

CHAPTER 4

Result and Analysis

The goal of the research result in Chapter 4 is to present the process of OTAs in the revolution format, background of the business, type of tourism business agency, the management of organization and the format of managing organization. The important problem issue in the research is the supplier selection process that reflects how management strategies, techniques and tools are used to accomplish the process.

4.1 Initial finding

At present, Thailand is the developing country that is the most successful country in tourism industry as the source of traveling. Thailand is the country that supports the marketing and investment in tourism, especially the transaction through internet network so-called "E-commerce" in order to make profit and employment in tourism sector.

The Electric commerce is expanding vastly in tourism industry. The customers or the travelers will have a chance to compare the price and the quality of the product and service offers for sale which makes the competition by using price. According to dramatic increase of internet using, competition is more intense because OTAs have to compete with each other for price and they have to compete with the suppliers for direct sale with traveler. Online Travel Agency (OTAs) in Chiang Mai is providing the reservation services and selling tourism goods and services through the general website user in B2C (Business to Customer) and will display the price and promotion of the residence of each supplier to a customer-demand and also include the special services such as presentation of the technique from real experienced person, electronic journal, comparison of the transportation price, introduction of the city, calculation of the exchange rating, follow up the transportation ticket, map, chat room, auction, special services and the low price airline with the cheap residence. OTAs in Chiang Mai are

small business. The developed business model is from the original travel agency. A lot of entrepreneurs still arrange a tour service so there are few OTAs that work only online system.

For the online travel service, it was found that an obstacle is lack of knowledge and employee. However, costly expense and online transaction security problem are decreased from the early period of online travel. The role of OTAs is to find the way to sell products and tourism services. OTAs is the connector between supplier and customer and also be an agent selling tourism products and services to the customer. OTAs is the business that helps supplier get more opportunity to meet with customer and increasing more income to supplier by using the connecting tool called “Global Distribution System: GDS” and “Internet Distribution System: IDS” or develop their own system to book the plane ticket, residence, hotel, or rental car, etc.

The advantages of selling goods and services online are that the customer can reserve any goods by their own in the safe time, can pay for the bill beforehand when finished their reservation, faster services, even in the last-minute booking. This system can be online around the world in 24x7/365, decreasing the expenses of making public relationship media and can improve the detail easily. It can penetrate in wide market and economy. It also reduces the cost and the office staff

The sample group also give the information about the survival of OTAs in Chiang Mai that OTAs must present the variety of the products and the services in the same time. To find the supplier to be filled is the main responsibility of OTAs by choosing the interested new supplier to be product and new service to present to the customers and keep the relation with the great old supplier or give the high commission. However, there is no local level of OTAs that can create the sustainable suppliers collaboration or a strategy for effective management. The following information is the details of 7 companies in the sample group which have organization characteristic details in table4.1 The generalization information from evaluating work results of each organization is presented to grant more details in topics 4.2-4.6.

Table 4.1 The sample group's information

| <i>Organization characteristic</i> | A | B | C | D | E | F | E |
|---------------------------------------|---|--|--|---|--|---|--|
| OTAs Agency Positions | Managing director | Marketing manager | Marketing manager | Owner | Marketing and sale manager | Owner | Owner |
| Years of Operation (year) | 13 | 20 | 15 | 22 | 15 | 12 | 11 |
| Business operations | Independence | Independence | Independence | Independence | Franchise | Franchise | Independence |
| Agency type | Specialized Agencies in outbound tourism-marketing businesses in Hong Kong, Taiwan, and European countries. | Specialized Agencies in MICE tourism-marketing businesses in Hong Kong, China, and Japan. Wholesaler tourism package distributors for minor operators. | Specialized Agencies in cheaper plane tickets that focus 70% on domestic tickets and 30% on international tickets and major accommodation services in the country. | Specialized Agencies in outbound leisure tourism marketing. | Specialized Agencies in outbound leisure tourism marketing in Japan and Korea. | Specialized Agencies in outbound leisure tourism marketing in Americas and European countries, including career training program distributions. | Specialized Agencies in cheaper plane tickets that focus 80% on domestic tickets and 20% on international tickets. |
| Business Model | Brick and Click | Brick and Click | Brick and Click | Brick and Click | Brick and Click | Brick and Click | Brick and Click |
| Online commerce | B2C | B2C B2B | B2C | B2C B2B | B2C | B2C | B2C |
| Service Oriented Architecture version | WEB 2.0 uses GDS system | WEB 2.0 develops its own internet booking system | WEB 2.0 uses GDS system | WEB 2.0 uses GDS system | WEB 2.0 uses GDS system | WEB 2.0 uses GDS system | WEB 2.0 uses GDS system and has mobile-version websites for reservations. |
| Target customer | Business traveler | Business Traveler | Business traveler | Leisure traveler | Leisure traveler | Leisure traveler | Leisure traveler |
| Targeting strategies | Selective specialization | Selective specialization | Full market coverage | Full market coverage | Selective specialization | Full market coverage | Full market coverage |

Table 4.1 The sample group's information (Cont.)

| <i>Organization characteristic</i> | A | B | C | D | E | F | E |
|---|--|--|---|---|--|---|---|
| Marketing strategy | -Price-based competition -High and medium end product mix | -Price-based competition -High and medium end product mix | -Price-based competition -Medium end product mix | -Price-based competition -High and medium end product mix | -Price-based competition -High and medium end product mix | -Price-based competition -High and medium end product mix | -Price-based competition -Medium end product mix |
| Revenue | - Transaction-based commissions | - Transaction-based commissions -Transaction broker -The sale price is a bargain (B2B) | - Transaction-based commissions | - Transaction-based commissions -The sale price is a bargain (B2B) | - Transaction-based commissions | - Transaction-based commissions - Transaction broker | - Transaction-based commissions |
| Cost structure (Average cost structure is calculated and shown in topic4.4.2) | - Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management | -Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management | - Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management | - Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management | -Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management | - Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management | - Marketing and acquisition -Offline activities - Technology management -Online search and booking -Supplier sourcing -Firm infrastructure and human resources management |

Table 4.1 The sample group's information (Cont.)

| <i>Organization characteristic</i> | A | B | C | D | E | F | E |
|--------------------------------------|--|---|---|---|---|---|--|
| Supplier selection method | -Evaluate supplier performance -Ranking rather than sourcing | -Evaluate supplier performance -Ranking rather than sourcing | -Evaluate supplier performance -Meet regular supplier and frequent contact them -Give special offer during low season travel time | - Evaluate supplier performance -Ranking rather than sourcing | -Evaluate supplier performance -Meet regular supplier and frequent contact them | -Evaluate supplier performance -Ranking rather than sourcing | -Evaluate supplier performance -Give special offer during low season travel time |
| Supplier type | -High-end and Medium-end local hotels - International airline - International airline -Low cost airline -Medium-end local car rent | High-end local hotel - International airline - International carrent -High end local carrent | -Medium-end local hotels - International airline -Low cost airline -Medium-end local car rent | -High-end and medium-end local hotels - International airline -Low cost airline -Medium-end local car rent | -High-end and medium-end local hotels - International airline -Low cost airline -Medium-end local car rent | -High-end and medium-end local hotels - International airline -Low cost airline -Medium-end local car rent | -Medium-end local hotels - International airline -Low cost airline -Medium-end local car rent |
| Supplier selection process | Supplier selection evaluation, classification, development, and termination | Supplier selection evaluation, classification, development, and termination | Supplier selection evaluation, classification, development, and termination | Supplier selection evaluation, classification, development, and termination | Supplier selection evaluation, classification, development, and termination | Supplier selection evaluation, classification, development, and termination | Supplier selection evaluation, classification, development, and termination |
| Contract types | -Firm fixed price (seasonal base) -Cost plus with fixed fee (B2B) | Firm fixed price (seasonal base) | Firm fixed price (seasonal base) | -Firm fixed price (seasonal base) -Cost plus with fixed fee (B2B) | Firm fixed price (seasonal base) | Firm fixed price (seasonal base) | -Firm fixed price (seasonal base) -Fixed price with intensives |
| Contact period with suppliers (year) | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

The goal of this relationship study is therefore to investigate solutions OTA could put in place to leverage their suppliers using what is now called: SRM. This will be achieved by illustrating the key functionalities such as CRM which should offer key synergies ,for instance ,product design and development, product life cycle, supplier sourcing ,etc. In practical way, OTAs put customer target group in place to leverage their suppliers using. This will be achieved by illustrating the key functionalities such as customer profile management and often associated with terms such as marketing concept. However defined, its fundamental force remains the goal of putting customers at the center of strategic focus. Additionally, customer profile management should offer key synergies :for instance ;product design and development, product life cycle, and supplier sourcing. The customer profiles are based on the secure OTAs' Customer Server. OTAs use them and can easily incorporate data such as passenger information, travel preferences, etc. stored in the profiles during the reservation process, into other processes especially supplier selection

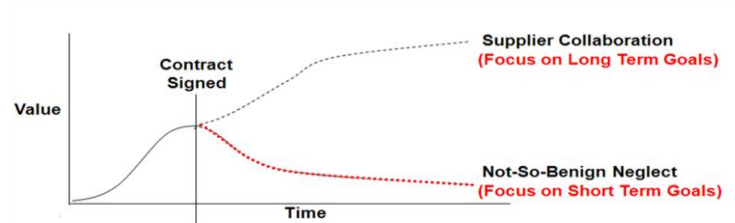


Figure 4.1 The relationship between OTAs suppliers and customers

Table 4.2 OTAs' stage of supply chain

| <i>Stage of supply chain</i> | <i>Activity description</i> |
|------------------------------|--|
| Product design | Design and creation of a product package <ul style="list-style-type: none"> • Customer service life cycle • Inclusion and selection supplier • Design of aims and nature of tourist's activities at destination |
| Sourcing | Selection, contracting with and management of suppliers. |
| Production | Producers, suppliers, consumers and servicescape |
| Distribution | Management of distribution chain |
| Reverse logistic | Feedback performance measurement mechanisms |

So the relationship with the supplier is decreased in a long run. Figure 4.2 is presents a relationship between time and value by using the criteria from signing in the contract in each year to consider the supplier relationship management



Source: Adapted from Procurement Strategy Council,2011

Figure 4.2 OTAs and suppliers relationship after contract signing

Supplier Management Relationship that is shown in Figure 4.2 and from the study suggested that Lack of attention and suitable method paid to long-term relationship management leads to: Decreasing supplier service quality, Animosity in supplier relationship and Income diminishing.

4.2 Online travel agency evolution

Service Industry is very important for Thailand’s economy. Especially, Tourism Industry which is vital to business’ growth. It brings a lot of money into the country. Tourism Industry has a variety of elements such as hotel, business tour, business restaurant, currency exchange business and souvenir business, etc. Before having the online tour agency business in Thailand, there is the evolution of business from business tour as follows:

For 3 decades ago, the small business; Travel Agency was in the pattern of family by providing service to customer nearby. Usually sell various tourism products and services. Afterward, there are five main factors leading to changes in global trends and consumer behaviors in tourism (Page and Connell,2006)

- 1) Globalization (language, culture, currency exchange)
- 2) The improvements in technology: transportation and communication; growth of e-commerce and new transportation, low cost transportation (air and train)

- 3) Changing economic conditions, Critical attitude towards price – quality ratio
- 4) The change in the demand profile of consumers:
 - More learning and experience oriented tourists,
 - More technology and digital friendly
 - Changing preferences of destinations and length of stay for travels,
 - Demanding various tourism types,
 - Changing demographics like aging population, changing family size, etc.
- 5) Political aspects: the ‘War on Terror’, safety and health: the need for growing security.

The five main factors above cause the evolution of tourism by the usage of information and communication technology, to develop the growth of industry and create the income to entrepreneur. As ICT and tourism developments are closely interrelated, it is often difficult to identify whether ICTs generate changes in tourism supply and demand, or visa-versa. Usually, reality is somewhere in the middle. ICTs provide tools and enable evolution of tourism demand and supply. Consequently, tourism industry increases its requirements from ICTs. In return, developments in ICTs offer further tools and greater potential which are then matched by the requirements of the industry.

ICTs transform the best operational practices and give opportunities to expand in all geographical and operational senses. Tourism industry needs to become; more flexible, more efficient, quicker, in responding to customer requests. ICTs provide tourism organizations global presence, as well as formulate partnerships around the world in an efficient and cost-effective manner. eTourism concept includes all business functions ; eCommerce, eMarketing, eFinance, eAccounting, eHRM, eProcurement, eRandD, eProduction, ePlanning, eManagement, etc.

However, tourism is an industry that has long been regarded as “labour” industry, and several practices are still carried out in traditional ways. Many small enterprises (small hotels, travel agencies, etc.) make it even worse and keep ICTs at a minimum. As can be seen in Chiang Mai which is the city of tourism industry, the Internet is a major distribution channel for the travel industry, providing nearly limitless

travel-related content, pricing information and travel planning tools for consumers. It has empowered consumers to research, plan and book their own travel. Its transparency has produced more price-sensitive and savvy shoppers. The Internet provides travelers with an increasing number of options, in the number of available sites and the information, services and products offered.

Increased options have led to increased competition among travel providers and suppliers. Many companies are battling for the online customer. Internet is used as a tool for researching and booking travel. This will continue to trend-up as technology and users become more sophisticated. Competition will increase and companies that lead in travel research and booking feature improvements, targeted promotions and robust CRM and SRM programs will reap the greatest benefits.

Regarding the change of consumer behaviour factor, the technology information and communication are reflected to business of tour services. Starting from a Conventional agency by expanding channel vendors, products and services via online, then establish OTAs. Even internet has more roles in business but tour agent business in the current still have a format in the original operation and mix with the online format. The next sections show how the business operations of Conventional agency OTAs are and to have more understanding in the evolution and business tourism (King et al.,2005)

1) Conventional agencies

This type of Travel agency often sells a various and full line of tourism products and services. For example, ticket sales, accommodation, car rental, getaway boat/ train ticket, tour program with full package; a client can ask for advice by phone, email, or visit the offices. Products and services are often sold to customers in the community and the neighboring area. This category may subdivide following the management. They are as follows:

1. Networking

Such as Carlson Wagonlit, and American Express, some large network may have more than 1,000 branches which is called mega-agency.

2. Franchising

Refers to person's or family's Travel Agency but joined the network with the

famous parent company to use the name and operation of the company by paying an annual fee to the parent company.

3. Consortium

A group of Agency collaborate to develop marketing activities and other systems

such as accounting system, employee training. This maintains the identity of their own and does not need to use the reputation of the parent company.

4. Independence

There is no any networking with any other company, usually it belongs to person

or family.

2) The internet sales (Online Agencies)

It has occurred for the past 10 years. This agency includes business via the Internet, and sometimes the phone consulting. A famous online agency is Travelocity Expedie and Orbits. For Thailand, is Sawasdee Siampanorama. For province level is Chiangmaibooking. Highlights of such an online agency is able to sell to various places around the world, not limited in the community or any one of the sources. This online agency can be divided as follows;

1. Specialized agencies

An independent agency and is a part of the Consortium. It might be found that it is better if the business is sold to customers with specialized needs, such as business man, yacht market and high end level customer.

2. Home-based agencies

Currently, the business can be done through the Internet. A businessman may adapt his residence to an office, which is economical from travelling expense to the office and do not require high investment budget.

