

# The Impact of the Internet on the Distribution Value Chain

The case of the Iranian tourism industry

Narges Homayooni

Luleå University of Technology

Master Thesis, Continuation Courses  
Marketing and e-commerce

Department of Business Administration and Social Sciences  
Division of Industrial marketing and e-commerce

---

# **The impact of the Internet on the distribution value chain The case of the Iranian tourism industry**

Supervisors:

Professor Leyland F. Pitt

Dr. M. Mehdi Sepehri

Referee:

Professor R. Wahlberg

Dr. Kazemzadeh

Prepared by:

Narges Homayooni

Tarbiat Modares University Faculty of Engineering  
Department Industrial Engineering

Lulea University of Technology  
Division of Industrial Marketing and E-Commerce

MSc PROGRAM IN MARKETING AND ELECTRONIC COMMERCE Joint



A great love and true friendship are two of life's most precious gifts- and I have been twice blessed for I have both. This thesis is dedicated:

To my mom, who has been my best friend since I was born, her pride in me and her love has been a tremendous source of pleasure, and relief.

To my dad, who his spirit is always with me, motivate me to go on and I always feel his attendance. God blesses him.

## **Abstract**

The Internet is an important new channel for commerce in a wide range of industries. While the opportunities afforded by this phenomenon seem readily apparent, there is still much debate and speculation on exactly how the use of the Internet and in particular the World Wide Web will affect established industries. The tourism industry, unlike many other industries is a composite of service providers that are normally grouped with other industries in the national system of accounts. These service providers include travel agents and tour operators, air, rail, road, and sea transportation operators, hotels, guesthouses and inns, tourist attraction operators, restaurants, shop selling handicraft, souvenirs, clothing, footwear, leather items, and other items of interest to tourists. In this Research we analyze the value chain of the tourism industry, using as a case study the tourism industry in Islamic Republic of Iran. We analyzed Iranian tourism Industry's strength and weakness, opportunity and threats. Specifically, we examine the roles played by intermediaries in the distribution chain and explore the threats and opportunities that the emergence of the Internet, and other associated trends, present for the industry. Based on this, a profile is made for successful new intermediaries.

## **Acknowledgements**

I would like to express my gratitude to all those who gave me the possibility to complete this thesis, especially those who gave me their precious time for the interviews. I would like to thank the Department of Marketing and eCommerce at Lulea University of Technology and Division of Industrial engineering of Tarbiat Modares University.

I am deeply indebted to my supervisors Prof. Leyland Pitt from the Lulea University of Technology and Dr. Mehdi Sepehri from Tarbiat Modares University for their valuable guidance, stimulating suggestions, patience and for encouraging me to go ahead with my thesis.

My friends in Marketing and eCommerce courses, I want to thank them for all their help, support, interest and valuable hints during my study.

I would like to give my special thanks to my sister and my brother in law whose their continue encouragement enabled me to complete this work. And also I want to thank my lovely brother cause of his continues help and support during my research.

Especially, I would like to give my special thanks to my Mom cause of her love, patience, motivations and encouragements during my career, study and life.

*Narges Homayooni*  
January 2006

# Table of Contents

<b>Abstract.....</b>	<b>i</b>
<b>Acknowledgements .....</b>	<b>iii</b>
<b>Table of Contents .....</b>	<b>iv</b>
<b>List of Figures.....</b>	<b>vi</b>
<b>List of Tables .....</b>	<b>vii</b>
<b>Chapter 1. Introduction.....</b>	<b>1</b>
1.1 Research objectives.....	2
1.2 Outline of the thesis .....	3
<b>Chapter 2. Literature review .....</b>	<b>5</b>
2.1 Introduction.....	5
2.2 Internet .....	7
2.2.1 Definition of the Internet .....	7
2.2.2 The Impact of the Internet on Business Process .....	8
2.2.3 The Marketspace.....	10
2.2.4 Financial Implications of the Internet .....	12
2.3 Value chain analysis .....	13
2.3.1 Competitive advantages and Internet.....	13
2.3.2 The Value chain .....	14
2.3.3 Linkages.....	17
2.3.4 Impact of internet on Value Chain.....	18
2.4 Tourism .....	20
2.4.1 Tourism value chain.....	22
2.4.2 The impact of the Internet on tourism distribution theory.....	27
2.5 Combination of Internet and tourism.....	32
<b>Chapter 3. Methodology.....</b>	<b>34</b>
3.1 Research Purpose .....	35
3.2. Research Approach .....	37
3.3. Research Strategy.....	38
3.4. Data Collection .....	40
3.5. Sample selection .....	42
3.6 Data Analysis .....	42
3.7 Quality Standards.....	44
3.7.1 Validity .....	45
3.7.2 Reliability.....	45
<b>Chapter 4. Data description, analysis and results.....</b>	<b>47</b>
4.1 Iranian tourism industry .....	47
4.1.1 Tourist Facilities and Services.....	49
4.1.2 Existing and Potential Tourism Flows.....	53
4.1.3 Institutional Organization of Tourism .....	55

4.1.4 The Impact of Tourism .....	57
4.1.5 Analysis of Strengths, Weaknesses, Opportunities and Threats.....	58
4.2 Suppliers .....	60
4.2.1 Laleh international hotel .....	60
4.2.2 IranAir.....	62
4.3 Intermediaries .....	64
4.3.1 Pasargard Tours .....	64
4.3.1 Arg-e-Jadid Travel Co. ....	67
<b>Chapter 5. Conclusion .....</b>	<b>69</b>
5.1 Achievement of the objectives.....	69
5.2 Limitations .....	74
5.2 Further research .....	74
<b>References.....</b>	<b>76</b>
<b>Appendix.....</b>	<b>82</b>

## List of Figures

Figure 1.1	Outline of the thesis.....	4
Figure 2.1	The value system.....	16
Figure 2.2	Porter's Generic Value Chain.....	16
Figure 2.3	Exploiting the virtual value chain.....	19
Figure 2.4	New arrivals 2004 by region ( Worldwide 69 million).....	21
Figure 2.5	Value chain members in the tourism industry.....	22
Figure 3.1	Schematic Presentation of the Methodology.....	34
Figure 4.1	Distribution of Travel Agencies and Tour Operations.....	50
Figure 4.2	Tourists Arrivals in Hotels.....	52
Figure 4.3	The existing institutional structure of the tourism sector in Iran.....	56
Figure 4.4	Site map of Pasargard Tour's website.....	66
Figure 5.1	The Internet has a profound impact on the five forces that influences industry attractiveness.....	71
Figure 5.2	Effects of Internet on an industry.....	72

## List of Tables

Table 2.1	The top five tourism destinations.....	21
Table 2.2	World estimate and forecast .....	23
Table 2.3	Tourism phases and information system opportunity.....	28
Table 3.1	Relevant Situations for Different Research Strategies .....	39
Table 4.1	Trends in international tourism to Iran 1990 to 1999 .....	53

## **Chapter 1. Introduction**

The tourism industry, unlike many other industries is a composite of service providers that are normally grouped with other industries in the national system of accounts. These service providers include travel agents and tour operators, air, rail, road, and sea transportation operators, hotels, guesthouses and inns, tourist attraction operators, restaurants, shop selling handicraft, souvenirs, clothing, footwear, leather items, and other items of interest to tourists. These service providers are generally in the private sector. In addition, public sector institutions such as the ITTO (Iran touring and tourism organization), and tour is involved in the planning, development, and management of the tourism related service providers, and in many cases, such as in Iran, even provide direct services to tourists.

Nowadays Internet has become an important new channel through which people become aware of travel and tourism opportunities, compare offerings, communicate with like-minded individuals, purchase services, and provide post-travel feedback. It also offers new opportunities for agents and organizations to promote and sell their services. The grouping

of these different service providers under the concept of a tourism industry has been recognized by those developed and developing countries such as Iran, many effort has been taken to implement Internet in industry in order to make more cooperation and coordination.

In this it differs from other industries where the number of participants involved is fewer, and the complexity of cooperation and planning in development is simpler. It is also clear from this that the planning, development and management of this industry requires a sophisticated approach on the information and using new technology in this regard.

The development and maintenance of an appropriate qualified and experienced manpower base is therefore critical to successful development (i.e. socially, economically, and environmentally sustainable and directed at contributing to broad national development goals) of the industry.

Left to itself, the industry will develop naturally. However, as already seen in the Iran, this approach is sub-optimal because it is not sustainable and there are no clear links between the reactive approach that characterizes the industry at the present time, and the broad development objectives of the country.

### ***1.1 Research objectives***

In order to fully deploy the Internet within the travel industry, understanding the use of the Internet in tourism industry value chain is critical. This research sets out initially to examine the role and the impact of the Internet in the different part of value chain of the tourism industry. Because of importance of this industry in Iran and also availability of research results from the project known as “Master plan of Iranian tourism industry” (ITTO, 2001), Iran tourism industry has been chosen as research sample. This master plan project gives a very detailed view of activities that are shared between tourism providers and governmental organization. This research work was undertaken in City of Tehran as a

major city of Iran, which most of travel agent and tour operators has been established in this city for years. It is going to analyze the impact of the Internet on the distribution value chain of Iranian tourism Industry. The result of analyzing the tourism industry in Iran, and also interviews with key player of this industry such as IranAir, Laleh Hotel, Arge- Jadid tour and Pasargard Tours shows that Internet lead to both dis-intermediation and re-intermediation in this value chain. In order to sustain in existing industry and be an active organization in future, travel organization in Iran has to pay attention to their Internet strategy.

This dissertation sets out to Answer following question:

*How the use of Internet will affect on distribution value chain in an established industry?*

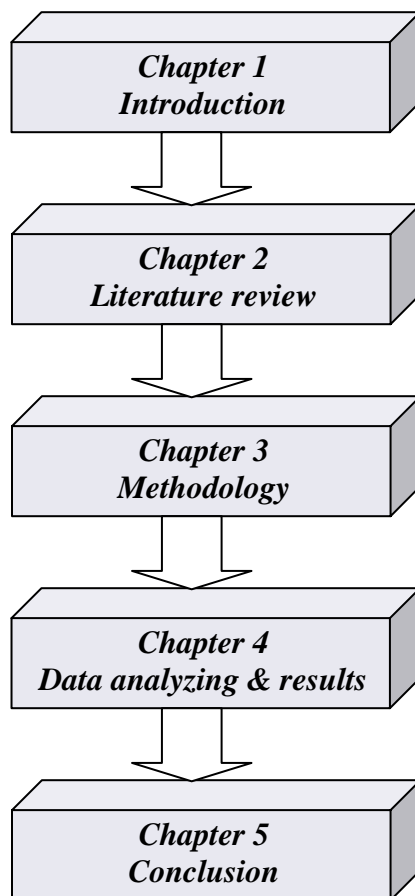
Which lead to answer following objectives:

- Will the Internet lead to mass disintermediation?
- Will the Internet lead to many small intermediaries, or a few powerful ones that control the channels?

## ***1.2 Outline of the thesis***

This thesis consists of five chapters (Figure 1.1). In this chapter one, a relatively broad description is given, providing the reader with a background and discussion of issues related to the problem area. The next chapter two presents the literature review with theories relevant for the problem area. Also the research problem and research questions will be stated here. Chapter three the methodology used for this research will be discussed.

In the chapter four, empirical data presentation, consists of a background to the companies and the data gathered from the interviews, and findings will be analyzed against the conceptual framework, and the conclusions are finally given in fifth chapter, where also limitation and further research will be discussed.



**Figure 0.1** Outline of the thesis

## **Chapter 2. Literature review**

This chapter looks at selected literature dealing with Internet, Value chain and Tourism industry. In order to drive the search of relevant literature about the value chain of tourism industry and the Internet, the two fundamental domains of this study, a number of keywords and key phrases were used in searches. For example: “distribution”, “Internet”, “Internet travel”, “travel online”, “Value chain”, and “Tourism”. These keywords have been sought in books, journals, libraries, and on the Internet (such as Google).

### ***2.1 Introduction***

Studies have been conducted on the role and impact of the Internet in the travel industry. Such studies include the study conducted by Ma, Buhalis and Song (2003) where they identified the adoption of the Internet in the tourism industry in Europe and America. They claimed that the use of the new technologies was as old as 30 years. Additionally, Ma et al (2003) believed that the Internet brought the revolutionary changes to the structure of the

tourism industry by providing tourism principals, airlines and hoteliers and opportunity to sell directly. Researches such as Garces et al. (2004) concurred with Ma et al's (2003) view when they insist that the development of electronic commerce enables consumers to communicate directly with tourism organizations in order to request information and purchase products as well as to interact with principals. Other researches have also identified the role played by Internet in the tourism industry. For instance, Doolin et al. (2002) believed that the Internet is an important means of promoting and distributing tourism senses. The Internet is fully seen as a communication tool that blurs the traditional boundaries between distribution and information (Swarbrooke, 1996). Rayman-Bacchus et al. (2001) maintain that telecommunication developments seem to have sharpened the traveler's appetite for travel information. They contend that Internet technologies are complementing rather than undermining the role of traveling. Perhaps another way of looking at the role of the Internet in the travel industry is looking at Doolin et al's (2002) contention that the Web is becoming a collective "travel square" because more and more travelers are turning to online travel to fulfill their travel related tasks such seeking information making travel transactions, finding travel companies, and so on.

The tourism industry is a consumer of a diverse range of information (Cho, 1998) and a main user of these technologies (Reinders and Baker, 1998). Technology in the tourism industry is undoubtedly having an impact on tourism operations (Stipanuk, 1993).

As Reventons (2005) implies, this industry has a very interesting value delivery network. Airlines, hotels and other providers would typically sale their services to customers through intermediaries such as travel agencies. There is a growing availability of Internet resources in travel and tourism for a diversity of users (Walle, 1996). Therefore, literatures on the tourism industry will re-focus on the impact of the Internet in the industry with the framework of internet and tourism.

## ***2.2 Internet***

The Internet was first developed in 1969 as the United States American Defense Department Network through the Advanced Research Projects Agency (ARPANET). ARPANET was to act as a means of exchanging scientific information and be resistant to nuclear attack. The computers connected at this time were at the Stanford Research Institute and the Universities of California and Utah. This expanded rapidly and in the 1970s and 1980s other networks joined and protocols were developed to transfer files over the Internet. As the threat of the cold war diminished, the Internet became more publicly-accessible and electronic mail (e-mail) facilities and Usenet groups were added. In 1991, the World Wide Web (WWW) was developed at the European Laboratory for Particle Physics - Conseil Européenne pour la Recherche Nucleaire (CERN).

This development included hypertext, which allows the Web content to be connected with hyperlinks. In 1992, the first Internet Service Provider (ISP) was Delphi, which offered Internet access on a subscription basis, and many more service providers have since come to the market. In 1993 there were only 130 sites. By 1994 this had risen to 3,000 and in 1998 there were more than 2.2 million sites on the Web. The Internet Network Information Centre (InterNIC) registers domain names and the WWW Consortium oversees development of Web technology.

### **2.2.1 Definition of the Internet**

The Internet is therefore a set of interconnected networks, which may themselves contain other networks, or just computers around the world. It allows those computers connected to it to exchange information at high speed - hence Information Super Highway. They communicate by a common method (protocol) called TCP/IP (Transmission Control Protocol/Internet Protocol). Like any other system of highways, the Internet has some connections which are quite adequate for their traffic load and others which are not.

The "WWW" or "Web" uses the resources of the Internet to offer a very convenient and efficient way of presenting information structures. Most commonly, a human browser of the WWW sees a hypertext document containing hypertext links to documents elsewhere on the WWW.

Nowadays, the internet is assumed to be an important channel for services marketing. The internet is leading to profound changes in the way firms interact with consumers. Consumers now have increased obtained information access to electronic marketplaces and use this information in a sophisticated way to select their services (Parasuraman and Zinkhan 2002). Indeed, the internet was pointed out as being responsible for a revolution in the services sector. Its potential allows service firms to enlarge their market worldwide (Lovelock et al. 1999) providing firms with an unprecedented ability to communicate directly and effectively with potential customers.

Increasing digitalization will make it progressively easier to alter particular aspects of a service and quickly observe how customers respond (Wyner, 2000). Especially in recent times, some of new functions have been explored to facilitate people's lives, for instance, Real-Time Communication (voice over IP and streaming media). Text, audio and video communication can occur in real time on the Web, and collaboration tools include (University of Albany, 2004).

### **2.2.2 The Impact of the Internet on Business Process**

The Internet, and especially the World Wide Web, has exploded onto the world scene in just a few short years. Companies like Amazon.com, CDNow, eBay, Peapod, Travelocity, and Wine.com are stores without walls that did not exist ten years ago. These companies saw opportunities based on innovative ways of running their businesses. Looking back at what they did, we can see some of the characteristics of successful Internet businesses and describe marketing's role on the Internet.

