

The Business Offer and its Implication for the Business Interaction Complexity - the Distribution of Tourism Packages

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Abstract

The aim of the paper is to discuss the design of the business offer and its implication for the business interaction complexity when distributing tourism packages. The distribution process implies that several actors must co-operate and interact. In our case-studies we have found that there is a strong connection between the *design* of the business offer and the complexity of the business interaction in the distribution process. The case-studies show that there are three important factors that affect the complexity of the business interaction in the distribution process:

1. Accessibility to information and booking control of the components.
2. The number of components to book.
3. The number of potential suppliers.

Furthermore it is important to analyse these three factors in the context of two important and conflicting goals that have to be balanced:

- a. The goal of offering comprehensive packages with a high freedom of choice for the customer.
- b. The goal of managing the interaction complexity, which is a presupposition for an effective and high-qualitative distribution process.

A way of handle this conflict is to analyse and develop the relationships between the actors that have to interact in the distribution process.

1 Introduction

A tourism package can be seen as a composite offer consisting of several components, e.g. an accommodation for a hotel room, a travel ticket and a ticket to an event. It is important to realise that the distribution of tourism packages normally implies that several tourism companies and organizations must co-operate because no single company can offer and distribute the whole package on their own. How successful this co-operation will be is dependent on how efficient the companies can co-ordinate and perform the business interaction.

Today it is a goal for many Swedish Convention and Visitor Bureaus (CVB) to distribute tourism packages in order to increase their profitability and to add more value for the customers. To achieve this, the CVB must be able to design the package offer and to co-ordinate the interaction in the distribution process.

For example, in the *preparation phase* the CVB has to develop and design the package, i.e. put together components in a suitably mix. This must be based on customers demand and the suppliers ability to deliver the components.

In the *distribution phase* the CVB has to make reservations, bookings, confirmations and arrange for payments. To co-ordinate these actions the CVB has to co-operate, interact and communicate with other actors involved in the distribution process. This kind of business interaction concerns the development and sustainability of relationships both between companies (business-to-business) and between companies and consumers (business-to-consumer).

Our case-studies show that this interaction and these relationships is important to analyse and manage, since they can be quite complex. This is essential because if the interaction in the distribution process is not managed in an efficient way, it can create much work and poor profitability for the CVB.

2 Theory

Our theoretical framework for understanding and analysing the business interaction in the distribution process of tourism packages is based on Network Theory (e.g. Håkansson & Snehota, 1995), and Speech act Theory (e.g. Austin, 1962; Searle, 1969; Habermas 1984).

2.1 Network Theory

In the network theory (Håkansson & Snehota, 1995) it is emphasised that the business processes of a single company is performed in a complex network of several interacting companies, organisations and consumers. Furthermore, the network theory is focused on the extensive B-to-B interaction that is a pre-requisite for the B-to-C interaction. The business processes of a single company is often performed in co-operation with a number of partners, i.e. other companies and organisations which belong to the network. The network also include other actors that are not partners to the company but are partners to the partners, i.e. third parties. The network theorists also claim that actors can influence the development of the network but that the network is too complex to be controlled by a single actor. This implies that the development process cannot be seen as a structured design process that is controlled by a single company. It can better be described as a process of *evolution* and *dynamics*.

If we consider the *evolution aspect*, it is important to realise that evolution takes time and that the effects from a specific development activity (e.g. a design activity) is not possible to fully anticipate. This means that the network perspective emphasise the long term perspective of business development. The *dynamic aspect* of the development process concerns the web of actors and their interests, where even third parties can influence the development process.

In the network theory the significance of the business relationships are emphasised both for the development of the network and for the internal development of the single company. The concept of relationship is defined as a mutual interaction between two parties which create reciprocal obligations. Relationships emerge, evolve and are sustained through the interaction between the actors in the network. This implies that the network theory is focused on the understanding of relationships and the interaction in the business network. The interaction analyses is focused upon the

co-ordination of the activities and routines between the companies. According to the network theorists, the substance of a relationship can be described in terms of:

1. *Resource ties*, i.e. the companies have to inter-act to get access to needed resources.
2. *Activity links*, e.g. administrative routines between companies.
3. *Actor bonds*, where social relationships between human actors is emphasised as an important part in a relationship.

This means that it is a important task for a single company to try to develop long-term business relationships, which implies the development of the inter-action between their business partners.