Tourists will get a benefit from the services of OTAs as following:

1. Save time when contacting the camp including a vehicle travel since a tour helps to facilitate as our representative
2. Get a good service and good price because of the company tour familiar with the business owners, they have more chance to get a higher quality of service

3. The expense can be estimated in advance. Similarly, owners of camp, entertainment and transportation also get a benefit from the tour company.
 1. To know the exact number of customers.
 2. Improve the program to suit the tastes and needs of tourists.
 3. There is an average customer for whole year

4.3 Business model of OTAs

Business model means the architecture for the product and service, the flow of information, role and participants' function in business events including benefits and sources of income of each section

Business model of electronic commerce between business and business might be considered from the market controller such as salesman, customer or middle salesman. For the others are Virtual collaboration, Network between large organization with Subsidiaries and service online business (Turban , Lee , King ,and Chung , 2000)

Besides Business model as mentioned above, it can be divided by the main activities of business as agent , advertising, data presentation, merchant, manufacturer, network business and community. (Laudon, 2000 : Rappa , 2001) Business model of electronic commerce in tourism industry shows in Table 4.3 and business model of OTAs in Chiang Mai is the model of Electronic distributor or Electronic broker in the case of Big famous internationally of OTAs can grow business model to be an Electronic store or an electronic shopping mall side tour

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Table 4.3 Business model of electronic commerce in industry tour

| <i>Business to consumption (B2C)</i> | <i>Business to business (B2B)</i> | <i>Event</i> |
|---|--|--|
| Direct marketing Indirect marketing | Market is determined by sellers | Commission model <ul style="list-style-type: none"> • Intermediately in the transaction • Central market is a collection of buyer, distributors ,virtual shopping mall • Transaction-based commissions • Auction commission • Reverse auction • Classified as a category • Finder agent |
| Selling through the internet only Selling something through the internet | Market is determined by the buyer | Advertising model <ul style="list-style-type: none"> • General portals, Personal portals • A specialized portal • Free model • The sale price is a bargain |
| Electronic distributor Electronic broker | Market is determined by the middle man | Model information <ul style="list-style-type: none"> • Recommended system • Information broker • Content provider • The subscription |

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Table 4.3 Business model of electronic commerce in industry tour (Cont.)

| <i>Business to consumption (B2C)</i> | <i>Business to business (B2B)</i> | <i>Event</i> |
|---|--|--|
| Electronic store Electronic shopping mall | Virtual collaboration or network of business partner | Merchant model • Virtual merchant ,virtual market • Catalog merchant • creating a website to increase sales channels • delivery of digital product Branch model or affiliates |
| Business that emphasize trade policy of electric commerce and business that emphasize trade policy of original system market | Network between large organization with branch company (Subsidiaries) | |
| Electronic market that sell general products and specific products market | Business Online Service | Community model • supported by the volunteer of knowledge network |

Source : adapted from Turban et al.2000; Laudon,2000; and Rappa ,2001

Moreover, The business model of electronic commerce in Figure 4.3 by OTAs is most often a Click Only model, Click-and-Mortar model or Brick and Mortar model. Both strategies are often used on the internet. OTAs always use strategies considering in the customer-demand in products and the style of OTAs.

- 1) Information Broker is an intermediary in the supply, or the products, or information, including prices.
- 2) Transaction Broker is an intermediary in the payment which decreases some steps in a transaction to sell your products and tourism services.

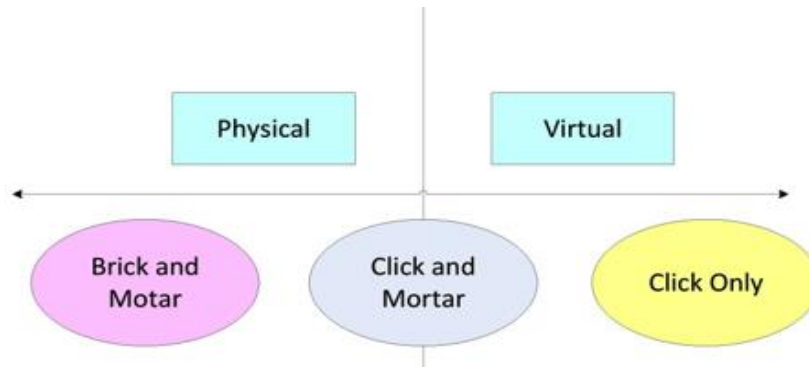


Figure 4.3 OTAs business model

There are 3 forms of selling tourism products and services of OTAs as follow;

- 1) Sale by the Retailer Website for distribution to the customers directly. It can be divided into two types, i.e., in the Stand Alone (Unbundled) and sold as a Package (Bundled) travel products and services.
- 2) Wholesale in the way of wholesaler of the Product to be supplied to the site so that the OTAs in the Private Label are linked together.
- 3) Retail through websites participating in the Affiliates Marketing using websites and other channels in order to bring customers to book and travel through the website that uses the self-system.

Kim et al. (2007) studied the properties of the online booking system for customers of the OTAs. The properties of the online booking system are; you can find the products from the low cost suppliers, the system is safe, easy to use, and flexible, a wide range of products and services in the high speed website, the content is reliable and can be used to make decision, and easy booking in the beautiful and interesting website.

OTAs in Chiang Mai have a characteristic called "brick-a-mortar" when starting out thier businesses. Later when the Internet was first used to reserve tourism products and services, OTAs then turned to a new business model called "brick-and-click". Thus said, the business places and tagible assets remain the same but with online transactions along their sides. The result from the interviews showed that customers tend to trust travel agencies that have front offices better than those who use the click-and-click business model.

4.4 Online travel agency business process

4.4.1 OTAs organization

Characteristic of OTAs originally is the business tour to follow the law act of business tour and tour guide B.E. 2535 (1992) section 3 defining the words “business tour “ means business or services or facilities for travel, accommodation or meals or tour and tour guide to tourist”. In Chiang Mai Province, OTAs is both a tour in the country and foreign tour that are servicing as the Travel agent, Tour operator and Whole sealer. Many OTAs would have Tourism product and service sales without the tour.

Domestic tourism business of OTAs, it can be divided into 5 categories: In-bound bound Operator, Operator, Out – Local operator, Local and Worldwide Operator, and General Travel Agent.

Oversea tourism business established as the company, which will cooperate with foreign companies to serve the tourists in the subject of passport, visa, ticketing, touring and accommodation service

Characteristic of OTAs organization In most provinces, as a small business with an owner and employees, totaling 3-5 persons. An online operation is created by hiring a programmer to develop a system as a cost saving. Some companies will have a programmer or system administration tasks who is in charge for web-database which is under the Tourism management. If need to provide a service for both domestic and abroad, will use the network relationship to contact a freelance Guide.

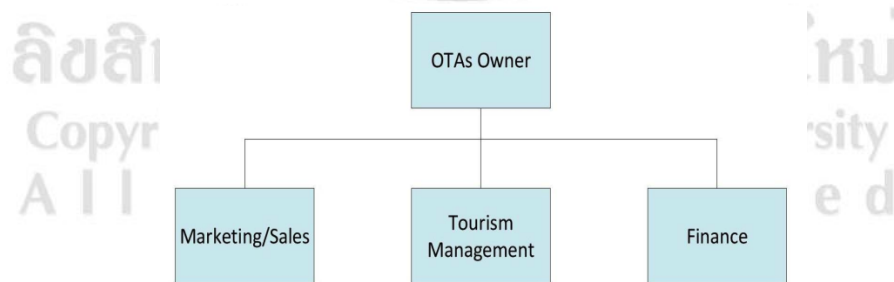


Figure 4.4 OTAs organization chart

4.4.2 OTAs management system

From the interview of sample groups in the business processes of OTAs, the researcher used many activities of OTAs to analyze together with the literature review and found that OTAs business management system are split into two clusters;

- **Main activities** refer to Marketing and Acquisition, Online Search and Booking, Offline and Back-Office activities.
- **Support activities** refer to Supplier sourcing, Technology Management and Firm Infrastructure and HR Management activities.

If provide the tasks in to 2 clusters under Organization chart. It will be are as below

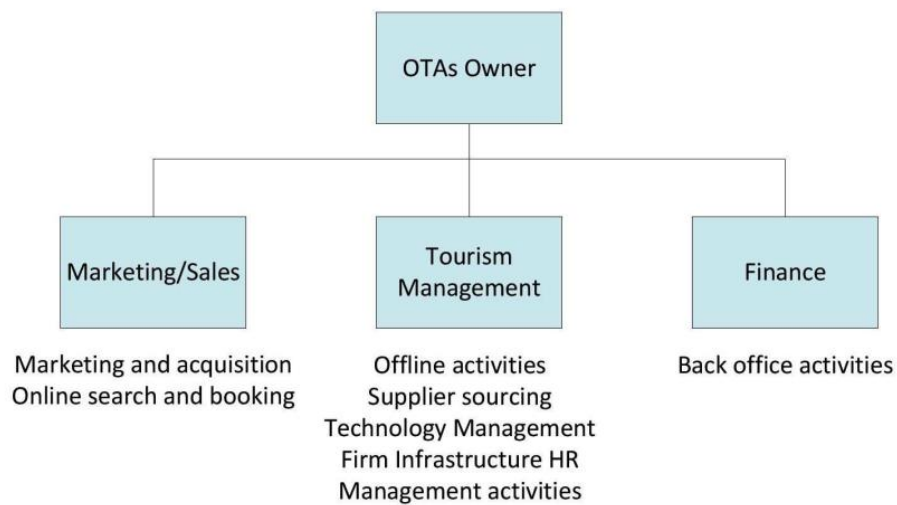


Figure 4.5 OTAs management system

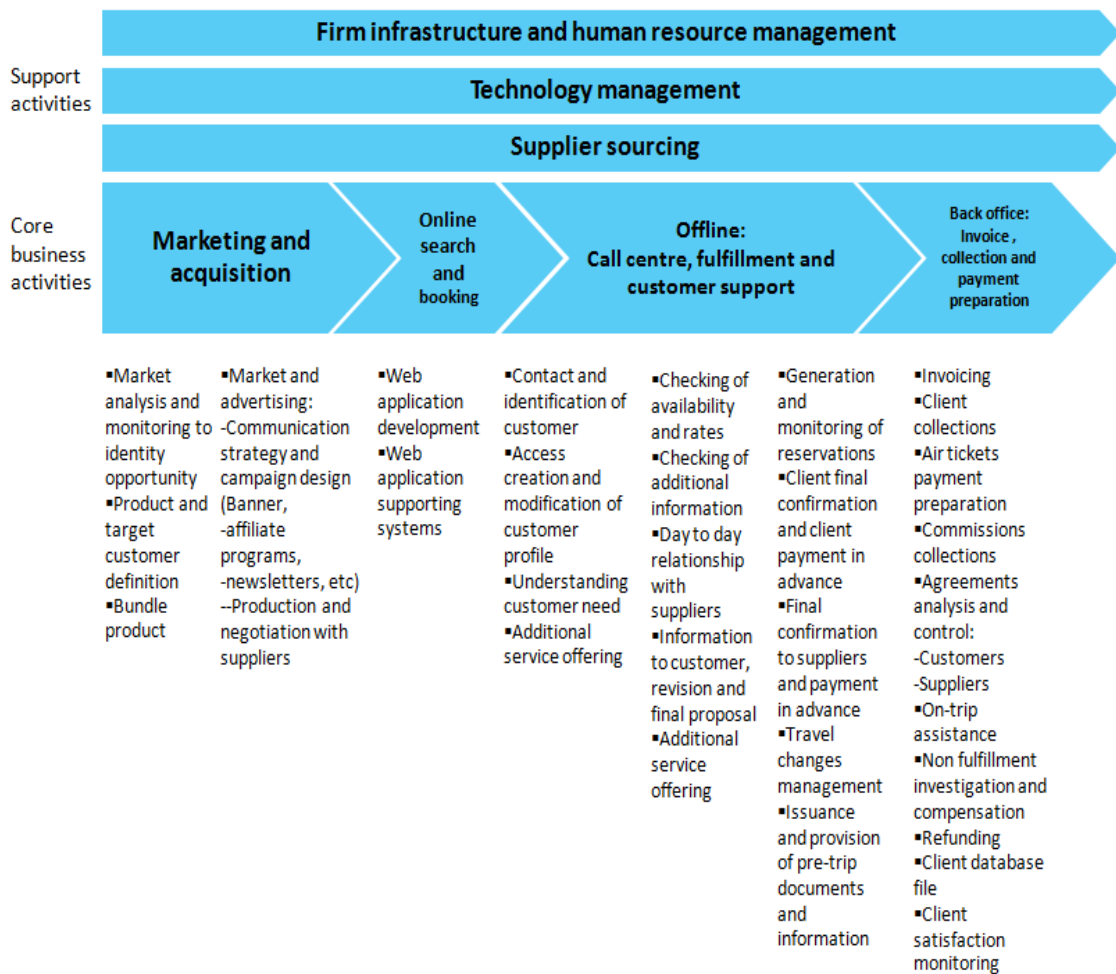


Figure 4.6 OTAs Value Chain

OTAs' information shows that the activity from Core business activity has cost in different ratios due to importance of each activity is different. High-cost activity is the primary or top activity which is a Cost driver. That can be sorted as follows:

Marketing and acquisition activities are the main cost driver approximately 35%

Offline activities are the next largest, accounting for 25% of total costs.

Technology management is the third cost driver, representing 15% of total costs

Online search and booking only represents 10% of all costs,

Supplier sourcing represents 10 % of total costs.

Firm infrastructure and human resources management represents 5 % of total costs,

a) General business function

1. Task of OTAs

Online travel Agency in Chiang Mai has evolved from a Tour Operator and Travel Agency, but some are only Tour Operator or Travel Agency. Subsequently, Technology is dominant to economic and social, as a result many companies are expanding the communication and distribution channels by making their own website, including the Global Distribution system usage i.e., Amadeus Octopus. These companies are responsible for;

- Selling tourist items.
- Be an agent to sell passenger ticket for all types of vehicles.
- Be an agent to search and reserve for camping, as well as an entertainment activities

If the company does not have only a business online and has additional services to customers, for example;

- Travel document service
- Welcome service and tourist traffic
- Consultancy and travel recommendations

2. Division management in Online travel Agency

Generally segmented into 3 major divisions include; Sales, Tourism management

and Finance and Accounting. In each division, subdivision by its responsibility.

Each division will have a sub division. For OTAs' medium and small size, these sub divisions may operate with one employee. In many OTAs, there is no accounting department but will gather finance document and send to the company accounts to reduce the burden of hiring employees and owner will control most of the financial system itself.

1. Marketing and sales

1.1 Marketing and sales are responsible for

1.1.1 Finding new markets.

1.1.2 Analysis a local, regional and international market level.

1.1.3 Pricing plan

1.1.4 Release tourism information

1.2 Public relation is responsible for.

1.2.1 Design media releases, such as a sewing book and pamphlet as well as other things such as videos or movies to support the campaign.

1.2.2 Coordinate with the Merchandize Department to publicize the activities of the company.

2. Tourism management

2.1 Administration is responsible for.

2.1.1 Providing the document.

2.1.2 Maintenance information

2.1.3 Correspondence publications

2.1.4 Couriering documents

2.2 Domestic tourism

2.3 International Tourism

2.4 Overseas Tourism

2.5 Small group tour and independent tourism

2.6 Mass ship tourism and travel by chartered flight.

2.7 Awarding and meetings tourism

2.8 Lump sum payment tourism

2.5 – 2.8 is to manage travel to customers both as individuals and as groups. Make pricing schedule coordination with relevant agencies and provide tourist information file.

2.9 Vehicles, provide vehicles to transport tourists.

2.10 Human management is responsible as followings;

2.10.1 Staff recruitment and assignment

2.10.2 Training

2.10.3 Social security and employee's welfare

2.11 Reservation is responsible for.

2.11.1 Room reservations

2.11.2 Ticketing on cars, trains and planes

2.11.3 Ticketing on all exhibitions

2.11.4 Reserve accommodation, passenger and exhibition seats

3. Finance and accounting

3.1 Finance has responsibility for

- 3.1.1 Budget preparation
- 3.1.2 Budget administration
- 3.1.3 Payroll
- 3.1.4 Cash flow
- 3.1.5 Contract administration

3.2 Accounting has responsibility for

- 3.2.1 General accounting record
- 3.2.2 Billing
- 3.2.3 Account payable
- 3.2.4 Debt administration
- 3.2.5 Tax report

b) Online commerce function

In Thailand, a tour shopping through the website must obtain the permission regarding the law of B.E. 2535 (1992). Currently, some website owners recommend for domestic tourism, which customers are in related businesses, such as hotels, lodgings, stores, entertainment venues and attractive places, many of them are interested and advertised their businesses through the website. Apart from advertising that appears, they also make further progress to contact directly to the customer by providing a reservation, package tours. An internet user can do the payment via credit card to an account of business owner who receives a benefit as a commission when they are dealing with. In some cases, an internet user make a reservation or book a tour package through the company website owners, because companies can purchase rooms and package tours to the companies themselves and sold through the website. The payment is to be made directly to the company's own website, which will be performed by any means, but satisfaction. The company's own website may state that beside advertising, an offer such as a purchase is an additional customer service, however it may conflict with the act of business tour and tour guide.

