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***Viagens Abreu: How can traditional
travel agencies develop new strategies
to become more competitive?***

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Abstract

Title: Viagens Abreu: How can traditional travel agencies develop new strategies to become more competitive?

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Viagens Abreu has been the leading travel agency in Portugal for decades. However, over the last 15 years, there have been emerging new online travel agencies that aim to bring to the customer convenience, more benefits and prices that are more competitive. In order to adapt to this new source of rivalry, travel agents have changed their way of doing business and are providing themselves online service. The main purpose of this dissertation is to identify and understand additional ways how traditional travel agencies may become more competitive in the future.

The case starts by analysing the global travel agency industry that includes the main trends and challenges, followed by an analysis from the point of view of Viagens Abreu that includes an overview of the company, followed by an analysis of the main competitors. Moreover, it will be presented strategies employed by traditional travel agencies that keep up with the latest travel trends.

Besides the case study, this dissertation contains a literature review section in which there is a theoretical approach that supports the case analysis.

The case concludes with the recommendations that Viagens Abreu should adopt such as bring virtual reality to stores, engage in strategic partnerships with Airbnb and Uber, bet on vloggers and social media to increase brand awareness, provide tailor-made experiences and provide a personalized service through travel consultants.

Key-words: traditional travel agencies, online travel agencies, customer loyalty, customization

Resumo

Título: Viagens Abreu: De que forma as agências de viagem tradicionais podem desenvolver novas medidas estratégicas para se tornarem mais competitivas?

Autor: Ana Rita Monteiro

A agência Viagens Abreu tem sido líder de mercado ao longo de várias décadas. Contudo, nos últimos 15 anos, têm surgido novas agências de viagem online que proporcionam ao cliente um serviço mais conveniente, com mais benefícios e com preços de mercado mais competitivos. Deste modo, face a estes novos players de mercado, as agências de viagem têm reformulado os seus modelos de negócio e estão também a disponibilizar um serviço online. Esta dissertação visa compreender e identificar novas medidas estratégicas que possam ser adotadas pelas agências tradicionais de viagem de forma a tornarem-se mais competitivas no futuro.

O caso de estudo começa por analisar a indústria das agências de viagem a nível global, seguindo-se uma análise do ponto de vista da Viagens Abreu que inclui um enquadramento da empresa e uma análise dos seus concorrentes. Por conseguinte, irão ser apresentadas algumas estratégias já adotadas por agências de viagem que têm vindo a acompanhar as novas tendências do sector.

Para além do caso de estudo, esta dissertação contém uma revisão de literatura na qual existe uma abordagem teórica que suporta a análise do caso.

O caso de estudo é concluído com recomendações estratégicas para a Viagens Abreu nomeadamente, a adoção do conceito de realidade virtual nas lojas, estabelecer parcerias estratégicas com o Airbnb e com a Uber, contratação de vloggers e aposta nas redes sociais para reforçar a notoriedade da marca, criação de experiências tailor-made e serviço personalizado através de consultores de viagem.

Palavras-chave: agências de viagem tradicionais, agências de viagem online, fidelização do cliente, personalização

Preface

First, I would like to thank my thesis advisor, João Simão Pires, for his availability and patience, along with his guidance, advice and constructive criticism that were essential to the development of this master thesis.

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List of Abbreviations

ABTA: Association of British Travel Agents

CLIA: Cruise Lines International Association

CWT: Carlson Wagonlit Travel

GWI: Global Web Index

IoT: Internet of Things

OTA: Online Travel Agencies

TMC: Travel Management Companies

TTA: Traditional Travel Agencies

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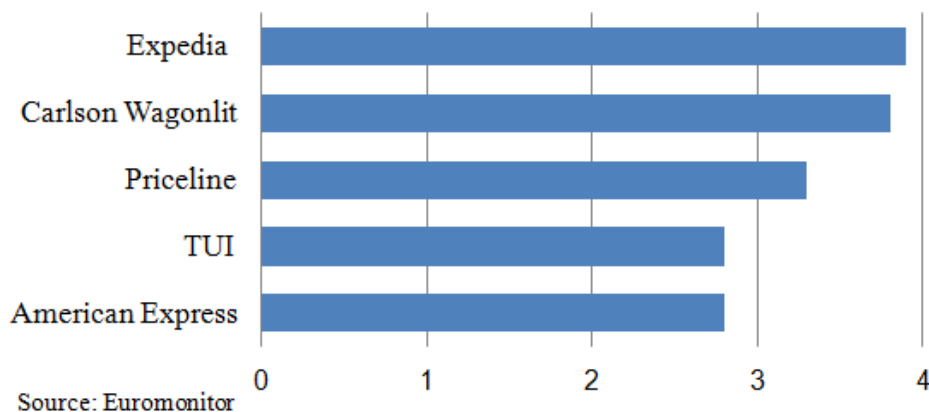
Table 7: Strategic recommendations for Viagens Abreu

Case Study

1. Introduction

The travel industry is a large and expanding industry in the world. This may be explained due to an increased interaction across borders and the development of commerce and investments across frontiers ^[1]. According to *IBIS World*, the travel agency industry is growing as traditional “brick-and-mortar” travel agencies reinvent themselves to remain competitive in an industry that is mainly dominated by online bookings. Moreover, steady economic growth will boost the industry’s prospects over the next five years. However, online travel websites such as Expedia and Priceline.com are rising and consolidating fast ^[2]. According to Euromonitor, in 2013 online travel operators recorded \$278 billion. ^[3]

Figure 1: Biggest travel retailers worldwide, (market share by sales 2012, %)



According to PhoCusWright, online booking in 2014 reached 43% of total travel sales in America and 45% in Europe. However, there are few markets where online bookings don’t work so well. For instance, Germans still plan their holidays through traditional travel agencies (TTA). Regarding Chinese, although they spend more on travel in aggregate than any other country’s population, in 2012 they booked solely 15% of their trips online. ^[3]

Consequently, many TTA have been forced to face this new challenge and to find new markets and niches. ^[2]

Against this background, Viagens Abreu needs to analyse and explore alternative competitive responses from the TTA to the threat of online travel agencies (OTA). Viagens Abreu is

concerned about how to react in competition with OTA so it is crucial to develop strategic measures to ensure customer-loyalty in the future and to diversify their business. This case is focused on new strategic recommendations that may be adopted by Viagens Abreu in the long-term.

2. Travel agency industry analysis and competitive environment

2.1 Industry Definition

Traditionally, travel agents help travellers get the best possible deals since they usually offer advice on destinations. Viagens Abreu operates in travel agency industry which encompasses businesses specialized in tour wholesaling (for example developing tour packages that include airlines, accommodations, cruises and transportation for their clients) or acting as retail agents to the general public and corporate clients. In addition, resorts and specialty travel groups use travel agents to promote travel packages to their clients. Moreover, the industry also comprises companies that provide online reservation services such as booking systems. [2]

Figure 2: Travel agency industry operational chain



Source: IBIS World, 2017 [2]

2.2. Market Analysis

2.2.1 Segmentation by purpose of travel

Under this particular kind of segmentation, the market can be divided to: leisure and business travel. [4] [5]

Leisure travel is the largest segment of the industry and contains travellers taking domestic and international trips. Furthermore, many travellers going overseas still use TTA services for part or all of the services entailed, such as accommodation, airline bookings, food and beverage, cruises, car rental, travel insurance and tours and packaged travel bookings. However, in mature markets, travellers often use online services to book their domestic trip and to book directly with hotels and airlines. [2]

Business travel comprises travelling for professional reasons such as attendance at seminars and conferences. Hence, their expenses are paid by the business they are working for. So they are less price sensitive since the tourist trip is taken according to work requirements and its financing is often made by someone other than the traveller. In this segment, demand is highly correlated with business activity. [2]

