

# What Should be Known to Conduct in the Travel Industry? Extending to Knowledge-based View

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## Abstract

The purpose of this study is to explore what market knowledge of the travel industry involves. Although there has been consensus that market knowledge is drawn from the market orientation theory, little insight into the nature and issue of market knowledge from the knowledge-based view is identified. Thus, our aim is to fill this gap in the market knowledge of tourism literature. To this end, this study adopts the discovery-oriented approach of qualitative study to delineate the domain of the market knowledge construct in the travel industry setting. The study interviewed two companies and summarized four categories of 4C market knowledge: Knowledge of external customer (customer) including customer profile, traveler's psychology and behavior; and customer relationships management; internal customer (employee) including employee equity, workforce management, and performance control; competitor, including competitive status and competitive response; and partner client (supplier and distributor), including partners' characteristics and supply chain management. This study provides operational definitions and a legible framework of market knowledge for directing future research.

## Keywords

Market knowledge, Knowledge-based view, Market orientation, Travel industry.

## Introduction

Although the tourism and hospitality industry (hereinafter referred to as the tourism industry) does not match the massive capital characteristics of the high-tech industry, the awareness of tourism industry operators on the importance of the knowledge issue is rising. In recent years, scholars in the tourism domain have started to pay attention to the research on the knowledge issue, including how operators construct dynamic capability through knowledge resource (Nieves and Haller, 2014), the relationship between managing team culture, cohesion and knowledge share and service innovation (Hu et al., 2009), the cause and effect of knowledge sharing in the hotel industry (Yang, 2010), the discussion of firms' knowledge management (Yang and Wan, 2004), and how to convert scenic knowledge to innovative studies for scenic management units (Weidenfeld et al., 2010). The above demonstrates the importance of knowledge issue in the tourism industry. However, many scholars have pointed out that literature on the knowledge issue is still inadequate (Hallin and Marnburg, 2008; Shaw and Williams, 2009).

The market knowledge of the tourism industry can be discussed with the market orientation and knowledge-base viewpoint (KBV), which states that knowledge is the significant competitive asset that a firm possesses (Grand, 1996). The competitive advantage that knowledge brings to a firm rely on the convergence of tacit knowledge from different experts and that it won't be lost due to the departure or job hopping of the firm's members (Spender, 1996). KBV emphasizes that the advantage of market knowledge can be presented in the knowledge's tacitness, specificity, depth, and breadth so that it is difficult for competitors to copy or secure. In other words, firms create competitive advantages through these four characteristics. Unfortunately, the literature that explores the types of market knowledge the tourism operators need to capture the four KBV dimensions is scant.

The purpose of this study is to elaborate on the content of market knowledge by studying two travel agencies and to explore some key approaches that are utilized to capture knowledge. Semi-structured interviews were administered in this study. The findings clearly indicate that significant types of market knowledge that the two travel agencies learned from the market to obtain competitive advantage. Results suggest that top management staff need to seriously build an extensive knowledge database to implement strategic action in reality to enhance customer service and overall market performance (e.g., customer satisfaction and loyalty).

## Literature

### Market knowledge in the tourism

The literature on the market knowledge of the tourism industry mostly focuses on knowledge transfer, knowledge management, and knowledge sharing. In particular, the practical scope of these studies stresses hotel operators. For example, Yang (2007) found that the leadership role of the hotel industry and the environment that supports different team spirit (e.g., collaborative culture) are key elements that affect knowledge sharing. Yang, in a previous study, contended that although managers understand customer needs and preference, satisfying them is difficult because customer behaviors are constantly changing. Therefore, Yang (2004) conducted a case study on two Taiwanese hotel operators. Yang suggested top management teams to focus on the concept of organizational learning in order to capture market knowledge. Further, he proposed internalizing the knowledge to facilitate the promotion of appropriate service, as well as create profit and advantage. Yang, citing other researches, noted that firms must know what knowledge resource to capture and utilize such knowledge in the organization (Caddy et al., 2001). Although the above research only surveyed two hotel operators, it was found that knowledge can be extended to the dimensions of customers, competitors, suppliers, and employees.

