customization, risk reduction, brand/status and price
Product types:	All-round
Differentiation:	Differentiated

A medium-size long-haul tour operator should be able to create products that give the feeling of "tailor-made" to the customer. These products should be easy to evaluate, flexible and service oriented, meaning a high degree of customizability (e.g. flexible booking dates, adding customer desired features). *"It is all about adding value. Customers are willing to pay for specific knowledge. This is not only true for the "top-segment" (high income). The most remarkable fact is that those people are less focused on luxury. They value experiences and quality. What they see and hear has to add value to their experience or their being"* (2). *"Value is specific knowledge that leads to specific experiences. The offerings should always be linked to experiences"* (3). These two quotes come from two different respondents who both argue that the level of knowledge about the destination must be high and should be detailed enough to be able to complement readily available information (e.g. internet, Lonely planet) adding to the customers travel experience. Detailed information on "must-sees", easy access (no waiting in line) and expert knowledge available at local agents are essential. A strong brand is essential to give the customer the feeling of reliability and trust in the quality of the offerings. These elements should be priced competitively and give customers value for money.

There is a general consensus that the types of products offered should be all-round and appealing to the entire long-haul segment. Three of the respondents stress the fact that the destinations offered should be carefully evaluated on the basis of the available knowledge and the opportunity to create a critical volume of passengers to be able to offer low prices. If possible the offered destinations should be differentiated as much as possible to create economies of scope and scale, but always taking formerly mentioned restrictions into account. *"Eventually the destinations offered can be generically modulated which allows the tour operator to use the same module at almost any given destination. When the number of processed passengers increases this creates synergies in the back-office"* (4).

<u>Customer segments (CS)</u>

Segment:	Long-haul
Customer groups:	Customers with specific characteristics (e.g. high income, families with children, interest in culture), customers with specific destination wishes.

The long-haul customer segment should be split into specific destinations. For each of those destinations products should be developed that appeal to specific customer characteristics. Two respondents argue the increasing need for tailor-made products but also stress the fact that most customers still prefer a standard travel package for convenience. The general consensus among the respondents is that there is a limit to the degree of customization a tour operator should offer. "Giving the feeling of tailor-made" is more important than the actual ability for the customer to customize every single detail of their travel package. The customer groups can be identified on the basis of their needs. For some customers this means a cultural holiday and for others a holiday at the beach with their children. This all depends on the life-phase of the customer, which also can be used for marketing later on.

<u>Channels (CH)</u>

Type:	Direct	website, email, phone, community (social media), own stores
	Indirect	travel agents
Functions:	Awareness	website, email, community, own stores, travel agent
	Evaluation	website, email, phone, community, own stores, travel agent
	Purchase	website, email, phone, own stores, travel agent
	Delivery	email, phone, own stores, travel agent
	After sales	email, phone, community, own stores, travel agent

It becomes clear that it is essential for a tour operator to use a multi-channel policy. Although the answer to the question if a customer should always be able to buy the travel product he desires online, is not unanimous. A degree of consensus exists among the respondents on the fact that the simpler travel products (flight-transfer-hotel with few additional options) should be sold online and more customized products should be sold through travel agents or directly over the phone. The information on customized products should be available on the website with a reference to the ways a quote can be obtained (email, phone and local travel agent). Two respondents indicated another way to generate attention for the products a company sells; through the so-called social media channel. Customers are increasingly looking for likeminded people with whom they can share their travel experiences, ideas for new products and Q&A (questions and answers). At this point in time there are no real online travel communities. The usage of self owned regional (flagship) stores is suggested by one interviewee and could be used to personally inform customers and create the travel experience. The biggest disadvantage of this option is the high costs incurred (building and employees). These distribution channels can also be used for marketing purposes supported by more traditional marketing tools like local TV commercial, add-boards and printed media.

<u>Customer relationships (CR)</u>

Categories:	(Dedicated) personal assistance, automated services
Motivation:	Customer retention, customer acquisition, up selling

There are different customer relationships that need to be maintained for different product types. On the one hand the simple travel products that require a high degree of automation and efficient individualized customer relationship management. On the other hand the customized products that require a high degree of customer intimacy to try to eventually retain the customer for the future. The latter relationship also requires customer relationship management but this needs to be focused on personalized contact. For both kinds of relationships the after sales are of significant importance. Two respondents argue that the after sales possibilities are not fully used at the moment in most travel organizations. *"A travel organization needs a clear CRM vision. What information does the company record and where can it be found? The "customer journey" (orientation - booking - travel - after sales) is not being optimally utilized at the moment and especially the after sales knowledge is often disregarded concerning the CRM vision"* (5). Personal assistance during the customer journey is stressed by almost every respondent to optimally service customers with a high customization need. This role can either be fulfilled by the travel agent or a tour operator as long as the customer profile is readily available and the knowledge of the employee is sufficient to help the customer. The importance of CRM regarding customer retention is acknowledged by all respondents. Delivering the right offer at the right time is essential to be able to retain customers.

<u>Key resources (KR)</u>

Categories:	Human	knowledge, customer relationships
	Intellectual	content, brand(s), ICT (CRM, CMS, back-office)

A general consensus exists on the fact that knowledge and content are the most essential resources for a tour operator. Next to the knowledge and content needed to create travel packages, the brands under which these products are sold are becoming increasingly important. One respondent argues that the increasing individualization of the customer drives the need for multiple specialized brands. Customers identify themselves with those brands and the people who use them. These brands represent the added value that a company is able to deliver and help customers make their individual choices. This also means personalized customer relationships and the maintenance of those relationships is becoming increasingly important. Sophisticated ICT helps to improve efficiency in the back-office and is essential to be able to manage content and relationships. Two respondents argue that the key resources for tour operators are their CMS and CRM systems. Essential information is drawn from these systems during the process of product creation and defining a marketing strategy. Furthermore all respondent stress the importance of efficiency in internal handling processes (quote generation, booking, billing, etc.)

<u>Key activities (KA)</u>

Categories:	Problem solving	marketing, content development
	Platform/network	maintenance (CRM, community, CMS, back-office)

Marketing and content development are the most essential activities for a tour operator. Without a good product no consumers will be interested and without customer awareness a good product will not be sold. In content development it is argued that keeping the development team's knowledge up to date and capturing this knowledge in the CMS is critical to eventually be able to offer the products that customers really need. This way specific value can be added to otherwise standard products. Next to general information supply via website and brochures, a general consensus exists on the fact that the travel products should be marketed via different channels regarding the specific characteristics of individual customer groups (e.g. direct mailing, personalized email, newsletter, teaser brochures, etc.). Two respondents argue that the effectiveness of these forms of marketing should be checked carefully by using small test samples, before using them on a large scale. Especially for medium-size tour operators this could drastically increase the efficiency of the marketing efforts. By integrating these activities and associated systems into the organization, one respondent argues that the maintenance of these systems needed to support these activities becomes a key activity. Three respondents argue marketing activities could be outsourced to be able to focus on the core business of selling travel products. The remaining two respondents very pragmatically asses the outsourcing opportunities depending of cost and quality.

<u>Key partners (KP)</u>

Categories:	Strategic alliances	local agents, travel agents, ANVR/SGR
	Buyer-supplier	capacity providers, expertise (ICT, marketing), financial

On the subject of key partners the opinions of the respondents generally correspond with each other. The partnership with local agents is essential because they form the point of contact with the customers while they are on holiday. This forms a large part of the quality and service provided regarding the total travel package. The associated travel agents generate a large part of the sales therefore a strong partnership is needed. A membership of ANVR/SGR ensures customer protection from malpractices by tour operators and forms a large part of the trustworthiness of the company. For a tour operator other less strategic but nevertheless essential partnerships are buyer-supplier relationships with capacity providers, advisory firms (ICT and marketing) and a steady financial partner.

<u>Revenue streams (R$)</u>

Type:	One-time payment	sale of travel components, travel insurances, additional activities at the destination
Generation:	Brokerage fees	travel components, insurances
	Usage fee	additional activities

The largest and most obvious revenue stream for a tour operator is the income from sold travel products. Additional revenue streams can be generated from selling travel insurances and additional activities at the destination. This can range from physical products (camera's, books, etc.) till services (transportation, guided tours, etc.). One respondent argues that the revenue generated at the destination will become increasingly important since the margins on the individual travel products are under severe pressure. For example prizefighter airlines who generate small margins on the actual tickets but generate large margins on the products sold during the flight, handling and luggage fees.

<u>Cost structure (C$)</u>

Characteristics:	Fixed costs	employees, marketing, infrastructure, general overhead
	Variable costs	travel agent fee

The cost structures described by the respondents correspond with each other. Employees, marketing, infrastructure and general overhead costs are the fixed part of the cost structure. These costs need to be minimized in every way possible.

<u>Reviewed business model</u>

On the basis of the research results on best practices, keeping the current competitive position and the future perspective in mind, the following business model (see figure 5.9) would be suitable for the Dutch tour operator. In the next chapter conclusions will be drawn and recommendations will be made regarding this model.