Table 1. Business and leisure spending: estimates & forecasts

World	2016 Value	2015 World Travel & Tourism contribution to GDP	2016-2026 Growth
Leisure spending	USD3,732.3bn	76.6%	4.2%
Business spending	USD1,149.9bn	23.4%	3.7%

Source: World Travel & Tourism Council, 2016

As table 1 depicts, the leisure travel segment is three times the size of the business travel segment. In addition, one should highlight that leisure travel spending is expected to grow by 4.2% pa in 2026, while business travel spending is expected to grow by 3.7% pa in 2026. Although business travel may have a smaller percentage of industry revenue than leisure travel, it is often more lucrative for agents. [6]

2.2.2 Segmentation by traveller behaviour

Table 2: The travel consumer: baby boomers, generation x, millennials ^[7]

Baby-Boomers	Generation X	Millennials
<p>Born 1946- 1964</p> <ul style="list-style-type: none"> •Travel ranks among their top activities •They prefer diversity in their travels: •19% favoring hotels •26% preferring cruises and 28% optimizing for customized tours; •84% have purchased travel online and 72% have researched through OTAs. 	<p>Born 1965- 1982</p> <ul style="list-style-type: none"> •Family life shapes the travel preferences of Generation X •Their top priority is a hotel stay •82% book travel online and 71% research their travel through OTAs*. 	<p>Born 1983- 1993</p> <ul style="list-style-type: none"> •Intensive users of technology and social media; •90% book travel online and 87% use online travel agencies for research and rate comparisons; •They enjoy group trips with friends;

*according to MMGY, travel marketing agency
Source: virtuoso, travel's industry luxury network

According to Expedia's "Future of Travel Study", nearly 50% of millennials plan and book their trips on their smartphones and 40% of this generational segment likes to share a travel experience on social media during their trip. Moreover, 34% like to share trip details after their return. ^[8]

2.3. Competitors

2.3.1 Traditional travel agencies

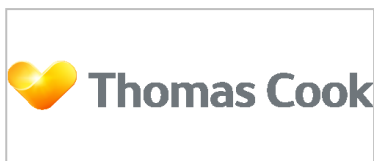
Increasingly, new competitors have been emerging worldwide and TTA are facing fiercer competition. Nowadays, via the internet it is quite easy to find good fares and good hotel deals. Taking this into account, it is crucial to pay attention to the main competitors and to understand which strategies have been adopted in order to react quickly to changing markets. The analysis will be focused on the leading TTA and OTA worldwide. Regarding TTA, the leaders are TUI, Thomas Cook and Carlson Wagonlit Travel. ^[9]



TUI Group is the world's leading integrated tourism group, operating in 180 countries, with 1600 travel agencies in Europe, 6 airlines, more than 300 group-owned hotels and resorts and 13 cruise liners.

TUI is involved in travel (including travel agencies), hotel and resort accommodations, cruise ship services and container shipping. Moreover, TUI is pushing an omnichannel strategy which is based on the integration of digital within physical stores. The new concept of store uses large screens on their storefronts to display content in order to attract new customers. There are also interactive maps on the walls and table-size touch screens in which customers can interact and touch to see different types of destinations. ^[10]

Additionally, TUI core brands are: TUI Blue, Robinson, TUI Magic Life, Riu. Besides that, TUI also has international hotel concepts such as TUI sensimar, TUI sensatori and TUI family life. ^[11]



Thomas Cook is one of the world's leading leisure travel groups and is grouped under four geographic segments: United Kingdom, Continental Europe, Northern Europe and Airlines Germany. Moreover, the TTA operates from 15 countries and operates under several brands, including Thomas Cook, Neckermann, Condor, Spies Tjareborg Ving.

The company's mainstream products include charter packages, in which flights, hotels and transfers are bundled together and offered as a single product through several distribution channels. Hence, Thomas Cook aggregates various vacation components from suppliers and sells these either to other travel agents or consumers. The company also offers travel-related financial services, such as foreign exchange and travel insurance. All of these products are either sold through its retail channels or online. ^[12]

In 2016, Thomas Cook created a joint venture with Fosun which provided access to growing Chinese travel market, as Chinese consumers start to move away from traditional groups towards personalized experiences. ^[13]



Carlson Wagonlit Travel (CWT) is the global leader in business travel and meetings & events, was founded in 1994 and operates in nearly 150

countries. The company is involved in accommodation through the Carlson Rezidor Hotel Group which was formed through a strategic partnership between Carlson and The Rezidor Hotel Group. In 2012, Carlson increased its ownership in the Rezidor Hotel Group to 51% and the two joined forces in a strategic partnership and gave rise to Carlson Rezidor Hotel Group.

The Carlson Rezidor Hotel Group comprises more than 1,300 hotels under eight brands: Radisson, Radisson Blu, Radisson Red, Park Plaza, Park Inn by Radisson, Country Inns and Suites, Club Carlson and Quorvus Collection. CWT is following a strategy that aims to boost its online presence and sales performance. Moreover, CWT has formed several strategic alliances and acquired travel booking websites and travel-software development operators. In 2011, several smartphone applications were launched under the CWT brand and in 2012, CWT purchased the mobile technology provider WorldMate which operates as a subsidiary. This may be explained since more than 10 million travellers use WorldMate apps for itinerary management, real time local information, mobile hotel and car bookings. Briefly, CWT aimed to increase its smartphone services. ^[14]

2.3.2 Online travel agencies

Regarding OTA, Priceline and Expedia are the two biggest players in the market. ^[15]



The Priceline Group Inc. is an online travel company that allows users to purchase discount travel related products, such as airline tickets, car rentals and accommodation reservations, including hotels, hostels, and apartments. ^[16]

The company was founded in 1997 and operates under the following brands ^[17]:

- Agoda.com, an accommodation reservation service catering mainly to consumers in the Asia-Pacific region;
- Booking.com, online accommodation reservations;
- OpenTable, a restaurant reservation and information services to consumers;

- Priceline.com, a hotel, rental car, airline ticket and vacation package reservation in the United States;
- Rentalcars.com, a rental car reservation service.

Moreover, the company also allows consumers to easily compare information from several websites at once through Kayak which is a global tech company that searches other travel sites, from OTA to airlines, hotel and car rentals, and show users all the information they need to make the best travel options. ^[18]

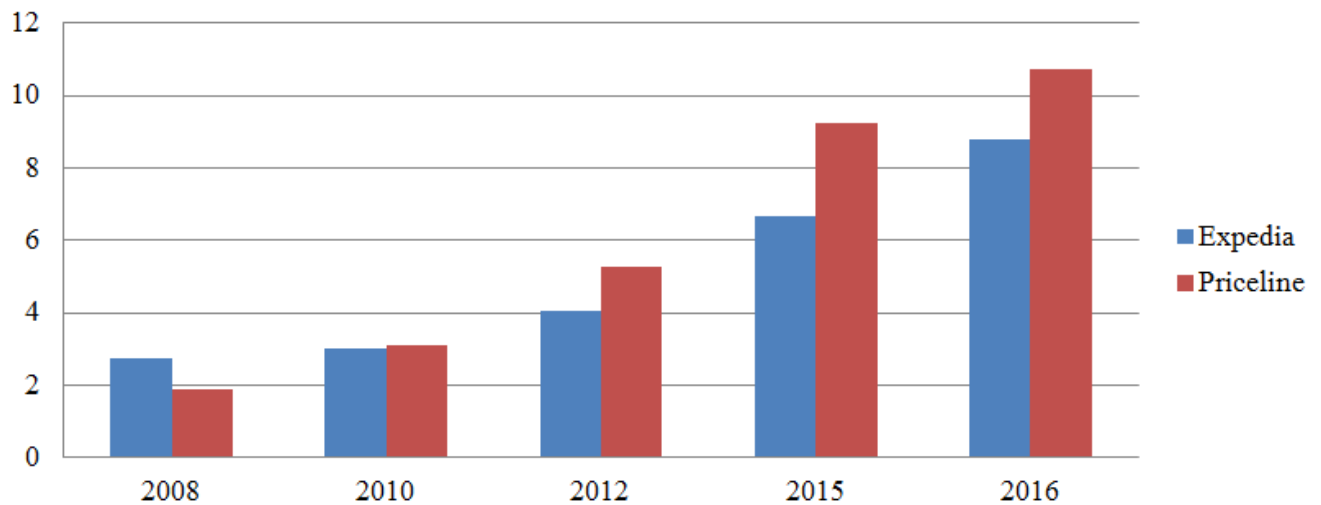


Microsoft created Expedia, Inc. in 1996. It is the world's largest online travel company with an extensive brand portfolio, operating through its branded websites such as ^[19] ^[20].