In recent years, there have been studies that explore the connection between knowledge resource and creating competitive advantage for tourism operators. For example, Nieves and Haller (2014) found that if hotel accommodation firms possess high knowledge resource and sense-making capability, they can develop the ability to gain familiarity of and integrate organizational resource. Therefore, a firm's human resource capital (employee knowledge, skill, and capability) and organizational knowledge are very important to operating performance. Yang (2010) used knowledge sharing as a focal construct to empirically discuss the research framework of the antecedents and consequents of Taiwanese international tourism hotel operators with respect to knowledge sharing. Especially, the antecedents discussed include knowledge sharing's learning attitude, organizational support, leadership role, while the effect generated by knowledge sharing include organizational learning and organizational effectiveness.

**Knowledge based view**

De Luca and Atuahene-Gima (2007) stressed that market-orientation theories of market knowledge are unable to help firms understand the content of these two knowledge systems. Therefore, they proposed the KBV, which stated that market knowledge involves four characteristics: Tacitness, specificity, depth, and breadth. Tacitness refers to information on customers or competitors that is not explicit or easy to come by. The conceptualization of tacitness came from Nonaka (1994), who classified knowledge into tacit and explicit knowledge. Specificity denotes context-specific information. In other words, the firm can only unleash the greatest effect of knowledge specificity in a specific context. Depth refers to the sophistication and complexity of information related to customers or competitors. In other words, a firm's understanding of customers and competitors is a multifaceted concept. Finally, breadth refers to the "high-level" view of customers and competitors, such as using what parameters to describe a firm's customers and competitor strategies.

**Qualitative Research**

**Research design**

This study explores whether the content of market knowledge discussed in the literature is identical to that in the practical applications of the tourism industry. A qualitative case study was adopted because the main aim of this research is to uncover managers' views and experiences. Berg (2004) has stated that case studies enable a systematic gathering of enough information about an organization to permit an effective understanding of how the subject under consideration operates or functions. Further, when organizational and management processes are

being studied and discussed, as is the instance with the current research, a case study approach has been deemed to be very effective (Yin, 1989). As the issue discussed in this study involves classified information, a phone call was made to the operators to inquire their willingness to participate in a lengthy interview but not many operators agreed. Therefore, the two travel agencies were eventually selected as the research samples.

This study searched for the meaningful units in the data. Analysis was conducted by organizing the raw data into concepts according to theme, concept, or trait so that the data could be most effectively manipulated in the analysis as well as in the modification stage. The content of market knowledge described by the case studies was analyzed according to qualitative data coding. As to the method of searching the important units of the market knowledge concept, this study utilized the theory sensitivity method, existing priori constructs, and concepts disclosed by case study interviews.

**Case selection**

There are several reasons for choosing the two travel agencies as the research targets. In terms of market share, the two travel agents are the biggest in tour group volume. The second, the two travel agencies are already incorporated by Kuang-Hwa, a major Taiwanese research institute, as a part of its management case collections. The third, the two travel agents are rated by major business media as outstanding firms in the travel service industry.

The logic of sample selection was applied to indicate that the operators are able to survive only if they have a certain degree of market knowledge in their respective fields. Or, despite heated competition, they can operate effectively only if they possess a certain level of knowledge.

**Results**

**Research design**

The study identified four major concepts and 10 sub-concepts for market knowledge. Within the 10 sub-concepts, the market knowledge issues deemed by the interviewees as important were individually extracted. The four major concepts of market knowledge were: (1) Customer, (2) employee, (3) competitor, and (4) partner, as illustrated in Tables 1 and 2 and Figure 1. The framework echoes the KBV, in which the different dimensions of market knowledge, are presented and different knowledge issues discussed. This study then compared interview contents with the secondary data, practical observation of the business operation, and indirect evident provided by literature to perform a triangulation of data comparison. The following describes

**Table 1:** Summary of the interviews from case LT

Company name	B2B	B2C	Industry	Interviewee level	Interview time/number of persons
LT	■	■	Travel	President, vice president	2 h 39 min/3 persons

Note: Observation at a predetermined spot, assisted by secondary data. LT: Lion travel