To appreciate the full impact of the Internet, however, it is necessary to also examine how it is changing traditional businesses like Barnes & Noble, Staples, Dell, and WalMart. For these companies, the Internet offers new opportunities to encourage, enhance, and expand customer relationships, create customer loyalty, and build brand equity. To fully exploit these opportunities, marketers must develop an understanding of the electronic marketing channel and learn new skills in customer relationship management.

The internet may be viewed as a collection of value-added services that are transported over the telephone and cable networks and is “fast becoming an important new channel for commerce in a wide range of industries” (Wynne et al., 2001) The most important aspects of this medium are the fact that information can be exchanged freely and in this can be done in just a few seconds. Additionally, the Internet enables suppliers to link directly to customers. This has led to a rapid growth in its use worldwide and for a number of purposes.

Turban, Lee, King and Chung (2002) identify unique properties of the Internet, which include:

- The ability to reduce cycle (or business process) time and time to market.  
Cycle time reduction assists the increase in productivity and competitiveness.
- Empowerment of employees and collaborative work  
Employees have the authority to act and to make decisions, and this is important for Customer Relationship Marketing. Information Technology allows the decentralization of decision-making, and “the Internet and intranets enable empowered employees to access information and knowledge they need to make quick decisions”. (Turban et al., 2002). Additionally, empowered staff helps to increase customer loyalty, as they have direct contact with customers, and they are aware of their personal needs

- Supply chain improvements.

Supply chain delays and inventories can be reduced by the use of Electronic Commerce. Additionally, the Internet decreases the cost of creating, processing, distributing, storing and retrieving paper-based information.

- Mass customization.

Goods and services are produced in large quantities, but are customized to fit the needs of each customer. Due to the fact that a virtual value chain facilitates a pull-type supply chain, customization on a large scale is possible.

According to Wynne et al. (2001), as a new medium, the Internet undermines most of the key assumptions on which traditional distribution philosophies are built. The growth of the Internet provides a new distribution channel and allows for the growth of a virtual value chain. Its use has given rise to a new concept: Marketspace.

### **2.2.3 The Marketspace**

The marketplace facilitates the exchange of information, goods, services and payments, and in this process, economic value is created for buyers, sellers and market intermediaries (Turban et al., 2002). The marketplace additionally provides an institutional infrastructure enabling efficient functioning of the market. The marketplace is all about performing business in the real world, from processing raw materials to distributing finished goods.

Rayport, Jeffry, Sviokla and John (1995) define the marketspace as "a virtual realm where products and services exist as digital information and can be delivered through information based channels". It is also defined by Bloch and Segev (1996) as the buying and selling of information, products, and services via computer networks. Markets are primarily Internet-based, and all business is done with Electronic Commerce (EC), from gathering, selecting and synthesizing information, to finally distributing the information.

Think of it as a new business franchise, one that is open 24 hours a day, 365 days a year. The marketplace has resulted in changed processes used in trading and supply chains. Additionally, the marketplace has increased effectiveness due to the speed of transactions, lower transaction and distribution costs, and markets are more efficient (Turban et al., 2002).

In the marketplace, members of the value chain are able to manage their relationships more directly and the following activities, identified by Turban et al., (2002) can take place:

Consumers can search for detailed information in a matter of seconds, at any time of the day. They can easily compare products, for example, if one supplier is out of stock or is too expensive, there is no need to drive miles to a competitor; they are just a “mouse-click away”. Consumers are additionally able to bid or negotiate prices online.

Sellers can use websites as marketplaces to provide, update, sell and receive information. Service sellers can sell direct from their Web site or from electronic markets.

Intermediaries, on the other hand, can create and manage online markets, match buyers and sellers, provide infrastructure services and aid transactions.

Infrastructure companies generally provide hardware, software and EC support.

Content creators create and maintain websites, which are used as marketing tools by the sellers.

Business partners collaborate on the Internet along the supply chain Competition in the marketplace differs from that in the traditional marketplace. It is far more intense for the following reasons:

- Firstly, electronic markets reduce the cost of searching for information. This enables customers to rapidly compare prices.
- Secondly, the marketplace allows for differentiation and personalization.

Although the term marketplace or e-marketplace usually denotes a B2B marketplace, there are several variations of e-marketplaces in B2C and consumer-to-consumer ("C-to-C" or

"C2C") contexts as well. For example, Travelocity is a B2C e-marketplace. The online community of travel companies, including airlines, hotels, and car rental agencies, offers travel information and services to consumers who share an interest in travel.

#### **2.2.4 Financial Implications of the Internet**

When a new technology revolutionizes traditional marketing practices, it makes sense to discuss how it will affect the bottom line. A single seminal development can set off a chain of events that has a profound effect on individuals, companies, industries, and nations. Companies that embrace Internet technology can gain an advantage over their competitors who do not. In the mid 1990s, mammoth bookstores like Barnes & Noble and Borders crushed smaller competitors by offering greater in-store selection, lower prices, and an inviting ambience. America saw the small bookseller all but disappear. In 1998, Internet technology allowed Amazon.com to capture a significant share of the bookseller market by providing its customers with more convenience and even lower prices than its brick-and-mortar competition. Online stock trading also has seen success, and now companies like AmeriTrade and eTrade compete with the traditional brokerage firms like Merrill Lynch. It is not only the large players that have benefited financially from Internet technology. Innumerable small businesses have started and blossomed from Internet technology. Creating an Internet storefront or launching Internet operations often does not require the same intensive financial investment needed to open a brick-and-mortar company. Expenses for facilities and equipment can be nonexistent. Reduced expenses and start-up costs can mean a quicker and more substantial return on investment for entrepreneurs. At the same time, these reduced start-up costs translate into low barriers to entry, which has created a crowded field of online competitors in many industries.

For established companies, the impact of the Internet on expenses also can be great. Consider the online purchase of airline tickets. If electronic ticketing is used, the airline can save on the expenses of the ticketing agent, travel agent commission, data entry, ticket

printing, and ticket delivery, as well as the office supplies, payroll, and time required for each step. Because all of these savings result in a reduction of the cost of goods sold, this can translate into increased profitability for the company. Another financial implication of implementing Internet technology in some industries is reduced inventory and its associated holding costs. A good example is the printing industry. Inventory and its carrying costs were held until the stock sold out and in most cases books were not reprinted.

### ***2.3 Value chain analysis***

The value proposition, commonly known as the value chain, is a “model that describes a series of activities connecting a company’s supply side (raw materials, inbound logistics, and production processes) with its demand side (outbound logistics, marketing and sales)”. (Rayport et al., 1995) Analyzing the value chain enables managers to reformulate their internal and external processes to improve efficiency and effectiveness. In the traditional value chain system, information is treated as a supporting element. Rayport et al. (1994) provide the example that managers often use information that they capture on inventory, production, or logistics to help monitor or control those processes, but they rarely use information itself to create new value for the customer. “Because every activity involves the creation, processing, and communication of information, information technology has a pervasive influence on the value chain,” (Porter, 2001).

#### **2.3.1 Competitive advantages and Internet**

According to Porter (1998), competitive advantages describe the way a firm can choose and implement a generic strategy to achieve and sustain competitive advantage. It addresses the interplay between the types of competitive advantage \_ cost and

differentiation\_ and the scope of a firm's activities. The basic tool for diagnosing competitive advantage and finding ways to enhance it is the value chain (Porter, 1998).

Competitive advantage has helped to make strategy more concrete and actionable. A lowest-cost strategy involves one set of activity choices, and differentiation involves another. Competitive advantage is about how a firm actually puts the generic strategy into practice (Porter, 1998).

Porter (1998) explains that competitive advantage provides the architecture for describing and assessing strategy, linking it to company behavior, and understanding the sources of competitive advantage. Competitive advantage starts with the premise that competitive advantage can arise from many sources, and show how all advantages can be connected to specific activities and the way that activities relate to each other, to supplier activities, and to customer activities. The fact is that most robust competitive positions often cumulate from any activities. Advantage resting on a few activities is easier to diagnose and often easier to imitate (Porter, 1998).

Porter and Millar (1985) define that an important concept that highlights the role of information technology and especially Internet is the "Value chain" to gain competitive advantage over its rivals; a company must either perform these activities at the lower cost or perform them in a way that leads to differentiation and a premium price.

Porter considers (2001) that there is no doubt that real trade-offs can exist between Internet and traditional activities. Overall, however the trade-offs are modest in most industries. While the Internet will replace certain elements of industry value chains, the complete cannibalization of the value chain will be exceedingly rare. Virtual activities do not eliminate the need for physical activities, but often amplify their importance (Porter, 2001).

### **2.3.2 The Value chain**

In the earlier section, we covered the literature of competitive advantage, and information technology and competitive advantage. Hereafter, we present overview of value chain,

which is stated by Porter (1998) as the basic tool for diagnosing competitive advantage. Payne (1993) also claims that one technique for considering superior delivered value is the value chain. The ultimate purpose of value chain analysis is to systematically identify appropriate means of differentiation for a firm so that it can provide superior delivered value to its customers. Porter (2001) repeats that the value chain is the basic tool for understanding the influence of information technology on companies. It is the set of activities through which a product or service is created and delivered to customers. When a company competes in any industry, it performs a number of discrete but interconnected value-creating activities, such as operating a sales force, fabricating a component, or delivering products, and these activities have points of connection with the activities of suppliers, channels, and customers. The value chain is a framework for identifying all these activities and analyzing how they affect both a company's costs and the value delivered to buyers.

Porter in his book *Competitive Advantage* (1998) states that value chain (Figure 2.1) is the basic tool for diagnosing competitive advantage and finding ways to enhance it. The value chain disaggregates a firm into its relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation. A firm gains competitive advantage by performing these important activities more cheaply or better than its competitors (Porter, 1998). Since no two firms, even in the same industry, compete in exactly the same set of markets with exactly the same set of suppliers, the overall value chain for each firm is unique (Shank and Govindarajan, 1993).

The value chain is a part of a larger value system (Figure 2.2) that incorporates all value-added activities from raw materials to components and final assembly through buyer distribution channels (Lawton and Michaels, 2001). Suppliers have value chains (upstream value) that create and deliver the purchased inputs used in a firm's chain. Suppliers not only deliver a product but also can influence a firm's performance in many other ways. In addition, many products pass through the value chains of channels (channel value) on their

way to the buyer. Channels perform additional activities that affect to the buyer, as well as influence the firm's own activities. A firm's product eventually becomes part of its buyer's value chain (Porter, 1998). A firm can enhance its profitability - and competitive advantage - not only by understanding its own value chain from design to distribution – but also by understanding how the firm's value activities fit into the supplier's and customer's value chains (Shank and Govindarajan, 1993).

Source: Porter, 1998

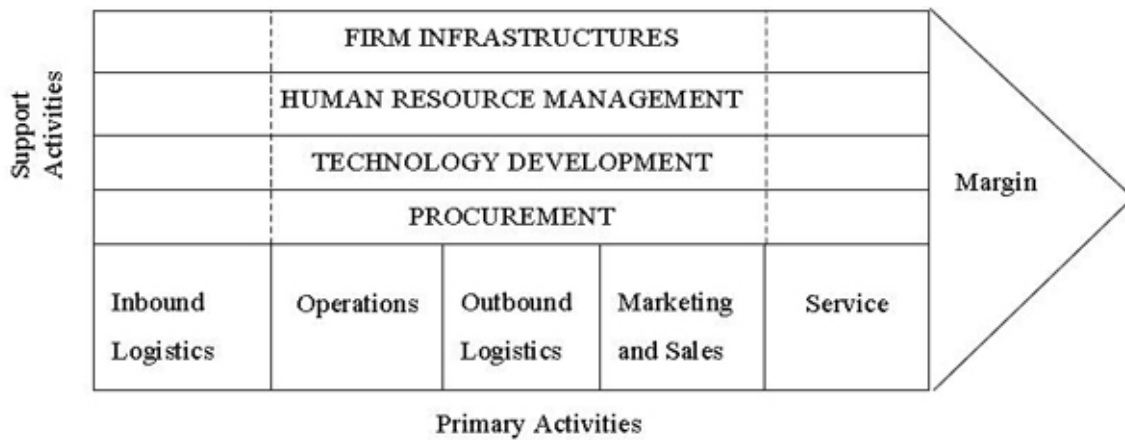


Figure 2.1 Porter's Generic Value Chain

Source: Porter, 1998

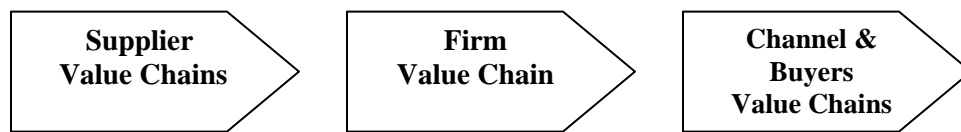


Figure 2.2 The Value System

Value chain analysis enables a firm to better understand which segments, distribution channels, price points and product differentiation will yield the greatest competitive advantage. It is a way of assessing competitive advantage by determining the strategic

advantages and disadvantages of the full range of activities that shape the final offering to the end user. In other words, the firm is viewed as part of an overall chain of value-creating processes focused on the customer (CMA Magazine, 1996).

### **2.3.3 Linkages**

Although value activities are the building blocks of competitive advantage, the value chain is not only a collection of independent activities but rather a collection of interdependent activities. Porter (1998) defines linkages as relationships between the ways one value activity is performed and the cost or performance of another. Another word, value activities are related by linkages within the value chain. Linkages can lead to competitive advantage in two ways: optimization and coordination. Linkages often reflect tradeoffs among the activities to achieve the same overall result, for example, a more costly product design may reduce service costs. A firm must optimize such linkages reflecting its strategy in order to achieve competitive advantage. Another way to competitive advantage in linkages is to coordinate the activities. The ability to coordinate linkages often reduces cost or enhances differentiation (Porter, 1998).

Linkages exist not only within a firm's value chain. There are also so called vertical linkages between a firm's value chain and the value chains of suppliers and channels. These linkages are similar to linkages within the firm's value chain. The way supplier or channel activities are performed affects the cost or performance of a firm's activities (and vice versa). The linkages between suppliers' and channels' value chains and a firm's value chain provide opportunities for the firm to enhance its competitive advantage. It is often possible to benefit both the firm and suppliers or channels by influencing the configuration of suppliers' or channels' value chains to jointly optimize the performance of activities or by improving coordination between a firm's and suppliers' or channels' chains. As with linkages within a firm's value chain, exploiting vertical linkages requires information and modern information systems are creating many new opportunities. Recent developments in

information systems technology are creating new linkages and increasing the ability to achieve old ones (Porter, 1998).

Though linkages within the value chain are crucial to competitive advantage, they are often subtle and unrecognized. Exploiting linkages usually requires information or information flows that allow optimization or coordination to take place. Thus, information systems are often vital to gaining competitive advantage from linkages. But given the difficulty of recognizing and managing linkages, the ability to do so often yields a sustainable source of competitive advantage (Porter, 1998).

### **2.3.4 Impact of internet on Value Chain**

Information technology is changing the way companies operate (Porter and Millar, 1985). Rayport and Sviokla (1995) state that every business today competes in two worlds, in a physical world of resources that managers can see and touch and in a virtual world made of information. This latter world has given a rise to the world of electronic commerce, a new locus of value creation. Executives have to pay attention how their companies create value in both the physical and the virtual world (Rayport and Sviokla, 1995).

Mougayar (1998) in his book presents three scenarios about what will happen to the old value chain when moving to digital world. One obvious scenario is that the old value chain gets smaller and therefore more efficient. This means that manufacturers can now reach customers by bypassing one or two layers of the old value chain. Another scenario is that the value chain is redefined. In several types, when old intermediaries get disintermediated. Newer types of intermediaries arise in several new areas and become an integral part of the new value chain. The third scenario is that the value chain becomes virtual. What goes inside the value chain is beyond the control of buyers and sellers, especially sellers.

The special advantage of the Internet is the ability to link one activity with others and make real-time data created in one activity widely available, both within the company and with outside suppliers, channels, and customers. By incorporating a common, open set of

communication protocols, Internet technology provides a standardized infrastructure, an intuitive browser interface for information access and delivery, bidirectional communication, and ease of connectivity - all at much lower cost than private networks and electronic data interchange, or EDI (Porter, 2001).