- CarRentals.com™, an online car rental booking company with sites in 13 countries;
- Classic Vacations®, a luxury travel specialist;
- Egencia®, a corporate travel management company;
- Expedia.com®, a full service online travel company with sites in 33 countries;
- Expedia® CruiseShipCenters®, provides advice for travellers booking cruises through its network of over 220 retail travel agency franchises across North America;
- Hotels.com®, a global lodging expert operating in more than 65 countries and 35 languages;
- Hotwire.com®, a discount travel site;
- Trivago®, an online hotel search with sites in 55 countries worldwide;
- HomeAway®, a global online marketplace specialized on vacation rental properties and other non-hotel accommodations such as individually owned properties.

Moreover, through these websites business and leisure travellers can research, plan, book and manage travel.

Figure 3: Revenue of Priceline Group worldwide and Expedia Inc. Worldwide (in billion US dollars)



Source: Statista

2.4 Market trends

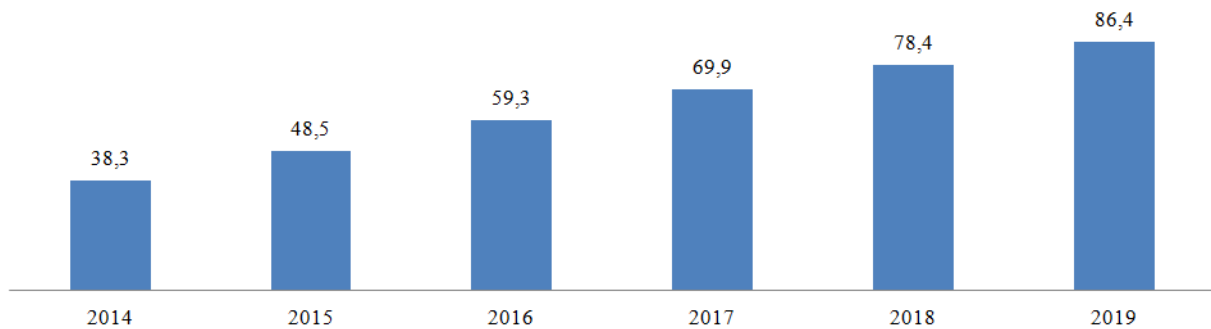
Over time, the travel agency industry has enjoyed strong revenue growth, while the industry's core services dramatically changed due to the migration of consumers to online channels to research and book travel.

a) Online channel

The internet has clearly established itself as the main platform to buy travel. According to Association of British Travel Agents (ABTA), 76% internet users in the UK had booked holidays in the past 12 months. In the US, eMarketer estimates that 52% of trip bookers use online platforms to make their bookings. For this reason, digital marketing techniques like social media marketing are critical to success in the travel industry. ^[21]

Over the years, consumers are relying more in using websites to research and compare various packages and prices without committing to purchases. The increase in online bookings is explained due to the higher adoption of smartphones and portable tablet devices. At last, the increased use of the internet to make travel bookings will make the industry more price-competitive. ^[22]

Figure 4: Number of mobile travel bookers in US, 2014-2019, (in millions) (ii)



Source: eMarketer, Nov 2015

(ii) eMarketer 2015: ages 18+; mobile device users who have booked travel via mobile device at least once during the calendar year

b) Digital technologies and social media

Social media has changed the way travellers communicate. It is becoming a new channel to drive positive feedback and satisfaction since people shares travel experiences and pose questions during and after their trips. ^[23]

Over time, technology has changed the travel industry. Nowadays, due to high speed internet, travellers can share their feedback on social networks. Additionally, many youtubers are working with brands to sponsor their videos. It can be very useful to promote the travel agency, the country and to give and share feedback as well. Thereby, vloguers are chosen based on the number of views they have on Youtube. Vlogging is a technique in which a person talks to a webcam and thus directly to the viewer. According to Global Web Index (GWI), 42% of internet users have watched a vlog within the last month, while this rises to 50% for 16-24 year-olds and 25-34 year olds. ^[24]

Besides that, Instagram may act as a travel guide, giving ideas and recommendations for the next trip through photos and videos. ^[25]

c) New travel experiences

Increasingly, travellers are looking for individual and local experiences, authenticity, wellbeing and engagement as part of their travel. In this regard, they are relying more heavily on technology to plan and enhance their trips. Hence, demand is rising for specialist and niche travel and tourism, such as wellness, sustainable trips and adventure/sports ^[26]. For example,

Waynabox already arrived to Portugal and offers special packages in which the final destination is surprise. This program includes flight and accommodation for two nights and it costs 200 euros. [27]

Therefore, companies are marketing their offerings as experiences opposed to products. According to Laura Fink, VP of Marketing at American Express Travel, “*consumers want to have memorable experiences when they travel and they are seeking travel experiences that align to their own personal values*”. For example, there are travellers that are looking for experiences in which they may interact with the local communities such as visit private homes, schools, orphanages and smaller villages [28]. Nowadays, travellers want unique experiences and tailored to their priorities and they expect to receive offers based on their preferences.

Taking this into account, it is quite important to have travel specialists that are well informed about clients needs and also about travel offers in order to plan their holiday or business trip, provide professional service, information and help in crisis, reliability and confidentiality, to give advice and recommendations.

The travel consultant finds suitable flights, makes reservations and organizes plane tickets. Moreover, they know how to advise the client and help plan more complex flight connections for the best price. They have valuable experience-based information and are always available to offer travel help and support. Thereby, travel agencies differ from online agencies since they provide support in case of crisis and are available to help which creates value for the customer. [29]

d) The impact of big data

The travel industry is highly competitive and the main challenge is to get to know customers better using the data they create whenever they use their laptops, tablets and mobile devices. Big data aims to better address data security, improve travel programs by analysing traveller behaviour and implementing new “virtual card” payment solutions.