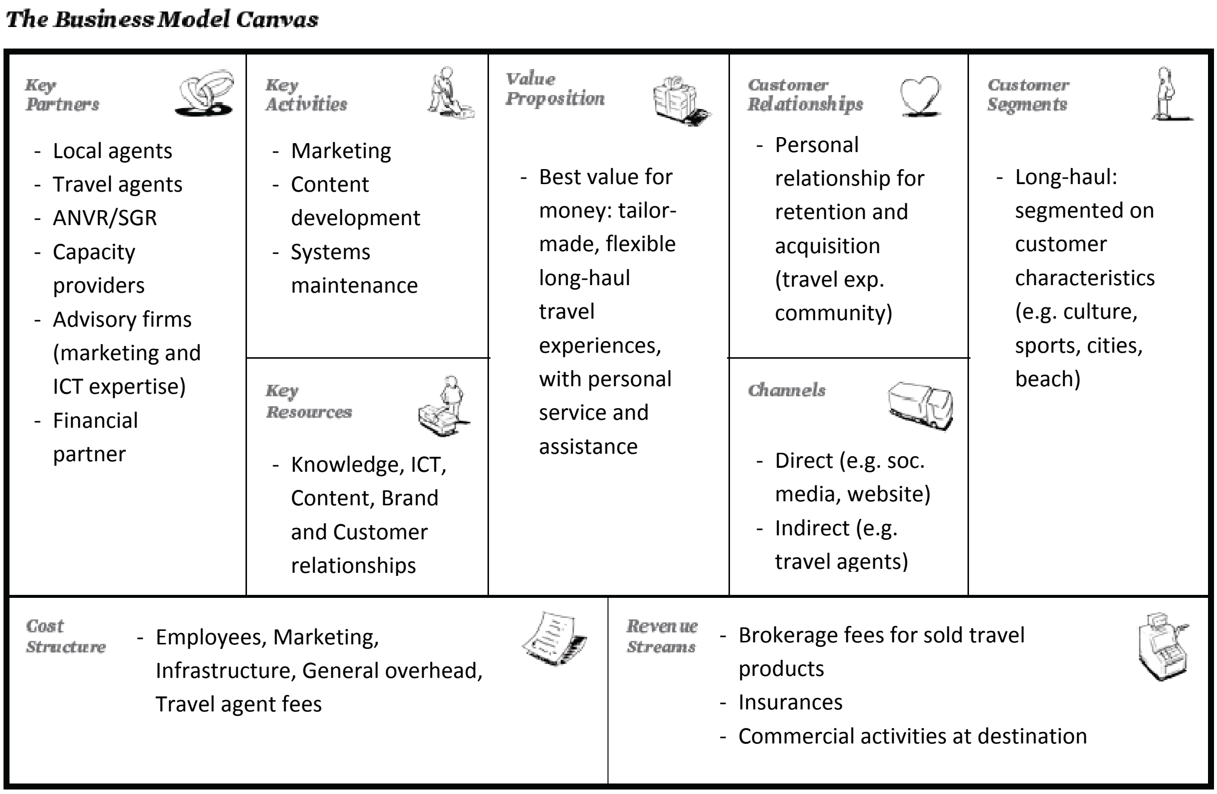

Figure 5.9: Reviewed business model

5.2.3. Critical success factors

Company assessment

The CSF's that were identified during the company assessment (see paragraph 5.1.3.) are:

CSF's: strong value proposition, cost control.

Market experts

The market experts identified the following CSF's for the business models they described:

Interview 1	Interview 2	Interview 3	Interview 4	Interview 5
- Knowledge - Efficiency - ICT systems - Local agents	- Knowledge - Efficiency - Customer relationship - Brand	- Customer orientation + CRM - CMS - Channels - Brands	- Knowledge - Efficiency (price control)	- Efficiency - ICT systems - Channels - CMS - Product development

Figure 5.10: Critical success factors for tour operators

CSF's (times mentioned): knowledge + CMS (5), efficiency (4), ICT systems (2), customer relationship (2), brand (2), channels (2), product development (1), local agents (1).

In every conducted interview the product/destination knowledge and the way this knowledge is managed (CMS) is mentioned as a CSF. The interviewees who mentioned a CMS instead of the actual knowledge of the employees described a model that included a higher degree of automation. They also mentioned the fact that a CMS cannot function without a proper source of information to keep the system up-to-date (i.e. knowledge of the employees). The second most mentioned CSF is efficiency. To be able to keep costs as low as possible in a price driven market it is essential to perform the internal processes efficiently. This can be achieved through a high degree of back-office automation for which ICT systems are essential. Since efficiency is not only achieved by a good ICT infrastructure but also by developing efficient procedures for employees to follow, efficiency is regarded as more critical than the ICT systems themselves. Furthermore customer relationships, brand(s) and channels are mentioned more than once as a CSF. Although these factors are deemed less critical, since they are not mentioned as much as the ones formerly mentioned, they cannot be disregarded, since relationship management, brand management and multi-channel distribution policies are not yet deemed common practice throughout the travel industry. These factors could therefore be the key to a culture change in the travel industry towards a more customer oriented environment. The two remaining CSF's, that were mentioned only once, can be regarded as a part of an earlier mentioned CSF. Product development was mentioned in combination with the use of a sophisticated CMS and local agents are part of the available knowledge and expertise about a specific destination. Therefore it can be concluded that knowledge, in combination with a CMS, and efficiency are definitely CSF's. Furthermore the customer relationship, brand and channels should be regarded as CSF's.

CSF's: Knowledge (+ CMS), efficiency, customer relationship, brand and channels.

Environment

The rise of the internet and the impact it had on the business models of tour operators has been one of the main focal points of this research. To gain a deeper insight into this development, and other strategic issues faced by tour operators, the first part of the conducted interviews was dedicated to complement the existing view on the main strategic issues (see paragraph 5.1.1).

The most important strategic issue mentioned remains the rise of the internet and the price transparency it created. Former partners have become competitors using this transparency to sell directly to the customer (capacity providers) and use dynamic packaging systems to create custom holidays (travel agents). This form of competition is made possible by intelligent search engines that enable customers to quickly compare a multitude of basic (flight – transfer - hotel) offerings. This comparability leads to low customer loyalty. *"From a test performed by TUI Germany it can be concluded that customer loyalty is very low and sales decline when prices are not adjusted to those of the competitors. The brand is in this case of lesser importance because the products provide no added value"* (6). This means a tour operators that cannot compete on price will have to offer significant added value to be able to compete. *"The tour operator who ties chairs and beds together and calls them travels, i.e. the old model, is under severe pressure and chances are that the tour operator in that capacity is going to disappear. Travel organizations are traditionally product oriented organizations who try to sell their services through offering products. This formula is no longer up to date. Travel organizations will have to make a huge step from a product oriented environment to customer oriented environment"* (7).

Customer relationship management (CRM) is not very sophisticated in the tour operating industry. This has three main reasons. First of all because travel organizations are mainly product oriented. Secondly a lot of systems that are being used are outdated and do not match with newer CRM systems and finally because the essential knowledge about CRM is simply not available in most organizations. The structure of the CRM systems and knowing what information to collect is essential to be able to fulfill the customers' needs on an individualized basis. The only problem is that customer information is not readily available since a large part of the tour operator sales is done via travel agents. The travel agents are reluctant to give this information to the tour operator because of the risk the tour operator will start offering their products directly to the customer. *"When a tour operators starts to sell directly to the customer on a large scale the loyalty of the travel agent will decline and the sales channel will be lost"* (8). This lack of customer information availability creates possibilities for players from outside the travel industry who have large customer databases to start selling travel products (e.g. the book club with membership ECI).

Next to the CRM system other support systems are available that can increase the efficiency of the internal process. For example the content management system (CMS) in which all knowledge and skills, regarding the specific products the company offers, is accumulated and documented. This system together with the CRM system forms the basis for new product development. Furthermore additional back office systems are available to increase the efficiency in the administrative process. This process could be made less expensive for the sales via travel agents if the customer could be billed directly. But because of the formerly mentioned reluctance to share customer information the tour operator bills the travel agent and the travel agent in turn bills the customer. The next development in information technology will be mobile technology with booking capability which basically opens up a completely new distribution channel.

Main strategic issues

From the basic market research and the first part of the conducted interviews, five main strategic issues can be identified for tour operators active in the Dutch market. These strategic issues will be discussed individually for the case tour operator and eventually transformed into CSF's.

1. The rise of the internet and the price transparency it created.
2. The threat of decreased loyalty and sales via travel agents when tour operators start to sell their products directly to the customer on a large scale.
3. A general shift to a customer oriented environment instigated by increasing individualization.
4. ICT developments that can improve management and efficiency of internal processes (CRM, CMS, back-office).
5. Companies with no relation to the travel industry that have large customer databases enter the market and start selling travel products through their own channels.

