

CHAPTER 5

Discussion and Conclusion

5.1 Introduction

Tourism is one of the most growing industries of the world. It has earned higher income, more leisure time, and lower travel costs of travel. Tourism industry has grown dramatically since airports become easier to pass through. Travel services have become less complicated. Travel information is now easier to access on their own. Booking can be now done over the Internet. These facts truly accelerate the growth of tourism industry.. People can now explore use personal computers to search for destinations and choices before finalizing plans. The Internet allows tourists to check for hotels, weather, local food and even share their travel experiences in chosen destinations with other tourists around the world.

This age of information and globalization will continue to encourage future consumers to do businesses with tourism companies and hospitality industries. Customers will require better quality and safety. However, tourism products are needed for several intermediaries – travel agent, tour operators, conference organizers, booking agents, and etc. This means that travel agents have become legal partners of tourism suppliers. They are performing the tasks of intermediaries by using CRS-Computer Reservation System and GDS-Global Distribution System. Both reservation systems lead them to change their traditional business styles by turning themselves into online travel agencies that have interrelationship with tourism supply chains. This research emphasizes on OTAs' roles and responsibilities - their relationships with suppliers, their chosen suppliers, their knowledge gained from sourcing processes, and their systems archetype used to describe the problem behaviors in supplier selection processes.

This chapter argues some of significant characteristics related to research. Starting from the discussion by answering the research questions, conclusion, limitation and research generalization is finalized at the end of this chapter.

5.2 Discussion: answering research question

This research has a significant questions;

Question :What is the new perspective or model that integrate OTAs knowledge and can be applied in generalization of supplier selection process?

A questions can be answered by the conceptual framework .As can be seen in Figure 3.2 (Chapter3), Management system and process will answer question while systems thinking will answer question , However, going through all research steps ,tools and methodology will generate the optimum solution so –called “ Supplier selection systematize and Supplier relationship management systems thinking”

As the objective of this research is to develop a model for supplier selection and strategic choice, the research has developed on a reliability process according to research methodology in Chapter3 and result can be applied to other similar contexts in service industry. According to question 1, OTAs minimize cost and risk in supplier selection process by using 3 knowledge domains including, supplier relationship management, sourcing policy and supplier selection process. All knowledge domains which combine in a holistic view can illustrate the supplier selection decision analysis and strategic choice.

In Chapter 4, supplier selection process is in the form of management practice and concept , workflow and applying systems thinking to simulate the selection and relationship management evidence.

1. Starting SRM by understanding customer need

Tourism rapidly and continuously grows over time and has a great impact in industry, especially traveling and trading. Business transactions between distributors and customers are completed via the Internet as a means of communication. Online Travel Agencies or OTAs are businesses that distribute products and services of their tourism suppliers (airlines, hotels and rental cars). Customers browse for products via OTAs' websites and follow every necessary step from browsing, booking, to making payment. This study mainly focused on how OTAs apply Customer Experience

Management (CEM) and Customer Service Life Cycle (CSLC) and how CSLC affects their Customer Relationship Management (CRM) in their businesses. The result from the 4 steps of CSLC, which are requirement, acquisition, ownership and retirement, is a reverse feedback that leads to supplier relationship management and supplier selection. which are 1) hosting websites for selling and trading online product and service reservations that are easily accessible and an easy-to-use payment system, 2) having websites that give up-to-date information about tourism products and services from suppliers with pricing for the customers to decide, These strategies create positive customer experiences and supplier relationships towards OTAs.

2. Supplier relationship management

Supplier relationship management is management is an approach to manage interactions between OTAs and organizations which supply good and services it uses. This includes business practices and information flows about supply chain management (SCM).

Supplier relationship management systems were developed to harmonize all processes related to supplier integration and communication. On the other side, it describes business structures and processes of OTAs and how they should communicate with their suppliers and supports OTAs in the different stages of direct supplier relationships, e.g. identification, evaluation, qualification, and termination (Eyholzer , et al.,2002)

3. Supplier Selection

A comparison of supplier selection methods by using the existing method and systems thinking is to see the differences in each topic and how systems thinking can better help OTAs create management models to help them in their work processes

Table 5.1 Comparison of former supplier selection and supplier selection created using systems thinking