Moreover, applications such as email, social media, augmented reality and location-based services provide information about a customer’s proximity to a tourist attraction. In this sense, big data allows to better devise differentiated product and service propositions to address each

customer segment's needs. Furthermore, with this information it is possible to find out what will attract new customers, entice them to spend more and it will help to improve customer's communication to the extent that it becomes increasingly possible to engender high levels of customer retention and loyalty. [30]

e) Gamification

Gamification has become a core strategy for several businesses. It consists in using game mechanics such as rewarding user with points and badges in non-game settings. [31]

Moreover, gamification enhances customer engagement [32]. According to Kris Duggan, Badgeville's Chief Strategy Officer "*travel is a natural fit for gamification, as the industry has been gamified for years with frequent flier and hotel points programmes*". Furthermore, gamification aims to create customer programmes in order to ensure customer-loyalty in the long-term. For example, the Expedia programme allows customers to earn reward points by exploring new travel destinations virtually and by engaging online. In this programme, each player chooses an avatar and sends it around the world on a virtual tour. The more the avatar travels the more rewards the customer earns, but at the same time, the customer is learning about Expedia products that might use afterwards. At last, customers can participate in gamified tours in which for example, a visit to a city, is combined with questions to be answered and challenges to be completed. [33]

f) Bleisure

It is a blending of business oriented-trips with personal time. For instance, an account manager has to travel to Paris for a client meeting and decide to extend the trip over the weekend to shop in the Bercy Village. By combining business with leisure, the traveller is participating in the bleisure trend. [34]

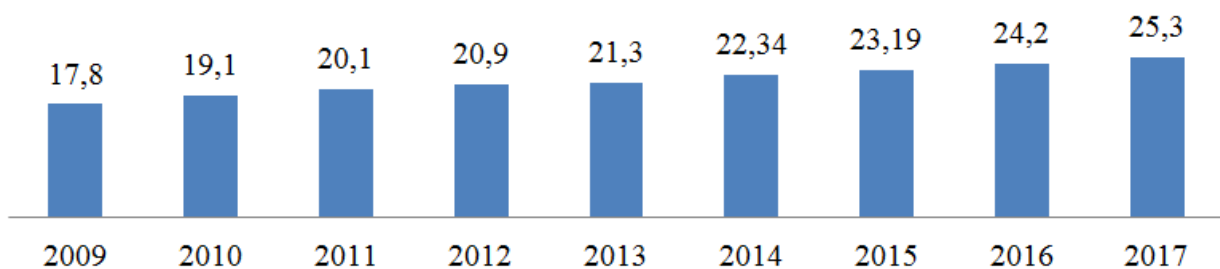
According to the Bleisure Report 2014, 83% of respondents use time on business trips to explore the city they're visiting. Furthermore, 60% have taken bleisure trips, while 30% of respondents have already added two vacations days to business trips. Nearly half of respondents (46%) add personal travel days to business travel "every trip" or "most trips". At last, 6 out of 10 of respondents are more likely to take bleisure trips today than they were five years ago. [35]

g) Cruises

International cruise ship demand is a growth area for travel agents, as an increasing aging population often with high disposable incomes is driving demand for cruises. A high proportion of cruises are booked through travel agents as cruise lines depend on travel agents to sell the cruise and ensure travellers are matched with the right line and the right trip. For example, 60% of cruises are still booked through TTA rather than online, according to travel analysts PhoCusWright. [36]

According to Cruise Lines International Association (CLIA), global cruise travel is continuing to grow at a steady pace. Demand for cruising has increased 62% in the last ten years (2005-2015). Furthermore, younger generations, including millennials and generation x will embrace cruises and travel agents will continue to match travellers and cruise lines. Moreover, nearly half (48%) of non-cruisers showed interest in taking an ocean cruise. [37]

Figure 5: CLIA Global Ocean Cruise: number of passengers (in millions) (ii)



Source: CLIA, 2017

(ii) 2016 and 2017 are projected values

h) Virtual reality in stores

Technology has forced travel agencies to adapt to changing marketplace. In this sense, Viagens Abreu needs to ensure that their clients can be served in a seamless way through any channel they wish that may be online or offline. Some TTA have already adopted virtual reality as promotional tools for their main destinations.

Nowadays, Europe's Thomas Cook and Singapore's Flight Centre provide customers virtual reality travel experiences of destinations in few stores in order to enlighten customers about destinations. Thomas Cook installed Samsung Gear VR headsets in 10 of its U.K. stores, to

give users 360 degree experiences filmed by Visualize of sites including New York, Singapore, Egypt, Cyprus and Greece. The main goal is to show customers views from, for example, the top of the Rockefeller Center, then they would take the headsets off and they would buy the tickets to New York. Moreover, it proved people were more likely to buy if they were shown it in virtual reality. It will be used as a tool to display trip destinations, facilities and experiences that will make travellers to experience the real trip. It can be very useful to promote new and rare destinations. Selling a trip to New York is often easier than to Laos, however if the customers have a glimpse of the country by using virtual reality, they will go more easily to places they have never been before. ^[38] At last, according to Nielsen, virtual reality showed that 80% of brands had a significant growth of up to 33% in additional sales¹.

2.5 Key success factors

The key success factors are considered the combination of important facts that are required to accomplish one or more business goals. Therefore, the labour intensive, quality customer service and product knowledge are some of the key success factors considered important in the travel agency industry and are considered crucial to customer value creation. ^[36]

a) Access to multiskilled and flexible workforce

The TTA's industry requires a high level of personal contact since travel agents need to establish good relationships with their clients in order to win and retain business. Therefore, sales staff need to gain specialized knowledge of the industry and must be able to tailor packages according to the client's needs. Moreover, access to a multiskilled labour force is required to have services guests' needs, particularly during peak period, and will ensure high visitor satisfaction. Additionally, having ongoing-staff training in all areas of operation, including excellent product knowledge is also essential to provide quality customer service. According to Artur Abreu, Viagens Abreu's growth depends on the human capital training and education. ^[39]

¹ Nielsen study: DOOH increases revenue at the point of sale, 2010

b) Management of seasonal production

It is crucial to understand seasonality in travel demand and tailor agency operations around since, they are necessary to continued profitability. Travel agencies should know when to offer the best tour packages according to the different seasons to address customer's needs and at the same time manage prices according to the high season or low season, which may be very important to have a constant occupant rate over the year.

2.6 The main challenges

TTA are currently facing increasing difficulties and challenges.

a) Customer loyalty and personalization

Businesses are driven by customer demand. However, customers' preferences and expectations aren't homogeneous. In this sense, changing customer expectations will force travel businesses to adapt. These expectations generally are focused on authenticity and personalized experience. On the other hand, personalization has been a major challenge over the years. This may be explained because infrequent travel doesn't allow travel companies to capture enough behavioural data to determine actionable preferences. Therefore, the more travel agents know about a customer the better equipped they are to personalize the customer's experience. In this regard, social networks such as Facebook and Instagram may be the key to achieve true personalization. Every day, social media users reveal information about themselves that could give travel agents new insights into customer behaviour. In addition, location-based marketing can engage customers by offering a higher degree of personalization, and when it is complemented by rich content or augmented reality experiences the stickiness to a brand can increase. However, this content needs to use big data analytics to ensure that both the proximity of a customer and the context is within a particular location. ^[40]

b) Innovation

TTA should think beyond the technology innovation and should understand which technologies consumers are using, and which experiences will create value to them. Therefore, travel agents must first envision the customer experience they want to deliver. Afterwards, they should explore the most suitable technology options to support their goals.

Moreover, new technologies, including cloud computing and Internet of Things (IoT) will come together to push the mobile channel to the next stage. ^[40]

c) New technologies and online competition

Ibeacons is a micro-location technology that allows nearby devices to interact with each other by allowing interaction with customers without generating privacy concerns. The technology allows businesses to transmit tailored offers to customers who are nearby, collect data about how they interact with the environment and generally better understand their needs. Moreover, ibeacons can also empower the travel agencies to provide personalized offers to the potential customers since a beacon strategy is focused on the customer preferences. ^[41]

2.7 Type of strategic initiatives

To secure customer loyalty there are several strategies adopted by TTA, which turn them more competitive and ensure their leading position in the long term. ^[42]

a) Internationalization

The level of globalization in the industry is increasing with all tourist movements occurring across borders and within and between continents and regions. Furthermore, tourism business operates globally and many have opted for an internationalization strategy. The benefits of international expansion allow additional growth and expansion and the opportunity to increase revenues, profits and return on investment as well.

b) Mergers & acquisitions

The largest travel agencies will continue to dominate the industry, while the smallest agencies will be threatened by the OTAs, unless they are operating in a profitable niche market. Taking the example of Expedia Cruise Ship Centers, it has more than 200 travel franchise locations open or under development in North America. Franchising enables travel agencies extent brand portfolio, formalize partnerships relationships, increase market scope and allows entering in foreign markets ^[36].