In electronic commerce, businesses require to integrate two kinds of activities – ones that are embedded into the physical value chains and the others that are built through information into the virtual chain (Bhatt and Emded, 2001). Rayport and Sviokla (1995) differentiate the earlier discussed physical value chain from virtual value chain by describing physical value chain as “composed of a linear sequence of activities with defined points of input and output”, whereas a virtual value chain is “non-linear; a matrix of potential inputs and outputs that can be accessed and distributed through a wide variety of channels”. The most obvious difference between traditional and e-business is that when analyzing an e-business is that one or more parts of its value chain are online. Each stage of the virtual value chain offers new opportunities to use information in order to create a new product or service. In order to do this the processes must be put in place at each stage to gather the information, organize it, select the valuable information, synthesize it, and distribute it (Figure 2.3) (Rayport and Sviodka, 1995).

Source: Rayport and Sviodka, 1995

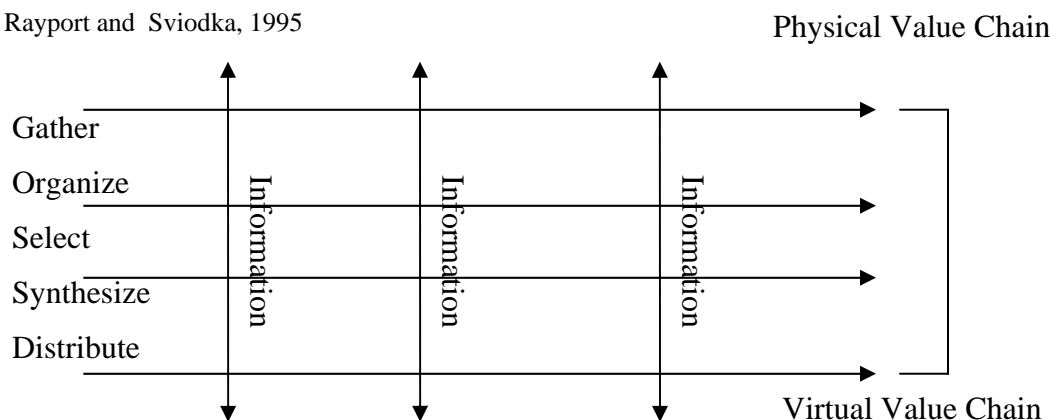


Figure 2. 3 Exploiting the virtual value chain

## ***2.4 Tourism***

At the start of the new millennium, tourism is firmly established as the number one industry in many countries and the fastest-growing economic sector in terms of foreign exchange earnings and job creation. International tourism is the world's largest export earner and an important factor in the balance of payments of most nations. Tourism has become one of the world's most important sources of employment. It stimulates enormous investment in infrastructure, most of which also helps to improve the living conditions of local people. It provides governments with substantial tax revenues. Most new tourism jobs and business are created in developing countries, helping to equalize economic opportunities and keep rural residents from moving to overcrowded cities. Intercultural awareness and personal friendships fostered through tourism are a powerful force for improving international understanding and contributing to peace among all the nations of the world.

Tourism is an important global industry with international tourism receipts reaching \$462 billion in 2001 and accounting for about 8 per cent of total global exports for goods and services, making it the largest export category. For some countries (Table 2.2), tourism is an important employer and major source of foreign currency. In 2003, the US tourism and travel economy is expected to represent nearly 11 per cent of GDP and over 16 million jobs. For France, the world's major tourist destination, the corresponding figures are 12.3 per cent of GDP and 3.4 millions jobs. Sustainable tourism is the hope of many developing countries as they attempt to deal with the simultaneous problems and opportunities of economic growth, high unemployment, and environmental protection. For the European Union, the objectives of social cohesion and sustainable growth (European Union, 2000) are partially achievable by increased tourism, which as well as increasing growth, typically boosts tolerance of other customs and cultures.

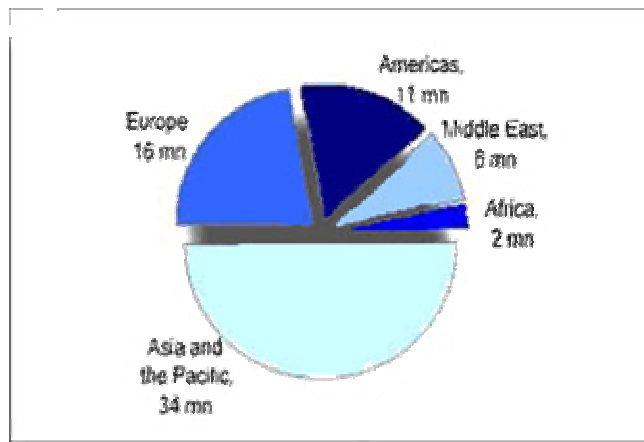
**Table 2.1 The top five tourism destinations**

<b>Nation</b>	<b>Arrivals2002 (millions)</b>	<b>Market share (%)</b>	<b>Receipts 2001 (billions)</b>	<b>Market share (%)</b>	<b>Receipts per arrival</b>
France	75.2	10.7	33.5	4.7	445
Spain	50.1	7.2	36.7	5.1	733
United States	45.5	6.4	80.7	11.3	1774
Italy	39.1	5.6	29	4.1	742
China	33.2	5.1	19.9	2.8	599

Source: WTO

Recently number of international tourism arrival worldwide increased by 69 million, all region share in the increase. According to report of WTO (World Tourism Organization) each region share has shown in following chart:

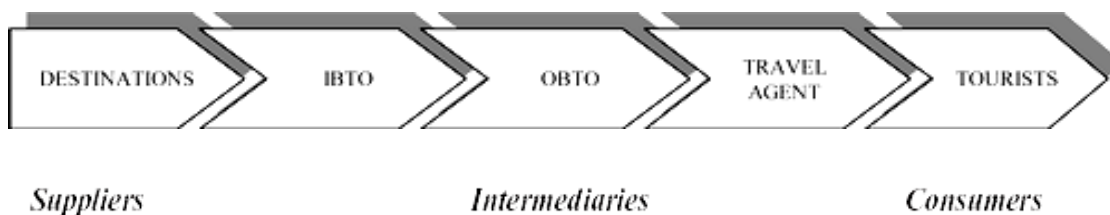
Source: WTO



**Figure 2. 4 New arrivals 2004 by region ( Worldwide 69 million)**

### 2.4.1 Tourism value chain

The international tourism industry is characterized by large numbers of small suppliers who are globally scattered. In Third World destinations this is compounded by the secluded locations of many of the attractions, limited domestic markets and weak infrastructures. Likewise, tourists are numerous, diverse and are geographically separated from the suppliers. An overseas holiday to a particular destination is not a regular purchase for the average tourist (Table 2.3 shows some estimation about tourism aspects), although many will go on numerous overseas holidays in their lifetime. It is thus difficult for each supplier to obtain information on each customer (large hotel chains are an exception), but it is possible for an intermediary to build long-term relationships with its regular customers. In response to these challenges, the industry has developed a complex value chain, utilizing the services of several intermediaries. In its simplest form, the chain members include the destination service provider, the inbound tour operator, the outbound tour operator and the local travel agent, which is shown in Figure 2.5.



**Figure 2.5 Value chain members in the tourism industry**

In reality, these functions are not clearly demarcated and many transactions will bypass some of the intermediaries. Some tourists will do their own searching, but use a travel agent to do the bookings; others will try to search and make reservations on their own, while many will want complete advice and the security of a fully arranged tour. Business travelers might book through a travel agent, or, in the case of repeated travel, negotiate

corporate contracts directly with the final service providers.

Business conventions might be organized by an inboard tour operator (IBTO) specializing in that sector. Those visiting friends and family might book their flights through a travel agent, but make the rest of their holiday arrangements only once in the destination country after consulting their relatives and/or relevant travel guides. Likewise, many organizations exhibit an overlapping of roles. For example, an overland tour operator exhibits the characteristics of both the destination service provider and the IBTO.

**Table 2.2 World estimate and forecast**

World	US\$ bn	2004 % of Tot	Growth	US\$ bn	2014 % of Tot	Growth
Personal travel & tourism	2,538	10.2	5.1	4,206	10.9	3.9
Business travel	595	.....	4.3	895	.....	3.1
Government Expenditures	265	3.9	2.6	398	4.1	2.8
Capital Investment	802	9.4	7.1	1,402	9.9	4.2
Visitor Exports	728	6.9	9.6	1,409	6.1	5.8
Other Exports	562	5.3	6.1	1,246	5.4	7.3
Travel & Tourism Demand	5,490	.....	5.9	9,558	.....	4.5
T & T Industry GDP	1,542	3.8	5.2	2,426	3.8	3.3
T & T Economy GDP	4,218	10.4	5.5	6,927	10.9	3.7
T & T Industry Employment	73,692.5	2.8	4.6	87,450.3	2.9	1.7
T & T Economy Employment	214,697.0	8.1	4.8	259,930.0	8.6	1.9

Source: WTO estimation

#### **2.4.1.1 Suppliers**

As it has shown in figure 2.5, destinations and final service providers are the suppliers and producers of tourism products and services. They include hotel and B&B operators, restaurants, safari lodges and game parks, theatres, museums, rafting operators, bus operators, airlines and car hire companies. They generally cater to only a few of the needs of a tourist's holiday and each only captures a small part of the revenue. Often destinations are geographically scattered. Until the advent of the Internet, they had little ability to directly contact the customer. Many will cater to local tastes as well as those of foreign tourists. Some may not even consider themselves as part of the tourism industry, yet derive a significant part of their incomes from foreign tourists (e.g. theatres, restaurants) and form

an important part of each tourist's experience. The activities of the service providers are inherently physical.

#### ***2.4.1.2 Intermediaries***

Intermediaries typically perform three main functions. First, they adjust the discrepancy of assortment through the processes of sorting, accumulation, allocation and assorting. Second, they minimize distribution costs through reutilizing and standardizing transactions, which makes the exchange more efficient and effective. Finally, intermediaries facilitate the searching process of both buyers and sellers by structuring the information essential to both parties, providing a place for both parties to meet each other and reducing uncertainty (Pitt et al., 1999).

#### ***Inbound Tourism Operators***

These constitute the first intermediary in the value chain. They are also small and medium sized enterprises. A typical IBTO will specialize in a particular segment of the industry and often a specific geographical region. IBTOs add value to the industry through their expert knowledge of local destinations, customs and culture. In this way they reduce search costs for other players in the value chain, and through regular use of certain destinations, they facilitate the reutilization of transactions between destinations and other players. Finally, they facilitate re-assortment and sorting by packaging many activities into a single tour. An example of an IBTO is an organization that arranges golf tours around South Africa, or Springbok Atlas, which organizes coach tours for groups of foreign tourists from destination to destination. Others arrange safari tours, which allow visitors to spend time at several game parks rather than just one. The activities of the IBTO are partly physical and partly information based. They exist because tour groups in foreign countries do not have the detailed knowledge of the local market and customs to make all the necessary arrangements, and because there is a need for tour groups to have an organization in the

host country to ensure that everything runs smoothly and to whom they can turn to sort out unanticipated problems.

### ***Over Bound Tour Operator***

These make up the second intermediary. A typical OBTO is based in a developed country and will offer packaged tours to many destination countries. Usually these organizations will be strong in the marketing department and will often be the largest player in the value chain. They are often the main source of promotional information for the prospective visitor as they publish brochures containing details and comparisons on all their destinations. They fulfill all the functions of the intermediary. In general they do not make arrangements directly in the destination country, but will work through several local IBTOs, who will arrange tours on their behalf. By offering many different types of tours all over the world, they reduce the searching costs of the tourist. By arranging package tours, they routinise all the activities associated with booking a holiday and effectively fulfill the assorting function. However, they do not cater for the independent traveler who wishes to simply arrive in a country and make his or her own arrangements, or for the business traveler, who will usually bypass the OBTO. In conjunction with IBTOs, they will usually use their combined expert knowledge to customize tours for more discerning groups of tourists, but will do so for a premium. Examples include Abercrombie and Kent, Jagged Globe Mountaineering, Virgin Ski Holidays. Many of the larger travel agencies also play the OBTO role.

### ***Travel agent***

Travel agents are used as a key communication channel with consumers. This occurs because service consumers tend to have a great preference for personal sources of information, especially when acquiring a complex service, such as a touring excursion (Murray 1991). Through its sales force, travel agencies can constitute one of those personal

sources. As do other services firms, tourism agencies might use their sales force (i.e. the travel agents) to create a favorable image (Zeithaml et al., 1985). Travel agents add value to the tourism industry in several ways. They are geographically close to the tourist and assist the customer by doing much of the searching on their behalf. They are also able to cater to the individual requirements of each tourist and can customize a holiday to suit each client. As the intermediary closest to the customer, they are in the best position to build relationships with customers (Wynne et al., 2001).

Previous research suggests that personal sources are preferred because they are more reliable than impersonal information sources (Murray, 1991). The tourism activity is a high-risk situation with a strong social component. Within this context, personal information sources might play a major role in clarifying problematic issues, while providing feedback to service customers. Travel agents have played and will continue to play an important role as information sources (Connolly and Olsen, 2001). Indeed, since the early work of Nolan (1976), travel agents have been considered as a source of information examined in several tourism studies. For example, Shoemaker (1984) observed that travel agents were consulted about routes, accommodation and activities at the destination. Travel agents were also shown to be a useful source of information for older travelers (Gitelson and Crompton, 1983; Shoemaker, 1984) and the most used source for tourism both at the individual and group level (Snepenger, 1987). Although there are many leisure tourists that do their own searching, they tend to habitually use travel agents to do their bookings. Tourists still exhibit a preference for booking through travel agents and appreciate human interaction and personal advice (Ader, LaFleur and Falcone, 2000; Morrison and King, 2002).

### ***Reservation systems***

This is a relatively new intermediary in the global market and has not been shown in either of the value chain diagrams (Figure 2.5). Known as computer reservation systems (CRS),

they have evolved from the proprietary systems used by the major US airlines and travel agents to make flight bookings (e.g. SABRE), but are increasingly expanding into other sectors.

#### **2.4.2 The impact of the Internet on tourism distribution theory**

Four decades ago, Alderson (1958) summarized the importance of distribution, stating that the goal of marketing is the matching of segments of supply and demand; and 30, years later, Stern and El-Ansary (1988) defined a distribution channel as "sets of independent organizations involved in the process of making a product or service available for use or consumption,". Quite simply, the purpose of a distribution channel is to make the right quantities of the right product or service available at the right place, at the right time. What makes distribution strategy unique vis-à-vis other marketing mix decisions, is that it depends almost entirely on physical location. The old saying among retailers is that the three keys to success are location, location and location. Alderson (1958) argued that intermediaries provide economies of distribution by increasing the efficiency of the process. They do this by creating time, place, and possession utility - right product, right place, right time. A number of authors have attempted to identify and classify the potential benefits and implications of doing business on the Internet (e.g. Verity and Hoff, 1994; Quelch and Klein, 1996; Berthon *et al.*, 1996). Pitt *et al.* (1999) identify three related macro effects of the new technologies on the distribution activities in the value chain that flow from the notion of a virtual market space. The "Death of Distance" describes how the Internet can eliminate the barriers caused by distance while the "Homogeneity of Time" refers to the ability of virtual businesses to operate 24 hours a day 365 days a year, overcoming both the limitations of human working hours and geographical time zones. Finally, the "Irrelevance of Location" concept shows how the inherently global marketplace challenges conventional ideas on physical location. Because tourism is an information intensive business, there are opportunities to apply information technology to support tourism and

tourists. Traditionally, the industry has focused on applying technology to support the suppliers of services to tourists (e.g. reservation systems, property management systems).

With the advent of the Internet, some of these systems were extended to customers. Thus, many tourists now book their own travel and accommodation.

Nevertheless, there are three fundamental problems with current tourism information systems.

**First**, there is an overwhelming mélange of tourist information through which tourists have to sift and winnow. They confront too many Web sites and can easily spend too much time searching for useful information.

**Second**, there is little use of information technology to support tourists when they are touring.

**Third**, experiences gained during a trip are not easily shared and reminiscing is rarely supported.

For have a clear understanding of what IT can provide for tourist via Internet first tourist phases will be explained.

### 2.4.3 The Phases of Tourism

There are three phases in which tourists could benefit from information systems: planning, touring and reminiscing. The information systems opportunity differs by phase (Table 2.3), as we will explain in the following discussion.