<i>Points of Consideration</i>	<i>Former Supplier Selection Models</i>	<i>Supplier Selection Created Using Systems Thinking</i>
Supplier Selection Techniques	<p>There are several selection methods. However, these methods are divided into 3 main groups due to the complexities of supplier selection problems, which are:</p> <p>1) General methods for selection technique The common methodology to solve supplier selection problems by considering financial cost for the selection or easy mathematic models which suit the supplier selection problems that have few criteria (key parameters).</p> <p>2) Multi-criteria supplier selection models Multiple criteria decision-making (MCDM) is a sub-discipline of <u>operations research</u> that explicitly considers multiple criteria in decision-making environments. Whether in our daily lives or in professional settings, there are typically multiple conflicting criteria that need to be evaluated in making decisions.</p> <p>3) Simulation-optimization selection models are how to create replicas to be used in the selection. The positive is that the results will be close to reality, but use complicated software that uses mathematic conditions, which might confuse users in general.</p>	<p>Systems Thinking means to think about something as a whole image. It has minor elements by depending on direct and indirect thinking. Supplier selection requires multi criteria that affect each other and relate to each other in the system. Creating supplier selection methods are easier than former supplier selection techniques since it does not require users to collect numbers or explain mathematic equations, but rather use knowledge from staff in an organization. Systems thinking give easy-to-use models that can be explained as a guideline in any works.</p>
Operation Steps	<ol style="list-style-type: none"> 1. Collect supplier selecting information and related minor topics, such as supplier relationship management. 2. Brainstorm with persons related to supplier selection processes, or use knowledge from experts in OTAs to identify supplier selection problems. 3. Choose supplier selection techniques that are proper to selection problems. 4. Process information and interpret, which will need experts to analyze or advise since most of the tools use complicated mathematic equations. 5. Use the results from interpreting to create management and strategy plans. 6. Inform related persons and units. 	<ol style="list-style-type: none"> 1. Collect supplier selecting information and related minor topics, such as supplier relationship management. 2. Brainstorm with persons related to supplier selection processes, or use knowledge from experts in OTAs to identify supplier selection problems. 3. Collect important key parameters in selection processes, which are the parameters of OTAs (Practice Level). 4. Relate parameters and create a system under the concept of systems thinking (Principle Level). 5. Create strategies along with systems archetypes (Essence Level).

Table 5.1 Comparison of former supplier selection and supplier selection created using systems thinking (Cont.)

<i>Points of Consideration</i>	<i>Former Supplier Selection Models</i>	<i>Supplier Selection Created Using Systems Thinking</i>
Strategic Planning	When the former selection methods are used, information to help in decision making will be given. However, OTAs have to interpret information that has been analyzed to statistics first, and then publish information. Therefore, participations of staff in an organization will be less than that of systems thinking since it requires experts to analyze the information before it can be published.	Strategy plans to help with decision making including systems thinking are created.
Epistemological knowledge	Tacit knowledge is changed to explicit knowledge and has a delay process since the statistic information has to be analyzed by experts first.	Knowledge conversion processes occur faster since there is advice given by consultants in an organization that is related to supplier selection.
Ontological knowledge	The information is relayed to and expanded from an individual and then to a group, an inter-organization, and an organization.	The information is relayed to and expanded from an individual and then to a group, an inter-organization, and an organization

a. The supplier selection framework

The selection framework has 9 criteria to consider; amount of supplier, possibility amount of supplier, problem definition, decision making, data, criteria, method, interaction and significant level. Each criteria will be used to evaluate 4 types of supplier such as, new supplier, well-known supplier, low to mid range supplier and the listed supplier who is nearly terminated because their performance don't meet contract term.

b. Selection method under marketing strategy

Tourism marketing is, in the other hand, defined as systematic efforts by tourism enterprises at any levels to enhance tourism experiences in the aspect of sustainable growth. As Krippendorf (1986) stated "*Marketing in tourism is to be understood as the systematic and coordinated execution of business policy by tourist undertakings, whether private or state owned, at local, regional, national or international levels to achieve the optimal satisfaction of the needs of identifiable consumer groups, and in doing so to achieve an appropriate return.*"

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Market segmentation is the process to identify different desires of buyers in a total market. Some markets can be too excessive for an organization to provide required products and services for all buyers. This leads to selecting target markets that necessitate market segmentation that has certain advantages, which are a) spotting and comparing marketing opportunities, b) catering to buyers' needs, and c) developing specific marketing programs for each segment. Market segmentation strategy is to separate present and potential markets with basic characters and then focus on pricing, supply and promotion efforts in target markets.

c. **Supplier selection process diagram**

This process consists of supplier qualification, negotiation, contract management, evaluation, supplier development and termination. Each step is explained using a flowchart that has images or symbols representing steps, explanations, texts, or quotes used in Algorithm. The data is displayed as sequences, decisions or selections, and repetitions or loops.

d. Systems thinking

The aim of this research is to develop a model for supplier selection decision analysis and strategic choices. The result provides a holistic view of systems thinking that gives understandings about supplier selection and supplier relationship management.