<u>Rise of the internet</u>

The fact that an increasing percentage of the turnover for tour operators in the Netherlands is made via internet sales (almost thirty percent at the moment) indicates that this sales channel should not be ignored. Direct sales (via internet or other channels) generate significantly higher margins than the indirect sales (travel agents). Since the Dutch tour operator is suffering losses because of those small margins generated by the indirect sales it is inevitable to start selling directly to customers. This requires strong multi-channel policy to effectively reach as many potential customers as possible. A sophisticated website that provides potential customers with all the information needed to easily evaluate the product offering is therefore essential. The increased competition from direct selling capacity providers and travel agents with dynamic packaging capabilities should be handled by making sure the value offered to the potential customer is higher than the competitors'.

Acknowledge the role of the internet: medium-size tour operators that do not acknowledge the role of the internet will eventually seize to exist for the simple fact that they will be pushed out of the market by competitors that deliver superior value. Fast service, instant product information access and personal customer relationships on a large scale can only be achieved through the integration of the opportunities the internet brings.

<u>Threat of decreasing sales and loyalty of travel agents</u>

Undermining the only distribution channel in use at the moment, by starting to sell directly to customers, could potentially be dangerous. When the decreasing sales via the travel agents cannot be replaced by direct sales this could mean bankruptcy for the tour operator. Since direct selling is essential to increase profit margins this problem should be handled with care. Possible options to prevent extreme cannibalism from these two selling methods are: involve a (direct selling) partner who charges a lower fee than a travel agent or selling the same products under another brand name. The first option generates higher margins but is still involves an intermediary. The second option seems no different from direct selling under the current brand, but from the interviews it can be concluded that this is less threatening to travel agents unless this strategy is aggressively marketed.

Furthermore prices should be kept at the same level, at least at the start of the process, to prevent becoming a price competitor of the original brand. A high degree of back-office integration is possible since both companies sell the same products. This leads to synergies and eventually sales channel integration.

Keep the travel agents happy: there is a risk of fast decreasing sales when aggressively pursuing direct online sales. Chances of going bankrupt before online sales pick up is a risk not worth taking. The intensity of pursuing online direct sales should be increased gradually and the relationships with the travel agents should be managed carefully.

Shift to customer orientation

By starting direct selling detailed customer information becomes available to the tour operator. This information should be used to build a relationship with the customer. An essential part for this process is the implementation of a CRM system. This system should record detailed personal data of all customers (e.g. personal details, travel history, travel wishes, past experiences (after sales)). From this data a one-on-one marketing strategy can be crafted to personalize the customer relationship. Another way to keep customers connected to the company is the use of social media (e.g. Twitter, Facebook, Hyves). Marketing through, for example Twitter, is cheap and has a wide reach. Next to existing social media a new travel community where customers can exchange experiences and answer each other’s questions can help complete the travel experience the company wants to offer.

Customer relationships: The customer relationship becomes increasingly critical because of increasing individualization and the need for personal service (CRM).

ICT developments

Increasing the efficiency of the back-office is essential, especially when profit margins are low. The costs saved by automation of internal processes directly add to the company’s profit. The expertise needed to build, implement and maintain these systems should be outsourced to keep the company focused on its core business. A sophisticated CMS decreases the dependency on specific (often expensive) employees, because the available knowledge is stored in the system. This does not mean employees become less important because the customer relationship that is maintained with the customers should not be automated. If the customer relationship were to be automated this would lead to a decreased sense of service and intimacy. Furthermore the CMS together with the CRM system improves the ability to create customized products.

Efficiency: efficiency is the key to keep costs minimal. ICT systems play an essential role in the pursuit of efficiency.

Industry entrants

The industry entrants are not as much a threat as an opportunity. The threat is minimal because the new entrants lack the detailed knowledge to be able to offer products of the same quality the Dutch tour operator does. Since the tour operator does not have a large customer database a partner could be found to provide the customer data. This obviously is difficult regarding privacy laws, but it is interesting to investigate this opportunity.

Coopetition: actively seeking cooperation opportunities with competitors can have a positive effect for both parties. This factor can be disregarded as being critical, but as an opportunity it could be beneficial to pursue.

CSF’s: acknowledge the role of the internet, keep the travel agents happy, customer relationships, efficiency and coopetition.

6. Conclusions

In this research the business model of the case tour operator was reviewed through analysis of the tour operator itself and its environment. The analysis shows that the business model meets the basic demands of its customers but it misses out on a number of opportunities which could make the model stronger and the company more profitable. In this chapter these findings will be presented on the basis of each individual business model element, together with recommendations to improve the current business model based on the identified critical success factors.

The answer to the question “Which business model is most suitable for the Dutch tour operator?” is based on the business model theory of Osterwalder and Pigneur (2009). To draw conclusions the best practice business model, identified by conducting interviews with market experts, was compared to the current situation. Each individual business model element is compared on the basis of the relevant variables and the SWOT analysis that has been performed for the current situation.

<u>Value proposition</u>
The current value proposition is strong and incorporates many value elements that are regarded to be essential according to the best practices (e.g. flexibility, service, tailor-made and value for money). However there are a number of value elements that should be added to the value proposition to increase its strength. First of all creating a strong brand with well known brand values will enhance the awareness and trustworthiness of the company. Secondly creating customer relationships which enable personalizing and focusing the company’s offering. Finally acquiring detailed knowledge will enhance the travel experience of the customers. This can be done by training employees and using a sophisticated CMS to preserve the knowledge for the company when an employee leaves. A complementary job that could be done on behalf of the customer is arranging local (at destination) activities.

The most important customer needs are being fulfilled by the value proposition: convenience, accessibility and customization. Additional needs that should be fulfilled are brand/status, risk reduction and price. Brand/status, as mentioned above, can be increased by making the brand and its values known to the customers. At this moment the brand is weak and a large share of potential customers are not aware of its existence. Risk reduction has to do with the status of the brand and of course the ANVR/SGR membership (at this moment the Dutch tour operator is a member of ANVR and SGR). Delivering a better price is difficult at this point in time but could be achieved by focusing on particular destinations and creating the critical passenger volume to obtain economies of scale. The types of product offered should please as many people as possible. From high-end luxury roundtrips to simple fly - transfer - hotel holidays. The destination differentiation should be as high as possible taking two factors into account: to be able to negotiate low prices reaching critical passenger volume must be possible and the available knowledge of the destination must be of such high quality that significant value can be added to the standard travel products.

<u>Customer segments</u>
The segment the tour operator operates in is long-haul. During the financial crisis of 2008 and 2009 a lot of customers stayed closer to home for their holidays. So the company could benefit from a growing long-haul market when the general economic situation improves. Servicing other customer

segments (domestic or European travels) is not an option because the entire organization is tailored to create long-haul products and services. Better segmentation (e.g. culture, sports, cities, and beach) and understanding customer characteristics is needed to satisfy specific customer needs and create more focus in the offered product range.

Channels

At the moment one single distribution channel is used. Although this channel is effective for reaching a part of the potential customers, a multi-channel policy is required to effectively reach all potential customers. The channel efficiency can be improved by using e-billing or direct billing (bill the customer instead of the travel agent). Margins can be increased by directly serving customers and thus improving the alignment of the channels with the customer segments. Complementary partner channels are social media like Twitter Hyves and Facebook. Using social media and building a travel community are options to consider when deciding which multi-channel policy to use.

Customer relationships

Since there are no customer relationships at the moment this provides a great opportunity for improving customer retention, customer acquisition and up selling. Improving customer follow-up and tightening the relationship with the customer is possible by directly selling to the customer. This way customer information can be used in combination with a sophisticated CRM system to personalize products and service. Unfortunately switching costs for customers cannot be increased due to high information transparency.

Key resources

The most important resources for a tour operator are the knowledge of its employees and content (contracts with capacity providers). These basics are available to the Dutch tour operator. Though there are less costly resources available (ICT automation) with which the same can be achieved (lower employee costs). There are no key resources that could better be sourced from partners, no key resources under exploited and no unused intellectual property. The resources that should be acquired to bring the company up to date are customer relationships, a strong brand and sophisticated ICT systems.

Key activities

As can be expected all key activities for a tour operator are being performed in the current situation (i.e. marketing, content development, generating quotes and internal handling). The only difference in the best practice situation is that internal handling and quote generation have been replaced with automation and maintenance of ICT systems. Meaning more sophisticated ICT and better defined processes would boost efficiency. So quote generation and internal handling should be further standardized and (partly) automated. The standardization could be achieved by scripting some activities and giving the employees who operate the phones call center training.

Key partners

An additional key partnership that could benefit the tour operator is a partner which offers (external) expertise on marketing and ICT (other partners are local agents, travel agents, ANVR/SGR, capacity providers and a financial partner). Marketing and ICT activities could be outsourced while this expertise is often too costly to develop in-house. This means greater collaboration with key partners could focus on core business. Cross selling opportunities exist for partners with large customer databases (e.g. book clubs). Partner channels like social media sites could help reach customers and even complement the value proposition by providing travel community services.

Revenue streams

The one-time brokerage fees for the travel products that are being sold are the main source of income. It is possible to replace one time transactions with recurring revenues by building customer relationships and offering individualized travel solutions. Additional products or services customers would want to pay for are insurances and additional commercial activities/services at the destination. Revenues cannot be increased by increasing prices because customers at this point would switch to products offered by competitors.