In the network theory it is also recognised that communication is a very important part of the interaction. This can be illustrated with the following quotation (Easton, 1992, p. 10):

“Information is the common currency of interfirm relations. All of the other dimensions described operate through the communication of information, from the formal transmission of order and invoices to the voice used in a telephone conversation. Stocks of information, i.e. knowledge, may also be regarded as an investment that a firm can make in respect of a particular partner.”

According to our opinion it is essential that the importance of communication for the business relationships has been recognised in the network theory. But a problem with the description of communication above is that it is only described as *transmission of information*, which is a too restricted perspective of communication. We claim that communication cannot only be seen as transmission or exchange of information, it is also about acting. The view of communication as a way of acting is discussed in speech-act theory.

2.2 Speech-act theory

To view communication as acting can be grounded in speech-act theory (Austin, 1962; Searle, 1969; Habermas 1984). For example, in the business contexts that we have analysed the sales person at the CVB makes an *offer* to the customer which is followed by a *booking* of the package from the customer’s side. The booking is then *confirmed* by the sales person. The instrument for performing these important business acts (offer, booking, confirmation) is human communication, and it is important to see this type of communication as action and not only as exchange of information.

The reason why communication acts are so important in the business interaction is that they fulfil several important functions, where the exchange of information is only one of these functions. For example, communication acts creates social expectations and mutual commitments that must be fulfilled in the course of the business process (Goldkuhl, 1998; Eriksson 2000a). This means that human communication fulfil several important functions that are important for the social interaction and the relationships in the business process.

3 Methods

The results presented in this paper are based on two qualitative and interpretative case-studies presented below; The Ski-resort Package (Halilovic, 1999) and The Cultural Boat Trip (Eriksson, 2000). These two case-studies are used in the paper to illustrate our discussion about business interaction complexity in the distribution process. We have also performed other case-studies in the field of business interaction complexity at CVB's (e.g. in Hultgren, 2000; Eriksson, 1994), which supports the results and discussion presented in this paper.

The data gathering are based on guided interviews where speech-act theory has been used to analyse how communication affects business interaction and relationships. To understand the function of business actors and their interests in a complex network, *network theory* has been important as a framework for our analyses and argumentation.

4 Case studies

4.1 Case 1 - The ski-resort package

CVB1 is a Swedish Convention and Visitors Bureau in the north of Sweden. It offers a Ski-Resort Package to families and individuals and the package consists of four components:

1. A train ticket to the destination.
2. Accommodation at an optional hotel at the destination.
3. A rented car available at the destination
4. A day-ticket to the Ski-Centre at the destination.

The offer can be characterized as partially standardized, because the customer has some freedom of choice, though the structure of the package is fixed. For example the customer must decide the day and time for the train ticket. The customer has also a freedom of choice among the hotels at the destination and to choose a suitable car.

Before the distribution phase, the CVB has made the following preparations:

- Agreements with the Rail Road Company about prizes and how to book.
- Agreements with several hotels at the destination about prizes.
- Agreements with the Car Rental Company about prizes and booking routines.
- Purchase of undated day tickets at the Ski Centre.

From the CVB's point-of-view, the distribution of the package involves a lot of business communication, i.e. interaction that is performed to co-ordinate the distribution process and to book the specific components that the customer has chosen. The CVB has to make an enquiry and to book a train ticket. This implies that the CVB has to interact with the Rail Road Company by fax or telephone. The CVB must also make enquires and book the optional accommodation, which means that the CVB has to interact with at least one hotel by telephone. To make enquires and to book a rented car the CVB has to interact with the Car Rental Company by telephone. No interaction with the Ski Centre is required in order to distribute the day-ticket.

The diagram in figure 1 below illustrates the interaction and communication performed in the distribution process. The CVB has no computerised information system available to support the distribution process. The diagram shows the ideal case which implies that there is no misunderstandings, that the customer does not change his mind, and that the phones used to book and to confirm are not occupied. In other words - the interaction is usually even more complicated compared to the diagram below.