Over time, the number of small agencies will continue to decline as merger and acquisition activity intensifies ^[36]. However, the acquisition of other agencies will allow to get market share and to reach other markets.

Priceline made a major acquisition in November 2012, purchasing leading travel meta-search service Kayak Software Corporation, owner of Kayak.com, for \$1.8 billion in cash and stock. Regarding Priceline’s previous acquisitions such as Booking.com (2004), Agoda.com (2007) and TravelJigsaw (2010) have contributed by far to the company’s international growth. Booking.com, for example, had more than 45,000 partners globally, mostly hotels, and increased Priceline’s reach to Europe. Further, agoda.com is the main Asian online hotel-booking service. [43]

Regarding Expedia, in December 2011 spun off its TripAdvisor business. This occurred through several acquisitions, including a cable travel channel in the United States, as well as other established online sites. Furthermore, the company entered new markets and emerging countries and now earns about 45 % of its annual revenue outside USA. At last, Thomas Cook Group was formed in June 2007 upon the merger of Thomas Cook AG and My Travel Group PLC. [13]

Table 3: Major acquisitions in travel industry in 2016

Company	Type of Operator	B2B or B2C	Acquired by
Hipmunk	Online Travel Agency	B2C	Concur
ZO Rooms	Online Travel Agency	B2C	Oyo Rooms
Hyper Travel	Virtual Travel Agent	B2C	Tradeshift
ITC Luxury Travel Group	Online Travel Agency	B2C	NorthEdge Capital
Hotel Hotline	Online Travel Agency	B2C	HotelPlanner.com
SMT Travel Agency	Travel Agents	B2C	American Express Global Business Travel
Megabus	Online Travel Agency	B2C	Flixbus
Travizon Travel	Corporate Travel Management	B2C and B2B	Corporate Travel Management
TailBus	Online Travel Agency	B2C	Rally
GetGoing	Online Travel Agency	B2B	BCD Travel
KDS**	Corporate Travel Management	B2B	American Express Global Business Travel

**The Virgin America and John Paul deals are still pending

As table 3 depicts, few travel agencies are looking to expand through acquisition and to increase profitability. By combining volume, they may be able to generate margin from sales. Furthermore, OTA acquisitions were common in 2016, such as ZO Rooms and Hipmunk.

c) Joint ventures/strategic alliances

It is crucial to refer the importance of joint ventures for travel agencies which imply creating and establish good relationships with other key players of the industry. This strategy allows companies to grow and share costs with third parties in order to gain efficiency and reach new markets. Considering again Expedia, it entered the French market through the creation of a joint venture with the SNCF, voyages- sncf.com, which has rapidly grown as the leader of the French e-tourism market ^[44]. Expedia created its own site in 2004, expedia.fr, and acquired the European Anyway.com (a specialist in corporate travel management services). Dynamic packaging² was the strategy implemented by Expedia to dominate the European market.

c1) Partnership with Airbnb

Airbnb is an accommodation platform that provides several accommodations around the world that can be booked through a mobile phone, tablet or online. Moreover, it is the easiest way to people monetizes their space. Airbnb has grown over recent years and it is attracting homeowners and estate agents which are interested in using the platform to rent out properties. Hence, sharing economy is a real trend. According to Forbes, *“Airbnb as a marketplace is inefficient, and both the company and its inventory providers are leaving possibly hundreds of millions of dollars on the table”*. ^[45]

However, travel agents are a sales force. In this sense, the inventory providers pay the travel agent a commission for bringing them business. Furthermore, three major travel management companies (TMC) such as American Express Global Business Travel (GBT), BCD Travel and CWT have already signed a partnership with Airbnb to add home-sharing accommodation. These are the first large travel agencies to add home-sharing accommodation specifically, Airbnb’s 2 million listings in 31 countries to their corporate travel programs. ^[46]

BCD Travel is working with Airbnb in order to integrate Airbnb’s data into BCD’s DecisionSource business intelligence and security solution. It will enable clients to use

² Dynamic packaging is the process of creating a tour product that aims to address client needs in real time using a web-based software program.

interactive maps and view reports on destinations as well. It will also allow TTA tracking their travellers and communicate with them in the event of any incidents. ^[46]

Moreover, Airbnb wants to attract more business travellers. In 2016, Airbnb tripled the number of companies using its Airbnb for business program, which allows partner businesses to book and expense Airbnb stays ^[47]. This new service aimed at business travellers was launched in 2014.

According to INE, hotels recorded 984.6 thousands guests in January 2017, registering an increase of 14% in comparison with last year. Moreover, it recorded 2.4 million overnight stays, more 12.6% in comparison with last year ^[48]. Since tourist arrivals have increased, Viagens Abreu should establish a partnership with Airbnb not only for leisure segment but also for business segment. It would provide a positive impact of the sharing economy in Portugal and attract new stakeholders.

c2) Partnership with Uber

Concur, the world's leading provider of integrated travel and expense management solutions extended its partnership with Uber. As a result, Concur customers will save costs on their ground transportation. Nowadays, companies spend a lot with ground transportation so, by shifting more spend to Uber, the companies will save thousands of euros. Moreover, this strategic partnership will give enterprise customers access to the Uber for Business features for free. However, this strategic partnership will also offer to corporate client's seamless access and an innovative travel solution that gives visibility to Uber and allows cost savings in global ground travel. ^[49]

Through this partnership, Concur and Uber will enable companies to reduce their ground transportation costs by allowing them to use affordable ridesharing.

d) Diversification and brand management

In this diversification and brand management chapter, it will be analysed how firms diversify in this industry and try to grasp the relationship between related and unrelated diversification.

As the travel industry continues to evolve and change, diversification has become critically important to the ongoing success of travel agencies and their development.

Over time, travel marketers have embraced social media by using marketing communications to strengthen the company's image. Therefore, the link between the brand and the social media can also be strengthened since the two can reinforce each other.

In addition, diversification is used when the travel business enters new markets with new products. In this situation, the business may adopt a related or unrelated diversification strategy. Related diversification is when the travel business enters into a new market with a new product which is related to its core business activity. For example, companies such as Easy Jet have already diversified into a number of unrelated areas including cinemas, finance and internet cafes. ^[50]

3. Travel agency industry in Portugal

3.1 Overview

In Portugal and other countries, the travel agency industry is facing tough competition due to the low growth in domestic travel, the low growth in international visitor arrivals, the rapid growth of the internet, low commissions on the sale of domestic airline tickets, the reduction in airline commission on international airline ticket sales and the high fuel prices. ^[51]

However, tourism is an important activity to the Portuguese economy as it creates employment and boosts GDP. Considering this, the Portuguese government has developed a strategy based on further its development over the coming years. In this sense, Portugal 2020 programme aims to reinforce Portugal's competitiveness and general visibility. ^[51]

Europe 2020 is an EU strategy focused on three important priorities such as creation of smart, sustainable and inclusive European economy. Moreover, this strategy aims to tackle the main deficiencies in European growth. Hence, Portugal 2020 is a strategy that addresses the main principles of Europe 2020 and the implementation of Portugal 2020 is organized in four different domains:

- 1) Competitiveness and internationalization through Compete 2020 programme;
- 2) Social inclusion and employment through PO Ise programme;
- 3) Human Capital through PO CH programme;
- 4) Sustainability and efficient use of resources through PO Seur programme. ^[52]

Moreover, Turismo 2020 emerges as a new plan for the development of tourism in Portugal that aims and prioritizes investments by 2020 for national tourism related to community incentives. At last, there are several public incentive programs such as PENT and tourism fairs such as Bolsa de Turismo de Lisboa(BTL), from Abreu or ExpoEventos.