Besides, this study uses the core disciplines as the framework for chapter 4. The findings, when analyzed, will result in general problem behaviors as the following;

1) Supplier Selection and Current Profits: these problems cause a decrease in OTAs profits overtime. These problems come from 2 major problem behaviors 1) Choosing unprofitable suppliers and 2) unplanned schedules for new supplier selection and termination unprofitability.

2) Quality and Improvement: the theme is "Growth is the focus, and performance takes off. Eventually, though, it seems that no matter how hard everyone works, they seem to stay in the same place. Sometimes the growth turns into a decline or even a crash". These problems come from 5 major problem behaviors according to WTO Business Council, 1999 as the following;

- Small travel companies that do not have the ability to handle specialized tourism.

- Medium travel companies that can provide travel services in Niche markets but too small to compete with big businesses that sells various travel services.
- Disintermediation and re-intermediation in tourism business allow suppliers to contact customers directly.
- New online travel companies that do not invest in maintaining customers' trust and loyalty.
- High competitions of dot.com businesses make OTAs not get expected profits.

3) Unintended adversary relationships between OTAs and suppliers which has the following theme; “Actual or potential partners behave as if they are adversaries because at least one party unintentionally takes action that undermines the success of their partner”. OTAs and Suppliers have a joint goal to improve effectiveness of their products and distribution systems, but each of them feels that the other is acting selfishly – this causes ways that can damage their relationships. OTAs begin to rely heavily on price promotions. However, the promotions cause enormous costs and other difficulties for smaller suppliers. With lower prices, small suppliers get lower profits. They need to reduce their costs to make more products and services, which affect product and service quality.

4) OTAs and suppliers strive to reach their business goals in responses to customers' demands. The theme is “Goals (and performance) erode over time”. Each time, goals are adjusted in an organization. A reinforcing dynamic occurs, which anchors a negligent direction to goal setting in the cultures of the organization. This situation happens when OTAs and their suppliers have their own goals to survive in business controls with growing profits. The said goals and profits are sometimes different they have to find strategies to reduce any possible gaps.

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 is the routine work or method that OTAs use to run their business.

The

empirical result also indicated that OTAs confront with the problem within and outside the organization .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 is the law or rule that has to be, or usually is to be followed. the result

from 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: is the holism and interconnectedness between archetypes. Archetypes do not depict any one problem particularly. They generally explain relatives of problems. OTAs value to system theory comes from the impending they propose into the energetic dealings of complex systems. There are many techniques in which the archetypes can interrelate with each other. It also presents holism view point and interconnectedness of OTAs supplier selection.

5.3 Research generalization

This research can be applied supplier selection simulation and systems thinking concepts using heuristic rules that will never be generalized broadly. The research findings can be applied for solving a specific problem which can be contributed to OTAs business that have similar problems in similar contexts to the OTAs in Chiang Mai.

5.4 Conclusion

This research attempts to analyze the features of supplier selection and supplier relationship management in systems thinking pattern. The supplier selection and

supplier relationship management process was based on the examination of in-depth interview and was validated through specialists in Chiang Mai tourism sector.

Supplier selection is a comprehensive approach under Supplier relationship management which is to managing an OTAs' interactions with the organizations that supply the goods and services it uses. SRM includes business practices and is part of the information flow component of supply chain management (SCM). Supplier selection and supplier relationship management systems were developed to harmonize and automate the process concerned with the supplier integration and communication. SRM, on the other side, describes the business structures and processes required by OTAs to communicate with their suppliers while providing methods, processes and tools to support the different phases of a direct supplier relationship, e.g., identification, evaluation, qualification, and if necessary, termination (Eyholzer et al., 2002)

Systems thinking is an effective tool to clarify the complexities of OTAs supplier relationship management. In addition, systems thinking assisted to integrate isolated problems associated with the tourism business and contributed to a vigorous decision-making.

This study was conducted by interviewing 7 sample groups until the 22 relating variables with supplier selection and Supplier relationship management were found and evaluated by having the sample groups score the variables by using Likert's Five-Point Scales. The result from ANOVA analysis is 1.0 or 100 % since the averages of the 11 dependent variable in identified key issues1 and 10 dependent variable in identified key issues2 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.

Even though, the statistical value is a non-significant because of the reason mentioned above, but in management strategy plan setting, the sample group tends to have the same opinion in a consensus way, which reflects the systems thinking and the other strategic plans show how these OTAs work and become truly successful. Besides, All variables are separated in to 2 casual loop diagrams.

The first casual loop is Systematized Selection, which consists of 11 variables that are selections processes to select suppliers. This knowledge is a tacit knowledge for

organizations, which consists of Supplier Selection, Selection Criteria, Supplier Evaluation, Supplier Pass the Evaluation, Negotiation and Contract Management, Performance during Contract Period, Supplier Fail the Evaluation, Termination and Matching with New Suppliers.