**Table 2:** Summary of the interviews from case CT

Company name	B2B	B2C	Industry	Interviewee level	Interview time/number of persons
CT	■	■	Travel	President, vice president	2 h 45 min/4 persons

Note: Observation at a predetermined spot, assisted by secondary data. CT: Cola tour

Customer knowledge	Knowledge issues extracted	Secondary data, actual observation
Traveler psychology, behavior	(Demand preference, Decision process, Exchange cost, Perceived value <i>(Total: 11)</i> )	
Customer relationship	(Customer service process, Customer key items, Database management)	【LT-1】 【LT-2】 【LT-8】 【CT-4】 【CT-5】 【CT-
Customer profile	(Market segregation, Market trend, Potential market opportunities <i>(Total:</i>	
Employee knowledge		
Employee equity	(Employee equity, Salary/welfare, Employee demand <i>(Total: 9)</i> )	【LT-3】 【LT-4】 【LT-6】 【LT-9】 【LT-10】
Workforce management	(Creative recruitment, Character traits <i>(Total: 14)</i> )	【CT-2】 【CT-3】 【CT-10】 【CT-11】 【CT-12】 【CT-13】
Performance control	(Employee job record, Employee evaluation system, Employee training method <i>(Total: 10)</i> )	
Competitor knowledge		
Competitive status	(Competitor product, Marketing plan, Scope of travel service <i>(Total: 2)</i> )	【LT-12】
Competitive response	(Pre-emptive strike, Separation mechanism, Unique SOP <i>(Total: 2)</i> )	【CT-1】
Partner knowledge		
Partner characteristics	(Key partner, Selection criteria, Partner business model <i>(Total: 5)</i> )	【LT-7】 【LT-11】 【CT-7】 【CT-8】
Supply chain management	(Collaborative commerce, Job sharing and systemization of businesses)	【CT-9】

**Figure 1:** Major concepts, sub-concepts of market knowledge, and knowledge issues, texts in italics indicate the number of times the interviewees mentioned the item

the knowledge issues of customer, employee, competitor, and partner.

Lion Travel (LT) is the leader of Taiwan’s travel industry. The group has 72 service locations in the Americas, Oceania, and Asia. Through its professional ERP system, tour reservation system, network computer reservation system, and call center, it provides customers with quick and accurate services as well as offers customers complete travel information and high service quality.

The interview took place in LT’s Neihu headquarters. Founded in 1985, the company has capitalization of NT\$610.5 mn and payroll of 2021.

[LT-1] The vice president leads the service encounter between employees and visiting consumers, including taking phone orders/customer call in, key customers’ order in, and collecting customer information during the encounter.

[LT-2] Continue to contact with customers.

[LT-3] Introduce the control mechanisms for employee misconducts.

[LT-4] Employee performance and all job items are presented in a large liquid-crystal display panel behind the supervisor.

[LT-5] Introduce the IT operations of preventing tour operators from inappropriately releasing seats to downstream companies that they are acquainted with.

[LT-6] Introduce how employees study travel areas (teaching method) and *post-hoc* examination.

[LT-7] The handling of travel incidents by foreign stations (such as local travel agency, hotel, and airline) is directly controlled by IT and handsets.

[LT-8] When first-line employees are unable to handle the incident, they should immediately connect with the handset of a senior manager.

[LT-9] New product development: Recruit cultural and creativity industry talents and integrate them with employees with travel backgrounds to co-develop travel products (to escape the confines of the traditional method, in which internal route managers develop products).

[LT-10] Employees scattered around the world take training and seminars together through video conference.

[LT-11] Explain the business model of purchase at A station, collect goods at B station, and pay at C station; the model involves the collaborative mechanism between travel agencies and banks.

[LT-12] Demonstrate its own IT business model, explain its advantages and how it is different from that of its competitors.

Note: Marks of labels is for triangulation among interview data.

Cola Tour (CT) is an integrated travel agency specializing in the wholesale and direct sales of packaged tours. Its travel quality is certified by ISO9001. According to the surveys of tourists that participated in the company's tours, CT consistently strives to improve toward an operation with zero weakness as well as provide outstanding travel products and services.