3.2 Competitors

Table 4: Ranking of the best travel agencies in Portugal in 2016 according to Marktest

Travel Agencies	Ranking Category	Ranking MRI	MRI	Admire	Trust	Image	Familiar with	Word of Mouth
Viagens Abreu	1°	33°	74	71	74	74,11	74	74
Halcon Viagens	2°	101°	61	58	61	61	57	61
Top Atlântico	3°	107°	59	57	60	61	55	60
Geostar	4°	112°	58	56	59	59	51	59
El Corte Inglés Viagens	5°	117°	56	53	57	57	49	57
Best Travel	6°	118°	56	55	55	58	49	57
Logitravel	7°	125°	54	53	54	55	46	55

Source: Marktest Reputation Index

According to the Marktest Reputation Index 2016 (MRI) the main players in Portugal are Viagens Abreu, Halcon Viagens, Top Atlântico and GEO Star which are TTA.^[53]

Marktest Reputation Index is a survey that aims to analyse the best brands among consumers according to several indicators such as admiration, trust, image, familiarity and word of mouth. Taking into consideration the table below, Viagens Abreu was the travel agency that recorded the highest score.



Viagens Abreu is the largest travel organization in Portugal and the travel agency in which the Portuguese consumers trust the most. It was founded in 1840 by Bernardo Luis Vieira de Abreu. Due to the movement of emigrants from the north of the country to Brazil, the first travel agency was established in Porto. Afterwards, Viagens Abreu started to be involved in the treatment of passports and emigration visas. Over the years, the destinations have been extended to Africa,

North America and Europe. Moreover, cruises segment opened new perspectives to world tourism, a business segment in which Viagens Abreu is a leader until today. In the 50s, the portfolio of products and services was valued with European Tours and Group Travel. ^[54]

In the 60s, Viagens Abreu started the commercialization of cruises on the Brazilian coast, to Azores, Madeira, North Africa and Middle East. In 2014, Expo Abreu launched, the first winter travel market organized in Portugal.

Additionally, Viagens Abreu has around 150 retail stores across the country and it has 1500 employees and it was already awarded as the “*Marca de Confiança dos Portugueses*” in 2015. It comprises several services such as cruises, leisure travels, business travels, rent-a-car, and insurance.

Furthermore, Viagens Abreu comprises several business areas such as:

- Abreu directo (B2C), provides call center services and also sales and customer support. In 2016, the travel agency launched a new B2C website that consists in offering *flight tickets, hotel* and the *package flight + hotel*. The main goal is to create a more competitive package, by offering a direct service to the customer and it will allow extending the service worldwide; ^[55]
- Management Company, part of the Abreu Travel Group. Abreu DMC USA, operates within Abreu Tours locations, on the East Coast, Orlando and New York. Moreover, this business unit is specialized in the organization of events, product launches, corporate incentives and congresses;
- Abreu Online, is a platform for hotels and services reservations, B2B channel, aimed to travel agencies and tour operators;
- Abreu Carga: maritime, air and land transport services, domestic and international;
- Abreu Corporate: was created in 2015 and it is a business travel organization that aims to provide business trips to incentive programs, organize events abroad with leisure

purposes in order to be shared with employees, customers and partners. Moreover, this business unit also provides travel insurance. It is composed of highly skilled specialized professionals and its service is based on trust, efficiency, and flexibility. According to Publituris, the main purpose of Abreu Corporate is to continue to grow in the long-term and to diversify their business.

- Abreu events is a professional organizer of full service congresses;
- Abreu Tours is present in the United States for over forty years, headquartered in Orlando and with an operational base in New York, under the brand Abreu Tours Inc., which is owned 100% by Viagens Abreu. Moreover, Abreu Tours nourish the relationship with its clients around the world with tailored made individual reservations, an online reservations platform in which the client books hotels and services, and a leisure groups department. Abreu is also acting as a preferred Disney partner.



Halcon Viagens belongs to Globalia, leader in Iberian travel agency industry. Globalia’s retail division is formed by Viajes Halcón, Viajes Ecuador and tubillete.com. Moreover, Globalia comprises several tour operators such as Travelplan, Travelplannet, Touring Club, Latitudes, airline Air Europa, hotel group Be live. It has 70 retail stores in Portugal and it is one of the largest travel networks. In 2009, Viajes Halcón began the process of expansion through franchised branches. In 2015, it is possible to highlight the significant growth of Halcon in the corporate travel segment, which already represents 30% of the business. ^[56]

Table 5: Halcon Viagens data

Halcon Viagens e Turismo, Lda	2015 (million EUR)	2014 (million EUR)
Number of offices	63	64
Revenues	35	34

Source: Globalia annual report 2015



Geostar is the result of a merger between Star and Geotur that happened in 2009. The travel agency has a turnover of 154 million euros, a network of 36 stores, two business travel centers in Lisbon and Porto and an office in Madrid. Geostar together with its operators Sporski, Takeoff, Megaviagens and Solferias presents a value proposition integrated to its customers.

In the B2C area, it is possible to observe evident growth in the company's strategic guidelines. In this sense, the leisure operations business has grown with particular emphasis on web channels and shopping shops. Moreover, online channel already accounts for 20% of the brand's sales. According to Gonçalo Salgado, Geostar's CEO, the travel agency aims to strengthen itself as a young, innovative and dynamic brand. Therefore, Geostar bets on new technologies and on online channel through its new platform Geostar online that was created in 2016. [57]

Table 6: Geostar revenues in 2013 and in 2014

Geostar	2014 (EUR)	2013 (EUR)
Turnover	36 755 779	40 371 507
EBITDA	1 462 295	486 124
Employees	353	350

Source: RASO Viagens e Turismo, S.A.

3.3 The main challenges

According to PwC, the role of travel agencies in Portugal has been decreasing due to several factors such as decrease in available income and purchasing power, growth in the domestic market of global travel agencies, increased number of low cost flights, high number of players in the market among others.

However, there are few opportunities that Portuguese travel agencies may explore in order to increase their competitiveness such as:

- a) increase their online presence through social networks and social platforms in order to reach a higher number of clients;
- b) adopt new technologies to create a dynamic environment such as virtual reality in stores, develop a closer relationship with clients and personalized service;
- c) establish strategic partnerships in order to create value in the long term. Moreover, Portuguese travel agencies may expand its services to Palop countries since they speak the same language;
- d) bet on human capital and on a multiskilled labour force is a crucial strategy that improves the service provided and consequently improves the positioning of the firm. Moreover, the integration of new professionals from other areas may be a good strategy for the firm due to their broaden expertise and experience as well. ^[58]

3.4. Conclusion

OTA changed the way travellers plan and book their trips. Moreover, TTA are embracing online and mobile strategies to stay competitive ^[35]. Viagens Abreu already adopted a mobile strategy, created an online platform for sales and to provide customer support and is present on social media as well. However, Viagens Abreu should adopt new strategies in order to continue to be the leading travel agency in the future and in order to create value for its clients.

Taking this into consideration, Viagens Abreu has three major strategic options to follow in order to address the main challenges of the industry. In light of other travel agencies, one path is betting on virtual reality in stores in order to create a dynamic image and an innovative approach.

In addition, personalization has been a major challenge in the industry. For many customers, travel brands do not offer much personalization ^[40]. Hence, there is a need to understand customer's needs and offer them a personalized service.

Besides that, Viagens Abreu should establish strategic partnerships in order to diversify their business segments.

At last, as OTAs and new travel websites are entering into the Portuguese market, Viagens Abreu should take the threat of OTAs and make the necessary changes to the company's current outlined strategic plan, so it can tackle the competition and the changes in the industry still to come.