**Table 2.3 Tourism phases and information system opportunity**

<b>Phase</b>	<b>Opportunity</b>
<b>Planning</b>	<b>Data Management</b>
<b>Touring</b>	<b>Data Delivery</b>
<b>Reminiscing</b>	<b>Data Sharing</b>

### *Planning*

In this phase, prior to the trip, the tourist collects information about destinations. In recent years, the Web has significantly augmented the traditional sources of tourist guides and travel services. Now, tourists suffer from a surfeit of planning information. For instance, a Google search on the keywords 'Rome tourism' gives nearly 600,000 hits. The glut of information is overwhelming and trying to find relevant information is time-consuming and frustrating. There is a major opportunity to improve data search and integration to facilitate faster access to useful information. Tourists require an overarching meta-organizing information system that provides them with a well organized starting point for their search. A data warehouse (Inmon, 1996) is a corporate solution for information disorganization. A standard data model could have a similar effect for the tourism industry. This entry point for a tourist's information search will need a distinguishing global service mark and supporting publicity campaign to make tourists aware of its presence. As nearly all States, provinces, and governments operate tourism agencies of some form, these institutions are probably the potential hosts of a standard data model. However, tour operators and travel firms are not ruled out as hosts, because the open nature of TourDM means that adoption is in no way restricted.

The emergence of the Web browser as a global information systems interface clearly illustrates the value of standards. In the case of tourism, a standard data model and supporting queries will significantly reduce the learning time and dissatisfaction of tourists during trip planning. They will know what information they can expect to find and how to go about finding it irrespective of whether they are planning a visit to Rome or Casablanca. They will learn, for example, that they can find out when museums are open and how much they charge and what vegetarian restaurants are within walking distance of a specific hotel. The Internet is widely used as a means to deliver up-to-date content. As a result, it created the conditions for the emergence of a wide range of new tourism eMediaries. The proliferation of eMediaries followed a period of euphoria when a great number of players

hoped that they will generate a high volume of profit by targeting the tourism industry. Tourism suppliers (particularly airlines, car rental and hotels chains) took advantage of the new opportunities and developed eCommerce applications by allowing users to access directly their reservation systems.

This included single supplier revisions, such as:

- British Airways (<http://www.britishairways.com>)
- Marriott Hotels (<http://www.marriott.com>)
- Avis (<http://www.avis.com>)

Multi-supplier WebPages that emerged to support airlines disintermediation travel agencies such as:

- Opodo (<http://www.opodo.com>)
- Orbitz (<http://www.orbitz.com>)

In addition, several destinations developed destination management systems to distribute their smaller properties and to present the destination as a holistic entity such as:

- <http://www.tiscover.com>,
- <http://www.holland.com>)

A comprehensive search engine which provides the opportunity to compare various services on flights, lodging, cars/rails, vacations, cruises, and deals. Following are examples are those:

- Expedia.com
- ebookers.com
- Travelocity.com

Internet portals such as:

- Yahoo
- AltaVista
- Excite

And finally Travel auctions, where the business model is to name-your-own-price for the travel services that you need, whether it is airlines, vacations, car rentals, lodging or other travel-related necessities. The following are examples of those:

- [www.priceline.com](http://www.priceline.com)
- [www.hotwire.com](http://www.hotwire.com)
- [www.bid4vacations.com](http://www.bid4vacations.com)

### ***Touring***

The second phase of tourism, defines the period when a person is visiting sites, wandering around museums, attending a festival, and so forth. During this phase, the tourist needs location-based information services to inform them about the tourist attractions within their environs. They might, for example, seek information about objects within their immediate vicinity (e.g. What is the history of the memorial on the corner?) or find out what is available (e.g. What is the nearest open museum?). Tourists might also seek information about services in areas they are approaching (e.g. What hotels in the next town have vacancies, what their relative locations are, and what their rates are?). These are not new information needs, but typical of the queries for which tourists have sought answers for many years. What is new is the capacity to deliver answers to such questions, and many more, to tourists as they tour. Thus, the central information systems concern is the delivery of relevant, context-sensitive, tailored information to tourists wherever they are, or perhaps more specifically, exactly where they are and exactly what they are doing.

### ***Reminiscing***

On returning from a trip, travelers recall the highlights and often share these with relatives and friends. Also, they might want to comment on places they have visited. Hence, there is a need to support creation of a personal electronic trip album so that the traveler can relive and share memories, and potentially increase tourism through this electronic variation of word of mouth. Also, by adapting the book review model of Amazon and following feedback sites such as inions<sup>4</sup>, tourists should have a convenient method of sharing their thoughts with those planning a trip. One of the strengths of both the printed guides and of the Internet version of the Lonely Planet series is that the content is added by ordinary tourists who like to contribute, thus providing credible content that can be used by others. Both reminiscing features and opinions must be an integral element of TourDM to provide ease of use and information value.

## ***2.5 Combination of Internet and tourism***

In the tourism sector, the internet has become an important source of information to consumers who are more and more demanding, and who become each day more familiarized with this emergent world of information. Tourism has historically been an early adopter of new technology (Bloch, 1996; Wynne et al., 2001). As in other service sectors, technological developments are altering the nature of the processes in the tourism sector (Connel and Reynolds, 1999). With the relatively widespread adoption of the Internet, tourism businesses of all sizes might expand and conquer new customers. The key to the tourist's decision is the existence of relevant information. With the internet such information might be available and in a better way (Buhalis, 1998). This type of information will naturally help tourists to plan complex tourist activities, such as the planning of long trips (Bieger et al., 2000). Therefore, one finds from the review of the literature and information exchange between tourism providers and tourists that there are two useful models that provide a foundation for this work, and relatively little reported work that expressly deals with the Internet and

tourism. Where there is work, it tends to focus heavily on the role of intermediaries. If the Internet could be employed more consistently from the beginning to the end, it might give the tourism industry and related businesses new opportunities. This is the aim of this study to determine the role and impact of the Internet on the distribution value chain of tourism industry in the information age, and to understand some of the opportunities and threats that arise for intermediaries in this industry.

### Chapter 3. Methodology

A method is a tool, a way to solve a problem and reach new knowledge (Holme and Solvang, 1997). Once we are comfortable proceeding with a specific focus, the next decision involves selecting overall methodological choices. The methodological choices reported in this study gave us guidelines for how we should gather needed information for our research and work with it. This increased the possibility to receive appropriate answers to our research questions and make valuable conclusions. The research methodology and how the different parts of it are interrelated are presented in Figure 3.1 below.

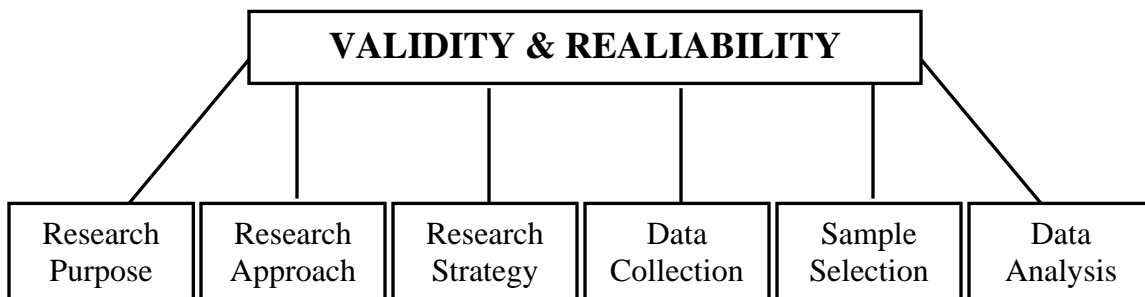


Figure3.1 Schematic Presentation of the Methodology

### ***3.1 Research Purpose***

According to Tull and Hawkins (1984), a number of researchers have found it useful to consider three general categories of research based on the type of information required. These three categories are exploratory, descriptive, and explanatory (causal) research. (Tull and Hawkins, 1984).

*Exploratory* studies are discovering investigations (Eriksson and Wiedersheim-Paul, 1997) that are suitable when researchers seek new insights to problems and want to assess phenomena in a new light. This kind of research is flexible and adaptable, which means that researchers using exploratory research must be ready to alter their research directions as new data or insights might arise. Furthermore, exploratory studies tend to start with a wide research area, and narrow down as the research develops (Saunders *et al.*, 2000).

Useful approach if the researcher wishes to clarify his/her understanding of a problem (Saunders and Thornhill, 2000). Exploratory studies are done to better comprehend the nature of the problem since very few studies might have been conducted regarding the phenomena needed to be understood. Thus, exploratory studies are important for obtaining a good grasp of the phenomena of interest and for advancing knowledge through good theory building (Sekaran, 1992).

When a structured research problem has been stated, and the purpose is not to find causes to it (Eriksson and Wiedersheim-Paul, 1997), but rather to describe the situation, *descriptive* research becomes appropriate (Saunders *et al.*, 2000). According to Bernard in Miles and Huberman (1994) description means “making complicated things understandable by reducing them to their component parts”. Descriptive research could be in direct connection to exploratory research, since researchers might have started off by wanting to gain insights to a problem, and after having stated it their research becomes descriptive (Saunders *et al.*, 2000). Descriptive research is undertaken in order to ascertain and to be able to describe the characteristics of variables in a situation. For instance, describing a

class in terms of percentage of age, sex composition, number of business course taken. The goal of a descriptive study is to describe relevant aspect of the phenomena of interest to the researcher from an individual, organizational, industry, or other perspective. Descriptive studies that present data in a meaningful form thus help to (1) understand the characteristics of a group in a situation of interest, (2) aid in thinking systematically about aspects in a given situation, (3) offer ideas for further probing and research, and/or (4) help make certain simple decisions (such as how many and what kinds of individuals should be transferred from one department to another) (Sekaran, 1992).

This may be an extension of, or a forerunner to, a piece of exploratory research. It is necessary to have a clear picture of the phenomena on which the researcher wishes to collect data prior to the collection of the data (Saunders and Thornhill, 2000).

*Explanatory* research seeks to find cause/effect relationships between given variables.

In order to accomplish that, besides having to come up with a well-defined research problem, hypotheses need to be stated (Eriksson and Wiedersheim-Paul, 1997). Bernard in Miles and Huberman (1994) implies that explanation means “making complicated things understandable by showing how their component parts fit together according to some rules”, in other words theory. Explanatory research is mostly used within areas where extensive research already has been done (Hellevik, 1987).

This study can be said to be exploratory and also descriptive. Firstly, it is exploratory since few studies concerning the Iranian tourism industry’s use of Internet have been made prior to this one. This research will help gain a deeper understanding of how the value chain can be described in an industry pursuing a differentiation strategy under the influence of the Internet. Secondly, the study evolves to becoming descriptive as it strives to describe the patterns discovered in the initial exploratory stage.

### ***3.2. Research Approach***

Qualitative and quantitative methods, as two paradigms, are not simply different ways of doing the same thing. Instead, they have different strengths and logics and are often best used to address different questions and purposes (Maxwell, 1996). Both qualitative and quantitative approaches are aimed at creating a better understanding of the society and to comprehend how individuals, groups and institutions act and have an influence on each other. According to Yin (1994) the best approach to use for a study depends on the purpose of the study and the accompanying research questions.

*A qualitative study* is designed to be consistent with the assumptions of a qualitative paradigm. The qualitative study is defined as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting (Creswell, 1994). The qualitative studies tend to be more flexible, while the quantitative ones are more structured. For qualitative studies the research problem needs to be explored because little information exists on the topic. The variables are largely known, and the researcher wants to focus on the context that may shape the understanding of the phenomenon being studied. In many qualitative studies a theory base does not guide the study because those available are inadequate, incomplete, or simply missing (Creswell, 1994).

*A quantitative study*, consistent with the quantitative paradigm, is an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers, and analyzed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true (Creswell, 1994). Quantitative research is most often used in studies with clearly stated hypotheses that can be tested. This deductive path makes a distinction between science and personal experience and tends to concentrate more on description, explanation, generalization, and abstraction. It focuses on well-defined, narrow studies. Quantitative research strives to use a consistent and logical approach toward what

is being investigated and uses statistical inferences and mathematical techniques for processing the data (Foster, 1998).

The nature of the problem is an important factor to decide on better-suited approach. Since the purpose of this research is to gain a better understanding of Internet impact on the distribution value chain of an industry, and the research questions are stated in a way where the answers would rather contribute to an understanding of a social phenomenon also by considering above discussion, this research is to be considered a qualitative research.

### ***3.3. Research Strategy***

As Yin (1994) states, there are a number of approaches for a researcher to conduct social science research, namely experiments, surveys, archival analysis, history, and case studies. Each of these has different advantages and disadvantages, depending on different conditions. These conditions are; which type of research questions are stated, whether or not the researcher has control over behavioral events, and if the research focuses on contemporary events or historical phenomena (Yin, 1994). What matters is not the label that is attached to a particular strategy, but whether it is appropriate for our particular research questions and objectives (Saunders and Thornhill, 2000). The connection between these conditions and the five different ways of conducting research are presented in Table 3.1.

Table 3.1: Relevant Situations for Different Research Strategies

RESEARCH STRATEGY	Form of Research Question	Requires Control over Behavioral Events	Focuses on Contemporary Events
Experiment	how, why	YES	YES
Survey	who, what, where, how many, how much	NO	YES
Archival analysis	who, what, where, how many, how much	NO	YES/NO
History	how, why	NO	NO
Case study	how, why	NO	YES

Source: Yin, 1994

*Experiment* is a classical form of research that owes much to the natural sciences, although it features strongly in much social science research, particularly psychology (Saunders and Thornhill, 2000). For our research purpose, this strategy is ruled out. When investigating the past and there is no person alive to report what occurred, *a history investigation* could be conducted (Yin, 1989). History is also ruled out, as the lack of focus on contemporary events with this method of data collection is not how this study is designed. When conducting *an archival analysis* there is no control over behavioral events. This strategy is favored when the research goal is to describe the incidence or prevalence of a phenomenon as well as when the goal is to predict certain outcomes (Yin, 1994). Because this study is qualitative and does not answer these questions, we did not find this to be a suitable research strategy. *Survey* research, the formality of the use of questionnaires, does not allow for us to go as deeply into the aspects of “why is happening”. The data collected by the survey method may not be as wide-ranging as those collected by qualitative research

methods, and we do not aim to answer who, where, how many, or how much questions. Furthermore, this type of study does not correspond to the qualitative way of research.

This leaves us one better-suited strategy for this research—*case study*. Yin (1994) states that a case study approach is best used as a method for gathering data when a “how” or “why” question is being asked about a contemporary set of events over which the researchers has little if any control. Yin continues that a case study approach helps investigators to refine their data collection plans with respect to both the contents of the data and the procedures to be followed (in collecting that data).

The above-mentioned reasons make case study most appropriate to adopt in order to answer the research questions, and thereby reach the stated research purpose, of this study. In addition, case studies most often include qualitative research, and provide the possibility to use multiple sources of evidence. In fact the possibility to use many different sources of evidence, so called triangulation, is a major strength that case studies can provide (Yin, 1994).

### ***3.4. Data Collection***

After having determined the most suitable research strategy, it is necessary to decide on how the empirical data will be collected (Yin, 1994). According to Eriksson and Wiedersheim-Paul (1997) there are two kinds of data, namely secondary and primary data. Secondary data is data that already has been gathered by other researchers with different purposes in mind, while primary data is data that a person gathers on his/her own with a specific purpose in mind (Wiedersheim, 1997). Six sources of evidence can be the focus of data collection for case studies: documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts (Yin, 1989).

*Documents* could be letters, memoranda, agendas, administrative documents, newspaper articles, or any document that is germane to the investigation. In the interest of triangulation of evidence the documents serve to corroborate the evidence from other

sources. Documents are also useful for making inferences about events (Yin, 1989). For the same reason as mentioned above, we adopt documents method as one of our data resources. *Interviews* are the most important sources of case study information for our research. There are several forms of interviews that are possible: Semi-structured, in-depth, and Structured. In *Semi-structured interview*, the researcher will have a list of themes and questions to be covered although these may vary from interview to interview. This means you may omit some questions in particular interviews.

In *in-depth interview* there is no predetermined list of questions to work through in this situation. The interviewee is given the opportunity to talk freely about events, behavior and beliefs in relation to the topic area, so that this type of interaction is sometimes called as *non-directive* (Saunders et al., 2000).

The *structured interview* is similar to a survey, and is used to gather data in cases such as neighborhood studies. The questions are detailed and developed in advance, such as they are in a survey (Yin, 1989).

For this study, we deem that an in-depth interview is the best choice as it allows researchers to be following a certain set of questions derived from the case study protocol. It would certainly decrease the possibility of misunderstanding between interviewer and informants. Meanwhile, such a setting will also make researcher possible for additional The intention of the research was explained and the right person could be identified during the first contact with each company, in order to fulfill the purpose of this research it was of great importance to get in contact with a person at the company with the best knowledge of company's over all operation and experience of the Internet technology strategy. The interview will be done by face to face interview with the permission of using tape recorder, and the techniques used for interview depends on the accessibility of the cases.