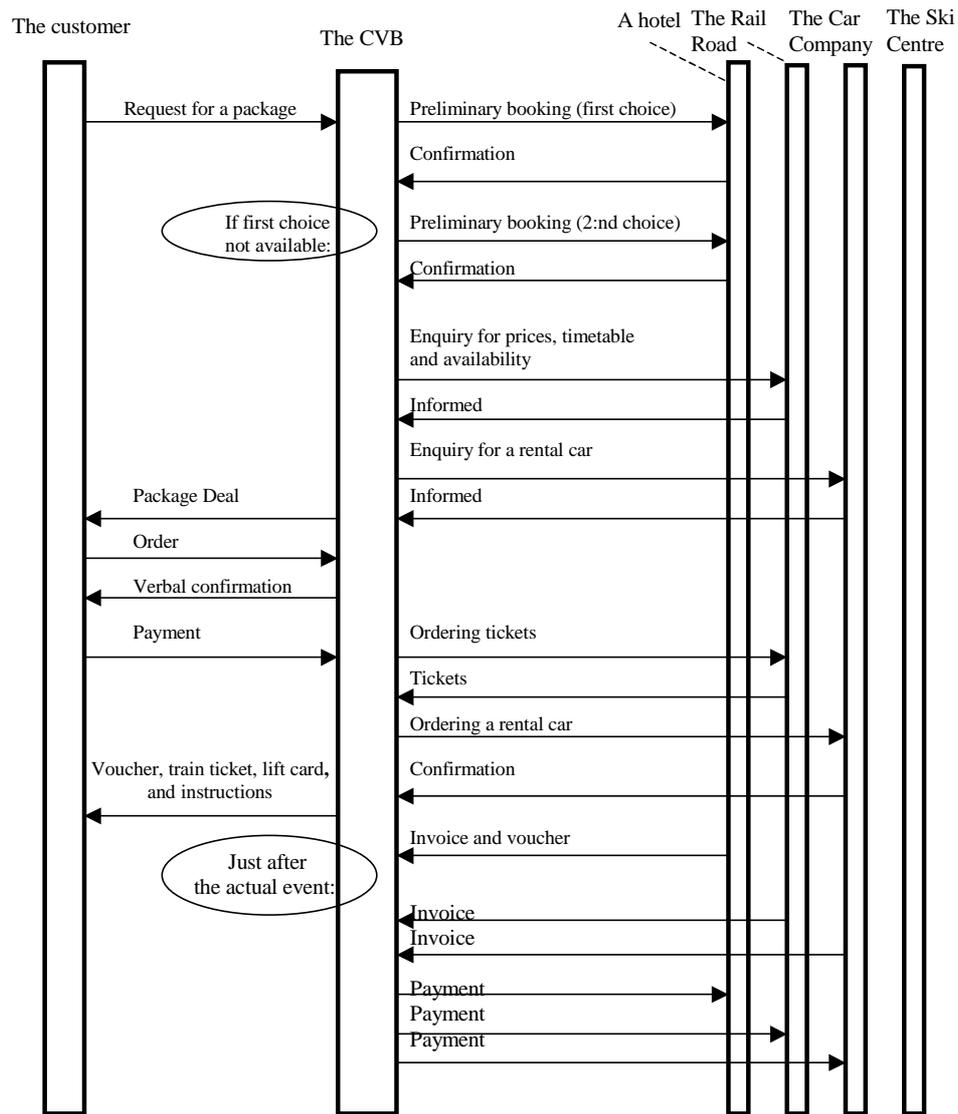


Figure 1: Interaction diagram for distribution the Ski-Resort Package

From the diagram above we can see that the business interaction is complex although the package is not so comprehensive. One reason for the high complexity in the distribution process is that the CVB has to contact the actual hotel, the Car Company and the Rail Road Company by telephone or fax to be informed about the accessibility of the components and to book them. The sales person at the CVB must interact in this complex way because she has no direct access to necessary information and she cannot control the booking of the components by herself. The complexity is caused by the way the three components (hotel, train ticket and the rental car) are booked. The day ticket component does not raise the complexity, because the CVB does not have to interact with the suppliers in order to book the component.

4.2 Case 2 - The Cultural Boat Trip Package

CVB2 is a Convention and Visitors Bureau in the middle of Sweden, which offers a Cultural Boat Trip Package to consumers. The package is a two day boat trip focused on cultural experiences. The package consists of the following components:

1. Accommodation at the Hotel on the destination.
2. The Boat Trip experience consisting of:
 - a. The first day Boat Trip (Boat A).
 - b. The second day Boat Trip (Boat B).
 - c. Theatre experience.
 - d. Bus transfer.
 - e. Full board.
 - f. Museum experience.

The Cultural Boat Trip Package is available at four weekends every summer. The offer can be characterized as rather comprehensive and standardized (the customer can only choose to exclude the accommodation).

Before the distribution phase, the CVB has made the following preparations:

- The Boat Trip experience has been developed by the CVB in co-operation with the Shipping Company - the owner of the two Boats.
- Prize agreement and the exclusive right to book in co-operation with the Shipping Company.
- Prize agreements and preliminary reservations of 30 rooms at the hotel on the destination (allotment).