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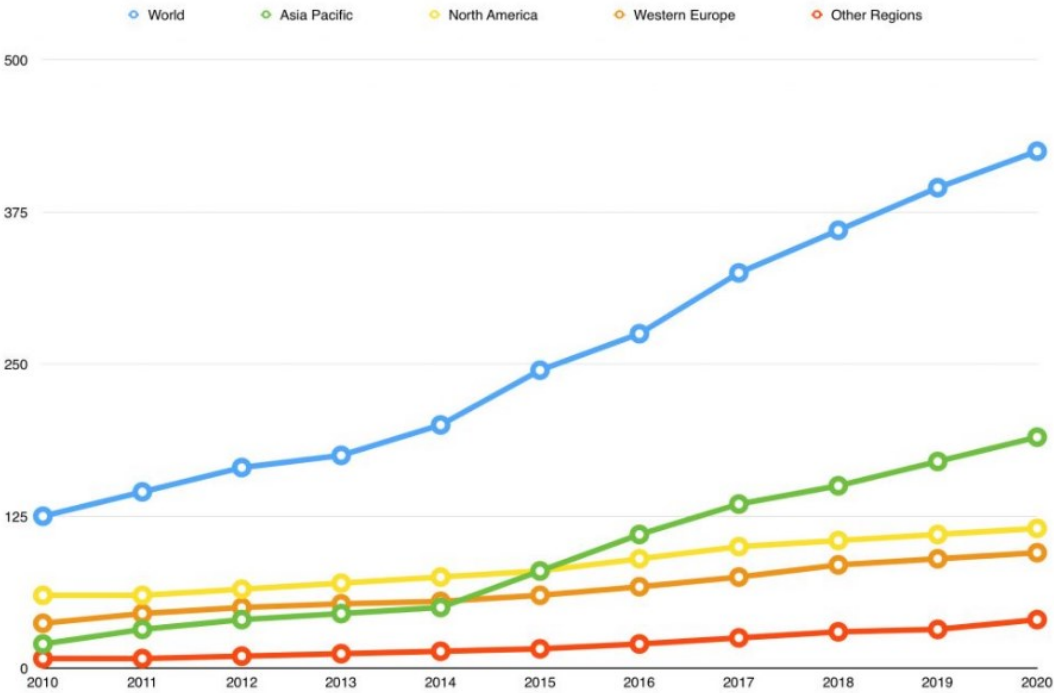
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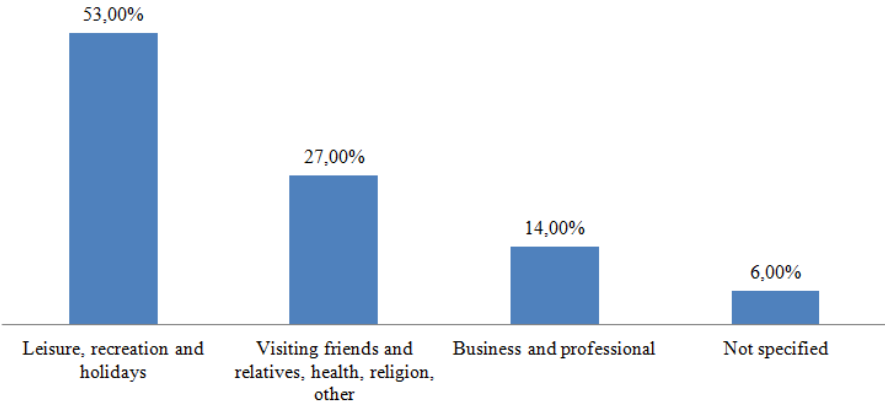
Appendix 1: Online travel agencies value sales by region (U.S. \$ billions)



Source: Euromonitor International Estimates

According to Euromonitor International’s travel research, global sales of online travel agencies grew by 19% in terms of fixed 2015 exchange rates to reach \$246 billion. However, growth was lower in US due to the strong appreciation of the US dollar in 2015. Moreover, in Asia Pacific region, it was recorded a growth of 43% in 2015 that reached \$79 billion. In general, the performance of online travel agencies sales was positive in all world regions in 2015, with North America and Western Europe recording 11% and 9% growth, respectively.

Appendix 2: International inbound tourism by purpose of visit in 2015



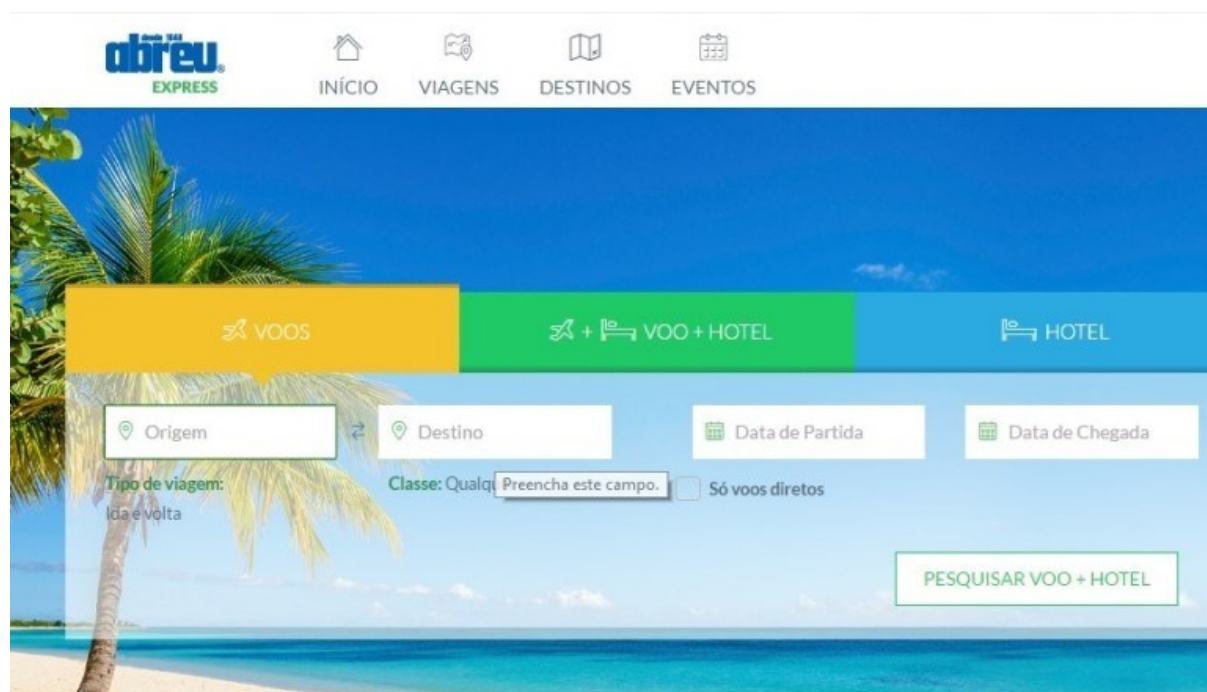
Source: Statista, 2015

Appendix 3: Major acquisitions in travel industry in 2015

Company	Type of Operator	B2B or B2C	Acquired by
Orbitz Worldwide	Online Travel Agency	B2C	Expedia, Inc.
BookitNow	Online Travel Agency	B2C	Quicket
Abacus International	Corporate Travel Management	B2B	Sabre Holdings
Direct Travel	Corporate Travel Management	B2B	ABRY Partners
Teldar Travel	B2B Hotel Online Travel Agency	B2B	HLD
StudentUniverse	Online Travel Agency	B2C	Flight Centre
Lastminute.com	Online Travel Agency	B2B	Bravofly Rumbo Group
Travelocity	Online Travel Agency	B2C	Expedia, Inc.