### ***3.5. Sample selection***

When the appropriate sources of evidence have been determined, it is essential to find relevant and manageable samples to collect the empirical data from. Due to the limited time frame, this study is limited to one single case study. According to Yin (1994) it is justifiable to use single case studies when the case represents a critical test of existing theory, when the case is a rare or unique event, or if it serves a revelatory purpose; that is if the investigator has the opportunity to observe and analyze a phenomenon that previously have been inaccessible to scientific studies. Based on the last mentioned justification this study had a single case approach, where the case was the Iranian tourism industry. Furthermore, a single case study has the opportunity to include subunits of analyses, which facilitates a more complex design, and thereby enables a more extensive analysis that leads to a better insight into the single case (Yin ,1994).

Tourism providers and tourists are the two main entities in the tourism industry, and the main subjects for this study. With information technology at hand, the interests of either of these parties could be enhanced through benefits such as time saving, cost reduction, increased reach (providers) and increased choice (tourists), therefore technology is of potential importance now and in the future. So in order to answer our research problem, which is how Internet will effect on distribution value chain of tourism industry, we analyze the value chain of the tourism industry, using a case study the tourism industry in Iran. Specially, we examine the threats and opportunities that the emergence of the Internet, present for the industry.

### ***3.6 Data Analysis***

According to Yin (1994) data analysis involves examining, categorizing, tabulating, or otherwise recombining the data. Every investigation should have a general analytic strategy, which treat evidence fairly, produce compelling analytic conclusions, and rule out

alternative interpretations. This analytical strategy should help the researcher to choose a technique that completes the analysis of the research (Yin, 1994).

Yin (1994) mentions two such strategies, namely that the theoretical propositions that initially led to the case study should be followed, or that a descriptive framework is developed to organize the case study. The strategy to rely on theoretical propositions is the most commonly used (Yin, 1994). Miles and Huberman (1994) further mention that there are two forms of analysis available to apply on empirical data, namely within-case analysis and cross-case analysis. Within-case analysis refers to comparing the collected data against the theory used, while cross-case analysis compares data from different cases with each other (Miles and Huberman, 1994). Qualitative data analysis focuses on data in the form of words. These words, the collected data, need processing in form of analysis and are done in three stages. Miles and Huberman (1994) have named these three stages “concurrent flows of activity”. These are presented and explained below:

*Data Reduction:* This stage of qualitative data analysis selects, abstracts, simplifies, focuses, and transforms the collected data. The purpose is to organize the data so that final conclusions can be drawn and verified.

*Data Display:* When having reduced the data, it should be displayed in an organized, compressed way enabling easy conclusion drawing.

*Conclusion drawing and verification:* In this stage the researcher decides the meaning of occurrences, noting regularities, patterns, explanations, possible configurations, causal flows, and propositions (Miles and Huberman, 1994).

This study relies upon the theoretical propositions that led to the case study. The empirical data was compared to existing theory in a within-case analysis. Because only one single case was studied, the choice of cross-case analysis became ineligible. The propositions concerning how the analysis-activity should flow, presented by Miles and Huberman (1994), were followed when the empirical data of this study was analyzed. The data concerning each research question was first reduced by selecting and simplifying the

essential parts needed in order to answer the research questions. Thereafter the empirical findings were compared to existing theory, which is vital in order to be able to draw and verify the final conclusions. In order to analyze the impact of Internet on an industry and shape the Internet strategy of an actor within the industry, following steps have been used:

1. Review the business trends in the industry.
2. Review the different technologies that are related to that industry, with a focus on electronic commerce specially Internet technology.
3. At the industry level, use Michael Porter's modified framework to understand how these two will affect existing player's strategies, open doors for new actors or new products and reconfigure the extended value chains.
4. At one company's level, use the business value framework to shape the company's electronic commerce strategy, by leveraging the different business value components.
5. Take into account the impact of that strategy on the technological infrastructure and on the organizational processes, values and rewards systems.

These action steps will obviously impact the competitive situation within the industry, thus creating a feedback loop and competitors responses. Therefore, the whole analysis will need to be performed again in the future to update the plans.

### ***3.7 Quality Standards***

To simply collect and analyze data for research is not enough to ensure the quality of the research. Reducing the possibility of getting wrong answers means that attention has to be paid to two particular emphases on research design: reliability and validity. (Saunders et al., 2000)

### **3.7.1 Validity**

Yin states that judgments of validity measure how valid the collected data is, and whether or not the methods used to gather data measure or explain the things what the researcher states to measure or explain (Yin, 1994).

Yin defines construct validity as the establishment of correct operational measures for the concepts being studied. Yin presents three tactics in increasing construct validity. First one is to use multiple sources of evidence during the data collection. The second tactic is to establish a chain of evidence, which should also be done during the data collection. The last tactic is to construct a draft case study report, which is reviewed by the key informants (Yin, 1994).

Internal validity is related to the establishment of a causal relationship whereby certain conditions are shown to lead to other conditions, as distinguished from fake relationships (applies for explanatory studies only), (Yin, 1994). Since the purpose of our study is exploratory and descriptive, internal validity is not included for this study.

External validity is defined by Yin (1994) as it establishes the domain to which a study's findings can be generalized. To increase construct validity of this research, the research questions and the areas that were to be discussed during the interviews were sent to the interviewees in advance in order to make them be prepared for the interview in the best possible way. Moreover, the same interview guide was used in all interviews. Finally, the fact that all interviewees have been chosen among experts in field of tourism industry, further contributes to enhance construct validity.

### **3.7.2 Reliability**

Reliability means that two or more researchers, studying the same phenomenon with similar purposes, should reach approximately the same results (Gummesson, 2000). This includes keeping a thorough protocol of the study so that others who might want to execute

the same study following the same protocol should be able to reach the same findings and conclusions (Yin, 1994). Thus, a study with high reliability can be replicated by others (Gummesson, 2000). There are several ways of controlling reliability. These include choosing neutral times to do interviews. Moreover, the structure of the interview and the objectivity of the interviewer are elements to be taken into account in order to get as high reliability as possible (Saunders et al., 2000).

In the interview situation we recorded the discussion and the answers with a tape recorder in order to minimize the risk of failing in getting the right answers and also the people who were interviewed were the most knowledgeable within the area. The information gathered from the interviews was handled and evaluated in as objective way as possible to ensure the reliability in that sector. The result has checked again with interviewees in order to get sure about understanding. Statistical data regarding travel agents, tour operators has been double checked with Ms. Gachpach S. Azad, a team member of ITTO project, which has been formulated under the auspices of the Tourism Supreme Council with the support of the UNDP and its affiliated organization, the World Tourism Organization (WTO).

## **Chapter 4. Data description, analysis and results**

In this chapter the empirical data of the subunits within the single case, collected through interviews with technical managers in the organizations. Subunits have been chosen among suppliers and intermediaries in Iranian tourism industry. Among suppliers Iran air which is main Iranian airline and Laleh chain hotels as one of the best hotels considering both quality and cost. Among intermediaries Pasargard Tours as tour organization and Arge-Jadid as both Tour operator and travel agent.

### ***4.1 Iranian tourism industry***

A review of 3,167 tourist attractions found that Iran is rich in cultural and natural tourism resources, many of which are unique to the world. Iran's primary tangible cultural tourism assets include the ancient city of Persepolis, Naqsh-e-Rustam, and Choga Zanbil that are listed as part of the UNESCO World Heritage. In terms of Iran's Islamic cultural sites and architecture, the Holy Shrine of Emam Reza in Mashad, and Hazrat Masoumeh in Qom

that are important Shiite pilgrim sites, Masjad-e-Emam in Esfahan, Masjad-e-Jamesit in Yazd, and Gombad-r-Soltaniye in Zanzan stand out. A significant section of the Silk Road runs across Iran, as do other great caravan routes to the south. Iran also possesses a rich intangible living culture that is exemplified in its cities, towns, village, and rural areas, the most notable of which are the cities of Esfhan, Kerman, Yazd, and Shiraz, and towns and villages such as Masule in Gilan Province, the Oroman Valley villages in Kurdistan Province, and Abeyane Village in Esfahan Province. The diverse ethnic communities and villages of Iran support a rich array of intangible cultural tourism assets such as their art, craft, costumes, music, cuisine, customs, and traditions.

In addition to its rich cultural heritage, Iran possesses a rich and diverse set of natural tourism assets. It has a range of climates including dry and hot desert climates, cold alpine climates, hot and humid climates, mild year round climate, and cool summer climates. Iran has set aside a large number of protected areas including 48 protected areas, 285 forest parks and reserves of which 25 have been prioritized, 25 wildlife refuges, 6 natural national monuments, and 11 national parks, many of which such as Mian Kaleh Wildlife Refuge, the salt lake of Namak, and Golestan National Park contain unique habitats of international importance. Other natural tourism resources include Iran's hot and cold mineral springs, its therapeutic mud, and lake areas with health spa potential, especially the hot volcanic springs in the Sabalan Mountain range and therapeutic mud of Lake Orumiye.

Many of Iran's cultural and natural tourism resources are unique in the world, reflect its contribution to the civilization of man, and in many cases are comparable in importance to the cultural assets of Egypt, Turkey, Greece, Iraq, Syria, India, South America, and China.

### **4.1.1 Tourist Facilities and Services**

The tourism resources of Iran already support a significant industry based on moving domestic and international tourists to and within Iran, and serving their requirements at its main tourist destinations.

To service the requirements of its international and domestic tourists, by year 2000, Iran's tourism industry comprised (ITTO):

- 1,117 travel operations establishments with permits to operate ticketing and tour services, of which around 50% were located mainly in Tehran Province (Figure4.1). These offered a large number of tour programs to the international and domestic market based include day and overnight sightseeing tours of the natural and cultural heritage, adventure based tours, desert safaris and trekking, mountain trekking and climbing, Persian Carpet tours, bicycling tours, nature tours, and other special interest tours focusing archaeology, visiting nomadic tribes, wildlife observation, astronomy, art and craft, and sports such as skiing, hunting, and fishing.

Source: ITTO, 2001

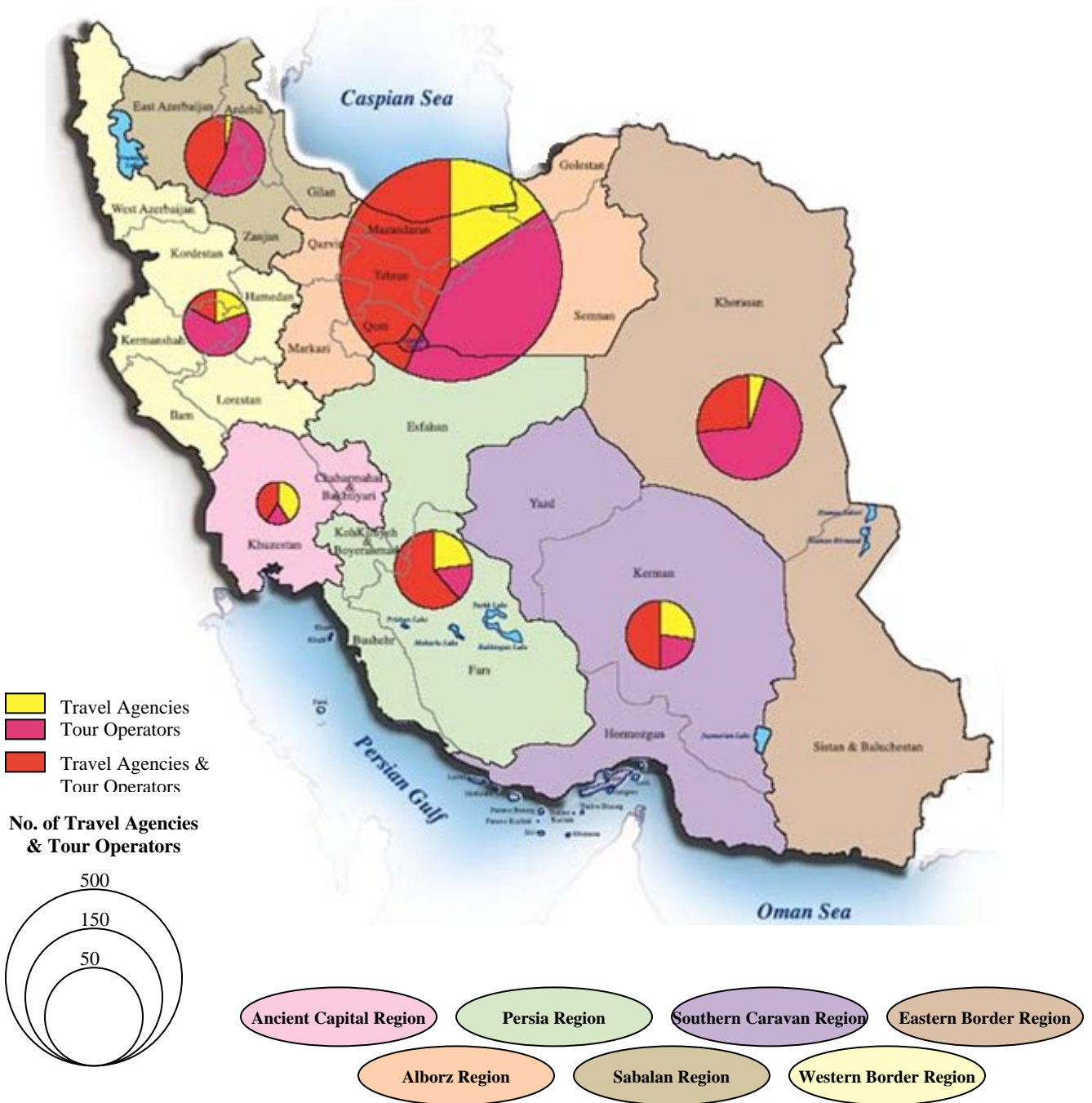


Figure 4.1 Distribution of Travel Agencies and Tour Operations

- 1,200 tour guides registered with the Traveling Agencies and Tourism Monitoring unit of ITTO that licenses and regulates them.
- 2,012 active local ground bus and coach transportation companies (mainly bus) operating regular and chartered passenger services in the country. In addition, there were 600 inactive companies suggesting that the market is oversupplied and highly competitive. Of the total number of active operators, 1,837 were privately owned, 174 were owned by cooperatives, and one, which was owned by the government.
- 13 existing information centers located mainly at main gateways and on the main roads offering some information to tourists.
- 2,402 tourist accommodation establishments comprising 525 hotels, 1,782 as inns, and 95 as apartment hotels , and 5,603 beds. The 525 hotels and 95 apartment hotels have been combined and classified into 2,214 high level (five star) establishments, 9,300 mid level (3 to 4 star) establishments, and 13,861 low level (1 to 2 star) establishments. The existing accommodation capacity is concentrated into Tehran and Khorasan Provinces (Figure 4.2).