Business registration offices and tour guiding have noticed the statement that the act of business and tour guiding B.E.2535 (1992), clause 3 with definition term that;

"**Business tour**" means "business which provides or facilitates about travel accommodations, food, sight-seeing and or guiding the tourists”

"**Charges**" means "wages and expenses that tourists pay to tourism owner for manage service or facilitate traveling, accommodation, food and touring as a lump sum payment”

Publishing information about tourist via website is not considered as a business tour. Business advertisement in the website which is viewed by an internet user and also link to business tour directly without going through the website owner in the kind of Banner (BANNER) as such can be performed, but the website owner should verify the tour business advertised in the website is under the Tour License or not. In the case when a website owner arranges a tour and opens for an internet user to access the website itself, or if there is tour reservation (package tour) from people visiting websites and website owners receive remuneration from either paid directly to the tourism venue or the lodging or pay through website owner, it counts as a business tour regarding legal definition. The owner of the website must be granted the permission as a business tour gives by law

In addition, OTAs must have knowledge about Customer service Life Cycle in e-Tourism. In Figure 4.7 where goods and services in the business life cycle tourism will have a short life since finding customer information to complete the tour until customers start looking for new attractions. This cycle contains important elements in each phase and Phase 4 will show behaviors of the customer and how OTAs respond to customer's needs. This step of response to customer is determines the direction and design of Online commerce system.

Online travel agency program is taken from developing Web-based system to manage the database of tourism. This system has a structure relating to ticket booking, room reservation including a car rent by making the system as the Database Center to link data of all Tourism suppliers. With the purpose of storing, accessing for having more performance improvement in order to correctness, rapidity and convenience by using Application of Web-based technology. Because there is a consistence with the operation of the relevant work through Internet in the form of Web-based, it can be used as multiple users and is easy-to-use System. The system user will use only program Web Browser only., not depending on the type of operating system and performance of

network. There is another name of reservation system called Global distribution system (GDS).

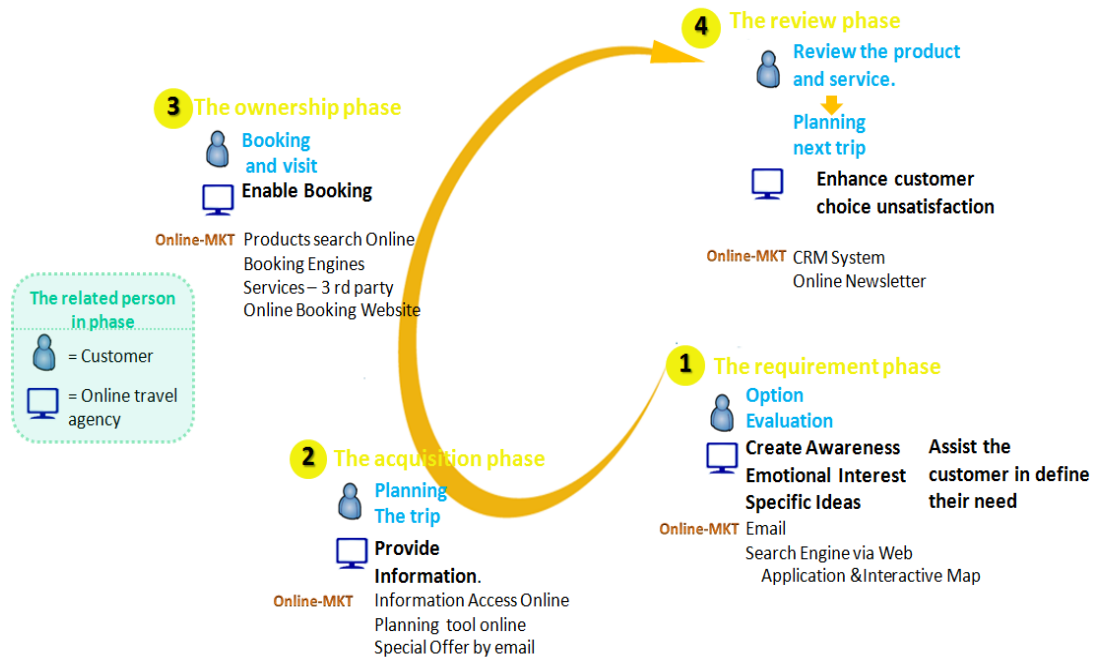


Figure 4.7 Customer service life cycle in e-Tourism

The popular and famous systems are: Amadeus, Galilao, Sabre, World span. The system provider is willing to provide a free system to the tour and also provide a training. The system provider intends to expand the network, and the service provider receives remuneration from advertising from airlines, hotels and car rental, more system usage, gain more income. The OTAs have a vendor channel via Internet and receive Commission from the Tourism supplier.

Online commerce system will display as a in Figure 4.8, this system shows the 3 components which are Customer input, OTAs process (Reservation system) and Return information. For the workflow section which related to supplier .There is 1 part provided to understand how to conduct a business in the relevance of direct Supplier.

In the part of the Customer input, customers fulfilled their need and are required to apply on-line reservation system. These data are accessed. In a part of OTA process, the bookings may come from a developed system by itself but most of OTAs will use the system to book as mentioned above. The reservation program should have a way to integrate with those of its itinerary processing work-flow the airlines, hotels and car rental companies. The reservation system will handle the payment and return customers'

information. It will appear in part of Return information, these data are used to plan the travel of the customer in the following order:

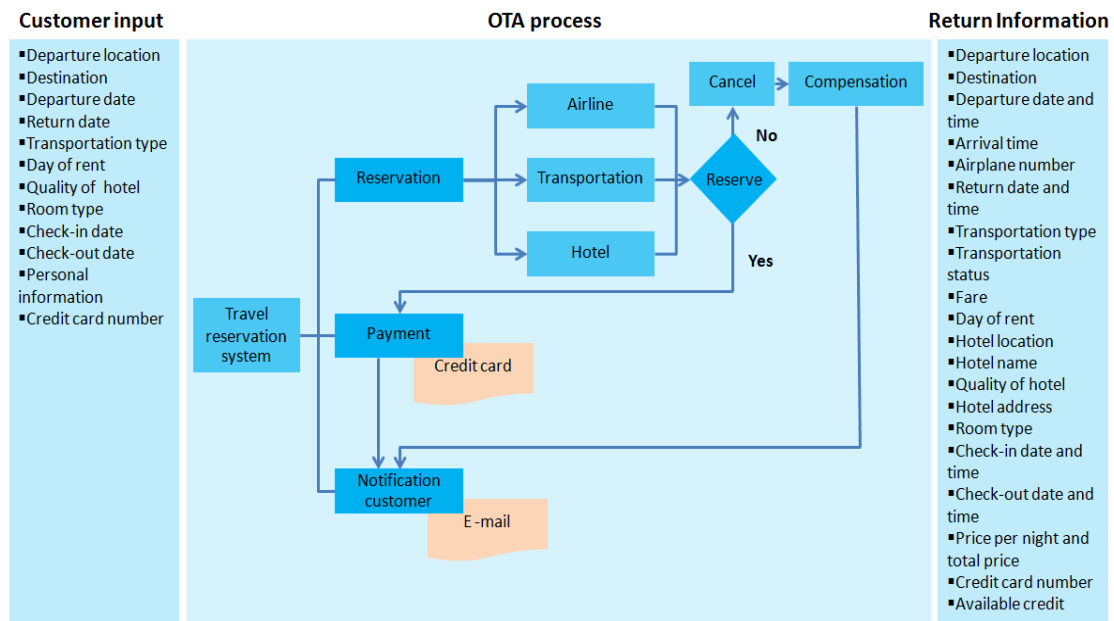


Figure 4.8 OTA online commerce function

C) WEB 1.0 2.0 and 3.0 usage of OTAs in Chiang Mai

World-class OTAs have adopted the Service-Oriented Architecture (SOA) concept into use, which is creating and developing software by using modern business structure concepts which are inspired from the “Form-Follows Functions” concept. SOA architectural development benefits OTAs in many ways, such as connecting information within OTAs, cutting prices in maintenances, developing new programs faster, and making IT systems in an organization not tied with only one system. However, developing the use of SOA in local OTAs is still going at a slow rate. Business owners have a determination to develop information technology structures but are still lack of knowledge and the investments are still in the beginning phase. Moreover, web systems for online product and service distribution have been developed from WEB 1.0 to WEB 2.0 which has the following details:

WEB 1.0 was the beginning of websites and is still visible in many travel agency businesses. It serves as a one-way communication. Web 1.0 was developed in the first period of travel agency businesses, which were later turned from off-line to on-line by having OTAs set all the contents. Users or receivers could only receive information but

could not respond like in other mainstream media, e.g. newspapers and televisions. Travel agencies who use WEB 1.0 cannot be categorized as online travel agencies since they cannot complete transactions online.

WEB 2.0 is a current website that allows OTAs to use the Internet as a two-way communication, which harmonizes with the SOA concept that says forms are results from customers' usage. Since then, OTAs have presented their products and services through websites. Customers can browse for products and services; make purchases by reserving online and making payments. This system is currently popular. The sample group of 7 OTAs has been using websites to distribute tourism products and services along with developing forms that are in harmony with modern customer behaviors, e.g. making websites available on smartphones.

WEB 3.0 is a website to come, which means it is a website that will be developed from WEB 2.0. It will be able to analyze tourists' needs and then reasonably process and solve immediate situations, create what users need and create for them websites that link related information to other sources as one network around the world. WEB 3.0 can suggest tourism packages in Thailand. OTAs in Chiang Mai have not adopted this system into use since the cost is extremely high. This system has already been used by many OTAs in foreign countries.

Developing online reservation system by OTAs in Chiang Mai still disadvantage world-class OTAs that have more modernized systems, but one great point about Chiang Mai OTAs is that they understand local customers' needs and present them with definite tourism contents according to their needs by which world-class OTAs will not understand in-depth local tourism information.

4.5 Supplier relationship management

Supplier Relationship Management is a process that occurs in nature. A business of OTAs requires collection of goods and services from the Tourism suppliers and introduce via their website through the presentation. More items to be selected are very effective because it allows customers to have a variety of options and appropriate to the needs of the customer. The following sections will display the SRM of OTAs on 2 sides which are starting SRM by understanding customer need and SRM systematic.

4.5.1 Starting SRM by understanding customer need

It is known that the OTAs in Chiang Mai develop a business from a tour that brought Online reservations system used in later. OTAs in Chiang Mai has a business combination and it is a few list which are OTAs without a tour provided. The Steps to creating a relationship with a Supplier is in a format that does not have a business plan. Entrepreneurs use an experience in relationship management plus informal SRM strategy. However, if compare the relationship creation of OTAs and the concepts in the SRM, it will be found that SRM theory can explain the reality in practice by analyzing customer demand and using customer service life cycle management and customer experience management which stand on the concept of customer relationship management.

Customer Service Life Cycle is the idea first mentioned in 1984 by Ives and Learmonth process runs in an ellipse shape, which determines actual customers' needs and goals. Picctoli et al. (2001) stated that businesses in tourism industry also use the idea of Customer Experience Management (CEM), which is used to manage customer experiences and focus on providing plans for customer services, along with production plans to ensure the quality and satisfaction of the customers towards the products and services throughout the cycle. This creates loyalty to the brands or the organizations, and makes the customers invite their acquaintances to use the products and services.

CEM is based on the former idea of Customer Relationship Management (CRM), which was the attempt of an organization to obtain and preserve their customers by treating them as important persons. Therefore, a successful business depends heavily on an effective relationship management with its customers. This includes building relationships and preserving long-term contacts with them in the aspect of adding values to the customers and the suppliers (Turban et al., 2008). CEM also means a process of building and preserving benefits from the relationships that are built with the customers by delivering better values and satisfaction (Kotler, 2000). CEM is also a process which can be used to design a successful CSLC to respond to the needs of the customers who prefer their products and services in the form of Electronic Commerce.

CSLC used in OTAs' businesses are categorized by the relationships between suppliers and customers by using information technology to facilitate their tourists in

identifying products and services they need, purchasing and returning the products and services in 4 steps, which are requirement, acquisition, ownership and retirement.

Online Travel Agencies is a mediate business between tourists and suppliers by providing tourism products and services. Online Travel Agencies or OTAs is a website which provides reservation services and distributes tourism products to the website users in the form of B2C, which shows pricing and promotions of the products or services they need.

OTAs in this study were from a sample group of tourism product and service providers in Chiang Mai that has developed from companies that did not use any online reservation services to E-Commerce since customers are now information technology users. The business plan is to individually sell as a retailer on a website that distributes directly to customers. The sales can be categorized in 2 different forms which are unbundled and bundled products and other tourism services. In OTAs, CEC (Customer Experience Cycle), or the process that creates customer satisfaction, is longer than Customer Service Life Cycle. In the other words, CSLC is a minor process or activity that serves the services from suppliers to customers, or an activity that serves orders to suppliers for production, which is responsible for the customer experiences after each sale closure. CEC has some similar points to CSLC, which are the requirement process - advertising using any means of media and the interest in products and services, the acquisition process - decisions to buy and purchasing processes, the ownership process - receiving and using products and services, or entering services and experiencing the cycle, and the retirement process - surveying for problems and the expiration of service and product contracts.

From studying related researches about CEM, CEC and CSLC along with the interviews with the sample group of Online Travel Agency entrepreneurs, it was found that the operation steps can be categorized to broad construct of CEM, CEC and CSLC and minor steps, including the steps that OTAs uses in actual operation to help the customers use OTAs websites effectively. Preliminary study data is presented in Table 4.4.

The methods in this section are described in Figure 4.9, starting from studying the concept of Customer Experience Management (CEM) from several researches and additional interviews with suppliers in Online Travel Agency to understand about

Customer Service Life Cycle (CSLC) in 4 steps; 1) Requirement 2) Acquisition 3) Ownership and 4) Retirement . Moreover,CRM will be the reverse feedback to applying CEM that give the Supplier Relationship Management of OTAs.

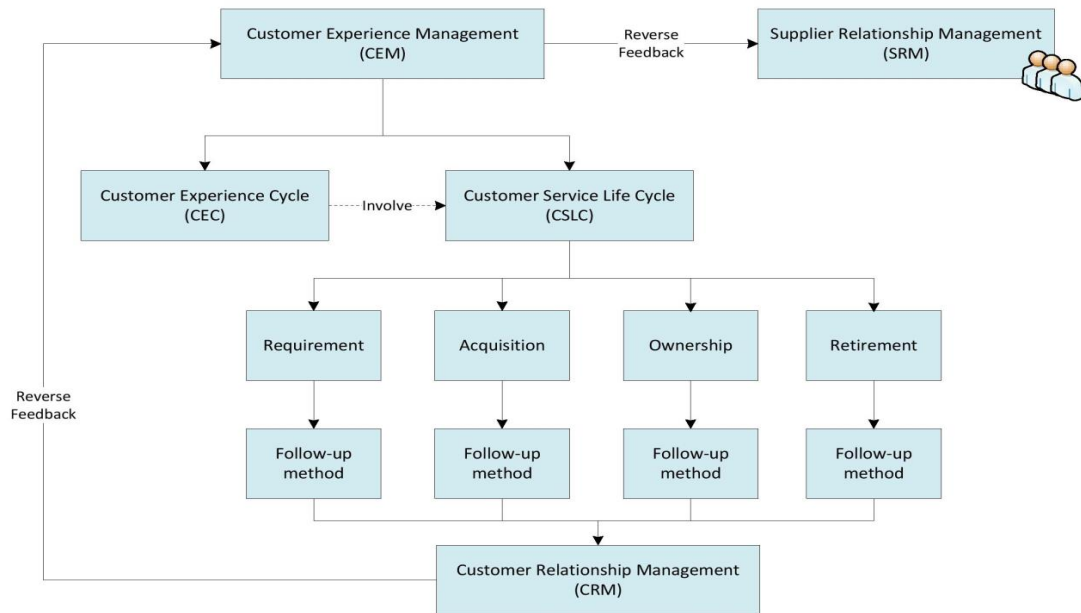


Figure 4.9 The relation of CEM CEC CSLC CRM and SRM



Table 4.4 Broad construct of CEM CEC and CSLC

| <i>Board Construct</i> | | | <i>Dimensions</i> | <i>Follow-up Methods</i> | <i>Definitions</i> |
|------------------------------|---|-------------------|-------------------|--|---|
| <i>CEM</i> | <i>CEC</i> | <i>CSLC</i> | | | |
| Service Design | Decisions to buy and purchasing processes | Requirement phase | Needing | Search engines via websites / social network / e-mails | Helping customers access data and understand tourism products and services via websites. |
| | | | Specifying | Product categories / special offers via websites | Presenting customers with the products that meet their needs by categorizing. |
| Customer Database Management | Decisions to buy and purchasing processes | Acquisition | Sourcing | Using Search Engine Optimization (SEO) / Online information access | Making the websites known and easily accessed by customers. |
| | | | Ordering | Online travel planning tools / booking engine | Customers can buy tourism products and services and provide specific features and delivery dates. |
| | | | Paying | Credit authorization and payment | Customers can make tourism product and service payment via online services. |
| | | | Obtaining | Acquisition of products and services | Customers receive their products and are confirmed their acquisition via online system. |
| | | | Test and Accept | Customer acceptance | Customers receive products and services they have applied for. Information-based products or services can often be tested prior to the final payment. |