The second casual loop is the implication for Supplier Relationship Management Practice for OTAs in Chiang Mai. This casual loop consists of 10 variables. OTAs need to take sourcing strategy into planning and operating of their supplier relationship management method. From a management perspective, good sourcing policy will bring the great accomplishment. OTAs also use customer data as reverse information which can help OTAs choose the right supplier and use appropriate sourcing technique. OTAs and suppliers strive to reach business goal under customer demand. OTAs must encourage new suppliers to do product development and benefit from selling products and services of mid-range suppliers. And for well-known suppliers that have most-wanted products and services by customers, OTAs will balance and cooperate in relationships. All 3 types of suppliers will have to learn how to manage their own businesses to survive, such as a new supplier will have to learn how to raise its leverage capacity higher from a mid-range supplier, and the mid-range supplier will have to raise its leverage strategies higher to stand out above its competitors in this industry by learning from a successful well-known supplier.

The result from both system archetypes were used to create strategy plans to select suppliers and to create a supplier relationship strategy (Monczka et al.,1998) The result from the study showed that system thinking helps OTAs understand every aspect of holistic relations in tourism supply chain. OTAs are the mediators in the knowledge about what knowledge every stakeholder should have and dissemination the knowledge to each kind of suppliers in order to help them develop their quality of work and make it better, which help create collaborative business relationships (Harrison and Heok, 2005).

New innovations from applying systems thinking in a supplier systematized selection and relationship management 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.

This research can apply systems thinking concepts using heuristic rules that will never be generalized broadly. The research finding can be applied for solving a specific problem which can be contributed to OTAs businesses that have similar problems in similar contexts to the OTAs in Chiang Mai.

Moreover, The deliverance of this research will provide the effectiveness and efficiency to the OTAs directly as;



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Table 5.2 The deliverance of research

<i>Effectiveness</i>	<i>Discussion</i>
a) Helps OTAs solve supplier selection problems	A holistic framework for selecting and a systematic relationship management are created, which form generative learning processes; OTAs have new methods to accelerate work processes, select right suppliers for customers, and categorize suppliers into groups to properly manage them with the other groups.
b) Helps OTAs select more accurate criteria when making decision	Knowledge collection of supplier selection is created. This collection of knowledge is tacit knowledge which will then be extracted into selection steps and real criteria in OTAs by explaining the knowledge as explicit knowledge by making them systems archetypes, which are easy-to-understand diagrams that show relations between the variables in selection processes and other criteria systematically.
c) Helps model decision situations correctly, e.g. dealing specifically with ethereal factors.	<p>11 key parameter from supplier selection and 10 from relationship management are received as the following;</p> <p>1. Identified key issues 1:Supplier selection systematize</p> <ul style="list-style-type: none"> -Supplier selection -Selection criteria -Supplier evaluation -Qualified supplier -Unqualified supplier -Negotiation and Contract management -Current performance -Perceived gap -Supplier performance standard -Performance mismatch standard -Termination and Matching with new supplier <p>2. Identified key issues 2: Supplier Relationship Management</p> <ul style="list-style-type: none"> -Customer expectation -Customer satisfaction -Budget pressure -Value for money -Service quality -Result from supplier selection/differentiation and review and evaluation process -Leverage capacity -Leverage strategy -Balancing cooperate relationship -Product development

Table5.2 The deliverance of research (Cont.)

<i>Efficiency</i>	<i>Discussion</i>
1. Grants faster computation for decision information, e.g. supplier data on OTAs' database.	Has a database that is systematically analyzed to the concept of systems thinking. Formerly, OTAs have this database but it has not been categorized and has not had management strategies to fit each type of suppliers.
2. Grants more storage for supplier selection information that can be accessed in the future, e.g. Saving files that hold the criteria for selection and evaluation.	Selection and evaluation criteria that can be used in real situations in organizations are received, e.g. <ul style="list-style-type: none">-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
3. Eliminates excessive criteria	Selection criteria are reduced and relationship management gives lesser results to decision making or is barely used.
4. Facilitate more efficient justification of the outcome of SRM decision making process	10 relationship management key parameters are received. Each of them affects relationship management .

5.5 Limitation and future research

The existing approach focusing on Tourism Supplier Relationship Management is lacking of application of the systems thinking methods that can be typically described in the casual loop diagram form. According to the systems thinking, Supplier will be of more simplicity to show the result in quantitative. Therefore, the new generations of systems thinking methods, heuristics, and over traditional systems thinking methods are widely discussed in innovation aspect.