The interview was conducted in CT's headquarters on Nanjing East Road. Founded in 1978, the company has capitalization of NT\$369.6 mn and payroll of 980 (not including 450 professional tour leaders).

[CT-1] Participate in senior management meeting, introduce how to examine tour affairs (operations overview of other competitors).

[CT-2] Demonstrate the methods to assign employees and tour leaders.

[CT-3] Explain the salary and incentive programs; salary is based on tour performance.

[CT-4] Demonstrate how employees handle customers through IT operations.

[CT-5] Demonstrate how to handle customer complaints.

[CT-6] Data mining of customer information.

[CT-7] Report on the company's relationship management of tourism industry downstream (wholesalers and retailers), including performance management and money flow design.

[CT-8] Report on the business flow management of downstream peers (including key account management and supply chain management).

[CT-9] Establish travel alliance platform; how to pursue strategic alliance with banks.

[CT-10] Human resource management: Introduce peer evaluation mechanism.

[CT-11] Record and analyze the performance of tour guides and tour leaders.

[CT-12] Take care of employee welfare.

[CT-13] Introduce managers' incentive management program, including opinion exchange and channel for disputes.

Note: Marks of labels is for triangulation among interview data.

## Conclusions

### Contribution

This study discusses the market knowledge of the tourism industry according to KBV with the expectation of fulfilling the cross-domain theoretical gap on this issue.

After conducting the interviews, we found that the market knowledge understood by senior managers indeed reflects the knowledge concepts of customers and competitors. More importantly, travel industry operators' market knowledge is not as simple as that proposed in past literature, namely customer demand and preference, and competitor strategy/action. This finding echoes the view of De Luca and Atuahene-Gima (2007), who suggested there is a difference in the breadth and depth of firms in terms of customer and competitor knowledge. While De Luca and Atuahene-Gima's study did not pinpoint what the difference is, this study found that the difference includes customer knowledge: Traveler's psychology and behavior, customer relationship management, customer profile; and competitor knowledge: Competitive status, competitive response. The conceptual knowledge under each layer also reflects several major knowledge issues. The academic contribution of this study is in the discussion of actual knowledge issues in travel industry management according to breadth and depth dimensions of KBV.

On the other hand, many scholars contended that if firms can store knowledge within the organization and prevent it from leaking externally, the knowledge will be difficult to transfer, copied, and the complexity and acquisition cost will be higher. This will help generate competitive advantage for the firm (e.g., Grand, 1996). Knowledge management scholars call this "making knowledge stick." In contrast, if knowledge is recorded in the form of texts, it can be easily transferred, spilled over, flowed, and copied. These characteristics of knowledge are known as "leaking knowledge" (Nonaka, 1994; Sinkula, 1994). Information that describes customer demand and preference, as well as competitors' strategy/action can only barely present knows what concepts. However, the interviews conducted by this study show that the knowledge concepts represented by market knowledge also includes know-how issues. In other words, the findings of this study demonstrates that market knowledge consists of both know-what and know-how aspects. In addition to, corresponding to the knowledge tacitness concept of KBV, this study also discovered the tacit knowledge issues of travel industry operators.



**Managerial implications**

Results from a study of two travel agencies highlight that the market knowledge of the travel industry differs with the manufacturing or technology industries, which emphasized the product level. This is because firms in different industries could have different attribute types and thus the priority of some knowledge issues could be different. For example, the original equipment manufacturer and manufacturing industry could place more emphasis on product knowledge (quality control, defect rate control) and sales volume can be ensured if the quality of the technology product is sound. However, although service quality is important for the service-oriented travel industry; customer satisfaction is mostly determined by the contact with service personnel (e.g., tour leaders, first-line employees). If customers feel a sense of hospitality, they could probably become repeat customers. This is therefore an indispensable strategy of the travel industry. Overall, the interviewees of this study discussed the importance of how to handle employee knowledge. This corresponds to the service profit chain view, which proposes that firms must consider internal marketing and how to gain satisfaction from employees so that they can deliver good service quality. Accordingly, firms should pay attention to both customer knowledge and employee knowledge issues.

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