Table 4.4 Broad construct of CEM CEC and CSLC

| <i>Board Construct</i> | | | <i>Dimension s</i> | <i>Follow-up Methods</i> | <i>Definitions</i> |
|------------------------|--|--------------------|------------------------|--|--|
| <i>CEM</i> | <i>CEC</i> | <i>CSLC</i> | | | |
| Service Operation | Receiving and using services, or entering and experiencing the service cycle | Ownership Training | | Products and services / Online information; Weather forecast ,Currency, Destinations, etc. | Having a website that provides essential information to help customers understand its tourism products and services. |

Table 4.4 Broad construct of CEM CEC and CSLC (Cont.)

| <i>Board Construct</i> | | | <i>Dimensions</i> | <i>Follow-up Methods</i> | <i>Definitions</i> |
|--|--|-------------|---------------------|--|---|
| <i>CEM</i> | <i>CEC</i> | <i>CSLC</i> | | | |
| | | | Monitoring | Online product search | Having a system which helps customers analyze, explore, and solve product problems. Customers can keep track of tourism products and services with a tracking system. |
| | | | Maintaining | Service links with 3 rd parties | Having a system which connects to third party websites to service customers. Customers can check the status of products and services. |
| | | | Upgrading | Upgrading customer credit | Having a customer database which records service frequencies or amount of products ordered to promote the products and add more credit for customers. |
| Complaint Handling and Service Improvement | surveying for problems and the expiration of service and product contracts | Retirement | Replacing | Transferring or disposing products online | Having a system which allows customers to replace the products they have bought with a new one at the same price. |
| | | | Evaluating | Customers' opinions | Having an online evaluation system which collects customers' comments and opinions. |
| | | | Reselling/Returning | Returning system | Having a returning system or a reselling system. |
| | | | Accounting for | Online receipts | Having a system which informs customers of their payment to the tourism products and services they have bought and the discount they get when they receive the product or services. |

SRM systematic is a development in work procedure of the theory of the SRM Process to be a practice of the conceptual. In this step, there is an important process of OTAs 5 steps to create their SRM and suppliers. All 5 steps is a method that occurs repeatedly, daily routine and organized since a relation beginning to the Phase-out process or termination, which can be summarized as follows: Figure 4.10

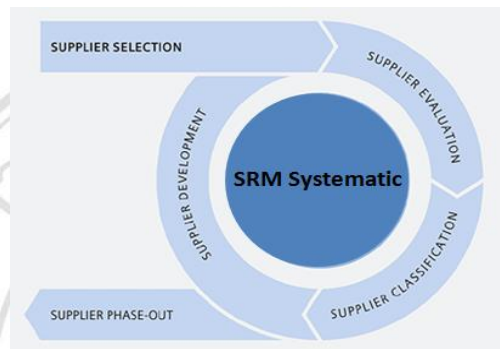


Figure 4.10 Supplier selection systematic diagram

a) Supplier selection

Suppliers are selected from the suppliers List. If not enough suppliers are able to fulfill the requirements, new suppliers must be searched and listed. Potential supplier will be evaluated by using overall performance before evaluating with specific criteria in next procedure

b) Supplier evaluation

The evaluation criteria is fundamental to choose the best supplier. Potential supplier will be evaluated. After they passed this process, they will receive a quotation from online travel agency. This quotation are providing terms, conditions and pricing. Finally, negotiation and contract should be managed. The most common criteria that Chiang Mai OTAs use are quality, price, financial, management and organization, geographical location.

c) Supplier classification

To identify business importance and determine the appropriate amount of time and level of resource to allocate to cope with suppliers, supplier Classification is

essential to: Identify relationship to which OTA aspire, articulate the current state of tourism supplier ,allocate resources and identify appropriate actions

d) Supplier development

Improvement agreed in connection with supplier, including manage time, budget and KPI .

e) Supplier phase-out

Several operational issues need to be clarified in this stage:

- The operational processes
- Roles and responsibilities

4.6 Supplier selection

4.6.1 Selection framework

Table 4.5 Selection framework

| | <i>New supplier</i> | <i>Listed supplier (Well-known)</i> | <i>Listed supplier (Low to Mid-range)</i> | <i>Listed supplier (Bottleneck)</i> |
|--------------------------------|--|---|---|---|
| Amount of supplier | •Small initial set of suppliers | •Large set of initial suppliers | •Small to moderate set of | •Very small set of suppliers (often only one) |
| Possibility amount of supplier | n = 0 n <= expected supplier number amount of supplier (n = amount of supplier) | n <= expected supplier number | n >= expected supplier number | n <= expected supplier number |
| Problem definition | •Use a supplier or not? | •Use more, fewer or other suppliers? | •Replacing the current supplier? | •How to deal with the supplier? |
| Decision making | •New decision making | •Repeating creation | •Repealing decision | •Repeating evaluation |
| Data | •No historical records available | •Historical data on suppliers available | •Historical data available | •Historical data available |
| Criteria | •No previously used criteria | •Previously used criteria | •Previously used criteria | •Previously used criteria |
| Method | •Sorting rather than ranking | •Ranking rather than sorting | •Ranking rather than sorting | •Sorting rather than ranking |

Table 4.5 Selection framework (Cont.)

| | <i>New supplier</i> | <i>Listed supplier (Well-known)</i> | <i>Listed supplier (Low to Mid- range)</i> | <i>Listed supplier (Bottleneck)</i> |
|-------------------|---------------------|---|--|---|
| Interaction | •Much interaction | •Less interaction | •Less interaction | •Less interaction |
| Significant level | •Varying importance | •Moderate/high importance | •Low/moderate importance | •High importance |

Source: Adapt from De Boer ,1998 and 2001

4.6.2 Selection method: selection method under marketing strategy

The important key to business success is supplier selection because good selection method can lead to the success to deliver the product on-boarding benefit ,also create advancing and satisfactory relationships which in turn can impact product ,service, cost and the ability to adapt to changing market stimulus. OTAs identified marketing strategies and select suitable supplier for each group of customer. OTAs put customer target group in place to leverage their suppliers using. This will be achieved by illustrating the key functionalities such as customer profile management and often associated with terms such as marketing concept. However defined, its fundamental force remains the goal of putting customers at the center of strategic focus.

Additionally, customer profile management should offer key synergies :for instance; product design and development, product life cycle, and supplier sourcing. The customer profiles are based on the secure OTAs' Customer Server. OTAs can use them easily to incorporate data such as passenger information, travel preferences, etc. stored in the profiles during the reservation process, into other processes.

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Table 4.6 OTAs' selection method under marketing strategy

| <i>Target group</i> | <i>Marketing Strategic</i> | <i>Supplier Selection Method</i> | <i>Supplier type</i> |
|--|---|---|---|
| <ul style="list-style-type: none"> •High network business •Leisure travelers | <ul style="list-style-type: none"> •Part of global chain with strong brand and customer base •Added credibility and visibility •High-end product mix | <ul style="list-style-type: none"> •Characterize all suppliers •Proportionate the amount of high-end supplier (About 70%-80%). The remain supplier (30% - 20%) will be high-end local supplier. | <ul style="list-style-type: none"> •International chain hotel •International airline •International car rent |
| <ul style="list-style-type: none"> •High network business •Leisure travelers | <ul style="list-style-type: none"> •Price-based competition •Increasing in number of customer •High and Medium-end product mix | <ul style="list-style-type: none"> •Evaluate supplier performance •Ranking rather than sourcing | <ul style="list-style-type: none"> •High-end local hotels •International airline •International car rent •High-end local car rent |
| <ul style="list-style-type: none"> •Low to mid-range travelers •Price sensitive traveler | <ul style="list-style-type: none"> •Relying on niche market •Price-based competition •Small margin per unit sale •Product differentiation • Medium-end product mix | <ul style="list-style-type: none"> •Meet regular supplier and frequently contact them. •Give special offer during low season travel time | <ul style="list-style-type: none"> •Medium -end local hotels •International airline •Medium-end local car rent |

Targeting strategies usually can be categorized as one of the following:

Single-segment strategy : also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single segment approach often is the strategy of choice for smaller OTAs with limited resources.

Selective specialization: this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary.

Full market coverage : the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single

undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

This research uses simulation method to solve problems in different professions more widely. The definitions of Simulation separate from the comments and how it can be useful. The definition which covers meaning most is the Shannon, which is defined as Simulation is a design process model of the fact that the experimental model for the design process model of the system, then try to model the system behavior or learning or to evaluate strategies for the operation of the system under the terms laid down.

The simulation can be created to understand the education system which this research oriented study process or process of selection supplier of the OTAs. The system has a wide range of element. There are relationship between the system boundaries. The selected supplier of the OTAs that are the Stochastic systems mean the system status is random because the entry of the supplier is not fixed. There are different numbers of the entry of supplier in each time. We need to bring the concept to describe the behavior of Probability.

This research also aims to process simulation to be an interpretation of the behavior of the system and the problem can be the bottleneck as a guide to the OTAs to solve the problem in the future.

Bottleneck of the supplier selection process is the delay in the selection process because it employs only one worker and this employee must act the other work in OTAs. The OTAs in Chiang Mai are often small companies with 3-5 employees. So employees cannot perform their duties on clear demarcation lines and there are more suppliers that cause an imbalance with the number of workers.

The prequalifying supplier process is applying categorical methods which is qualitative model. This method is based on supplier's historical data. Suppliers are sorted into performance categories. The categorical method is discussed widely in primarily purchasing textbooks (Butta and Hug,2002 ; L de Boer et al., 2001).

While the final qualifying supplier process is Total Cost of Ownership (TCO) models, TCO is a financial estimate. Its purpose is to help consumers and enterprise managers determine direct and indirect costs of a product or system. It is a management accounting concept that can be used in full cost accounting(Zenz,1981). This method collects all costs related to quality, delivery and service and articulate them as a benefit

or percentage on unit price. A characteristic can be made between (a) pre-transaction (b) transaction and (c) post-transaction costs. TCO is considered about the supplier alternative that are acquired throughout the purchased item's life cycle.

Due to shortened tourism product life cycles, the search for new suppliers is a continuous priority to OTAs in order to upgrade the variety and category of their product range. Despite having selection criteria, local OTAs didn't have tools and strategic choice for supplier selection process. Therefore, so as to make a right choice, the supplier selection process should start with expose what OTAs want to achieve by selecting supplier.

Although this study focused on the process of supplier selection, the process is under the concept of Supplier relationship management. A sample group for OTAs is concerned for this issue even though it does not yet have a process similar to other industry sectors which clearly organized in SRM such as:

- Organizing the Organization structure to facilitate for doing SRM
- Supplier engagement model
- Systematic collaboration
- Joint activities

OTAs is no SRM and Supplier selection that relay in a document format or a clear strategy in writing form but SRM, and Supplier selection including CRM, are in working behavior which a researcher used a research method with an appropriate tool, that already described in Chapter 3, to describe the knowledge of OTAs. The basic information from the research in this chapter will reflect the processes under the activity of supplier selection that included a process step, description of activities and supplier selection expense, including information usage for simulation which will be described in the following topics:

4.6.3 Supplier selection process diagram

Supplier selection is the process by which firms identify, evaluate, contract with suppliers. The supplier selection process deploys a tremendous amount of a firm's financial resources. In return, firms expect significant benefits from contracting with suppliers offering high value. Therefore, the study in this topic will present a process diagram which related to the process of supplier selection. It contains Process diagram

1-2 which explain the typical steps of supplier selection processes: supplier qualification process, contract management process.

In addition, it presents the supplier service termination in the 3rd Process diagram to explain the process of expire supplier that OTAs need to terminate and the processes that create an understanding of online reservations system, which is associated with the customer in the 4 process diagram or Online reservation process.

4.6.3.1 Supplier qualification process

Identifying potential suppliers

a) Importance of new suppliers

Several factors make new suppliers important. First, there may exist new suppliers who are superior in some way to a firm's existing suppliers. For example, a new supplier may have a new product and service which allows it to significantly increase OTAs income. A new supplier may have a structural cost advantage over existing suppliers. Second, existing suppliers may go out of business. Third, OTAs need other suppliers basically to drive competition, reduce supply disturbance risks and gain more diversity product and service to serve customer need.

b) Supplier qualification screening process

To avoid the terrible outcomes of supplier non-performance, OTAs typically take proactive steps to verify a supplier's qualifications prior to awarding them a contract. The primary goal of "supplier qualification screening" is to reduce the probability of supplier non-performance.

A secondary goal is to guarantee that the supplier will be a responsible and responsive partner in the day-to-day business relationship with the suppliers.

Reference checks :OTAs may contact other OTAs and ask about the supplier's performance, adherence to contract terms, what (if any) problems arose and how they were resolved, etc.

Financial status checks :OTAs may use published supplier ratings to determine the supplier's financial status and likely financial viability in the short to medium term.

Surge capacity availability: The supplier's capacity to increase delivery quantities to customer within short times is important as the OTAs may be uncertain about their exact quantity needs over the life of the contract.

Ability to meet specifications: To check the supplier's capabilities, the OTAs might:

- (i) Request samples of supplier products and test them to ensure conformance to the OTAs's requirements.
- (ii) Visit the supplier's production facility
- (iii) Audit the production and service facilities to ensure that production can and will only proceed in a manner approved by the OTAs.

c) Information requests to suppliers

Once the OTAs has identified potential suppliers, the next step in supplier selection is to formally request that the suppliers provide information about their goods or services. While there is no agreed-upon terminology, generally the OTAs makes one of two types of information requests to suppliers.