Source: ITTO, 2001

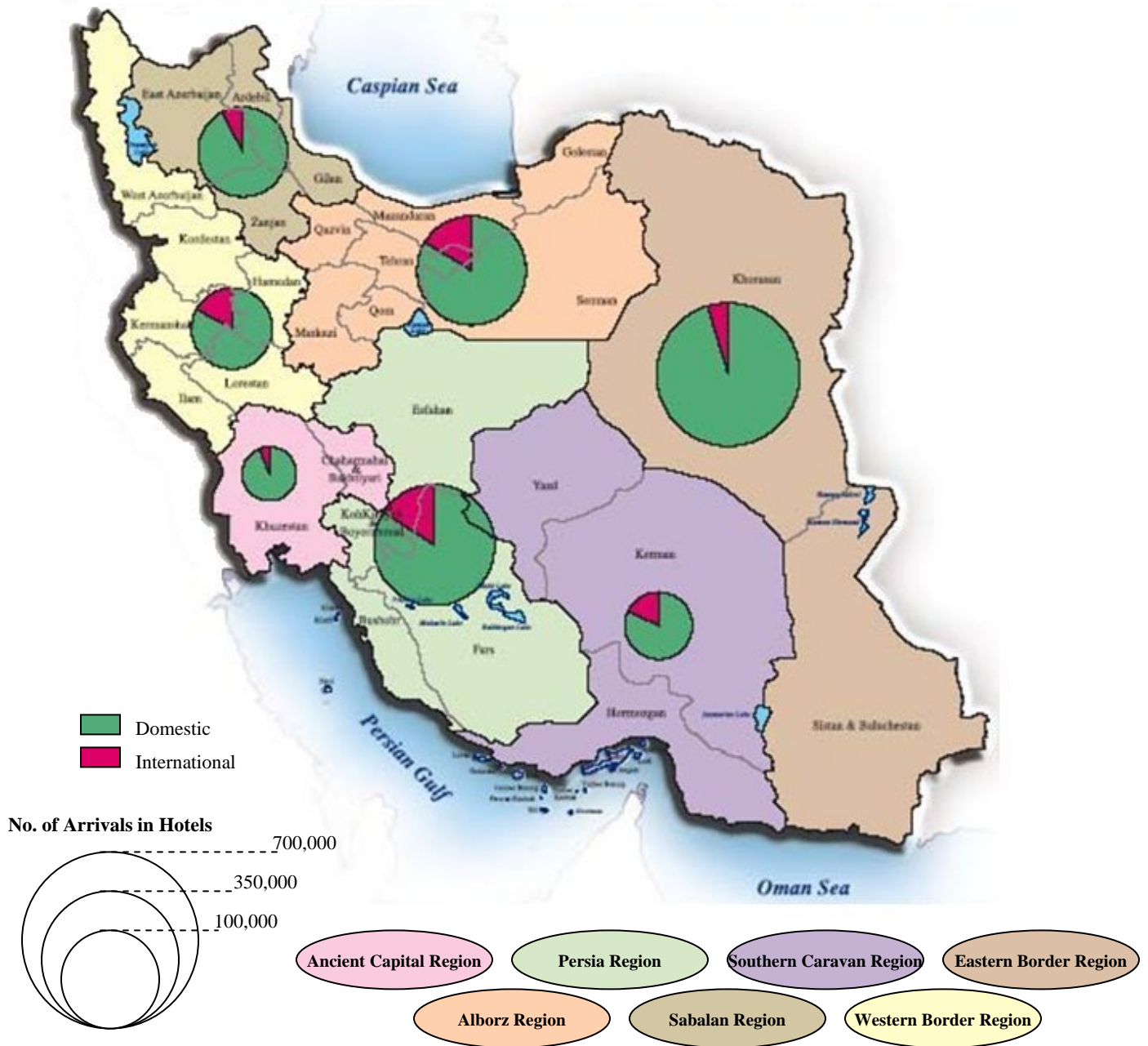


Figure 4. 2 Tourists Arivval in Hotels

### 4.1.2 Existing and Potential Tourism Flows

In 1999, it is estimated that Iran's international and domestic transportation system and related tourist facilities and services handled the requirements of 1.3 million international tourists and 32.5 million domestic tourists.

#### *International Tourism*

The main trends in the volume, expenditure, average length of stay and daily expenditure of international tourists to Iran is shown in Table 4.1.

**Table 4.1 Trends in international tourism to Iran 1990 to 1999**

Variable	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	% AAG
International Tourists (10,000) Arrivals	16.2	24.9	27.6	31.1	36.1	48.9	57.3	76.4	100.8	132.1	134.2	23.5
Per Capita Average Expenditure US\$	402.5	422.1	436.6	421.5	428.3	419.4	455.8	460.3	461.3	443.4	576.3	1.08
Receipts in \$US Million	65.2	105.1	120.5	131.1	154.6	205.1	261.2	351.7	464.5	585.7	773.5	27.62

Source: ITTO, 2000

Iran's international tourist market is primarily a regional international market that accounts for around 80 percent of international arrivals mainly by road and is dominated by the surrounding IOC countries, much of it generating relatively low gross yields in per capita expenditure terms. Iran's dependence upon the faster growing lower yielding segments of the regional international market is responsible for the low observed poor growth in yield per arrival as expressed in per capita expenditure.

Based on recent survey data, Iran's international market comprises a number of distinct segments. The most important segment is the trader and businessmen market that probably represents around 30 percent of the total market. Iran receives relatively small meetings, incentives, convention, and events segment, and a small summer and winter vacation market from the region Middle East probably representing around 4 percent of the total market. Iran receives a large pilgrimage market based on its Shiite shrines, as well as pilgrims transiting through Iran overland to and from Mecca in Saudi Arabia, and Karbala in Iraq, probably representing around 30 percent of the total market. Iran also attracts a large visiting friends and relatives market from the countries surrounding the region as well as from the long-haul markets probably representing around 26 percent of the market. Finally, Iran receives a relatively small sightseeing segment mainly from the long-haul markets of Europe, North America and East Asia, probably representing around 10 percent of the total market.

### *Domestic Tourists*

Comprehensive survey data to establish the volume and characteristic of domestic tourism in Iran is not available. Estimates prepared by the Project Office indicate that in 1999, the resident population generated at least 32.5 million overnight person trips away from home within the country. Data on the growth of passenger traffic in public rail, road, and domestic air services between 1991 and 1999 found that the overall passenger volumes had increased by an annual average of 9.7 percent over the period.

A survey of domestic travel undertaken during the Norooz holiday period in 2001 found that Tehran is the main generator of domestic travel followed by the other larger cities more or less in order of importance to their population. Most domestic travelers tend to be males, married, well educated, aged between 31 and 60 years, travel in family groups, and are mostly employed in the private sector (38 percent), followed by public sector employees (30 percent). The Caspian coast, Mashad, Esfahan, Shiraz, Kerman, and the

Persian Gulf Islands tended to be the most popular destinations. The average length of stay was around 6.62 days, while the average expenditure per day per traveler is estimated at 64,442.49 Rials. Around 23 percent of travelers used commercial accommodation facilities including hotels, and the main purpose of travel during the period was for a vacation holiday 39 percent, visit friends and relatives 21 percent, visit a shrine 30 percent.

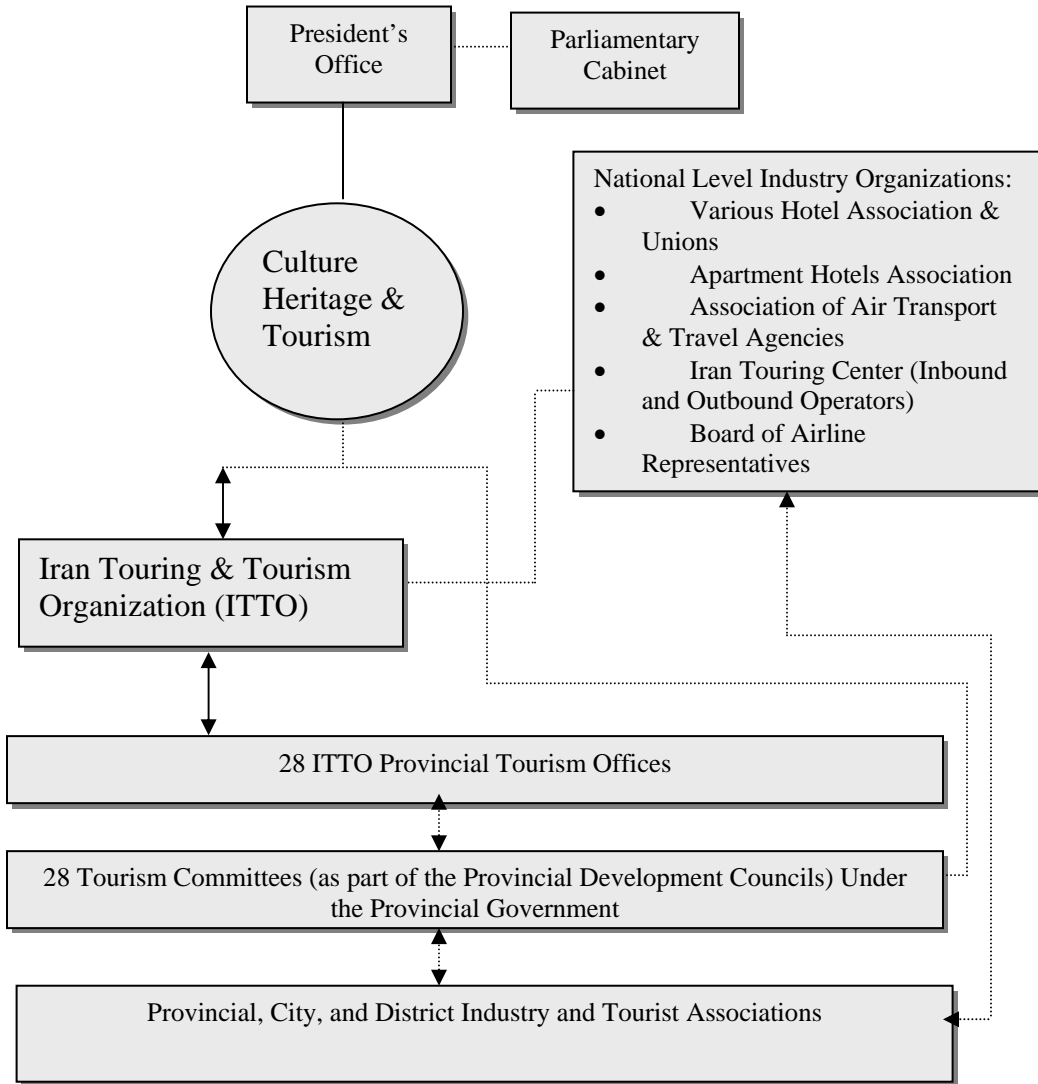
### ***Market Development Prospects***

World Tourism Organization research conducted in the late 1990's indicates that the future pattern of tourism is likely to be more dispersed and comprise smaller rather than larger groups with Free Independent Travel (FIT) based travel dominating the market, except in the case of less mature and fast growing developing country travel markets. Traditional sightseeing tour products involving relatively superficial encounters with specific attractions and where the focus is mainly on visiting as many attractions as possible in the time available, while continuing to be of interest to first time or less mature travel markets, are less likely to be popular. At the same time, more efficient operations and reductions in prices are forecast in the transportation sectors - particularly the airline sub-sector - through continuing deregulation, introduction of larger capacity, longer flying range aircraft and forming of operational and marketing alliances.

### **4.1.3 Institutional Organization of Tourism**

As indicated in Figure 4.3, the existing institutional structure of the tourism sector is organized along public and private sector lines with linkages at the national and provincial level.

Source: ITTO



**Figure 4.3 The existing institutional structure of the tourism sector in Iran**

The full lines indicate a formal relationship between the functional organizations while the dotted line indicates a cooperative relationship between them.

In the public sector, there is one peak organizations that is concerned with the development of tourism. This is the Supreme Tourism Council (STC). The main operating functions of the ITTO in relation to the tourism sector are broadly related to: control of quality standards (Monitoring and Quality Affairs Department); marketing of Iran as a destination in the domestic and international markets (Marketing Department); research, planning, and training (Research, Training and Planning Affairs Department); and providing the secretariat for the STC. The other departments (administration, finance, personnel, public relations, legislation, etc.) play a supporting role to the main operating functions. The 27 provincial ITTO offices report directly to the Office of the Deputy Minister and President of ITTO. These offices are mainly responsible for the ITTO's monitoring, inspection, and training functions, and for provincial development tourism functions under the office of the Provincial Governor.

#### **4.1.4 The Impact of Tourism**

Because of its nature, tourism may exert both positive and negative impacts on the socio-cultural, natural, and economic environment of Iran. Because the development of international tourism has been relatively modest and based on visitors with a similar culture, the socio-cultural impacts have to date been limited. More significantly however, is the adverse impact of large volumes of domestic tourism upon the cultural and natural heritage sites all of which are suffering various forms of degradation. In economic terms, tourism is a modest player in the Iran economy contributing an estimated 3.4 percent to GDP, around 541,000 direct and indirect jobs, and about 14 percent to total non-oil exports. This reflects the overall weakness of the industry in terms of its management, promotion, legal structure, and poor linkages with other industries.

### **4.1.5 Analysis of Strengths, Weaknesses, Opportunities and Threats**

A review of Iran as a tourist destination indicates that its competitive strengths include its:

- Rich intangible culture as exemplified in the traditions and way of life of its many ethnic communities.
- Ancient civilization as exemplified by its many important archaeological, ancient monuments, town and city assets.
- Outstanding Islamic monuments and shrines reflecting the height of Islamic architectural traditions.
- Unique combination of mild, desert, humid, and cool alpine climates.
- The grandeur of the Zagros and Alborz mountain ranges, and vastness of its two main deserts.
- Well established transportation and tourist facilities and services.
- Availability of adequate utility services.

These strengths give Iran the capacity to compete with neighboring destinations in the region such as Turkey, Greece, and Egypt.

The main competitive weaknesses of Iran as an international tourist destination include:

- Limited use of sustainable development and management practices including interpretation of cultural and natural site values at important cultural and natural sites resulting in the de-valorization of important natural and cultural assets.
- Fixed plant and equipment such as transportation equipment, hotels, resorts, and other facilities are generally aged, need to be retired, require major refurbishment, and in the case of some accommodation buildings, in need of complete re-development.

- Basic transportation infrastructure is utilitarian and while adequate, is aged, unsuited to modern tourism traffic, and cannot cope with any significant expansion.
- Service standards provided by the existing manpower is generally weak reflecting a lack of customer focus and concern, poor recruitment policies, as well as limited, weak and inappropriate manpower training.
- Cultural values and norms that restrict the type of tourism that Iran can attract.
- Current policies and regulations such as the civil aviation policy, the labor law, the guilds law, and the investment law, the inability to properly privatize tourism facilities and services, coupled with a climate that is generally suspicious of private sector activities and the view that the public sector knows best continues to discourage industry development.

The main competitive opportunities for Iran as an international tourist destination are:

- The presence of large markets in the OIC countries with an interest in traveling to Muslim countries such as Iran.
- Using Iran's major Shiite, Christian, Zoroastrian, and other important religious sites to capitalize on a growing interest in religion experience and knowledge, especially among the long haul countries of Europe and North America.
- Taking advantage of the introduction of aircraft with more flexible service capabilities in terms of airports that can be serviced, as well as the introduction of smaller purpose built jet aircraft.
- Taking advantage of Iran's traditional strength as a trading nation to develop a strong and vibrant private tourism industry sector.
- Using web based information dissemination and e-commerce developments to enable destinations and destination based suppliers to reach and market direct to the travel trade and consumers at low cost.

- Taking advantage of the development of more efficient and lower cost tourist facilities and services and management systems.
- Developing Tehran as the main international airport hub in the region by taking advantage of the consolidation of the transportation sectors - particularly the airline sub-sector.

The main competitive threats facing Iran are:

- Failing to clearly and effectively address the competitive weaknesses identified above.
- Continuing to discourage ‘real’ private sector participation in the industry.
- Failing to implement, monitor, and maintain sustainable tourism development and management principles and practices in relation to the impact of tourism on the natural, socio-cultural, and economic environment.
- Failing to properly address the critical tourism management and institutional issues.
- The impact of natural disasters such as earthquakes, flooding, and drought.
- Political turbulence and conflicts within Iran, and between it and its neighboring countries.
- Regional conflicts.

## ***4.2 Suppliers***

### **4.2.1 Laleh international hotel**

Tehran Laleh hotel is located in one of the best location of Tehran in terms of being away from the restricted traffic areas, having access to important city centers, being close to important and large hospitals, being close to Carpet and Contemporary art museum. It is

one of the five stars hotels and was established by Americans before Islamic revolution. Previously it was called “Intercontinental Hotel” but after Islamic revolution its name has been changed to Laleh hotel, Tehran Laleh hotel is one of the five Laleh hotels among Laleh chain hotels. This hotel has 400 rooms and suites with the best equipment, 24 hours room service, and luxurious restaurants serving French, Far Eastern and Persian cuisine. Nowadays Laleh hotel offers a framework for conferences as well as for company promotions and family celebrations like weddings. Today most of its customers are among different firms and corporations, who arrange meetings, seminars, conferences. The main customer for using the hotel rooms are business men who are going to attend in such meetings or conferences. The main competitor of the hotel are the similar big hotel in Tehran such as Esteghlal hotel which is a chain hotel same as Laleh hotel. The manager of Laleh hotel, Mr. Alizadeh explained that the average occupancy rate of this hotel has been 98% during last year so one of his most important goals for future is to promote and improve the services of the hotel.

#### ***Current use of Internet***

The front office manager of hotel, Mr. Gilanshah has explained that right now booking is done through phone, fax. He mentioned that they are going to apply online booking function on their website, but due to some limitation they are not able to do so till now. As based on experience in online booking most of online bookers are among leisure traveler so from Mr Gilanshah point of view the use of online booking would be minimal in this hotel, because Laleh hotel’s customers are mainly companies and business men. Business customers’ needs are special and different that there has to be a direct, person-to-person communication when making the reservation. Most of their customer prefer to book their rooms through agencies or via phone and fax. He thinks by implementing the website and using internet they will lose some of their customer who prefer to have a direct contact, so he thinks parallel booking system can be a good idea. There are certain parts in Laleh hotel

value chain, where the Internet is very essential, the most important being marketing and sales. The website is very important form of advertising for international customers. The character of Laleh hotel's website is mainly informative. The pictures of the hotel rooms, restaurant, pool, and lobby are presented over the website. This will help both customers by giving necessary information before and after the buying decision, and reception employees by receiving less questions and giving them an opportunity to guide the customers by using the website as a help tool, for efficiency of sales persons. Mr. Gilanshah told that Internet increases the efficiency of operations, for instance using of E-mails as a tool for gathering customers' point of view, so they can optimize their services based on customers' opinions. He mentioned that Internet will help them to analyze their competitors with less effort than before. Although he said that along with all opportunity which Internet will provide for the hotel, if company doesn't work hard and care about its clients, with or without Internet, threats are the same. Anyhow he thinks one of biggest treat for them is to promise customer too much over the Internet, and replacing personal contact with the Internet.