Cost structure

The largest part of the incurred costs of the tour operator is personnel costs. These costs can be reduced by doing the same amount of work with fewer employees. Increased efficiency in the internal handling and quote generation process is necessary to achieve this. The abovementioned ICT solutions to improve efficiency will increase infrastructure maintenance costs but these can be compensated by the reduction in personnel costs. Furthermore general overhead costs are currently reduced to a minimum. To prevent unnecessary increases a regular review of the cost development is necessary. The variable part of the cost structure, the travel agent fees, is the main problem for the current business model. This can be solved by directly selling to the customer.

The answer to the second central research question “What are the critical success factors for such business model?” is based on the theory for identifying critical success factors (CSF) introduced by Leidecker and Bruno (1984). From this theory three methods for CSF identification are used. First of all the company assessment, which has been done by performing a SWOT analysis, secondly the use of industry/business experts’ views on tour operator business models discussed during the conducted interviews and finally the analysis of the industry structure (environmental analysis) based on the market research and the additional information gathered from the conducted interviews. Based on these three methods the following critical success factors have been identified:

Company assessment CSF’s

During the company assessment two CSF’s were identified. First of all: the “Strong value proposition” which has been critical in the survival of the company up till now. The loyalty of the travel agents depends on the high quality of the products and services the tour operator offers. Maintaining this high standard is therefore of great importance. Secondly: “Cost control”, which has turned the company’s figures around from being loss making to an expected small profit. It is essential to keep the costs under control since the margins are very small.

Industry/business expert CSF’s:

The industry experts identified five CSF’s. First of all every expert mentioned the product/destination “Knowledge” or the way this knowledge is managed (Content Management System). The source of the knowledge (i.e. the employees) is essential to make sure the CMS can function properly. Secondly “Efficiency” is important to keep costs as low as possible in a price driven market. ICT systems play a big part in the efficiency of the back-office but also creating clear and efficient procedures is equally important. Finally the “Customer relationship”, “Brand”, and “Channels” are less critical since relationship management, brand management and multi-channel distribution policies are not common practice, though these factors could be the key to a culture chance in the travel industry towards a more customer oriented environment.

Industry structure CSF’s:
During the analysis of the industry structure four CSF’s were identified. First of all: the fact that medium-size tour operators should “Acknowledge the role of the internet”, because otherwise they will eventually be pushed out of the market by competitors that can deliver superior value. Secondly the fact that a medium-size tour operator should “Keep the travel agents happy” since there is a risk of fast decreasing sales when the tour operator aggressively pursues direct online sales growth. Thirdly the “Customer relationships” become increasingly critical because of increasing individualization and the need for personal service (Customer Relationship Management). Finally again the “Efficiency” is critical to keep costs to a minimum with an essential role played by the ICT systems.

These CSF’s, although partly overlapping, are of the utmost importance for the future of the Dutch tour operator. Therefore a number of recommendations will be made in the next chapter regarding the abovementioned conclusions and the strategic options identified in the TOWS matrices for the Product, the Efficiency and the Image of the company.

7. Recommendations

7.1. Product recommendations

Value proposition

1. Complement the value propositions by developing products that fulfill additional customer needs (e.g. product information online, easy online booking, marketing brand values and achievement, increase product focus).
2. Generate additional revenue streams by reviewing the entire product range and adding additional travel related products (e.g. travel insurances and local activities like excursions, diving lessons etc.).
3. Serve customers directly under a different brand name with the same price (only simple travel products (i.e. flight-transfer-hotel with few additional options). This is less threatening to travel agents (unless aggressively marketed).

Key resources

4. Specific product selection for specific customer segments (detailed knowledge about the destinations that are being offered is needed. Evaluate each individual destination that is offered at the moment which will lead to a selection of high potential destinations. Focusing on those destinations makes keeping the knowledge up to date easier and reaching critical passenger volumes more feasible).

7.2. Efficiency recommendations

Key activities

5. Review and standardize internal processes (goal: identify the time consuming elements of the internal processes that can be standardized)
6. Implement ICT solutions (evaluate back-office ICT systems and upgrade to integrated systems. A sophisticated content management system (CMS) to collect and store all available knowledge on destinations and travel products is essential. Less dependent on human knowledge and streamlines the product development process).

7.3. Image recommendations

Key resources

7. Create customer relationship (CRM). Through the direct selling brand customer information becomes available (allows the tour operator to deliver optimal service and one-on-one marketing).
8. Marketing of brands (represents the added value a company is able to deliver, increases trustworthiness. Needs: marketing strategy).

Channels

9. Integration of multiple distribution or information channels (multi-channel strategy for product and information distribution is absolutely essential for a modern tour operator.

Needs: state-of-the-art website (booking information, social media integration (community), present the “travel experience”).

In summary, this research has evaluated the way the Dutch tour operator conducts business and has shown that these nine recommendations will improve the fit of their business model to the current market conditions. Changes are necessary because experts (the interview respondents) believe that the current business model will become unsustainable in the near future due to the fierce competitive forces and the changing customer needs.

8. Discussion

8.1. Reflection on recommendations

The first thing that springs to mind when looking at the recommendations is the fact that these recommendations can probably not all be implemented at the same time. So before all the recommendations are implemented a significant amount of time will have passed. With all the uncertainties that the current market circumstance contain this will not be without risk.

When looking at recommendation number two, generate additional revenue streams, it can be argued that this will decrease the focus on the core business, which is selling travels, and therefore can have a negative impact on recommendation number one and four since these recommendations advocate more focus in the product offering.

Another comment on recommendation number two, generate additional revenue streams, is the fact that more revenue streams and product differentiation will make the internal processes more difficult and therefore less efficient. This could have an adverse effect on recommendations number five and six which advocate more efficiency for the internal processes. The same applies to the possible implementation of a multi-channel strategy. This could also decrease the internal efficiency of the entire company when employees are not sufficiently trained or prepared to work with the new channels.

Recommendation number three, brand differentiation, could make the brand marketing of recommendation number seven less effective when these actions are not coordinated properly.

Finally recommendation number three, start with direct selling, can be very dangerous. This was also mentioned earlier in the report. When a tour operator would undercut the travel agents prices there is a significant risk of quickly losing more customers (via the disgruntled travel agent), than the internet brings back in.

8.2. Implementation of recommendations

The recommendations are based on the research results and formulated in such a way that they are expected to be feasible. This however does not mean that they will actually be executed by the Dutch tour operator. There are several conditions, which are mentioned below, that need to be met to actually be able to successfully implement or execute the recommendations.

First of all the commitment of the management is essential to create a sense of urgency among the employees. This means the employees will be involved in the ongoing processes and acknowledge the fact that change is essential. At this moment the first changes, especially in cost reduction and control, are already made. This successful change can help gain support among the employees for further reforms. These additional reforms will not only require verbal commitment of the management but also financial commitment. At the moment the financial situation is far from optimal so finding money to invest in the company could be a problem. The financial implications of the recommendations need to be researched to be able to make the right investment choices.

Secondly when the commitment of the management is clear, the support of the employees should be gained by involving them in the process. A new mindset needs to be created within the company. The recommendations in some cases would trigger radical changes in the way of conducting business and especially dealing with increased customer orientation. This new mindset of customer orientation is not easy to accomplish and needs to be gradually introduced through employee training. Furthermore recommendations on increasing efficiency and changing marketing strategies will also require dedication and training.

In summary, it can be stated that the process of change will be most difficult to accomplish. Creating trust and willingness to change will be essential when trying to implement certain changes.

8.3. Comments on the research

The comments on the research can be split into two categories: comments on the used theories and comments on the execution of the research.

8.3.1. Theories

The business model analysis is based on the business model theory introduced by Osterwalder and Pigneur (2009). This theory has already proven in practice to be a useful tool to generate or update business models since a number of respectable companies continue to use it to this day. The disadvantage of this model is that it is intended for internal use (within a company) in an open environment where multiple actors provide input to the creative process. At the time this theory was chosen it was not clear whether the theory could be used for external use based on best practices identified by market experts. This should be empirically tested to answer the question whether this setup has provided the desired results.

8.3.2. Research execution

The evaluation of the current business model is based on information from an intermediary (the principal of this research) due to confidentiality reasons. Although this information is very detailed and up-to-date, a direct source of information from within the Dutch tour operator would have been preferable to eliminate the possible bias of the intermediary.

To review the current business model the method of research was focused on gaining information on the current tour operator market and best practices. Market experts were asked to comment on these issues during semi-structured interviews. The personal bias of the respondents towards the way business is conducted around their current function cannot be underestimated. Therefore respondents from different functions within the industry were selected to create a heterogeneous view. Since the research consisted of only five respondents the question can be asked whether the results are representative. A generalization of the results is not possible because of the limited number of respondents.

Furthermore the evaluation of the similarities and the differences among respondents can be commented on. Because of the limited number of respondents consensus could not always be reached on the status of the current tour operator market and the best practices. In those cases the choices are based on the answers of the majority of the respondents.