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Supplier Qualification Process

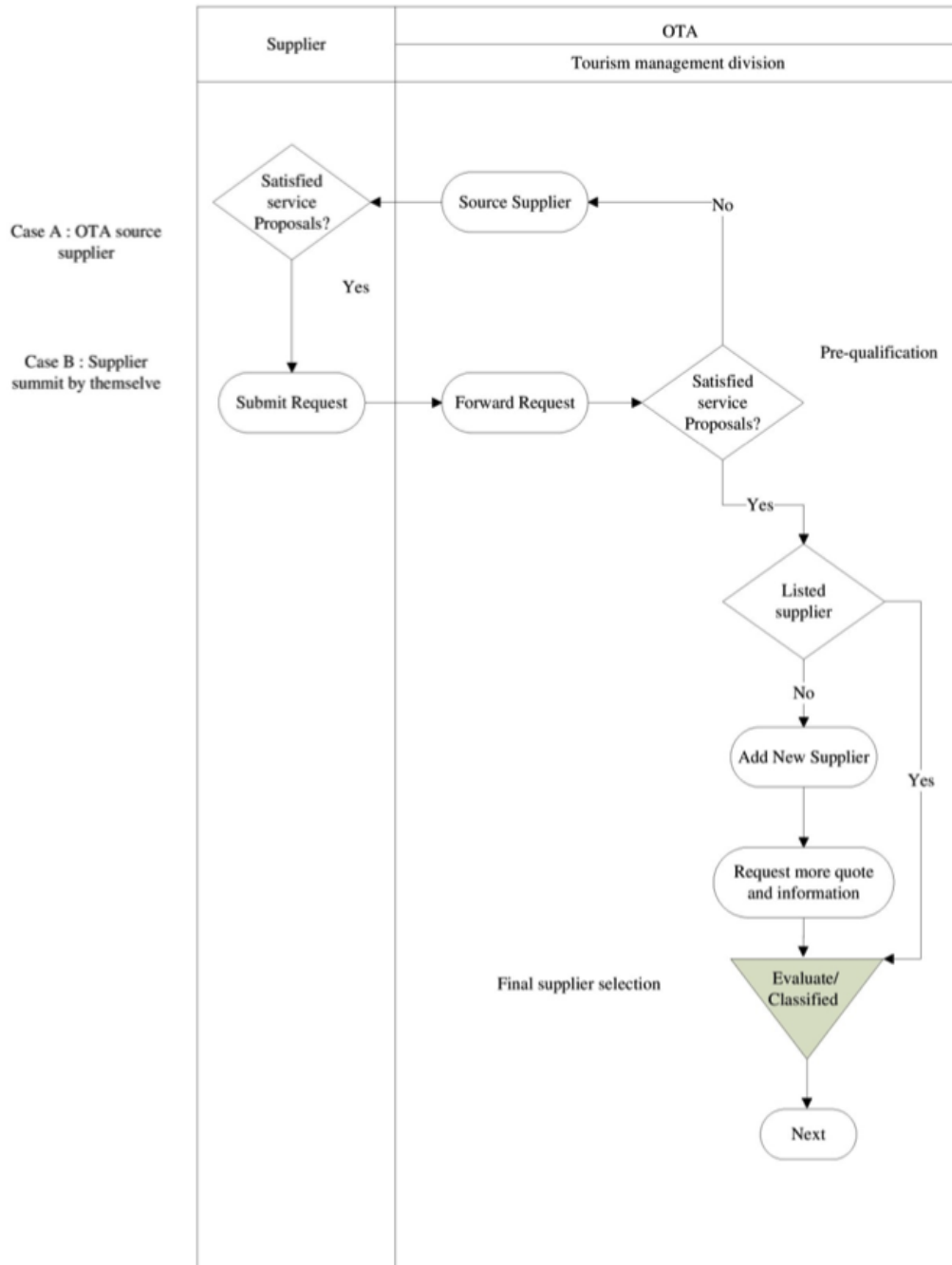


Figure 4.11 Supplier qualification process diagram

Table 4.7 Supplier qualification process description

| <i>Activity</i> | <i>Type</i> | <i>Description</i> |
|------------------------------------|-------------|---|
| Source Supplier | Process | OTA Source supplier by considering their supplier list and look for new supplier |
| Service proposal 1 | Decision | Supplier will consider OTA's service proposal. |
| Submit Request | Source | Submitting request are initiated by each supplier. The capacity field is used to create a new unit (i.e. initiate a new submit) when each current unit (submit) reaches forwarding request process. |
| Forward Request | Process | The result of initial contact is governed by the OTA marketing and send to the decision point in. |
| Service proposal 2 | Decision | OTA will consider supplier's service proposal. |
| Source new suppliers | Process | Each supplier has a different skill, which is represented by the sales rate and reputation. The new supplier will come from supplier which passed OTA supplier's selection criteria |
| Listed supplier | Decision | Is supplier in the list? Or newcomer |
| Add new supplier | Process | If supplier is newcomer and pass the selection criterion, they will be added |
| Request more Quote and information | Process | This quotation are providing terms, conditions and pricing. |
| Evaluate/Classified | Merge | To identified business importance and determine the appropriate amount of time and level of resource to allocate to cope with suppliers. |

4.6.3.2 Negotiation

Negotiation is a costly, interactive approach to final supplier selection. OTA and supplier have a barter or countertrade requirement which is a partial exchange of service for service. Negotiation process starts from identifying sourcing requirement, then determine and plan for negotiation , after that OTAs will conduct the negotiation program . The last process is that executing the agreement with tourism supplier.



Figure 4.12 A process of OTA's negotiation with supplier

a) Identify or expect a sourcing requirement

OTAs identify sourcing requisition .They may search for new supplier and new product.

b) Determine if negotiation is required

There are several questions that OTAs have to find out before negotiation, Each question will help OTAs understand their need.

- Are several non-price issue concerned?
- Are technical requirements complex?
- Does contract engage a partnership?
- Will supplier execute value-added activities?
- Will there be high risk and uncertainly?

c) Plan for the negotiation

This process starts from identifying participants, developing negotiation objectives, analyzing strengths and weaknesses, gathering information, recognizing counterpart needs, developing strategies and practicing the negotiation .

d) Conduct the negotiation

OTAs manage negotiation program (time and atmosphere) .They also employ tactics and keep relationships positive.

e) Execute the agreement

OTAs provide performance feedback and build on the accomplishment of the negotiation.

4.6.3.3 Contract management

1. Contract term

The supplier selection process concludes in a contract between the OTAs and one or more suppliers. The information received from suppliers via the requests eventually must be translated into official contractual terms before contracting can occur. A contract with a supplier specifies what the supplier should do and how they will be paid by the OTAs. Contract terms relate to either monetary transfers (payment terms) or how the contract will be executed (non-payment terms). Contracts can identify any number of payment and non-payment arrangements.

Contract management can be summarized as the process of systematically and efficiently managing contract creating, execution and analysis for the purpose of maximizing financial and operational performance and minimizing risk.

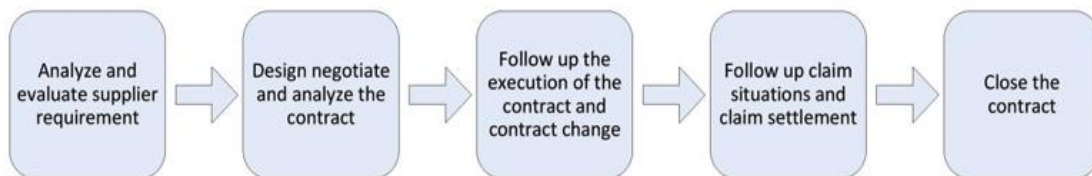


Figure 4.13 A process of OTAs contract management

This process overview indicates that contract management activities seem to belong to the responsibilities of the OTAs marketing/Sale manager. When preparing and signing a contract in definition and planning phase, OTAs expect how they want to implement the required business results, and fix this anticipation in OTAs planning documents.

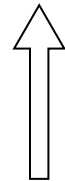
Contract preparation also comprises analysis and evaluation of the suppliers' requirements, a clear statement of OTAs requirements, and negotiation in order to make agreement between the involved suppliers. After signing the contract, the Marketing/sale team needs to analyze the contract in order to ensure that they understand what has been signed and needs to be employed. Contract can be a purchasing contract which is a contract between OTA and suppliers who are promising to deliver products and/or services within agreed terms and conditions. OTA in return is forced to acknowledge the goods / or service. Large business in hotels and airlines often issued policy called Price parity or equal pricing. Whether it is offering their goods and

services through OTAs, it must have only one price. However, business in the tourism industry, most of the vendors, products and services through OTAs have 3 pricing formats as per Table 4.8. Such pricing depends on the business environment and the agreement between both parties, regardless of Win-Win situation.

OTAs regard each supplier's qualifications as well as the contract terms they offer (e.g., price). A supplier's qualifications are usually considered exogenous, for example, a supplier's reputation is based on historical performance and is not adjustable in the short term. Contract terms, on the other hand, can be "negotiable" between the OTAs and supplier. In a negotiation, OTAs effort to persuade favorable terms from suppliers, and likewise the suppliers effort to persuade good terms from the OTAs

Table 4.8 3 major contract types of OTAs and their suppliers

| <i>Type of contract</i> | <i>Description</i> | <i>OTA risk</i> | <i>Supplier risk</i> |
|----------------------------------|--|-----------------|----------------------|
| Firm fixed price (seasonal base) | Price stated in the agreement has 2 rates 1) High season 2) Low season During the season, price does not change | Low | High |
| Fixed price with intensives | Initial target price based on firm fixed price ,then cost saving due to supplier initiative are shared at a prearranged rate for a selected time period (approx.=1 year) | | |
| Cost plus fixed fee | Supplier receives compensation for all allowable costs up to a predetermined ,plus a fixed fee, which is a percentage of the targeted cost of service and goods | High | Low |



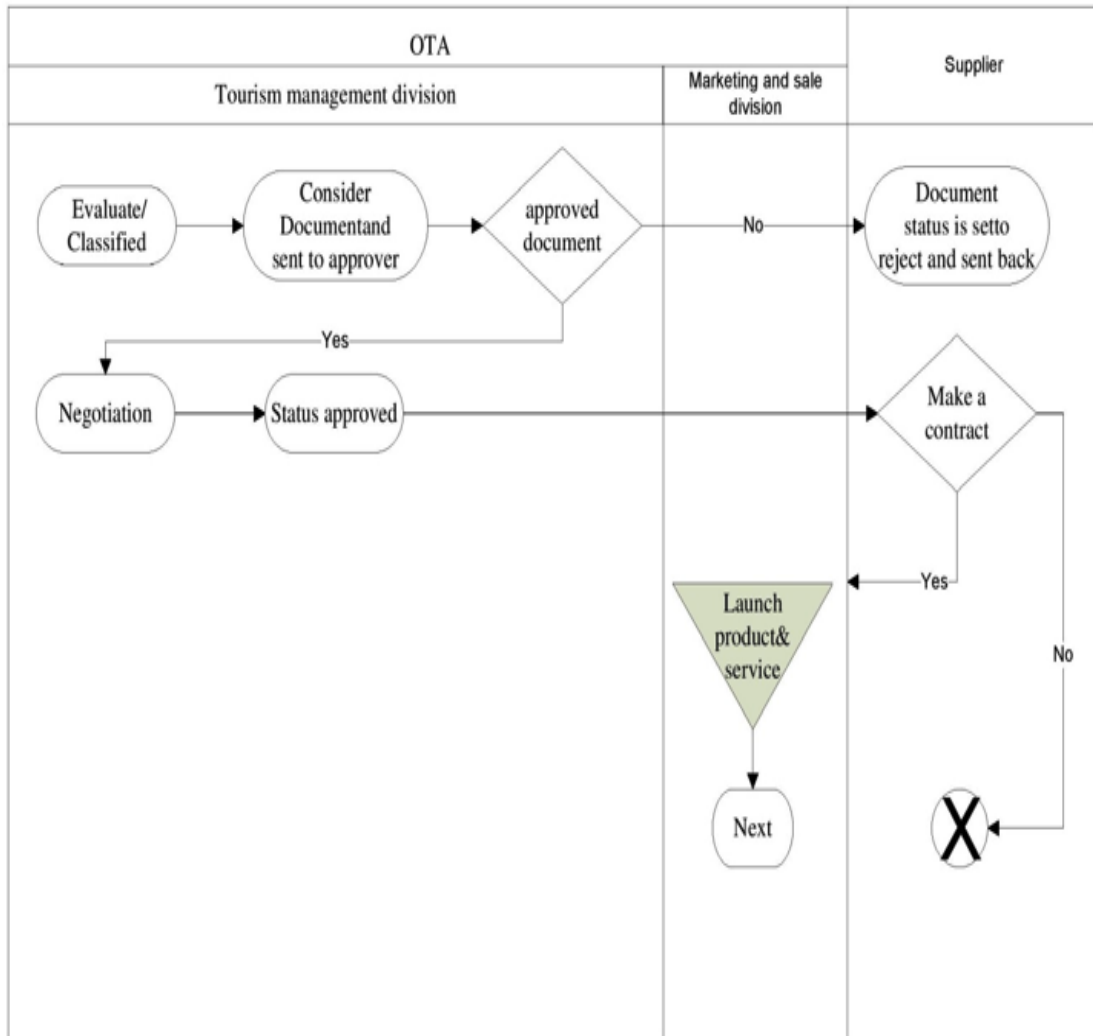


Figure 4.14 Contract management process diagram

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Table 4.9 Contract management process description

| <i>Activity</i> | <i>Type</i> | <i>Description</i> |
|---|-------------|--|
| Evaluate/Classified | Source | To identified business importance and determine the appropriate amount of time and level of resource to allocate to cope with suppliers. |
| Consider Document and sent to approver | Process | Marketer will consider all document and send to approver |
| Approved document | Decision | Approver will consider supplier's document . |
| Document status is set to reject and sent back | Process | Unqualified supplier will be reject bt OTA. Also, their related document will be sent back. |
| Negotiation | Process | OTA negotiate with qualified supplier. The Negotiation is a costly, interactive approach to final supplier selection |
| Status approved | Process | If supplier meet the qualification criteria's, OTA will approve supplier status. |
| Make a contract | Decision | OTA decide to make a contract with supplier |
| Launch product and service | Merge | OTA launch supplier's product and service via their website. |

4.6.3.4 Supplier evaluation

Supplier evaluation is a continual process within tourism management departments and forms a part of the pre-qualification step within the purchasing process, although in many organizations, it includes the participation and input of other departments and stakeholders.

OTAs processes often take the form of either an interview, sometimes even a site visit, and includes appraisals of various aspects of the supplier's business including product and service quality, price, financials, commission, management, organizational structure and geographical location. Based on the information obtained via the evaluation described in section 5.1, a supplier is scored and either approved or not approved as one from whom to procure materials or services. In many OTAs, there is an approved supplier list to which a qualified supplier is then added. If rejected, the supplier is generally not made available to the assessing company's procurement team.

Once approved, a supplier may be reevaluated on an annual basis. The ongoing process is defined as supplier performance management.

Table 4.10 Supplier evaluation criteria

| <i>Domain</i> | <i>Criterion</i> | <i>Title</i> | <i>Weight</i> | <i>Minimum mark</i> | <i>Evaluation</i> | <i>Weighted result</i> | <i>Calculated relative weight</i> |
|-------------------------------|------------------|--|---------------|---------------------|-------------------|------------------------|-----------------------------------|
| 1 Quality | 1.1 | Quality system Certification | 4.0 | 4.0 | 4.0 | 16.0 | 6.67% |
| | 1.2 | Performance history | 4.0 | 3.0 | 3.0 | 16.0 | 6.67% |
| | 1.3 | Service capacity and facility | 3.5 | 3.0 | 3.0 | 14.0 | 5.83% |
| | 1.4 | Reputation and Position in Industry | 4.5 | 4.0 | 4.0 | 18.0 | 7.50% |
| 2 Price | 2.1 | Price positioning compare to standard cost | 5.0 | 3.0 | 4.0 | 20.0 | 8.33% |
| 3 Financial | 3.1 | Financial Position | 5.0 | 3.0 | 2.0 | 20.0 | 8.33% |
| | 3.2 | Financial stability on the long term | 4.5 | 3.0 | 3.0 | 18.0 | 7.50% |
| 4 Commission | 4.1 | Commission rate | 5.0 | 4.0 | 4.0 | 20.0 | 8.33% |
| 5 Management and Organization | 5.1 | Management and Organization | 4.5 | 4.0 | 4.0 | 18.0 | 7.50% |
| | 5.2 | Operating Controls | 3.5 | 3.0 | 4.0 | 14.0 | 5.83% |
| | 5.3 | Amount of Past Business | 3.5 | 3.0 | 4.0 | 14.0 | 5.83% |
| | 5.4 | Type of Customer | 4.5 | 4.0 | 3.0 | 18.0 | 7.50% |
| | 5.5 | Commercial relationships/policy | 4.0 | 3.5 | 3.0 | 16.0 | 6.67% |
| 6 Geographical location | 6.1 | Geographical location | 4.5 | 4.0 | 3.0 | 18.0 | 7.50% |
| | Total | | 60.0 | 48.5 | 47.0 | 240.0 | 100.00% |

Maximum weighted result possible (if all evaluation were 5)

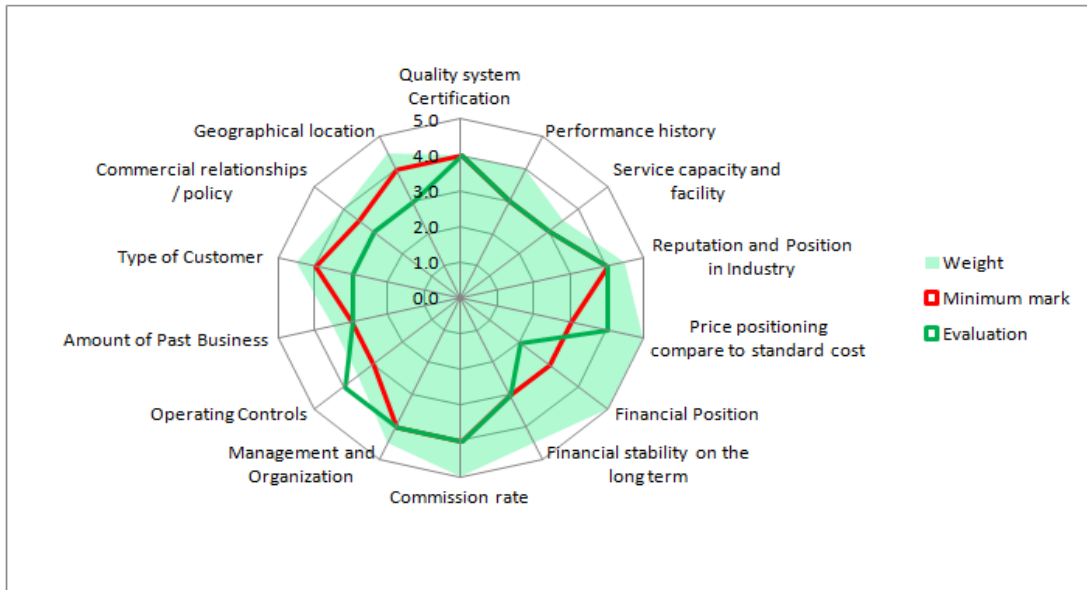
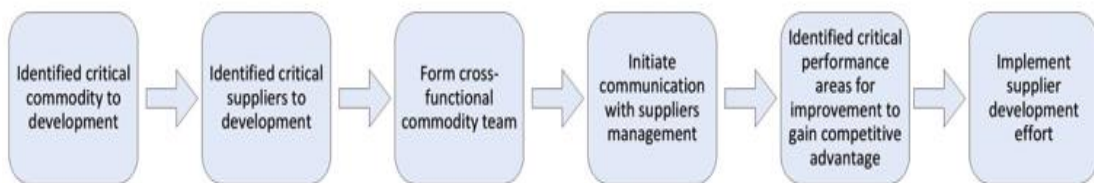


Figure 4.15 Radar graph of supplier evaluation criteria

4.6.3.5 Supplier development

Supplier development is any systematic organizational effort to create and maintain a network of competent suppliers (Hahn et al,1990) Supplier development does not apply to all suppliers because it does not make financial sense to develop suppliers of low-value-added, non-strategic commodities. Reasons for supplier development include: Supplier provides an innovative product, A long-term advantage exists to the OTA and to maintain flexibility in meeting changing market demands



Source : Adapted from Daniel and Krause,1998.