From the CVB's point of view, the booking of the package involves no business communication with any supplier. The preparations made and the low extent of freedom of choice for the customer, implies that the CVB has full control of the booking of the components. As a consequence the distribution of the package to the customer can be made directly when the customer is on the line.

The diagram in figure 2 below describes the interaction performed in the business communication. The sales person at the CVB has a computerised booking system that is used in the office to support her. From the diagram we can see that the business interaction is simple although the package is quite comprehensive.

One reason for the low complexity is that the sales person at the CVB has access to all necessary information and have full control of the booking of the components. The way to achieve this (by allotment) and an internal bookings system is however rather limited and implies some disadvantages, e.g. that CVB2 is the only actor that can sell the package. Another reason is that it is only two components to book, although the is rather comprehensive package.

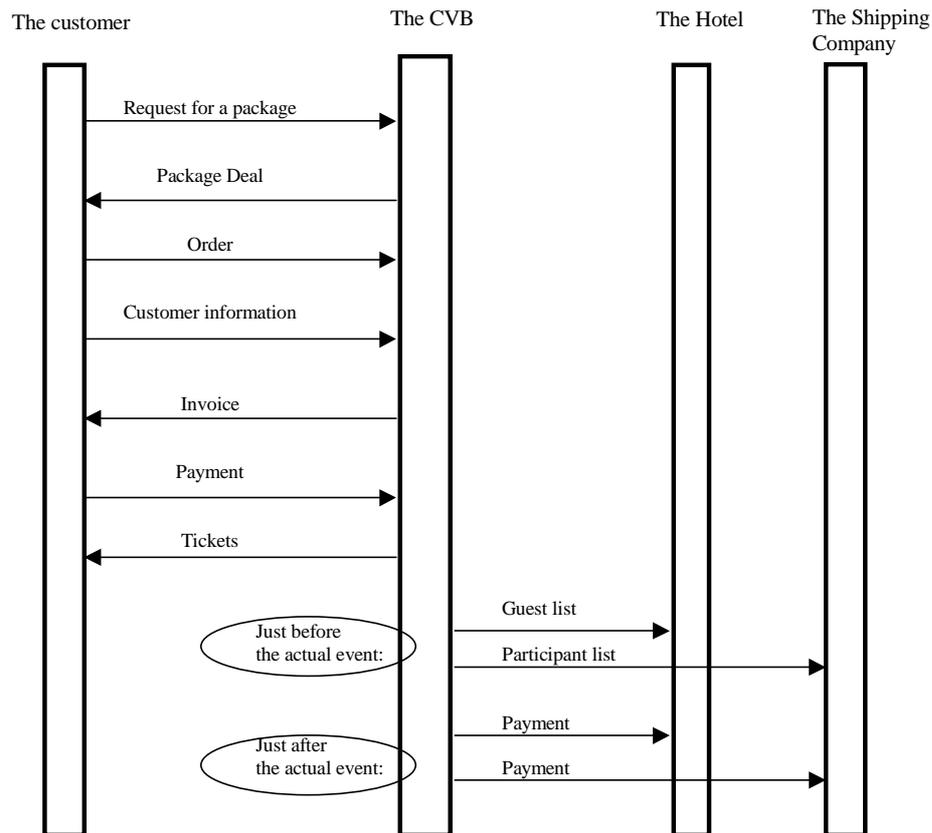


Figure 2: Interaction diagram for distribution the Cultural Boat Trip Package.

5 Analysis

The analyses of the case-studies show that there are three important factors that affects the complexity of the business interaction:

1. Accessibility to information and control over the booking of the components.
2. The number of components that has to be booked.
3. The number of potential suppliers.

Accessibility to information and control over the booking of the components

To be able to sell the package the sales person at the CVB must have access to information about the booking status of the components, i.e. hotels, cars, train tickets and

so fourth. The complexity and the need for interaction between the sales person, customer and the suppliers can be reduced if the sales person gets access to relevant information and is able to book the components by himself. This is shown from the case-studies. In case 1 the sales person cannot control the booking of the components by himself, which implies a lot of interaction with the suppliers. In figure 1 we can see that there are twelve arrows which represents the interaction needed to perform the booking of the package. In case 2 (se figure 2) the interaction is much simpler because the CVB has almost complete control over the booking of the components.