8.4. Scientific relevance

The business model canvas and the underlying theory on business model generation (Osterwalder and Pigneur, 2009) has been applied to the tour operator industry. During the application of the model in the case of the Dutch tour operator it provided the right steppingstones to come to a satisfying end result. The theory guides the user in a structured evaluation and creation process that leads towards a reviewed business model. The successful application of the model in the tour operator industry can support a possible claim of it being a generic model that can be used in any industry.

The synthesis of the best practices for the tour operator industry gives an overview of the way this specific market reacts to changing market circumstances. Other industries that are experiencing the same challenges can use the experience and solutions from the tour operator industry to their advantage. Not all lessons learned can be generalized but for example the shift towards customer orientation and question how to deal with challenges posed by the internet will be relevant for many different industries. This also applies to some of the identified critical success factors (CSF's).

8.5. Recommendations for further research

An important issue that came up during the research is the shift from product orientation to customer orientation in the tour operator industry. To really understand what the customers need and want in the Dutch long-haul industry it would be wise to conduct a survey which identifies these needs and wants. This way the value proposition (and eventually the business model) could be adjusted to optimally serve each customer.

Furthermore research into the financial implications of the changes to the business model is required. The changes will probably be implemented step by step since the Dutch tour operator lacks the financial capability to generate all the required funds at once. So the criticality of the proposed changes needs to be determined. On the basis of this criticality analysis an implementation plan can be proposed.

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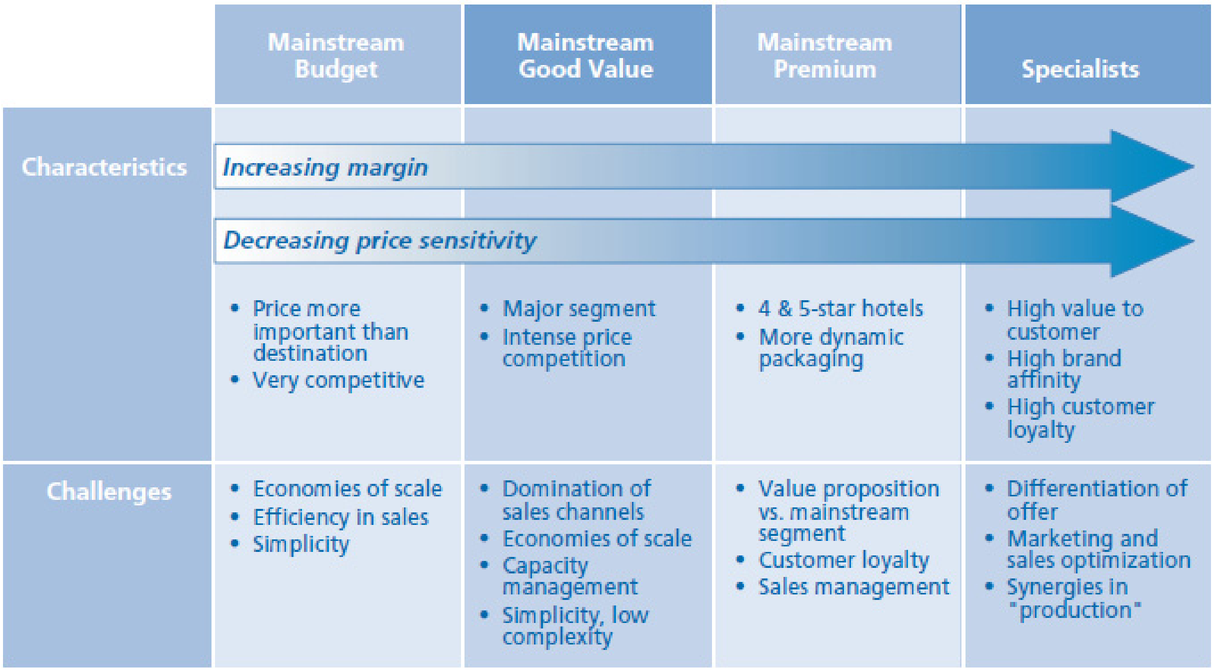
Appendix A - Interview plan

The interview will be based on the “mainstream premium” market segment as defined below. This segment has to deal with competition from two sides. The price competition from the “good value” and “budget” segments and the service oriented competition from the “specialists” segment. This is causing pressure on the turnover of the “mainstream premium” segment. Furthermore this segment is suffering from the multitude of online options available to the consumer. The option to buy the product directly at the supplier, also called self packaging, is becoming increasingly popular. To be able to deal with the competition the margins are declining.



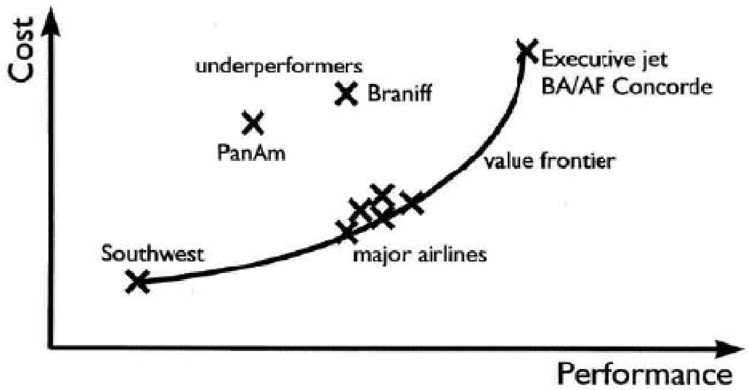
Mercer on Transport and Logistics – Rerouting European Tour Operators (Doring and Neuhaus, 2005)

The interview will start with a number of semi-structured introductory questions (maximal 30 minutes). After which the business model for a tour operator in the mainstream premium segment on the basis of best practices, indentified by the interviewee, will be discussed. This will result in a view on the ideal business model for a tour operator in the eyes of the interviewee for this segment. The semi-structured approach hopefully creates a sort of brainstorm atmosphere which keeps the interview interesting for the interviewee. The discussion of the business model will be done using the business model canvas introduced by Osterwalder and Pigneur (2009).

Goal: The goal of the interview is to gain insight in the challenges concerning the adoption of the most recent technological (ICT) developments and the current best practices for the tour operator industry and specifically the mainstream premium segment.

Starter questions:

- What are in your opinion the two main strategic issues faced by tour operators that result from recent technological (ICT) developments?
- Which companies are in your eyes the over and under performers of the tour operator industry regarding the challenges presented above (value map)?
- What is your opinion on the following statement: medium sized tour operators from the mainstream premium segment will have to choose, under pressure of the consolidation that has been going on in the industry, between either increasing their scale or specialization to be able to survive.
- How should, in your eyes, this increase in scale/specialization be realized? (Internal growth, mergers/acquisitions, cooperation, niche specialization, etc.)
- On what characteristics are future tour operators going to differentiate (price, service, convenience, content, quality, etc.)?



Value map example for the airline industry (Kambil, Kinsberg and Bloch, 1996)

The case:

A tour operating company situated in the mainstream premium segment is under outside pressure and has to deal with the following issues.

- Aging population
- Customers postpone bookings (shorter planning windows and later booking)
- Switch between operators is easy and low cost
- Customers package their own holiday
- Dynamic packaging by travel agents or portals
- Direct selling by transport and accommodation providers
- Shift towards online booking (fast technology adoption: change at top speed), but most revenue still made offline (focused at higher revenue segment with knowledge intensive and experience rich advice)

1. Customer segments (since the customer segment is defined the questions focus on extra detail)
   - What are the most attractive customer groups for the mainstream premium segment?

     Most attractive customer groups are high income families / high income elderly / …
   - Why do you think these customers are attractive?

     Attractiveness is defined in volume / average spending / # of travels each year / …

2. Value proposition
    - What do customers in the mainstream premium segment value?
      The customers value performance / customization / brand status / price / …
    - Which customer needs does the offering satisfy (that keeps them from self packaging)?
      Needs satisfied are risk reduction / accessibility / convenience / …
    - What (bundles of) products/services are offered to each customer group?
      Offers to a customer group are group travels / round trips / all-inclusive / …
    - What is in your opinion a suitable degree of differentiation in the product offering?
      The product offering should be highly differentiated (multiple offerings to multiple destinations) / specialized (specific travel forms to specific destinations) / …

3. Channels
    - Through which channels do different customer groups want to be reached?
      Customer groups want to be reached through sales force / web sales / own stores / partner stores / …
    - What functions do the different channels fulfill?
      Functions fulfilled are creating awareness / help with evaluating the offer / allow to purchase / value delivery / after sales support
    - What multi-channel strategies are suitable?
      Multi channel strategies include internet (own website or third party portals, e.g. call centers, retail outlets/agents), television, build cross selling opportunities, build customer loyalty.