Figure4.16 A process for implementation of supplier development strategy

a) Identified critical commodity to development

OTA identify critical commodity for development. First priority for development is that the critical strategic supplier.

b) Identified critical suppliers to development

OTA monitor supplier performance on a plant-by-plant basis, ranking suppliers from best to worst. They target suppliers that meet maximum performance objectives. Meanwhile, they prepare to terminate poor performance supplier

c) Form cross- functional commodity team

Before approaching suppliers, OTA develop internal cross-functional consensus for the initiative.

d) Initiate communication with supplier's management

Forthcoming a supplier with a good business case for improvement sets an expert tone that reinforces the relationship, provides specialized data, and develops trust.

e) Identified critical performance areas for improvement to gain competitive advantage

Identifying critical performance by evaluating supplier in terms of feasibility, resource and time requirements, and profit.

f) Implement supplier development effort

The method of Implement supplier development ,i.e., Plant visit, Provide supplier with feedback about the result of evaluation and Ongoing communication with the supplier development process. Even the supplier development is important and affects a progress of OTAs but OTAs in Chiang Mai Province has a small number of operation employees which cause limitations in this step.

The Barrier of Supplier Relationship Development are:

1) Online travel agency specific barrier

- No immediate benefit to supplier relationship development is evident to the online travel agency.
- The online travel agency's purchase volume from supplier does not justify development investment.

2) Online travel agency supplier interface barrier

- Confidentiality inhibits information sharing.
- Not enough inducements to participate are provided to the supplier.

3) Supplier specific barrier

- Supplier lack of employee skill base to implement solution.
- Supplier lacks required information system.
- Suppliers are not convinced that development will provide benefit to them.

4.6.3.6 Supplier termination

Supplier termination is the end of a supplier's duration with an OTA.

The decision may be made by the OTA, or mutually agreed upon by both.

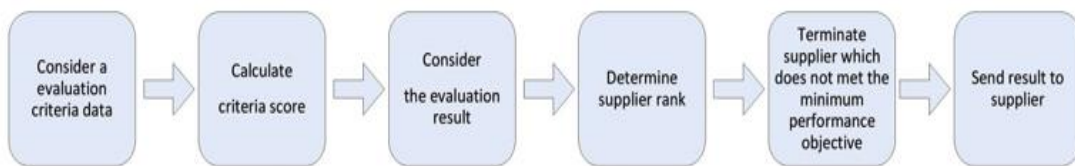


Figure4.17 A process for supplier termination

a) Consider an evaluation criteria data

OTAs consider criteria evaluation of Suppliers from the study criteria, this includes.

- Yield from Suppliers in a period of 1 year
- The number of customer complaints about service and Supplier.
- The relationship between Suppliers and OTAs, if Supplier has bad relationship with OTAs, it will be easy to terminate such Supplier when compared to a good relationships supplier.

b) Calculate criteria score

Calculating criteria from item 1 by scoring every criteria in percentage. The assessment is relies on the experience and working skill.

c) Consider the evaluation result

The evaluation will gather comments from teams in the Organization to achieve conclusions before deciding to terminate that particular supplier. Typically, evaluation results can be used to develop organization and management, assist decision-making, assist supplier selection policy-making, indicate where action is needed, etc.

d) Determine supplier rank

Supplier ranking by scoring supplier from highest to smallest score.

e) Terminate supplier which does not met the minimum performance objective

To terminate a supplier which most often being a non revenue gain. In the past year, including the annual revenue generated but not so much with the low quality of customer service. From the study, it was found that the number of suppliers that would be terminated was in the average of 5-7% per year.

f) Send result to supplier

Termination of the contract with the existing supplier should coincide with the start of the new supplier contract. Where a formal contract contains a minimum contractual notice period, this should be given.

4.7 Knowledge of staff's selection supplier

OTAs in Chiang Mai are small. The staff who selected supplier have to work in the other positions too. Most of it about the marketing system because it must be related to different suppliers and they have the opportunity to meet with people outside the organization. However, the staff's selection supplier basic knowledge of this session are;

1). The staff have to understand the environment of tourism about demand of tourism, high season of tourism, trends of the products and tourism products each year, and the marketing's online competition. They have to bring all the information to plan for selecting new supplier rely on their interesting style and also keep a relationship with own supplier who generate revenue.

2). The understanding of piracy rate policy which is the policy of the major famous supplier can gain a lot of profit. This policy is about selling tourism products and services in the equality price through any OTAs, it will make the smaller OTAs cannot compete with the cheaper technique. The major OTAs have to think of the various marketing policies to get more income including "bundle product" which combine many technique of tourism products and services together, such as; medium price hotel with the low-cost airline, etc. With this reason, OTAs have to select the

various market position of supplier to answer every class of customer and gain much profit for to the organization.

3). Have a basic knowledge of the supplier evaluation criteria, including quality, price, location, financial supplier. The commission value, location and other factors that make for a supplier in the travel market.

4). Have a good relationship management with the supplier, skills in negotiation, coordination skills, and can make the reference check, financial status check in disclosed confidential information to any supplier

4.8 Systems thinking

The aim of the study is to present the material of Systems Thinking and the identification of activities, method or technique that will be able to support OTAs to reach the various levels of Systems Thinking which is an important material to help OTAs realize that is the most important standard principle and is necessary to solve the problem and Mental Model which is the difficulty of the developing OTAs. The theory of Systems Thinking that is used is Systems Thinking in the Fifth Principle of Peter M. Senge in System Theory. Then synthesize to find the principle of Systems Thinking by following the research principle in step 4: Design supplier selection systems thinking and present the adaptation of System Thinking Model to be suitable for OTAs.

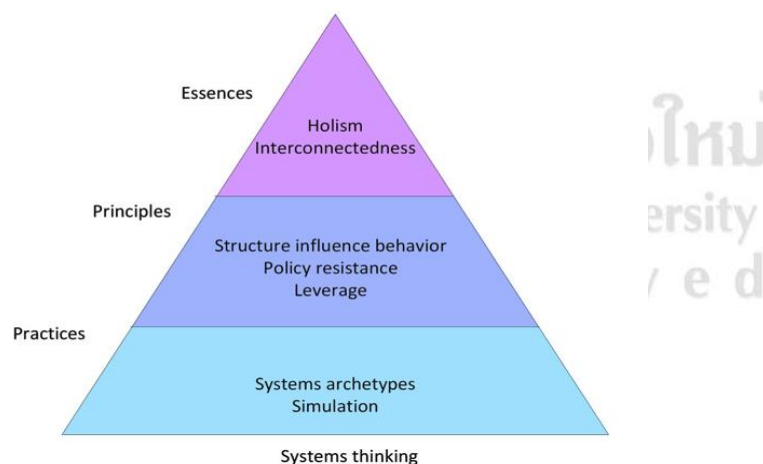


Figure 4.18 Systems thinking core discipline

Besides, this study uses the core discipline as framework for this chapter. Findings can be analyzed and get the result that is described in the model of systems

thinking in each systems archetype. In OTAs supplier selection, it can separate to systems archetype within the organization and the people outside the group, including to explain all of spectacle that links with archetype family tree.

1. Practices: this level consists of 2 sublevels ; system archetype and simulation that illustrates how OTAs work in supplier selection process. There are 2 system archetype in this level which are 1) Supplier Selection Systematize and 2)Supplier Relationship Management.

2. Principles: this level is the guiding ideas and insights of first level .It show structure influence behavior that leads OTAs to confront with each problem in core discipline level 1 .It also provides an idea of policy resistance and how to relief the problem behavior and leverage from some difficulty of OTAs supplier selection to better condition by creating the strategy for each system archetype

3. Essences: this level is the state of being those with high levels of mastery in the discipline (Senge ,1990). It also presents holism view point and interconnectedness of OTAs supplier selection.

From the interview of the examples in selecting the supplier of OTAs and the relation management method with the suppliers, the problem and the concept of OTAs was found on the following will be the researcher's materials.

4.9 The value of theory to OTAs

The result of the study in this part is the presentation of the concept, theory that are used in this research. Two theories are Systems thinking and System theory by comparison with the result of the research.

Table 4.11 The value of theory to OTAs

| <i>Theory</i> | <i>The value of theory</i> |
|------------------|---|
| Systems thinking | <p>1. Focus on looking at the overall picture of complex system that is a dynamic process with the organization if there is no change it may have a reinforcing loop and hard to solve. Result: The reinforcing loop problem is defensive behavior that has a process of digestion 2 processes are ;</p> <p>1.1 The supplier selection that effect OTA s productivity that explain by systems archetype which name is supplier selection systematize.</p> <p>1.2 Supplier Relationship Management</p> <p>2. Try to make OTAs to think with an interaction and with structure Result There is the point of supplier selection and supplier relationship knowledge which is the process that occur in the kind of off-shoot. It is the benefit of the research that get the knowledge in the same using in OTAs customer and supplier which explain by systems archetype name Supplier Relationship Management</p> <p>3. People in organization understand, be able to explain method of thinking ,the acting of themselves and other Result Knowing how to think in a new way of systems thinking will make OTAs how to use the reason and more logic in solving problem</p> |
| System theory | <p>1.Unified Whole male from subunits to interact with each other(interrelated parts) to combine and create the different quality. Result: Organization culture of OTAs or scenario thinking is the new quality that happens in OTAs from each employee although the employee does not have the real quality as well as the overview of organization.</p> <p>2.Environment of systems is always change so the system must adapt and develop Result: Business in tourism industry must change into the environment because if one organization do not adjusted into the environment or no change would be lost from system.</p> <p>3.The organization that can link themselves to the environment or the bigger system and know the bigger system that effect the organization,that organization will be able to survive in the large system too. Result: the wide knowledge in the system will make the organization have more skills.The knowledge,for example the knowledge of supplier selecting,the knowledge in OTAs business quality development,the knowledge between OTAs ,suppliers and customer under the process of supplier relationship management.</p> |

Supplier Relationship Management is the process to choose new interested suppliers to fill the product and service to present to the customers and keep the relation

with the great old supplier. This study found that OTAS have local level that can create the sustainable suppliers collaboration or a strategy for effective management. However, SRM knowledge is tacit knowledge that needs the Systems Thinking to facilitate this knowledge to an explicit knowledge by explaining the knowledge using pictures and then bring into use as a strategy to manage the suppliers' relationships. The results from the study consist of 4 parts, which are General problem behavior, Problem Structuring, Casual Loop Modeling (Maani and Cavana, 2007), and SRM Learning Strategy.

4.10 General problem behavior

In this step, 7 sample groups were interviewed to acquire general problems in selecting suppliers, including the problems about supplier relationship management. The data from this step were analyzed and screened until there was only information that will be truly significant to knowledge management left and can be used to create Problem Structuring, which will be explained in the next chapter. From interviewing the sample groups, they have seen their own problem status from internal and external factors of their organizations.

1.1 Factor within the organization of OTAs

- a. Supplier selection and Current profit
- b. Quality and Improvement

1.2 Factor from OTAs with the people outside the organization

- a. Accidental adversaries
- b. Drifting goals

4.10.1 Problem behavior 1: Supplier selection and current profit

Through the nature of the "OTAs" business that has been ongoing at a steady pace, which the profit have been growing every year, and in every year there will be a supplier check for the new comers and terminate the old ones that no longer give profits. From the first part of chapter 4 about the Relationship of OTAs and Supplier, contract in each year and the decrease rate of the relationship after making contract including the tourist season.

However, every year there will be problem that limits the growth and low profits from low season. Not only the OTAs that gets less profit but also the suppliers that will be under the condition of tourism season. The low season is the measurement of the small suppliers' survival ability. If they can't make enough profit, there will be an effect to the performance evaluation and each supplier.

Figure 4.19 shows the relationship of the profit of OTAs in each year and fiscal year period, the graph will begin to lose its effectiveness and the rate of growth begins to flatten. In the end, despite prolong force from the growth, the rate of growth stops and then reverses

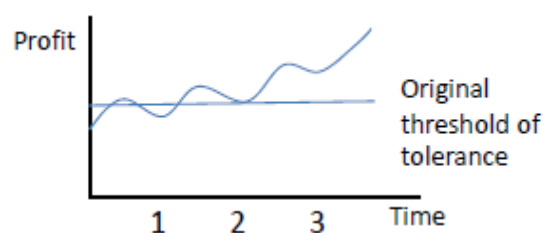


Figure 4.19 Problem behavior of supplier selection and current profit

4.10.2 Problem behavior 2: Quality and improvement

The important reason of quality problem and improvement in OTAs relates with the World Tourism Organization that makes a conclusion about the types of business that have to stop running as follows (WTO Business Council, 1999)

1. The small travel companies that do not have the ability to handle specialized tourism because these companies can't compete with the large Business to sale travel service in all types to the travelers.
2. The medium travel companies which are bigger in size will provide a travel service in a niche market but they are too small to compete with a big business that sell various travel services.

These types of companies will have a limitation in resources both of investing money and personnel if they want to expand the business into the world class. Meanwhile, it can't be reduced to a smaller size because the cost is excess in tourism management at the local level. The possible way is to become a partner or subsidiary of a multinational corporation by response for the tourism business, particularly in Thailand.

3. Travel company that lost the market share to the new online travel business and the owner of all products and services (Suppliers) because the owner of the products and services can sell directly to the tourists, so they try to get rid of the ineffective media companies from the market
4. The new online travel company that doesn't have enough investment in maintaining the brand of the company or company logo.

To enter to the electronic travel market commerce, not just only making a website for sale through only network system but also be trusted by the costumers because the tourist will buy products and services from famous companies.

5. New online travel company that invests too much but can't make transactions as expected, in the first phase, the developer of electronic commerce some part of it develop the website with a high investment in order to sell to other investors but the high competition of dot com business makes other investors unable to get the expected profits.

From the issue above, the important problem for OTAs business in Chiang Mai and the result of the study indicated that OTAs running business in relationship management with the supplier in year by year by using contract signing as a standard.

The contract is only a year if the suppliers don't make a good profit, they will be terminated. The supplier that makes a good profit will get a renewal in the following year. When OTAs and the supplier are familiar with each other in terms of relationship, strategies will be use in relationship management and business can be reduced and both business will grow well and don't work as a routine duty but get used to it that does not improve their own management.

So the important issue that is the behavior problems in this topic is issue of the OTAs business operation quality in the long time and business development to grow up always in order to survive in the online travel market.

In Figure 4.20 shows the relationship between the performance which covers the quality and improvement with time of business running. From the picture, it shows

standard of time in signing the contract year by year between OTAs and supplier to help in consideration.