#### **4.2.2 IranAir**

"Iranian Airways" was first established in May 1944 and commenced its first passenger flight right after the World War II from Tehran to holy city of Mashhad. Within a period of 17 years (1945-1962) this airline developed into a major domestic Route with a few international flights per week. In 1954 another private airline as "Pars Airways" was established. Initially "Pars Airways" only undertook freight services to Europe.

The geographical situation of Iran, expanding its spacious levels, relative remoteness of crowded areas from each other, lack of means of transportations either railways or roads, the need to initiate safe and fast connections to survey and governmental organizations, and the last but not the least, lack of an ordered equipment with high capacity to revive mutual aviation rights with other countries and also securing more welfare and comfort for

Iranians, provided the conditions for the board of ministers to ratify a proposal suggested by road minister to establish a national Airline corporate on February 10th, 1961. Following this decision, on February 24th, 1961 both "Iranian Airways" and "Pars Airways" merged to form a new airline as "IranAir" with the acronyms and the symbol of "HOMA" bird and this new airline commenced its activities in April 1962. Covering the domestic aviation transportation needs accompanied by observing the safety principles and forming transportation services with neighboring and far-fetched countries, and also considering simultaneous communal contracts on commercial grounds and interests of the country were among the reasons to establish IranAir. In 2002, IranAir flew to 36 international and 21 domestic routes. In the same year, IranAir and its subsidiary company, IranAir Tours, transported 6 million and 48 thousand passengers on domestic routes (with the passenger load factor of 84.9%), while 1.5 million passengers were transported by international flights (The passenger load factor was 61.7%).

### ***Current use of Internet***

Electronic ticketing now accounts for 38 per cent of tickets sold worldwide and the top industry body wants the 265 airlines under its wing to achieve 100 per cent paperless ticketing within two years. "The target date is a must. Every year, we are printing roughly 350 million tickets. We will not print any more paper tickets by 2007," said Giovanni Bisignani, director-general of the International Air Transport Association (IATA).

At stake, IATA says, is a \$US3 billion (\$A4 billion) annual cost saving for the industry, while wider use of new electronic technologies for self-service check-in, luggage handling and freight could offer even more in years to come. Bisignani admitted that some less developed areas of the world would face a tough challenge to meet the e-ticketing target. Europe and the United States are well ahead with more than half the tickets delivered online. Meanwhile Africa is managing this year's target with 39 per cent - largely due to

four airlines. In North Asia and the Middle East the proportion drops to 11 and two per cent respectively.

With the Saman Bank's cooperation IranAir has been started to sell e-Tickets to its customer for domestic flight from January 10, 2006. As based on IATA's instruction all the airlines has to sell their ticket over the net for both Internal and International flights as of the end of 2006, so now they are working on providing a system to sell tickets for international flights too. Using of Internet for offering online ticket to customers dose not cause disintermediation, however it will help customers to bypass some of intermediaries. Right now there are a lot of choices for customers. IranAir website contains valuable information about Iran's attraction, Travel agencies, and hotels. The organization has a feedback system over the Internet, although till now most of the feedbacks are done via phone interview or trough questioner which customer has been asked to fell during their flights. As a mater of fact Internet doesn't have a great effect on IranAir services till now. Right now Internet technology has helped company's activities working together. Access to customer information faster, communicate with other affiliate faster and cheaper are among Internet benefits for IranAir. The internet will help drive down airline's costs but it will also fuel price competition, damage yields, and expose the weakness in legacy computer systems in supporting pricing and increasingly complex distribution channels.

## ***4.3 Intermediaries***

### **4.3.1 Pasargard Tours**

Pasargard Tours has been established as an OBTO in 1987 by Mr. Pourfaraji, Who has a lot of experiences in tourism industry. This organization has come to earn the position of being Iran's leading tour operator, a fact attested to by repeated "Certificates of Merit" being awarded to it by Iran's Board of Tourism in addition to the trust put in it by some of the

best known names in the travel industry across the world. “We boast a host of scholarly and experienced guides as the people in the field who rank among the best in the country, The recognition of the fact that some of the world’s most reputable tour operators, cultural institutions, museums and universities have chosen Pasargad Tours as their host in Iran best reveals the quality of our services.” said Mr. Pourjafar.

The managers and the staff of Pasargad Tours make every effort to maintain maximum quality of services and to provide the clients with a most memorable traveling experience. Its Research and Training Department has successfully conducted numerous training sessions to promote the level of competence and performance of its guides, as well as the new recruits. He mentioned that right now by employing multilingual staff with state-of-the-art communication, they can help customers plan and cost their tour as effectively as possible. Itineraries can be modeled to suit customer’s needs, and tours themed to get the most of any specialist interest.

Most of their customers are belong to leisure travelers who are interested in ancient architect, culture, and Iran’s beautiful nature. Some of the services which they offer to their customers are as bellow:

- Obtain visas for all groups and individual travelers as part of Pasargard Tours package services.
- Regularly plan and organize programs for university and museum groups.
- Offer trips that include camping in mountain villages or near nomadic settlements.
- Arrange desert safaris following the old caravan routes.
- Combine adventure programs with historical sightseeing tours.

### ***Current use of Internet***

Pasargard tour’s website ([www.pasargard-tour.com](http://www.pasargard-tour.com)) contains different kind of information (figure 4.4).

Source: www.pasargard-tour.com

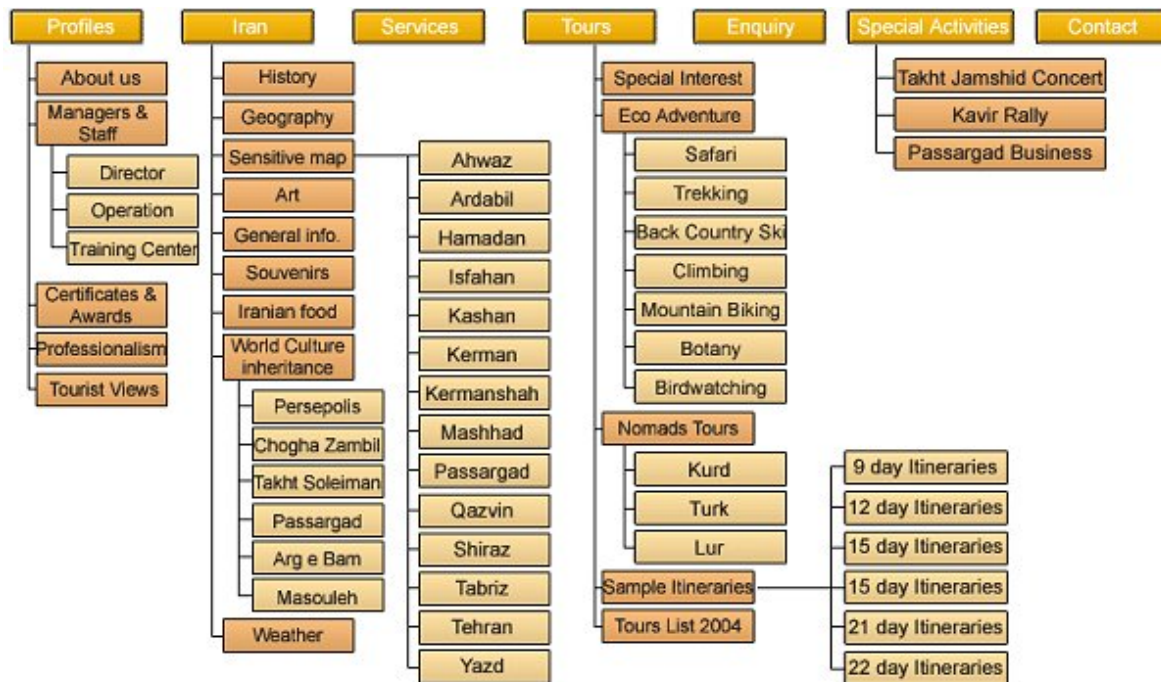


Figure 4.4 Site map of Pasargard Tour's website

Trough this site tourist can access to information about both Iran and Pasargard Tours. According to Mr. Pourjafari they can use Internet for promotion, online booking and also based on the feed back they receive trough email from their customers they can optimize their services. He mentioned that their big problem right now is transferring money to Iran as most of their customers are foreigner. Internet can provide a good facility for them to transfer their money via credit cards, although cause of political issues it is not possible right now but he hoped that government can find a solution for this problem. Nowadays most of the booking are done trough internet instead of fax and phone. Internet cost reduction and time saving is a great beneficial pint for Pasargard Tours. It helps them to make fast and efficient linkage between different parts of company's activities. They are going to add an online training system over their website so their employees will be update always. "We should have an Internet strategy, if we don't pay attention to this point,

instead of being a sweet dream Internet can be a nightmare for us, as our competitors will use this facility to take a market,” said Pourjafari Pasargard-tours managing director.

### **4.3.1 Arg-e-Jadid Travel Co.**

Arg-e-Jadid is a sister branch of the Arg-e-Jadid Special Economic Zone which is the joint venture of Daewoo car Industry from Republic Korea. they benefit a waste recreational zone In Kerman Province called Arg-e-Jadid Complex. The Zone is located only 10 km away from Arg-e-Bam. The greatest mud-Brick Citadel of the World, which is one of the most important historical monuments of Iran. The company contains different department which cooperate for Travel business, some of this departments are as follows:

- Ticketing Dept., which is capable of reserving all Domestic and International flights from all of the Int. Airlines of the world, with direct and also FTP reservation.
- The Marketing Team is including both the incoming and outgoing Dept.
- The Incoming Dept., is dealing with inbound tours to Iran from all around the world.
- The Outgoing Dept. arranges many tours to different destinations in Asia and Europe
- The Operational Dept, is taking care of all the Land arrangements and ground handling, hotel reservations and tour guiding off all the booked tours in Iran either group arrivals or Individual travelers.

#### ***Current use of Internet***

Arg-e-Jadid’s website is in four languages and contains information about Tour’s services such as:

- Package tours

- Tailor-made tours
- Hotel reservation
- Ticket reservation
- Car rent
- Getting Iran visa

Some of above services are done online right now such as rent a car, customers can choose model of their car over the site and then reserve it for the time and place which they are going to use it. Also mentioned website contains useful information about Iran's culture, historical places, and Iran map.

Based on Dr. Emami's , Managing director of Arg-e-Jadid ,explanations They utilize Internet for both internal and external usage. Internally Internet reduce both cost and time for communicating with other part of the Arg's complex and also for external use it provide great opportunity for promoting the organization to the world. He said since they have used Internet their communication with fax and mail is reduce dramatically and it helps to do companies activity faster and cheaper. Recently the number of customers who make booking online increased and he predict that this will continue. They are implementing a new system over their website, based on this system each customer can be a sales person and enjoy free of charge services instead. Dr. Emami told that in near future some portal website will add to market and they can be serious competitors for OBTO and IBTOs. So ATC's management employe a team of computer engineers and together with Tourism expert they are working on ATC's website. He mentioned if they don't have a strong Internet strategy they will loose market in near future. So compete with new comers is one of the biggest threat which Internet will bring for them.

## Chapter 5. Conclusion

This thesis will be concluded from the objectives of this research.

### *5.1 Achievement of the objectives*

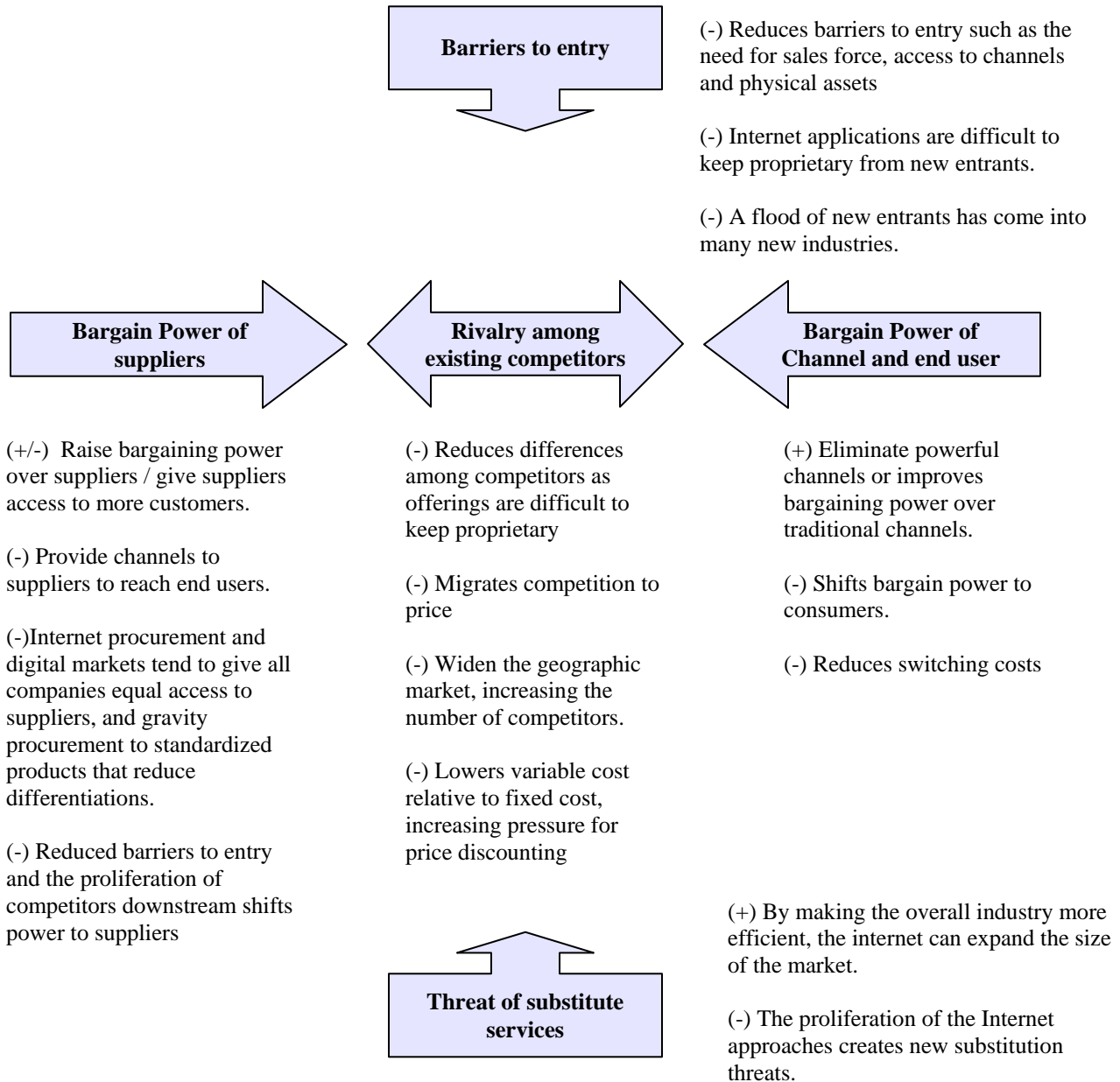
The research question and objectives for this research were first presented in chapter 1, and are presented again here:

*How the use of Internet will affect on distribution value chain in an established industry?*

- Will the Internet lead to mass disintermediation?
- Will the Internet lead to many small intermediaries, or a few powerful ones that control the channels?

A detailed analysis of how internet will affect on tourism industry supports the general findings form the above. According to the framework of this research, the work was organized into two groups of key players in value chain of tourism industry: Suppliers and intermediaries. Most primary data was collected from interviews conducted with tourist companies of a number of key tourism sectors in Tehran, the Capital city of Iran, as well as the heart of the country's tourism development. Also considering the government-oriented business structure of Iranian tourism industry made us have an interview with some of ITTO's managers. One case study which contains three subunits was documented and analyzed in order to provide a richer view of the detail of Internet use. In addition, an interview had been conducted with a group of students who had scheduled their trip to France via Internet, in order to understand their opinions about relationship between suppliers, intermediaries and customers and the role which Internet can play in this chain. Porter proposed a five-force framework, which outlines the main determining a firm's ability to capture the value it cerates. The impact of the Internet on these five forces is depicted in detail in Figure 5.1.