4. Customer relationships
    - What type of relationship does each of our customer segments expect us to establish and maintain with them?
      Types of relationships are personal assistance / automated services / communities / co-creation / …
    - What motivation does the company have to maintain the relationships?
      The motivation is customer acquisition / customer retention / boosting sales / …

5. Revenue streams
    - For what value are the customers really willing to pay?
      Customers are willing to pay for expert knowledge / convenience / access / …

6. Key resources
    - What key resources do the value propositions / distribution channels / customer relationships / revenue streams require?
      The key resources required are physical / intellectual / human / financial

7. Key activities
    - What key activities do the value propositions / distribution channels / customer relationships / revenue streams require?
      Key activities are production / problem solving / platform/network (website/catalog)
    - Which of these activities can/should be outsourced

8. Key partnerships
    - Who are key partners/suppliers?

9. Cost structure
    - What are the most important costs inherent in the business model?
    - Which key resources are most expensive?
    - Which key activities are most expensive?

Final question:

- What are in your opinion the critical success factors for the business model that was just described?

- Feedback

Appendix B - SWOT analysis of a business model

Value Proposition Assessment

+			−
Our Value Propositions are well aligned with customer needs	5 4 3 2 1	1 2 3 4 5	Our Value Propositions and customer needs are misaligned
Our Value Propositions have strong network effects	5 4 3 2 1	1 2 3 4 5	Our Value Propositions have no network effects
There are strong synergies between our products and services	5 4 3 2 1	1 2 3 4 5	There are no synergies between our products and services
Our customers are very satisfied	5 4 3 2 1	1 2 3 4 5	We have frequent complaints

IMPORTANCE TO MY B.M. 1-10

CERTAINTY OF EVALUATION 1-10

Cost/Revenue Assessment

We benefit from strong margins	5 4 3 2 1	1 2 3 4 5	Our margins are poor
Our revenues are predictable	5 4 3 2 1	1 2 3 4 5	Our revenues are unpredictable
We have recurring Revenue Streams and frequent repeat purchases	5 4 3 2 1	1 2 3 4 5	Our revenues are transactional with few repeat purchases
Our Revenue Streams are diversified	5 4 3 2 1	1 2 3 4 5	We depend on a single Revenue Stream
Our Revenue Streams are sustainable	5 4 3 2 1	1 2 3 4 5	Our revenue sustainability is questionable
We collect revenues before we incur expenses	5 4 3 2 1	1 2 3 4 5	We incur high costs before we collect revenues
We charge for what customers are really willing to pay for	5 4 3 2 1	1 2 3 4 5	We fail to charge for things customers are willing to pay for
Our pricing mechanisms capture full willingness to pay	5 4 3 2 1	1 2 3 4 5	Our pricing mechanisms leave money on the table
Our costs are predictable	5 4 3 2 1	1 2 3 4 5	Our costs are unpredictable
Our Cost Structure is correctly matched to our business model	5 4 3 2 1	1 2 3 4 5	Our Cost Structure and business model are poorly matched
Our operations are cost-efficient	5 4 3 2 1	1 2 3 4 5	Our operations are cost-inefficient
We benefit from economies of scale	5 4 3 2 1	1 2 3 4 5	We enjoy no economies of scale

IMPORTANCE TO MY B.M. 1-10

CERTAINTY OF EVALUATION 1-10

Infrastructure Assessment

+ −

IMPORTANCE TO MY B.M. 1-10

Our Key Resources are difficult for competitors to replicate	5 4 3 2 1	1 2 3 4 5	Our Key Resources are easily replicated
Resource needs are predictable	5 4 3 2 1	1 2 3 4 5	Resource needs are unpredictable
We deploy Key Resources in the right amount at the right time	5 4 3 2 1	1 2 3 4 5	We have trouble deploying the right resources at the right time

We efficiently execute Key Activities	5 4 3 2 1	1 2 3 4 5	Key Activity execution is inefficient
Our Key Activities are difficult to copy	5 4 3 2 1	1 2 3 4 5	Our Key Activities are easily copied
Execution quality is high	5 4 3 2 1	1 2 3 4 5	Execution quality is low
Balance of in-house versus outsourced execution is ideal	5 4 3 2 1	1 2 3 4 5	We execute too many or too few activities ourselves

We are focused and work with partners when necessary	5 4 3 2 1	1 2 3 4 5	We are unfocused and fail to work sufficiently with partners
We enjoy good working relationships with Key Partners	5 4 3 2 1	1 2 3 4 5	Working relationships with Key Partners are conflict-ridden

CERTAINTY OF EVALUATION 1-10

Customer Interface Assessment

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IMPORTANCE TO MY B.M. 1-10

Customer churn rates are low	5 4 3 2 1	1 2 3 4 5	Customer churn rates are high
Customer base is well segmented	5 4 3 2 1	1 2 3 4 5	Customer base is unsegmented
We are continuously acquiring new customers	5 4 3 2 1	1 2 3 4 5	We are failing to acquire new customers

Our Channels are very efficient	5 4 3 2 1	1 2 3 4 5	Our Channels are inefficient
Our Channels are very effective	5 4 3 2 1	1 2 3 4 5	Our Channels are ineffective
Channel reach is strong among customers	5 4 3 2 1	1 2 3 4 5	Channel reach among prospects is weak
Customers can easily see our Channels	5 4 3 2 1	1 2 3 4 5	Prospects fail to notice our Channels
Channels are strongly integrated	5 4 3 2 1	1 2 3 4 5	Channels are poorly integrated
Channels provide economies of scope	5 4 3 2 1	1 2 3 4 5	Channels provide no economies of scope
Channels are well matched to Customer Segments	5 4 3 2 1	1 2 3 4 5	Channels are poorly matched to Customer Segments

Strong Customer Relationships	5 4 3 2 1	1 2 3 4 5	Weak Customer Relationships
Relationship quality correctly matches Customer Segments	5 4 3 2 1	1 2 3 4 5	Relationship quality is poorly matched to Customer Segments
Relationships bind customers through high switching costs	5 4 3 2 1	1 2 3 4 5	Customers switching costs are low
Our brand is strong	5 4 3 2 1	1 2 3 4 5	Our brand is weak

CERTAINTY OF EVALUATION 1-10

ASSESSING THREATS

We've described how business models are situated within specific environments, and shown how external forces such as competition, the legal environment, or technology innovation can influence or threaten a business model (see p. 200). In this section we look at threats specific to each business model Building Block, and provide a non-exhaustive set of questions to help you think about ways to address each threat.

Value Proposition Threats

Are substitute products and services available?	1 2 3 4 5
Are competitors threatening to offer better price or value?	1 2 3 4 5

Cost/Revenue Threats

Are our margins threatened by competitors? By technology?	1 2 3 4 5
Do we depend excessively on one or more Revenue Streams?	1 2 3 4 5
Which Revenue Streams are likely to disappear in the future?	1 2 3 4 5

Which costs threaten to become unpredictable?	1 2 3 4 5
Which costs threaten to grow more quickly than the revenues they support?	1 2 3 4 5

Infrastructure Threats

Could we face a disruption in the supply of certain resources?	1 2 3 4 5
Is the quality of our resources threatened in any way?	1 2 3 4 5

What Key Activities might be disrupted?	1 2 3 4 5
Is the quality of our activities threatened in any way?	1 2 3 4 5

Are we in danger of losing any partners?	1 2 3 4 5
Might our partners collaborate with competitors?	1 2 3 4 5
Are we too dependent on certain partners?	1 2 3 4 5

Customer Interface Threats

Could our market be saturated soon?	1 2 3 4 5
Are competitors threatening our market share?	1 2 3 4 5
How likely are customers to defect?	1 2 3 4 5
How quickly will competition in our market intensify?	1 2 3 4 5

Do competitors threaten our Channels?	1 2 3 4 5
Are our Channels in danger of becoming irrelevant to customers?	1 2 3 4 5

Are any of our Customer Relationships in danger of deteriorating?	1 2 3 4 5

ASSESSING OPPORTUNITIES

As with threats, we can assess the opportunities that may lie within each business model Building Block. Here's a non-exhaustive set of questions to help you think about opportunities that could emerge from each of the Building Blocks in your business model.