The graph is the efforts to grow and effects are successful in initial stages, perhaps exponentially. However, as the limits to growth are approached, the growth engine begins to lose its effectiveness and the rate of growth begins to flatten. In the end, despite continued pressure from the growth engine, the rate of growth stops and then reverses.

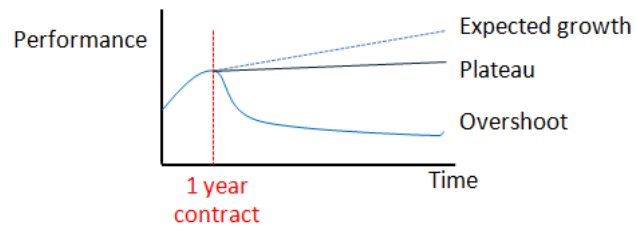


Figure 4.20 Problem behavior of limit to growth

4.10.3 Problem behavior3: Accidental adversaries

OTAs and Suppliers work together because they obtain joint benefit from the relationship. Each takes action to benefit the other in the principle that, if the association works, both parties will benefit. The problem arises when one or both parties need to connect a local performance gap. For example, the accommodation from economy; the popularity of the customer with the unstable products and services tourism and the high seasons of tourism have been changed, the economic problem decrease the number of the tourist. Supplier cannot sell goods and services like OTAs cannot sell goods and services of supplier, OTAs are easier to accommodate themselves because they did not have the investment in the stock exchange or land, building, and tools, which are the Sunk cost. On the other hand, the popularity in products and services is unstable. Customer can get through the news on the internet easily and when new supplier comes to the market, customer will need to try and change their need immediately. OTAs will connect performance gap by increasing kind of products and services of Suppliers to be cheaper. Supplier needs to adjust with the strategy of OTAs or if OTAs cannot sell any room, OTAs will change to sell the plane ticket instead. This is the strategy of changing product without managing cost, while supplier have to do the yield management to manage the available room or the products and services that can't

be sold out. OTAs take action to improve performance and accidentally undermine their supplier's success. The impact of these harmful activities may simply create a sense of frustration between the parties, who remain partners, or it may actually reach the point of turning them into hostile adversaries. Conversely, in the normal economy and in the high season, the supplier's accommodation also have effect on OTAs; for example, supplier can sell a lot of products and services but OTAs cannot support all the customer's need or unable to perform the income contract to the supplier. So, the supplier chooses the service from other OTAs instead.

OTAs chooses the supplier which has a service problem to the customer and make the customer be dissatisfied with the supplier and don't want to use the products and services from that supplier anymore. When the customer becomes dissatisfied with the supplier, they will be dissatisfied with the OTAs too. That makes OTAs getting the bad image and the sales decreases. Finally, OTAs have to terminate the supplier and the number of customer.

In Figure 4.21, there is a showing of the relationship between the customer satisfaction to OTA/ Supplier and the period of operation. The pattern of the OTA/supplier graph are differences depends on the operating time. At the first, OTAs is not well – known, the graph is like slightly increasing while supplier will be well – known at the beginning in short time. When the time passes by, customer will be interested in the new supplier instead. OTAs have many suppliers to compensate the old one and made this line graph growth last longer.

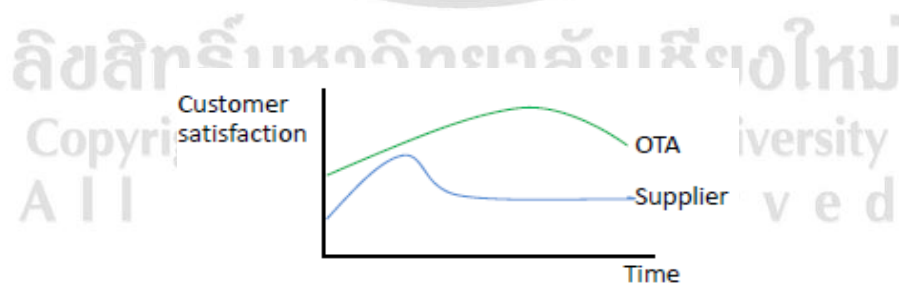


Figure 4.21 Problem behavior of accidental adversaries

4.10.4 Problem behavior 4: Drifting goals

Drifting goals have a long term effect on goal setting within the organization. Each time goals are adjusted downward in the organization, a negligent direction to goal setting in the culture of the organization. This situation is from the OTAs and the Supplier have their own goal that want to survive in the business control with the grower profit which the goal and the profit are different that they have to find the strategy to reduce this gap such as New supplier that want to be known for the costumer and OTAs, Mid-range supplier wants to be Supplier that is famous. OTAs is in the various business relationship that make more ways in online sale, Well-known supplier wants to keep the old costumer database and expand in the new costumer database more and have a good relationship network with OTAs. The costumers are the group of people that are influenced to try to be growth of OTAs and the supplier because costumers are the main profit that make everyone survive in their own business.

This graph is typical of situations where the goal is higher than current performance (Actual), both the goal and performance change continuously, and there is relatively little delay between a change in performance and a change in the goal. The line representing performance declines more or less slowly. It mirrors changes in the goal. In cases where the drifting structure dominates, the predominant characteristic will be a gap between the goal and current performance until the system either collapses or reaches another performance limit.

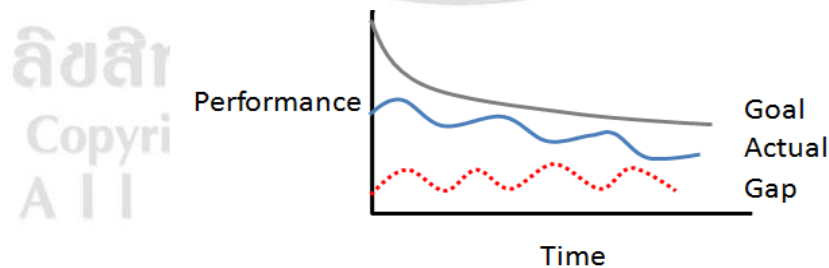


Figure 4.22 Problem behavior of drifting goal

4.11 System thinking core discipline

4.11.1 Practices Level

When problem behaviors in an overall picture that relates to supplier selection and supplier relationship management are obtained, they will be used to create Problem Structuring by categorizing important activities in supplier selection and supplier relationship management into Constructional process, Operational process, and Key variable process.

Problem structuring

Seven OTAs business managers were interviewed. It was found that the business model of OTAs is servicing its customers by plane ticket reservation system, hotel room reservation system, and rental car reservation system. OTAs have an appearance of a broker in distributing products and tourism services. So the OTAs have to have their suppliers to sell their products to customers since OTAs do not have their own products. They need to distribute their suppliers' products to receive commissions as income for OTAs. Thus, selecting suppliers, all the way to managing relationships between suppliers, are strategies that OTAs signify. From the interviews, it was found that Supplier Relationship Management Process (Lambert et al.,1998) that OTAs hold on to has not only have relations with suppliers, but also with customers since the needs of customers are indicators to identify the product and tourism service models, or to indicate suppliers. Supplier Relationship Management process from the interviews helps understand Problem structuring as shown in Table 4.12.

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Table 4.12 Identified the structure

| <i>Construct</i> | <i>Operational process</i> | <i>Key Variables</i> |
|------------------------|---|---|
| Customer demand | Needs of the customers are indicators to direct managing strategies of OTAs including being an indicator to selecting suppliers. | Customer expectation Customer satisfaction Budget pressure Value for money Service quality |
| Supplier selection | OTAs select suppliers by using several measurements obtained from knowledge and experiences in the form of Tacit knowledge. | Supplier selection/Selection criteria: -Performance history -Service capacity and facility -Reputation and Position in Industry -Price positioning compared to standard cost -Financial Position -Financial stability on the long term -Commission rate -Amount of Past Business -Type of Customer -Commercial relationships / policy -Geographical location |
| Differentiate Supplier | Suppliers in this study came from 3 different fields of businesses, which are airlines, hotels, and rental cars. These suppliers were separated into 3 groups according to their time of relationships in business, which are new suppliers, mid-range suppliers, and well-known suppliers, and use the result from evaluating key variables according to supplier selection process. | Use the same key variables as the supplier selection process |

Table 4.12 Identified the structure (Cont.)

| <i>Construct</i> | <i>Operational process</i> | <i>Key Variables</i> |
|---------------------------------------|---|--|
| Identified opportunity with suppliers | Find business chances by the types of their suppliers and find connections according to their customers' needs, such as if their customers are business-travelers, OTAs has to provide convention hotels. Or if the customers prefer outdoor activities, OTAs have to provide farm hotels or sport hotels for their customers, etc. The suppliers themselves have to elevate their work quality to be able to compete with suppliers in the same field of business. | Result from supplier selection/differentiation and review and evaluation process Leverage capacity Leverage strategy Balancing cooperate relationship |
| Developed product and service | OTAs inform their suppliers about new tourism trends, such as green tourism, slow tourism, their customers' needs, comments, praises, and complaints to improve their products and services. | Product development |
| Measure performance | OTAs consider their suppliers' effectiveness annually as stated in the business agreement. | Current performance Perceived gap Supplier performance standard Performance mismatch standard |
| Supplier termination | Cancel the agreement with the suppliers that their performances do not reach their business goals. | Termination and Matching with new supplier |

The result from the interviews showed several key variables. These key variables were then separated by using problem structuring process to show relations between each system archetype before creating a casual loop diagram. It was found that the data could be separated into 2 groups of identified key issues supplier systematize and supplier relationship management, which are shown in table 4.13

Table 4.13 Identified key issues

| <i>Identified key issues 1 Supplier selection systematize</i> | <i>Identified key issues 2 Supplier Relationship Management</i> |
|---|---|
| Supplier selection | Customer expectation |
| Selection criteria | Customer satisfaction |
| Supplier evaluation | Budget pressure |
| Qualified supplier | Value for money |
| Unqualified supplier | Service quality |
| Negotiation and Contract management | Result from supplier |
| Current performance | selection/differentiation and |
| Perceived gap | review and evaluation process |
| Supplier performance standard | Leverage capacity |
| Performance mismatch standard | Leverage strategy |
| Termination and Matching with new supplier | Balancing cooperate relationship |
| | Product development |

ANOVA analysis

The reliability of dependent variables, which are the 11 key variables from the identified key issues 1 and other 10 key variables from identified key issues 2 by validating with the sample group and with expert researchers from Chiang Mai University, were evaluated. Moreover, the sample groups were also asked to evaluate each key variable by scoring 1-5 or the highest to the lowest. The results were then statistically interpreted by using ANOVA analysis. Table 4.14 shows averages and standard deviation for each key variable, with N=7.

Table 4.14 Dependent variable averages in identified key issues 1

| <i>Variables</i> | <i>Mean</i> | <i>Standard deviation</i> | <i>Interpretations</i> | <i>Rank</i> |
|--|-------------|---------------------------|------------------------|-------------|
| Supplier selection | 5.00 | 0.00 | Highest | 1 |
| Selection criteria | 4.00 | 0.82 | High | 6 |
| Supplier evaluation | 4.71 | 0.49 | Highest | 2 |
| Qualified supplier | 5.00 | 0.00 | Highest | 1 |
| Unqualified supplier | 4.43 | 0.53 | Highest | 3 |
| Negotiation and Contract management | 4.43 | 0.53 | Highest | 3 |
| Current performance | 4.14 | 0.69 | Highest | 5 |
| Perceived gap | 3.71 | 0.76 | High | 7 |
| Supplier performance standard | 4.29 | 0.49 | Highest | 4 |
| Performance mismatch standard | 4.29 | 0.76 | Highest | 4 |
| Termination and Matching with new supplier | 4.14 | 0.69 | Highest | 5 |

The result from analyzing the data (Table4.14) using statistic methods indicated that Dependent Variable Averages in Identified Key Issues 1 had a range between “highest and high” by ranking the importance of the key variables and resulted in 7 ranks, sorted by averages from the highest to the lowest. Therefore, the one with highest rank had the mean point at 5.00 and had the SD at 0.00, which were Supplier Selection and Qualified Suppliers. The second place had the mean point at 4.71 and the SD at 0.49, which was Supplier Evaluation. The third place had the mean point at 4.43 and the SD at 0.53, which were Unqualified Suppliers, and Negotiation and Contract Management. The fourth place had the mean point at 4.29 and the SD at 0.49, which were Supplier Performance Standard and Performance Mismatch Standard. The fifth place had the mean point at 4.15 and the SD at 0.69, which were Current Performance and Termination and Matching with New Supplier. The sixth place had the mean point at 4.00 and the SD at 0.82, which was Selection Criteria. The seventh place had the mean point at 3.71 and the SD at 0.76, which was Perceived Gap.

Table 4.15 ANOVA analysis in identified key issues 1

| <i>Factors</i> | <i>Sum of Squares</i> | <i>df</i> | <i>Mean Square</i> | <i>F</i> | <i>Sig</i> |
|----------------|-----------------------|-----------|--------------------|----------|------------|
| Between Groups | 19.300 | 20 | 0.965 | 0.187 | 1.000 |
| Within Groups | 288.700 | 56 | 5.155 | | |
| Total | 308.000 | 76 | | | |

The result from ANOVA analysis is 1.0 or 100 % since the averages of the 11 dependent variable in identified key issues shows none of differences which is because the sample group has similar basic qualifications in most aspects, whether it is the points of view towards business management, the manners of operation, the sizes of their organizations, the areas of the businesses.

Table 4.16 Dependent variable averages in identified key issues 2

| <i>Variables</i> | <i>Mean</i> | <i>Standard deviation</i> | <i>Interpretations</i> | <i>Ranking</i> |
|--|-------------|---------------------------|------------------------|----------------|
| Customer expectation | 5.00 | 0.00 | Highest | 1 |
| Customer satisfaction | 4.00 | 0.82 | High | 3 |
| Budget pressure that affects new suppliers | 3.86 | 0.69 | High | 4 |
| Value for money that affects mid-range suppliers | 4.00 | 0.82 | High | 3 |
| Service quality that affects well-known suppliers | 4.29 | 0.76 | Highest | 2 |
| Result from supplier selection/differentiation and review and evaluation process | 5.00 | 0.00 | Highest | 1 |
| Leverage capacity | 4.00 | 0.82 | High | 3 |
| Leverage strategy | 3.43 | 0.53 | High | 5 |
| Balancing cooperate relationship | 4.29 | 0.76 | Highest | 2 |
| Product development | 4.29 | 0.76 | Highest | 2 |

The result from analyzing the data (Table 4.16) using statistic methods indicated that Dependent Variable Averages in Identified Key Issues 2 had a range between “highest and high” by ranking the importance of the key variables and resulted in 5 ranks, sorted by averages from the highest to the lowest. The first place had the mean point at 5.00 and had the SD at 0.00, which were Customer Expectation, Supplier Selection and Review and Evaluation Process. The second place had the mean point at 4.29 and the SD at 0.76, which were Service Quality that customers had towards well-known suppliers, Balancing Cooperate Relationship and Product Development. The third place had the mean point at 4.00 and the SD at 0.82, which were Customer Satisfaction, Money Value the customers have towards mid-range suppliers and Leverage Capacity. The fourth place had the mean point at 3.86 and the SD at 0.69, which was Budget Pressure that customers had towards new suppliers. The fifth place had the mean point at 3.43 and the SD at 0.53, which was Leverage Strategy.

Table 4.17 ANOVA analysis in identified key issues 2

| <i>Factors</i> | <i>Sum of Squares</i> | <i>df</i> | <i>Mean Square</i> | <i>F</i> | <i>Sig</i> |
|----------------|-----------------------|-----------|--------------------|----------|------------|
| Between Groups | 0.771 | 6 | 0.129 | 0.001 | 1.000 |
| Within Groups | 6692.600 | 63 | 106.232 | | |
| Total | 6693.371 | 69 | | | |

The result from ANOVA analysis is 1.0 or 100 % since the averages of the 10 dependent variable in identified key issues shows none of differences which is because the sample group has similar basic qualifications in most aspects, whether it is the points of view towards business management, the manners of operation, the sizes of their organizations, the areas of the businesses.

4.11.2 Principle level

Principles is the principle from practice process which gives the conceptual framework to the organization that why the problem of many systems that explain in the system archetype occur and how will they solve the problem including the usage of metal model and leverage point for OTAs which can prevent in each problem successfully and solve the problem sustainably. The Systems Archetypes explain general prototypes of behavior in OTAs supplier selection. The archetypes provide insight into the essential structures from which actions over time and diplomatic events appear. As forthcoming tools, they alert OTAs' managers to future unintended results. They confront managers to regard the values of fundamental results by creating instance an explicit changeable in decision making.