The number of components to book

From the figures above we can see that complexity of the interaction is dependent on the number of components they have to book. For example, if the rented car is excluded from the package in case 1, six interaction arrows between the sales person at the CVB and the car rental company are excluded. In case 2 we can notice that there are only two components to manage for the CVB in the booking phase, compared to case 1 where there are four components. This is the case although the package that is sold in case 2 is quite comprehensive. In case 2 the CVB has reduced the complexity of the interaction by developing a standardised component in co-operation with the Boat Company. The Boat Company takes care of all the sub components of the Boat Trip like the bus transfers and the visit to the museum. This implies that the CVB can concentrate more on its main task to sell the package than to manage a complicated interaction towards the suppliers.

The number of suppliers

If the customer gets a lot of alternatives, for example different hotels and car rental alternatives, the complexity of the interaction is increased. From case 1 we can see that the customer can choose among optional hotels at the destination. This implies that the CVB has a lot of hotels, i.e. relationships, to manage, develop and maintain. In case 2 there are no optional suppliers, the only supplier relationships that the CVB has to take care of, is the relation between the Boat Company and the Hotel that they co-operate with in this standardised package.

6 Discussion

The balance between customers freedom of choice and interaction complexity is to be managed when designing tourism packages. The lesson learned from the case-studies is that the freedom of choice for the customer has a price, because it implies that the CVB has to provide a less standardised package. This means that the CVB must offer more components and that the customer gets the opportunity to choose between different suppliers of the same type of component. As a consequence the complexity of the interaction with the suppliers are increased.

One experience from our case-studies is that the CVB has to make a large effort to establish and maintain every supplier relationship in terms of business agreements, shared information and booking routines. This is the problem for the CVB in case 1 where the CVB has not been able to developed a strong relationship with its suppliers, which results in a complex and inefficient booking routine. This can be compared to

the strong business relationship that the CVB in case 2 has developed with the Boat Company. The CVB can offer and book the Boat Trip in an efficient way although it is a quite comprehensive component. But the disadvantage with this solution is that the customer has a very limited choice. A way to handle this conflict is to analyse and develop the relationships in the distribution process. How this can be achieved is discussed below.

Accessibility to information and control over the booking of the components

The case-studies show that it is important that the sales person has access to relevant information and control of the booking of the components. By developing a strong relationship with the suppliers, the sales person at the CVB can get control over the booking situation. In case 2 this was accomplished by using the CVB as the only distribution channel for the package. But there are obvious disadvantages with this kind of solution. Another way of accomplishing control of the booking of the components is to work with a booking system that is shared between a number of distributors and suppliers. The advantage with this solution is that it becomes possible for a number of distributors to distribute the components. It can also be possible for the customers to book the package by themselves. This kind of solution also implies development of long-term business relationships with suppliers because common administrative and booking routines must be developed. This development process can be quite complex because the companies, e.g. the hotels that the CVB want to interact with are often a part of a complex network where the hotels already use a booking system in the interaction with third parties. This means that the CVB must adjust its business communication, booking routines and booking system to the other actors in the network, which is an evolutionary and dynamic development process that takes time.

The number of components

The case-studies show that it is complex to book a number of components. In case 2 the complexity has been reduced to two components. The complexity has been handled by offering the customer a standardised package where the customer has a very limited choice. Another way of solving this kind of problem can be to use a shared booking system, which can support the management of several components. This implies that the interaction complexity can be managed at the same time as the freedom of choice for the customer is sustained. The system can perhaps also be used by the customers themselves to combine their own package. But to implement this kind of booking system implies that strong relationships with the suppliers have to be developed. According to network theory, such development activities will take time and have influence not only for the involved companies. To accomplish this, rules have to be defined of how the different components could be combined and which components should be available in the system. This implies the need of development of shared product programmes and network-based distribution routines.

The number of suppliers

Many potential suppliers implies a high freedom of choice for the customer. But the case-studies show that if the customer has a lot of potential suppliers to choose between, the complexity of the interaction is increased. Every relationship between the CVB and the supplier is unique and every relationship demands engagement to manage and develop. A problem with many potential suppliers is that the CVB has to manage a lot of supplier relationships which makes it difficult to:

- develop efficient booking routines,
- develop components that are easy to combine and distribute,
- use shared booking systems.

To handle this dilemma the CVB has to take long term perspective of the development of the distribution network, e.i. to carefully choose which suppliers that they should develop common booking routines and shared booking systems together with. This evolution perspective is furthermore about the dynamic issue of business development within networks, where no single company can have control over the development process.

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