Value Proposition Opportunities

Could we generate recurring revenues by converting products into services?	1 2 3 4 5
Could we better integrate our products or services?	1 2 3 4 5
Which additional customer needs could we satisfy?	1 2 3 4 5
What complements to or extensions of our Value Proposition are possible?	1 2 3 4 5
What other jobs could we do on behalf of customers?	1 2 3 4 5

Cost/Revenue Opportunities

Can we replace one-time transaction revenues with recurring revenues?	1 2 3 4 5
What other elements would customers be willing to pay for?	1 2 3 4 5
Do we have cross-selling opportunities either internally or with partners?	1 2 3 4 5
What other Revenue Streams could we add or create?	1 2 3 4 5
Can we increase prices?	1 2 3 4 5

Where can we reduce costs?	1 2 3 4 5

Infrastructure Opportunities

Could we use less costly resources to achieve the same result?	1 2 3 4 5
Which Key Resources could be better sourced from partners?	1 2 3 4 5
Which Key Resources are under-exploited?	1 2 3 4 5
Do we have unused intellectual property of value to others?	1 2 3 4 5
Could we standardize some Key Activities?	1 2 3 4 5
How could we improve efficiency in general?	1 2 3 4 5
Would IT support boost efficiency?	1 2 3 4 5
Are there outsourcing opportunities?	1 2 3 4 5
Could greater collaboration with partners help us focus on our core business?	1 2 3 4 5
Are there cross-selling opportunities with partners?	1 2 3 4 5
Could partner Channels help us better reach customers?	1 2 3 4 5
Could partners complement our Value Proposition?	1 2 3 4 5

Customer Interface Opportunities

How can we benefit from a growing market?	1 2 3 4 5
Could we serve new Customer Segments?	1 2 3 4 5
Could we better serve our customers through finer segmentation?	1 2 3 4 5
How could we improve channel efficiency or effectiveness?	1 2 3 4 5
Could we integrate our Channels better?	1 2 3 4 5
Could we find new complementary partner Channels?	1 2 3 4 5
Could we increase margins by directly serving customers?	1 2 3 4 5
Could we better align Channels with Customer Segments?	1 2 3 4 5
Is there potential to improve customer follow-up?	1 2 3 4 5
How could we tighten our relationships with customers?	1 2 3 4 5
Could we improve personalization?	1 2 3 4 5
How could we increase switching costs?	1 2 3 4 5
Have we identified and "fired" unprofitable customers? If not, why not?	1 2 3 4 5
Do we need to automate some relationships?	1 2 3 4 5

Appendix C - Parallels with other industries

This appendix describes three examples of industries that have dealt or have to deal with the same challenges the tour operating industry is facing. The elaboration of these three examples is based on a report by the strategic research group Benelux of Capgemini about the trends in the European leisure travel industry (Capgemini, 2005).

Telecom industry

Like in the tour operating industry internet sales are growing, for the larger part due to independent retailers. The kick back fees paid to retailers are substantial (as much as one year customer revenue) for any new customer. Telco's have invested strongly in customer self service. No more paper invoices and online access to real time billing information allows customers to manage (part of) their own customer data which reduces costs and increases quality. Internet Sales accounts for around 5% of European Telco sales, though some operators get as much as 50% of new customers through their own internet channels. Still Telco's acquire 30% to 70% of their new customers through intermediaries. The Telco equivalents of no-frills providers are Virtual Service Providers which are often started by companies from other sectors with strong consumer brands. Internet sales do not (yet) compete with retailers with physical shops because many customers still want to see and feel the handset they buy. That is why large Telco's still open shops on A-locations. Nevertheless multi channel sales is picking up in the telecom industry. Telco's have invested heavily in CRM systems and processes, to increase their direct sales and reduce dependency on third party intermediaries, but the physical retail outlets still remain the most important sales channel. Despite the investments in customer relationships customer retention is very weak in telecom. Telco's often cannot identify their high value customers or fail to use this knowledge in their marketing or customer interaction. One successful way of building customer loyalty is the use of extensive pricing schemes to reward loyalty or increase usage.

So the challenges the internet raised where mainly handled by the telecom industry through the implementation of multi-channel retailing and the use of price differentiation to reward customer loyalty. The IT processes needed to support these developments are either centralized (shared service center) or outsourced. This has reduced the total cost of ownership of the IT systems.

Food retail industry

In the food retail industry internet sales has taken a position, although it plays a minor role. Retailers generate very small margins on their internet sales and consumers still prefer the supermarket. Retailers operate with a 1% to 4% margin on revenue and flexible pricing is based on supply, competition and perish date of the food. Today most food retailers own the wholesale and warehousing function but rarely own production facilities or farms. Since retailers are the only way to market for many farmers and producers, retailers have strong bargaining power. Over the past 30 years the industry has strongly consolidated and the independent grocery store has almost disappeared. Small grocery stores have been replaced with large supermarkets. The number of retail outlets is very stable, since food is a primary need. Cross selling is popular in the food retail industry. Selling fresh food, tobacco and alcoholic drinks, processing films and dry-cleaning services are examples of successful cross selling. Loyalty programs have been applied since many years. Saving points, air-miles and bonus cards have been successful.

As is the case in the tour operating industry a lot of medium-size companies have disappeared (or were integrated in a larger holding) in the recent consolidation process. The real challenges raised by the internet are still to be faced. When consumers start to acknowledge the possibilities of online grocery shopping on a large scale, a shift from offline to online shopping will be inevitable. Up till now operational efficiency and customer loyalty programs have been the key to survive for the larger players. Customer loyalty programs include: customer cards, special offers, saving points or air miles. A lot of smaller players have become niche players, for example some grocery stores have become a caterer or a night shop. This trend can be compared to the small-size tour operators that are generally manager owned and have one to five employees.

Financial industry

Around 1998 internet banks were expected to grasp the market and traditional banks were to become extinct. Instead the internet channel has become very important for the traditional banks due to green field investments or acquisitions. During the past ten years the internet has captured a big piece of all transactions which has lead to a vast amount of office closures. The remaining 50% of the offices focus on sales and advise related to complex products. Currently the shutting down of offices has reached its limit since banks start to experience a lack of insight in customer needs. The mindset has changed with the awareness that the customer relation is the core of their existence. Most people still feel more comfortable maintaining a face-to-face relation with their advisor when their finances are concerned. This can only be done when a large decent office presence is maintained. Furthermore intermediaries still have a strong position and receive interesting kick back fees. They typically sell complex, advise insensitive, products (e.g. insurance, mortgage). These developments have lead to heavy investments from financial institutions in multi-channel sales and customer loyalty. Their so called click - call - face strategy refers to internet - telephone - personal contact. The first step in building customer loyalty has been high level segmentation: private banking (high service, niche, addressing customer experience) and retail banking (commodity, volume, price competition). The competitive battle is being fought on the borders of these two segments. The second step is the extensive use of IT (CRM) systems to sell commodity products/services in a individualized way. This individual approach also works very well with their mainly event driven marketing strategies (going to college, getting married, changing job, retire, etc.). All kinds of cross selling internet initiatives have been discontinued because experience has learned that consumers only visit a banks website when they are looking for a financial product. Enormous back offices and huge and complex IT systems were considered key capabilities in providing these services but nowadays banks use shared service centers or outsourcing for their support processes.

So in recent years banks have fully appreciated the benefits of shared service centers and business process outsourcing. They have moved from a product to customer centric approach and became aware that the customer relation is the core of each company's existence. The use of individualized sales and marketing increases sales channel effectiveness and develops customer loyalty.

Appendix D - Original Dutch quotes

1: “Het belangrijkste is dat er bedrijfsmatige keuzes gemaakt worden, dat betekend dat je bepaalde producten wel en bepaalde producten niet aanbied. Een tour operator moet voor zichzelf die analyse maken maar de meesten doen dat simpelweg niet. Iedereen wil altijd alles doen, dat is het grootste gevaar van de reiswereld” (interview 3).

2: “Het gaat om het toevoegen van waarde. Klanten zijn bereid te betalen voor specifieke kennis. Dit geldt niet alleen voor het top-segment (qua inkomens). Het meest opmerkelijke is dat die mensen veel minder hechten aan luxe. Die hechten aan beleving en kwaliteit. Wat ze te horen/zien krijgen moet waarde toevoegen aan hun beleving of aan hun “zijn”” (interview 3).

3: “Waarde is specifieke kennis die leidt tot specifieke belevenissen. Het aanbod moet aan de belevenis gekoppeld worden” (interview 1).

4: “Uiteindelijk kunnen de bestemmingen generiek gemoduleerd worden. Dit geeft de tour operator de mogelijkheid dezelfde module te gebruiken voor een willekeurige bestemming. Naarmate je meer passagiers gaat verwerken creëer je synergie in je back-office” (interview 1).

5: “Een reisorganisatie heeft een duidelijke CRM visie nodig. Wat leg je wel en wat leg je niet vast? Waar haal je de informatie vandaan. De customer journey (oriëntatie - boeking - reis - aftersales) wordt nog niet volledig benut en vooral aftersales kennis wordt vaak niet benut in de CRM visie” (interview 3).

6: “Uit een test van TUI Duitsland blijkt dat de loyaliteit van de klant erg laag is en de boekingen teruglopen wanneer de prijzen niet aangepast worden aan de concurrentie. Het merk is hierbij dus niet van belang omdat de producten geen toegevoegde waarde hebben” (interview 5).

7: “De tour operator die stoelen en bedden aan elkaar bindt en dat reizen noemt, oftewel het ouderwetse model, staat sterk onder druk en de kans is uitermate groot dat de tour operator in die hoedanigheid gaat verdwijnen. Reisorganisaties zijn van huis uit productgerichte organisaties die via het aanbieden van producten trachten ze een stuk dienstverlening te slijten. Deze formule is al lang niet meer van deze tijd. Reisorganisaties zullen dan ook een grote slag moeten gaan maken van productgerichte omgeving naar een klantgerichte omgeving” (interview 3).