Archetype are useful for gaining imminent into the "nature" of the basic problem and for offering a fundamental structure which a model can be further developed and constructed. As for this research ,there are 4 archetypes which are generally acknowledged as forming the set of tools that reveal patterns of behavior in systems. Each of the archetypes will be illustrated and discussed, along with parameter definition that are useful for applying the archetypes for successful managerial interventions in OTAs organization.

Casual loop diagram

Casual loop diagrams (CLDs) is a systems thinking tool. These diagrams consist of arrows connecting variables that affect other variable. The relations between all variables were taken from the interview with the 7 OTAs. The sample group was introduced to basic knowledge of systems thinking to help the group understand and be able to answer the questions provide for them. The causal loop diagrams in this research were separated into 2 aspects of identified key issues, which are:

1. Supplier systematize

There is a strong need for a systematic approach to supplier selection especially in the area of identifying proper suppliers. (Vonderembse and Tracy,1999; Tempelmeier,2002). The skills required for supplier selection to implement successful SRM are market and category knowledge whereas the skills required for supplier evaluation and classification is commercial expertise. Selecting, categorizing, estimating, and evaluating the works of suppliers consist of factors that are related to each other as shown in Figure 4.23. The works of suppliers affect the selection and renewing the trade agreements with OTAs in the following years. The suppliers that are low in distribution or work quality will get their agreements terminated in the following years as well.

Figure 4.23 explains how OTAs are applied into business processes. OTAs continually select suppliers into their business in order to always have various products and services which meet different customers' needs. Having qualified products and services with several price ranges help OTAs have a wider range of customer base from middle to high-income customers. OTAs have similar selection criteria for the group of 7 companies, which are performance history, service capacity and facility, reputation and position in industries, price position compared to the standard cost, long-term financial stability, commission rates, amounts of past businesses, types of customers, commercial relationships and policies, and geographical locations. The criteria are used to evaluate the suppliers. The suppliers who do not pass the criteria are not selected and not signed to do businesses with OTAs. The suppliers who pass the selection will negotiate with OTAs to discuss benefit division that OTAs will receive.

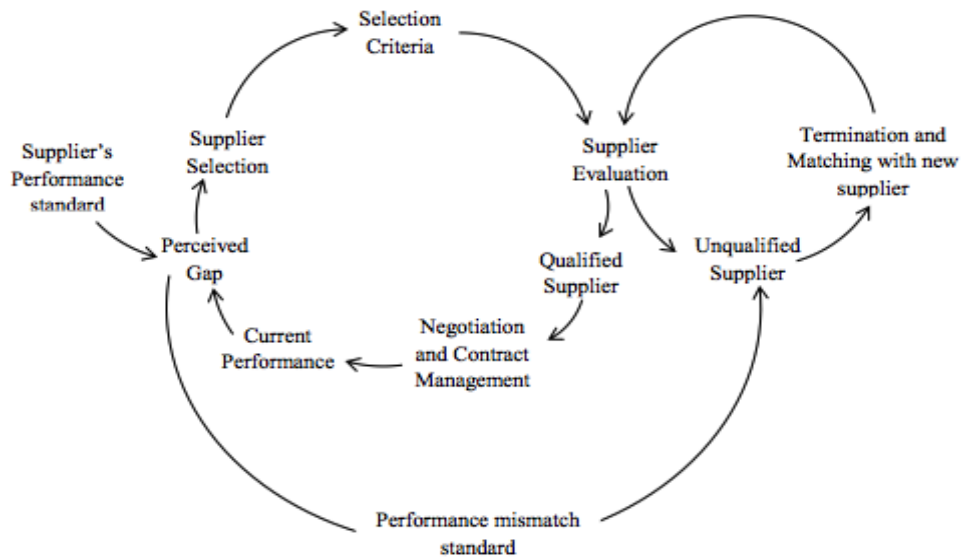


Figure 4.23 Supplier Selection Systematize System Thinking

OTAs will then obtain products and services quota to sell as mentioned in the agreement. When the negotiation and contract management are finished, both supplier and OTAs will proceed to the business. OTAs will sell, collect fees, and evaluate the supplier's performance. Actual performance of the supplier will be acquired and compared to the standard performance. This process creates a perceived gap, which means if the actual performance is qualified; the supplier will be selected to continue the agreement with OTAs in the following year. But if the performance does not meet the qualifications, the supplier will not be able to continue. Selecting suppliers is a learning process in the form of problem-based learning because OTAs will continue to learn that selecting unqualified suppliers affects their income.

2. Supplier Relationship Management

Supplier relationship management using systems thinking is a process which can be applied into the businesses of OTAs by using the aspect of the needs of customers as the starter, and separating customers according to their purchasing powers. The products and services are categorized by their suppliers in the customers' points of view. OTAs act as the mediators of the knowledge management system, or knowledge conductors who help all stake holders in the system learn and improve their performances together. It can be said that supplier relationship management using systems thinking is not only a

business strategy but a learning process in tourism supply chains which uses e-commerce as the mediator in trading and exchanging business knowledge.

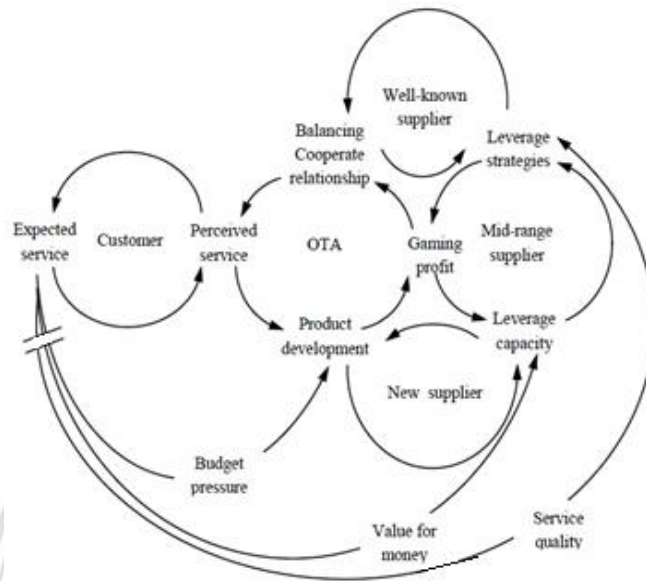


Figure 4.24 Supplier Relationship Management System Thinking

In Figure 4.24, OTAs are mediators in tourism industry between customers and suppliers in the aspect of knowledge management. OTAs also work as knowledge conductors that can disseminate knowledge of all stakeholders. There are 3 kinds of stakeholders, customers, OTAs and suppliers. The suppliers are also divided into 3 kinds, new suppliers, mid-range suppliers, and well-known suppliers. From the study, it was found that expectations of customers affect all kinds of suppliers in several forms, such as when there is a new supplier commencing in tourism industry, customers will want to experience products and services that are cheaper than those of current suppliers. While some mid-ranged suppliers that have affordable price positions and are well have been running their businesses for a period of time they are well-known. Most customers set high expectations towards products and services in money-value aspect or worth the price they have to pay for. And for well-known suppliers, customers expect to receive high-quality products and services. The expectations of the customers put on pressures for the suppliers to adjust themselves and set goals in their own product and service development. New suppliers want their own drifting goal by leveraging capacity to the organization can develop to the mid-range supplier that well known in the market and want to develop their own product and the service to be needed from OTAs that is

the way of expected selling. Mid-range suppliers want their own closing gap with well-known supplier by developing in the strategy to be able to compete in the market and still want the profit from the OTAs' product and service.

The research result can identify the quality problem or the overall operation of OTAs which limited of long-term growth and not reaching the goal or cannot compete with the other in long-term. From the strategic analysis of the competition between the e-commerce business of Michael E.Porter (Applegate McFarlan, and McKenny, 1999), it showed that those business workers are now facing the strong competition and might have to quit the business if they cannot adjust the transaction formats with the tourism in the nowadays cyber world.

Besides, the result of the study can be defined that OTAs problem lacks of knowledge and understanding in tourism industry in the age of electric commerce, so the OTAs development can't reach the business issue and business lacks of the standard quality in management and the result of OTAs' working will be the limitation of the OTAs growth, so there is a lack of competitiveness which affects the supplier's selection that doesn't have a quality or the supplier that have a quality but can't keep the long term relationship.

The inside factors that related to the result of Supplier Systematize System Thinking and Supplier Relationship Management System Thinking. There are 2 fields as follow.

- 1) The development of OTAs management system to the fast technology changing.

OTAs must realize that the present costumer will receive the news about their Own interest from the tourism agency that has more specific information than other company or general tourism business by showing that OTAs is the reliable tourism advisor. So in the overall of tourism industry, it has to be changed without avoiding by reducing the interest from the general market and limit the interest narrower at the market just only OTAs. In foreign country people are interested in some activities and some special places and depend on the information technology system to support daily data finding and many suggestion processes while OTAs in Chiang Mai still lack of knowledge and the understanding about it Information technology with running business in the tourism industry

- The deep knowledge about the alliance such as airways business, car rental business, train and buses, hotels and accommodations ,destination and service operation
- Social value and trends in tourists' using technology
- The power of the information in tourism that affect the costumers in deciding to buy the products and service.
- The increase of online media
- From the study, it was found that the point about the standard knowledge in running business above affects a lot to the survival in tourism industry.

2) Supplier selection

- OTAs choose Supplier without the deep knowledge in tourism industry business, so they choose the supplier that can't respond to the costumer's need in their own target group.
- OTAs that are expert in working and understand the tourism industry environment. They didn't do the supplier selecting plan by showing as the letter but use the experience, knowledge, and expertise so they didn't forward the knowledge to the staff in the company, then the knowledge disappeared. When the new staff comes to select the supplier, the effectiveness will be lower than the former staff that can do it well.
- OTAs chooses Supplier with the consideration of the most important profit and income without thinking of the quality in consideration, so they didn't choose the supplier with a good quality. They aim at the high income which gives the profit just only in the beginning.

4.11.3 Essence level

The essence of systems thinking is to focus on the whole system or the interconnectedness of each systems archetype. This research uses the policy resistance take place when a policy is applied to a system controlled by negative feedback processes and the policy change does not alter the desired states of the negative loops. This section provides the preventive method for each system archetype. In addition, mental models of OTAs are presented as well. Mental models can help shape behavior and set method to solving problems and doing tasks while the leverage point is to

mange or change the feedback loop dynamic and emphasize on specific fix to each point differently and effectively.

So when OTAs see the overall view in 2 types of Systems archetype, it will help to understand the problem in the Holistic type and can solve the problem correctly by finding the suitable strategy that is used to solve the problem. Strategy or method in solving problem in each system archetype has already been presented in the topic of Leverage point of each archetype. The result from using systems thinking created 2 strategy plans, which are Supplier Selection Strategy and Supplier Relationship Management Strategy. Both strategies used with OTAs consist of components that are related to learning processes, such as Predictive Learning and Adaptive Learning, which have guidelines to be brought into practice, including risk management and involved stakeholders as shown in Table 4.18 and Table 4.19.



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Table 4.18 Supplier selection strategy

| <i>Synergy</i> | <i>Weakness and Strength Mix and Match</i> | <i>Predictive learning</i> | <i>Doing</i> | <i>Adaptive Learning</i> | <i>Capacity and Risk Management</i> | <i>Balancing</i> | <i>Timing</i> | <i>Resource</i> |
|------------------------------------|---|---|--|---|---|---|---|--|
| Task 1 Supplier selection strategy | OTAs know how to select suppliers that meet the customers' requirements, but are limited by time and capacity. This results in not having enough suppliers to meet requirements of customers who need quality and affordable price, and various types of suppliers. | Supplier Selection Strategy is done to search for new products to make profits and good products to promote while suppliers need benefits from distributing through several agencies and want to learn product development processes by using information provided by OTAs in the aspect of customers' needs. | Provide a tourism product and service database to be primarily used in selecting suppliers, and then selecting suppliers by using estimating criteria to reduce supplier selecting time. | Estimate the tourism market's needs and select suppliers by considering major factors in performance history, service capacity ,facility, geographical location, position in industry, financial position, amount of past business, types of customers, commercial relationship with OTAs, and etc. | If the suppliers can still not meet the market's requirements it will be terminated and then select a new one. For the ones that meet the requirements, the market will do a product development. OTAs then send the data to new suppliers to under developing product that not match to the customer's requirement and expectation | Create a balance between tensions of customers in a tourism market and the products and services of the suppliers by collecting feedback from the customers to be used as criteria to select and improve the suppliers' products. | Start by predicting customers' needs and numbers of customers in a tourism seasons and use the results to select suppliers. The suppliers have to invest more in marketing and service capacity support the customers in each tourism season. | Supplier Sourcing Section and Marketing and Sales Section of OTAs. |

Table 4.18 Supplier selection strategy (Cont.)

| <i>Synergy</i> | <i>Weakness and Strength Mix and Match</i> | <i>Predictive learning</i> | <i>Doing</i> | <i>Adaptive learning</i> | <i>Capacity and Risk Management</i> | <i>Balancing</i> | <i>Timing</i> | <i>Resource</i> |
|--|--|--|--|---|--|--|---|--|
| Task 2 Supplier Relationship Management Strategy | OTAs act as a conductor in knowledge management and exchange tourism knowledge and also as a mediator between customers and suppliers by using the customers' needs as indicators for tourism products and services. Then select appropriate suppliers, create relationship management policies, and strengthen tourism supply chain. OTAs have an advantage in reaching out to customers and suppliers. This helps OTAs in benefiting themselves and their suppliers. | To create relationships with their suppliers and bring customers' needs into developing products and work strategies of their suppliers. | Identify opportunities with their suppliers by creating sales plans in high season and low season and instruct each group of suppliers that have been differentiated to meet customers' various needs. The knowledge given to the suppliers will be then used to do leverage capacity and leverage strategy. | Conduct yield management to predict reservation rates of plane tickets, hotel rooms, and cars. When the tensions are understood, they will be used to create marketing plans to make products and services affordable in low season and be able to find substitute products in high season periods. | Increasing product and service circulation of suppliers in every tourism season. | Create a balance between customers' demands and products and services of suppliers. If the products and services are not enough or cannot meet the customers' needs, substitute products will be sought from groups of the same business type. | Start by analyzing the market, types of customers, and predicted numbers of customers. Then create relationship management plans with the suppliers along with exchanging products and services of the suppliers. | Marketing and Sales Section of OTAs works with Marketing and Sales Section of their suppliers. |

4.12 Closing thought

The result from both system archetypes were used to create strategy plans to select suppliers and to create a supplier relationship strategy. These strategies comprise of strength and weakness, adaptive and predictive learning processes, risk management methods, and specifications of units and individuals that are responsible to follow the strategic plans to help OTAs succeed. In addition, All participants has verified that both system archetypes have encouraged their organization to have new innovations from applying systems thinking in a supplier selection systematized and relationship management. It can be used to benefit the knowledge management: reduce the time used to develop new products or new trainings, gain more benefits, save more time and cost, maintain the qualities or images of OTAs, and improve the knowledge to create new innovations.

OTAs are responsible for distributing various tourism products and services. However, selected main products of tourism markets, which are airplanes tickets, accommodations, and rental cars, have different nature in them. From the opinions of the sample group, it was found that plane tickets are the best-seller and make the most income for OTAs, with accommodations at number two. As for rental cars, customers prefer off-line reservations which are made at the places of arrivals. The said differences affect supplier selection systematizing and Supplier Relationship systems thinking, including strategy plans for both archetypes as follows:

1. From analyzing systematic thinking processes of OTAs, it was found that both system archetypes can be adapted to every supplier type by requiring Customer Service Life Cycle to be calculated as total product age average, e.g. a customer has reserved a round-trip plane ticket, an accommodation with exact days to stay, and a rental car online to be used in his vacation. Every product has their ages equally to the day they are first used; from Ownership phase to Retirement phase.

2. Even when both Systems Archetypes work with every kind of suppliers, OTAs will still focus mainly on the top-grossing suppliers by ranking from airlines, hotels, and rental car companies. In each type of supplier, e.g. airlines are separated by quality and capability to make the most income for OTAs to rank suppliers and distribute to suppliers that make the most for them as their first priority.

3. Suppliers of rental cars are the ones with lower sales. However, OTAs still have reservation functions or relation management systems with rental car companies to make customers see their better images in the eyes of customers the OTAs provide extensive products even when they are not buying.



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