Source: Jelassi and Enders, 2005



**Figure 0-1 The Internet has a profound impact on the five forces that influences industry attractiveness**

Based on gathered information and considering figure 5.1 we face two case, case of re-intermediation and case of dis-intermediation (Figure 5.2).

Source: Adopted from porter

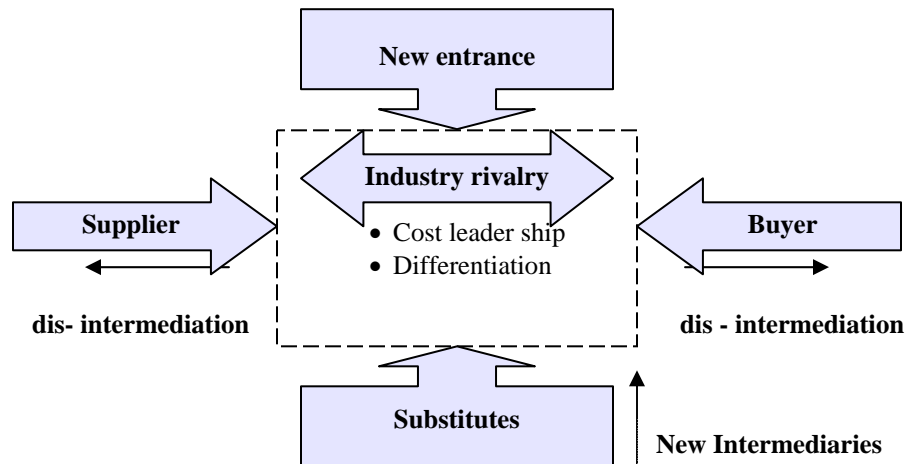


Figure 0.2 Effects of Internet on an industry

Most of the researches about Internet focus on its ability to make a direct link between customers and suppliers which leads to dis-intermediation in the value chain. Opinions of key players in the upstream part of Iranian tourism industry value chain show that most of them try to make a direct relationship with their customers, through their websites.

Some customers such as business travelers are attracted by getting more control of their travel expenses, and a quick and easy way to rearrange their trip. Leisure travelers enjoy convenient ways of accessing information regarding their destination and other travelers' opinions. Although customers required knowledge of where to search for destination sites, as they face a wide range of problems in finding information, as each supplier will provide information in different format. So there is a great opportunity for new virtual intermediaries. They are able to gather and organize customer profiles and offer them

ability to create their itinerary. They can also give their customers authority of accessing to comments made by previous customers.

In tourism industry physical distance are always between tourists and suppliers, however to a large extend, it can be instrumental in the development of the value chain and its specialist intermediaries. While IBTO's are closed to suppliers, Travel agents are close to customers and OBTO's provide the link between geographical boundaries (Pitt et al., 2000).

In Iranian tourism industry travel agents play multiple roles:

- Pass information from suppliers to customers
- Transaction process to print ticket or forward money
- Assisting customers in their choice of specific product or destinations

Internet can do the first two roles, as explained before nowadays most of suppliers provide necessary information over their websites. Based on IATA's instruction airlines have to issue e-ticket by the end of 2006. Another transportation system has started to make online booking over their website such as RAJA railway and Seir-o-Safar bus line. So for those travel agents who want to stay in the market the only way is to make differentiation considering third role. For example Atlas agency is going to provide deposit systems for those customers who are not able to use credit cards, although in future it couldn't be a good idea as all the customers will benefit from having credit cards. So it's better the reposition themselves as travel management consultants, who help customers to manage their travel cheaper and faster.

New intermediaries who provide packaged tours, offer and integrated booking system which allows a customer to arrange his/her entire tour on his/her own, can be a great danger for existing OBTO's in Iran. They have to provide new services and try to be a leader in virtual channel, they have this opportunity that right now there is not such an intermediaries in Iranian tourism industry. Arg-e-Jadid is one of those OBTO's who try to join forces, they belong to a complex of hotels, Internet services providers travel agents and

IBTO's. So they can compete with new comers in a proper ways. IBTO's such as Atlas tour has to concentrate on their physical value chain, they have to differentiate themselves by reducing their cost, increasing their services quality and also try to use Internet as a tool for gathering information about their suppliers and customers.

## ***5.2 Limitations***

There were some limitations in this research work:

- There is no updated statistic information regarding tourist, tourist provider, and organization who are working in this field.
- Cause of governmental nature of Iranian tourism industry, access to some part of necessary information was impossible.
- Internet knowledge is limited among managers in tourist organizations, so choosing interviewees was so limited.
- There was not any other related research which has been done about Internet and tourism in Iran, So literature about Iran tourism industry was limited.

## ***5.2 Further research***

This research leads to some observations that might be of interest to future researchers, as they represent the seeds from which future research can be developed.

Most tourists start to use the Internet for simple applications like Communications (email) and opportunity identification (web searching), whether to customize their holiday or for some other purpose. Thus, it is important for tourism providers to understand the degree of customization needed by tourists in typical holidays and to offer appropriate tour packages to suit them. As the balance of interest and capability to customize shifts from the tour operator to the tourist, and then back again, the role of the Internet as an information source will be pivotal. So following research can be done in Iranian tourism industry:

- The structure of a web site is critical to its usefulness to tourists. So the question of what makes a good web site is important for tourism providers to understand.
- Mobile commerce is just starting to use in Iran. So it can be a good idea to do the same research but checking the impact of mobile on tourism industry.
- Internet is a critical media for airlines so working on strategic and tactical use of Internet in the airline industry is really important for Iranian airlines.

## References

- Ader J., LaFleur R., Falcone M.(2000): ‘ Internet Research’, [http:// www.bearstearns.com](http://www.bearstearns.com).
- Alderson W. (1958): ‘Factors governing the development of marketing channels’, in Clewett, R.M. (Ed.), *Marketing Channels for Manufactured Products*, Richard D. Irwin, Homewood, IL.
- Berthon P.R., Pitt L.F. and Watson, R.T. (1996): ‘The World Wide Web as an advertising medium: towards an understanding of conversion efficiency’, *Journal of Advertising Research*, Vol. 36, No. 1, January/February,Special 60th Anniversary Edition, p43-53.
- Bhatt G. D. and Emdad A. (2001): ‘An analysis of the virtual value chain in electronic commerce’, *Logistics Information Management*, Vol. 14, No 1, p78-85.
- Bieger Thomas, Laesser Christian, Gallen, Sankt (2000): ‘Segmenting travel situations on the basis of motivation and information-collection by the traveler’, *Revue de Tourisme*, Vol. 2, No 3, p54-64.
- Bloch M. and Segev A. (1996): *The Impact of Electronic Commerce on the Travel Industry*, <http://haas.berkley.edu>
- Buhalis D. (1998): ‘Strategic use of information technologies in the tourism industry’, *Tourism Management*, Vol. 19,No 5, p409-421.
- Cho V (1998): ‘World wide web resource’, *Annals of Tourism Research*, Vol. 25, No 2 p518-521.
- Connell J., Reynolds P. (1999): ‘The implications of technological developments on tourist information centres’, *Tourism Management*, Vol. 20 , No 2, p501-509.
- Connolly D. J., Olsen M. D. (2001): ‘An environmental assessment of how technology is reshaping the hospitality industry’, *Tourism and Hospitality Research*; Vol. 3, No1, p73-93.

- Creswell W. J. (1994): *Research Design qualitative and Quantitative Approaches*, Sage Publications, Inc.
- Doolin B, Burgess L & Cooper J (2002): 'Evaluating the use of the Web for tourism marketing: a case study from New Zealand', *Tourism Management*, Vol. 23, No 5, p557-561.
- Foster T. (1998), *Industrial marketing Communication-an Emprical Investigation on the use Marketing Communication Tools*, Lulea University of Technology.
- Garces S.A, Gorgemans S, Sanchez A M, & Perez M P (2004): 'Implications of the Internet – an analysis of the Aragonese hospitality industry, 2002', *Tourism Management*, Vol. 25, No 5, p603-613.
- Gummesson E. (2000): *Qualitative Methods in Management Research*, Thousand Oaks: Sage Publication Inc.
- Inmon W. (1996): 'The datawarehouse and datamining', *Communications of the ACM*, Vol. 39, No 11, p49-50.
- Lawton T and Michaels K. (2001): 'Advancing to the virtual value chain: Learning from the Dell model', *Irish Journal of Management*, Vol. 22, No 1.
- Lovelock C., Vandermerwe S., Lewis B. (1999): *Services marketing: A European perspective*, USA, Prentice-Hall.
- Ma X, Buhalis D, & Song H. (2003): 'ICTs and Internet adoption in China's tourism industry', *International Journal of Information Management*, Vol. 23, No 6, p451-467.
- Miles and Huberman (1994): *Qualitative data analysis: an expanded sourcebook*, Sage, Cop.
- Morrison A. J., King B. E. M.(2002): 'Small tourism businesses and e-commerce: Victorian tourism online', *Tourism and Hospitality Research* , Vol. 4, No 2, p104-115.

- Mougayar W. (1998): *Opening Digital Markets—Battle Plans and Business Strategies for Internet Commerce*, McGraw-Hill.
- Murray K. B. A. (1991): ‘Test of services marketing theory: Consumer information acquisition activities’, *Journal of Marketing*, Vol. 55, No 1, p10-25.
- Nolan D. (1976): ‘Tourist’s use and evaluation of travel information’, *Journal of Travel Research*, Vol. 14, No 2, p6-8.
- Parasuraman A., Zinkhan G. M. (2001): ‘Marketing to and serving customers through the internet: An overview and research agenda’, *Journal of the Academy of Marketing Science*, Vol. 30, No 4, p286-295.
- Payne A. (1993): *The essence of Service Marketing*, UK, Prentice hall.
- Pitt L., Berthon P., & Berthon J. P. (1999): ‘Changing channels: The impact of the internet on distribution strategy’, *Business Horizons*, Vol.42, p19-28.
- Porter M. E. (2001): ‘Strategy and the Internet’, *Harvard Business Review*, Vol. 79, No 3, p59-78.
- Porter M. (1998): *Competitive advantages: Creating and sustaining Performance*, New York, Simon & Schuster Inc.
- Porter M. E. and Millars V. E. (1998): ‘How information gives you Competitive advantages’, *Harvard Business Review*, Vol. 63, No 4, p149-161.
- Porter M. E. (1980): *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York.
- Quelch, J.A. and Klein, L.R. (1996): ‘The Internet and international marketing’, *Sloan Management Review*, Vol. 37, No 3, p60-75.
- Rayman-bacchus L & Molina A (2001): ‘Internet – based tourism services: business issues and trends’, *Futures*, Vol. 33, No. 7, p589-605.
- Rayport j. F. and Svioka J. J. (1995): ‘Exploiting the virtual value chain’, *Harvard Business review*, Vol.73, No 6, p75-86.

- Reinder J & Baker M (1998): 'The future for direct retailing of travel and tourism products: The influence of information technology', *Progress in Tourism and Hospitality Research*, Vol. 4, No 1, p1-15.
- Saunders M. N. K., Lewis p. and Tornhill A. (2000): *Research Methods for Business Students*, England, Pearson Education Limited.
- Sekaran U. (1992): *Research Methods for Business: A Skill-Building Approach*, Canada, John Wiley & Song Inc.
- Shank, John K. and Govindarajan, Vijay (1993): *Strategic cost management, the new tool for competitive advantage*, The Free Press.
- Shoemaker S.(1984): 'Marketing to older travelers', *The Cornell Quarterly*, Vol. 25, No 2, p84-91.
- Snepenger D. J. (1987): 'Segmenting the vacation market by novelty-seeking role', *Journal of Travel Research*, Vol. 26, No 2, p8-14.
- Stern L.W. and El-Ansary A.I. (1988): *Marketing Channels* (3rd ed.), Prentice-Hall, Englewood Cliffs, NJ.
- Stipanuk D (1993): 'Tourism and technology – interactions and implications', *Tourism Management*, Vol. 14, No 4, p267-278.
- Swarbooke J (1996): 'Technological developments and future of the UK tourism industry', *Insights*, Vol. 7, No 5, pA173-183.
- Tull D. S. and Hawkins D. J. (1984): *Marketing Research Management and Method*, New York, Macmillan Publishing Company.
- Turban E., King D., Lee J., Warkentin M., and Chung, M. (2002), *Electronic Commerce; a Managerial Perspective*, International Edition., New Jersey:, Pearson Education Inc.
- Verity J.W. and Hoff R.D. (1994): 'The Internet: how it will change the way you do business', *Business Week*, November 14, p80-88.

- Walle H (1996): 'Tourism and the Internet: opportunities for direct marketing', *Journal of Travel Research*, Vol. 35, No 1, p72-77.
- Watson R.T., Berthon P., Pitt L.F. and Zinkhan, G.M. (1999), *Electronic Commerce: The Strategic Perspective*, The Dryden Press, Hinsdale, IL.
- Wyner G. (2000): 'Learn an earn through testing on the internet', *Marketing Research* Vol. 12, No 3, p37-38.
- Wynne C., Berthon P., Pitt L., Ewing M., & Napoli J. (2001): 'The impact of the Internet on the distribution value chain: The case of the South African tourism industry', *International Marketing Review*, Vol.18, No4, p420 - 431.
- Yin R. K. (1989): *Case Study Research: Design and Methods*, the United States of America, sage Publications Inc.
- Yin R. K. (1994): *Case Study Research: Design and Methods* (2nd ed.), the United States of America, sage Publications Inc.
- Zeithaml V. A., Parasuraman A., Berry L. L. (1985): 'Problems and strategies in services marketing', *Journal of Marketing*, Vol. 49, No 2, p33-46.

### **Internet sources**

The University of Texas (2005), 'The Case Study as a Research Method Uses and Users of Information', <http://www.gslis.utexas.edu/~ssoy/usesusers/1391d1b.htm>

WTO (World Tourism Organization) (2005), <http://www.world-tourism.org>

ITTO (Iran Tourism and Touring Organization), <http://www.itto.org>

### **Interviews:**

Mr. Gilanshah, Laleh International Hotel, Front Office Manager

Mr. Hassani, Laleh International Hotel, Public Relationship Manager

Mr. Mohammadi, IranAir, Technical Manager

Mr. Gareck, Atlas Travel agent, Managing Director

Dr. Emami, Arge- Jadid travel Co., Managing Director

Ms. G. Azad, Arge- Jadid travel Co., Tourism Marketing Development Executive

Mr. Pourfaraj, Pasargard Tours, Managing Director

## Appendix

**Tourism providers** were questioned as follows:

My name is Narges Homayooni. Moreover, I am a student at Lulea University of technology and I am doing a research project “*Impact of the Internet on the distribution value chain: the Case of Iranian Tourism industry*”. Your business was randomly picked to form a part of our sample.

1. What is the name of your business?

---

2. What kind of business are you running?

Travel agent ( )

OBTO ( )

IBTO ( )

Accommodation ( )

Other ( ) \_\_\_\_\_

3. How long has your business been running?

Less than half a year ( )

1 year – 2 years ( )

2 years – 4 years ( )

More than 4 years ( )

4. How would you like to describe your organization’s core competence?

---

5. Which customer group do you like to attract?

---

6. Does your company have access to the Internet?

Yes ( ) No ( )

7. How is the Internet used within the organization?

---

8. Does your company have a website and if yes what is your web site address?

---

9. Does your web site provide an e-mail address where you can be contacted?

Yes ( ) No ( )

10. Is your web site registered with any search engines?

Yes ( ) No ( )

11. Could you tell me something about the advantage and disadvantage of using the Internet to deal with your daily work?

---

---

12. Does your organization often do the promotion on the Internet?

Yes ( ) No ( )

13. Did your organization benefit from the online promotion?

Yes ( ) No ( )

14. How do people make bookings from your business mostly?

Telephone ( )

Come to us ( )

Internet ( )

15. Is the number of people making booking online being increased recently?

Yes ( ) No ( )

16. Are there lots of tourists who contact your organization for more information during their holiday?

Yes ( ) No ( )

17. Did people give feedback to your organization by email?

Yes ( ) No ( )

18. Which part do you think is the most important to utilize the Internet?

Promotion ( )

Booking ( )

Tour ( )

Transaction ( )

Post tour experience ( )

19. Do you think the Internet helps your organization a lot?

Yes ( ) No ( )

20. What do you think about the future opportunities of using the Internet or the impact of the Internet in tourism industry and especially for your own business?

---

---

---

21. What are you going to do to compete with your competitors in case of using Internet?

---