8: “Wanneer een tour operator op grote schaal rechtstreeks gaat verkopen verliezen ze de loyaliteit van de reisagent en dus dit verkoopkanaal” (interview 4).

Appendix E - Interview results on business models

	BM	Question	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5
Product	VP	Value	- (Feeling of) tailor made - Knowledge that leads to specific experiences - Quality at destination (in depth knowledge, easy access to must sees)	- Value for money - Trust - Service	- Experience - Quality of knowledge - Adding to his/her "being"	- The travel experience - One stop shop (travel mall)	- Something for everyone (for one destination)
		Needs	- Customization - Convenience - Accessibility	- Convenience - Risk reduction	- Accessibility (specific expert knowledge) - Brand / Status	- Accessibility - Convenience	- Price - Convenience - Accessibility
		Product types	All-round (for selected destination)	All-round	All-round	All-round	All-round
		Differentiation	Highly differentiated (only if knowledge about destinations is sufficient)	Highly differentiated	Differentiated (carefully selected destinations on which expert knowledge is available)	Highly differentiated	Specialized (a few carefully selected destinations. One of which with a high level of product differentiation)
Customer interface	CS	Customer groups	- Experienced travelers - Higher income (overall) - Couples/Duo's - Roundtrips	Higher income (especially families with children)	Customers with specific characteristics (for example an interest in culture)	Customers with specific destination wishes	Families with children
		Reason attractiveness	- Flexible travel period - Multiple travels each year - Changing travel composition	- Large travel sums - Willing to pay for service	The customers' need for like-minded people	Mainstream offerings with a specialist look	Large group of travelers with predictable travel patterns
	CH	Categories	- Direct (website / call center with expert knowledge) - TA (= Travel agents) (selected few with expert knowledge)	- Direct (website / email / phone) - TA (broad network)	Direct (website / email / travel community / newsletter / phone)	- Direct (website / email / social media / phone) - Regional flagship stores (travel mall with shop-in-shop for other travel products and cross selling)	- Direct (website / email / phone) - TA
		Functions	- Awareness (website / TA)	- Awareness (website /TA)	- Awareness (website /	- Awareness (website /	- Awareness (website /TA)

			- Evaluation (website / TA) - Purchase (call center / TA) - Delivery (call center / TA) - After sales (call center)	- Evaluation (website / TA) - Purchase (website (no customization / TA for customization) - Delivery (email / TA) - After sales (phone / email)	interactive communities where experiences and emotions are shared) - Evaluation (website / community) - Purchase (website / phone (personal assistance with dossier knowledge) - Delivery (email) - After sales (email / phone)	social media / flagship) - Evaluation (website / social media flagship) - Purchase (website / flagship - Delivery (email / flagship) - After sales (phone / email / flagship invitation)	- Evaluation (website / TA) - Purchase (website / TA) - Delivery (email / TA) - After sales (phone / email)
	CR	Categories	(Dedicated) personal assistance	Dedicated personal assistance	Personal assistance (on- and offline)	Personal assistance (loyalty system)	Automated services
		Motivation	Customer retention	Customer retention	- Customer retention - Customer acquisition	- Customer retention - Customer acquisition - Up selling	Customer retention
Infrastructure management	KR	Categories	- Knowledge - Content - Efficient ICT - Brand	- Knowledge - Content - Brand	- CMS (content management system) - Customer relationships - (Multiple) brands	- Knowledge - Technology to create travel experience (3D hotel presentations, movies of destinations)	- CMS - CRM system
	KA	Categories	- Marketing (customer selection, direct marketing, testing what works, cost efficient)	- CRM (customer relationship management) - Marketing	- Adding value to basic travel elements - CRM (customer relationship management) - (One-on-one) marketing - Community maintenance - System maintenance	- Marketing (regional TV, IP-TV, mobile technology to present the travel experience)	- Content development - CSM maintenance - Back office system maintenance - Marketing - Automation
		Outsourcing	Marketing could be outsourced	Marketing could be outsourced	Multiple options depending on cost and quality	Marketing could be outsourced (not favorable)	Multiple options depending on cost and quality
	KP	Categories	- Employees - Transport providers - Accommodation providers	- Travel agents - Local organizations - Financial - ANVR/SGR	- Employees - Transport providers - Accommodation providers	- Specialists (adding to own offerings) - Cross selling partners - Local agents	- Transport providers - Accommodation providers - Expertise (ICT, marketing)

			- Local agents - Expertise (ICT, marketing) - Travel agents - Financial		- Local agents - Expertise (ICT, marketing) - Financial		
Financial aspects	RS	Type	Income from sold travels (customers pay extra for knowledge and advice, not for the travel components)	Income from sold travels (customers pay extra for personal advice and certainty)	- Income from sold travels (customers pay extra for experience, emotion, knowledge and service) - Additional activities at the destination	- Income from sold travels - Rent of m2's I flagship stores	- Income from sold travels - Insurances
		Generation	Brokerage fee	Brokerage fee	- Brokerage fee - Usage fee	- Brokerage fee - Renting	Brokerage fees
	CS	Cost structure	- Employees (all-round with expert knowledge) - Overhead	- HRM - ICT - Marketing	- Employees (50 - 60 percent) - ICT systems - Marketing	- Employees - Marketing - Flagship store	- Employees - Marketing - Infrastructure

Appendix F – Reflection report

In this report I will look back on my professional performance during the preparation and the execution of this research. This will be done regarding four criteria: independency, project management, functional use of resources and the cooperation in practice. At the start of this project I did not put any learning objectives in writing but my goal was learning as much as possible about doing research so this can help me when writing my master thesis. Furthermore I really looked forward to experience the corporate environment since this was my first long-term internship.

Independency

When I started my internship in Amsterdam at the end of November 2009 I neither had a supervisor at the University nor an assignment for my thesis since the interview during which I was hired was only one week ago. During the first week I worked on various projects and discussed the possibilities for a subject with my supervisor. When we identified a suitable subject I started working on a research proposal and finding a supervisor at the university. Throughout the internship I worked simultaneously on several projects and also took a couple of days off to prepare for two exams. During my internship I had a lot of freedom to plan my own time and even work from home when this was more convenient. This was a very pleasant way of working and I think I handled this freedom well. Dividing my time between the projects was not a problem, only the estimation of how much time some of the elements took to complete was often problematic. Since most of the activities I needed to do were new to me I often did not schedule enough time to complete the tasks I had which meant that the planning would not be achieved. During the period after the January exams my supervisor was visiting the winter Olympics in Canada for a month. This period was characterized by some good and some bad examples of independency. The good examples are that I independently worked from home and performed a large part of my literature review. The bad example is the fact that I did not put enough effort into arranging interviews for the next part of my research. This was partly due to the fact that I did not precisely know the content of the interviews which made me reluctant to call a possible respondent and invite them for an up till that point non-existing interview. Eventually this cost me precious time which I could have used at the end of the project. Eventually during an evaluation session my supervisor and I talked about being more proactive and preventing that kind of things for the future.

Project management

The planning to have the entire project completed before the 16^{th} of April seemed to be realistic since I had spent most of my time working on my thesis the last weeks of March. Unfortunately the meeting with both supervisors to discuss my first final draft at the beginning of April had to be rescheduled to mid April. This was also the till when my new courses started. Those courses took away most of my time which resulted in a standstill for my bachelor thesis until the end of May. During June I was very busy finishing the courses so finishing my bachelor thesis was again last minute work. Concluding: the project management was acceptable up till the end of my internship and then it went wrong under mitigating circumstances.

Functional use of resources

To acquire the data I needed for my research I conducted interviews and performed literature and desk-research. I'm quite pleased about the literature research because I could make an appropriate synthesis of the business model literature and eventually found the method of Osterwalder and Pigneur (2009) that really helped shape my research. The interviews were conducted with market experts from within the travel industry. The collection of the information and the conducting of the interviews went well in my opinion. My supervisor also got some positive feedback on the way I had presented myself and on the way the interview was done. Prior to the interviews, I read about interviewing techniques which are intended to get maximum results in different situations. In some cases these techniques really helped me to motivate the respondent to provide additional information or to open up the conversation.

Cooperation in practice

The cooperation in practice and the formerly mentioned conducting of the interviews has gone well according to my opinion. At the beginning of each interview a form of trust needed to be gained and the purpose of the interview reconfirmed. This was successful in all five cases and the conversations were all very entertaining. Each respondent knew prior to the interview that the actual interview was going to take approximately one hour to complete. All interviews were finished in time but in two cases the discussion just went on and a lot of additional information was acquired, so these meetings were not only very useful but also pleasant.

Furthermore the cooperation with my supervisor in Amsterdam was very pleasant. There was a very open relationship in which I always got the chance to give my opinion on the issues at hand. As was said earlier I got a lot of freedom to plan my own tasks and once in a while we would sit down to evaluate the progress. I have experienced this as a very pleasant but also stimulating way of doing your job.

Concluding: I can look back at this period and be content with my professional performance. There were definitely some issues that need improvement, and I will try to do some things differently in the future. I hope to directly apply the personal learning experiences that emerged during the process to my master thesis.