Source: Skift, 2016

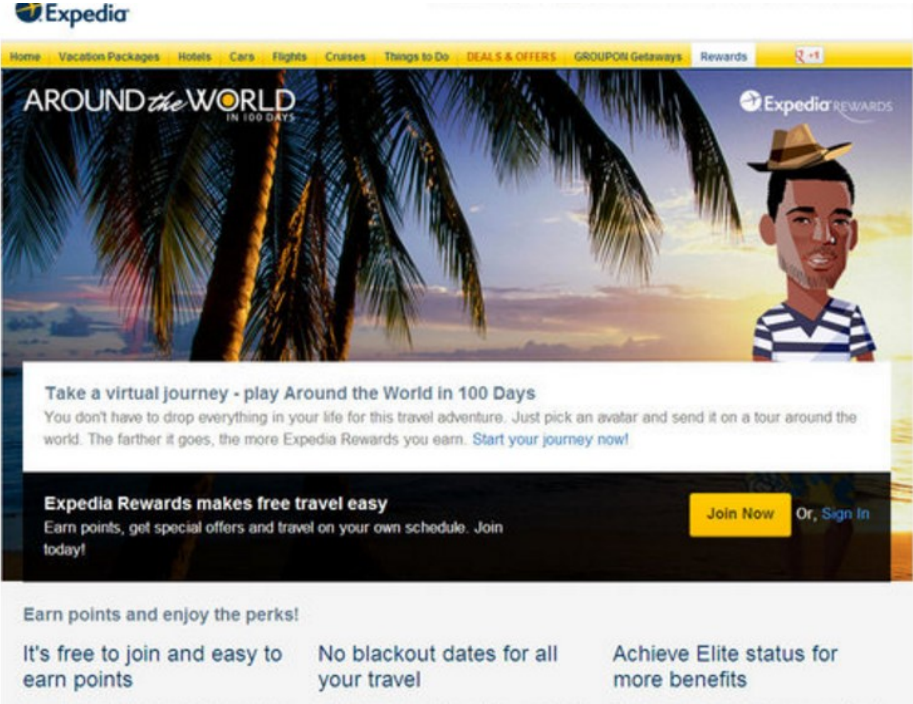
Appendix 4: “Abreu express”- the new site B2C



Source: Ambitur

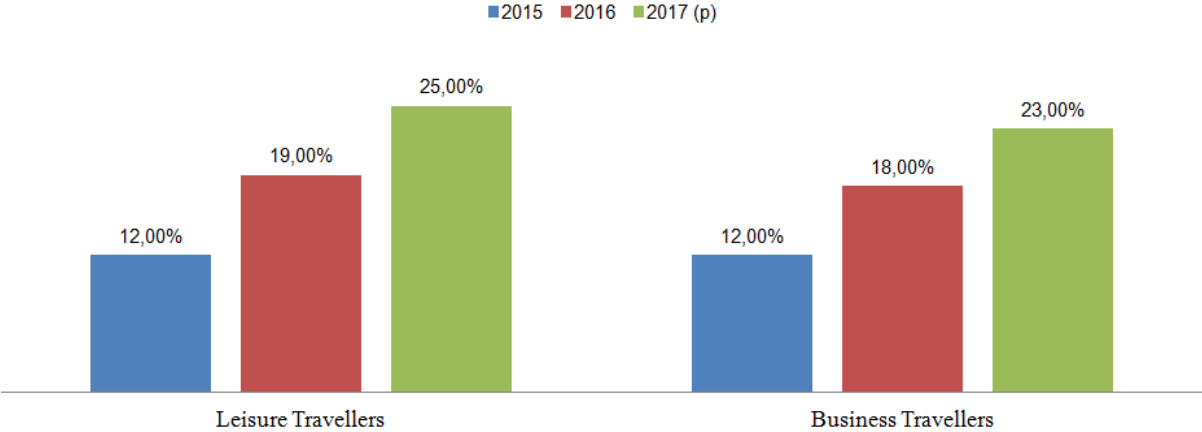
2016“Abreu Express” is the new site B2C in which the main purpose is to include basic products such as airplane, hotel, airplane + hotel. Therefore, it aims to provide a competitive solution for the portuguese, european and world market. Besides that, Abreu Express will provide tour packages and transfers.

Exhibit 5: The Expedia programme: Around the World in 100 days



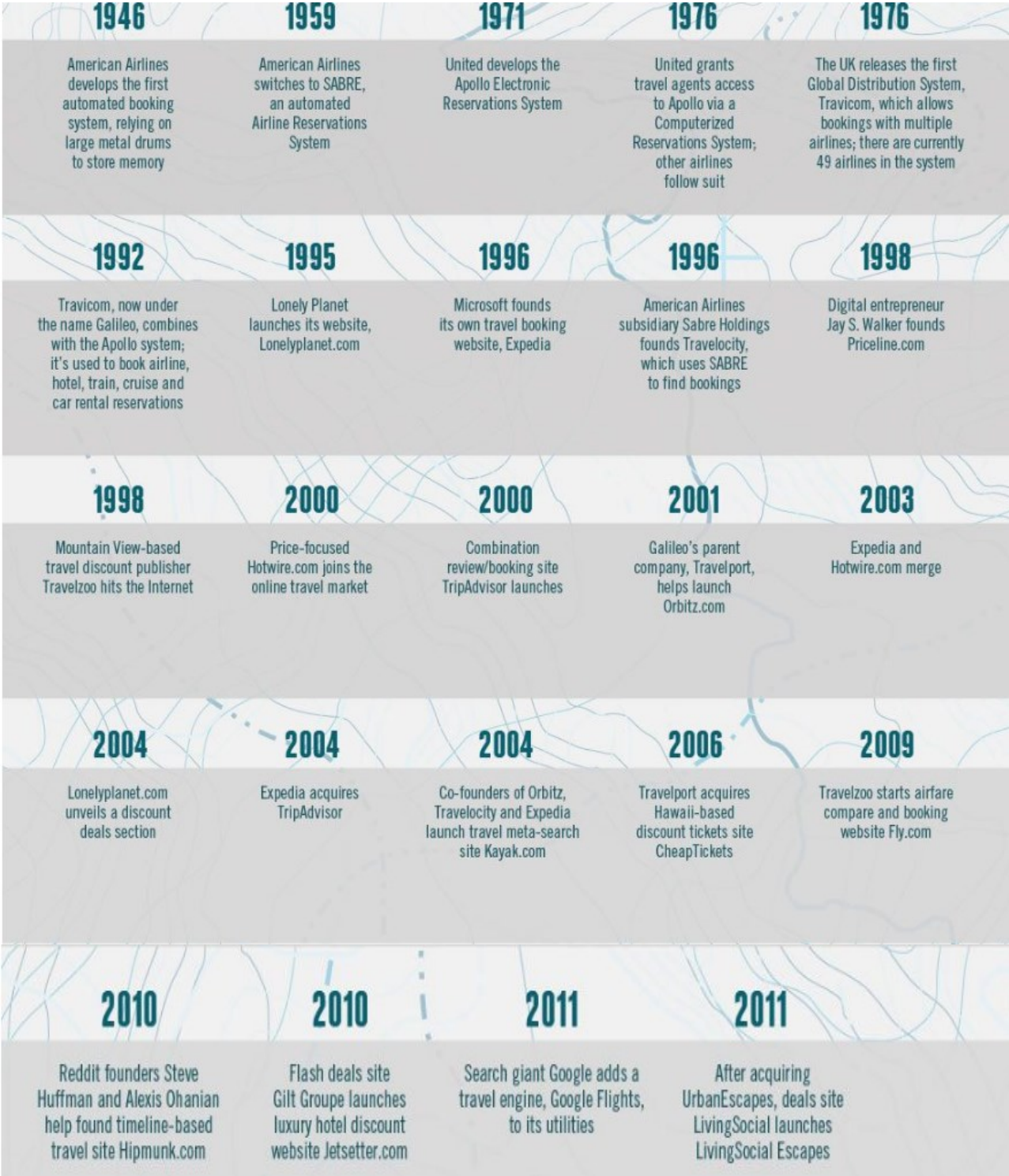
Source: Eye for travel, 2013

Appendix 6: Airbnb use among travellers



Source: AlphaWise, Morgan Stanley Research; 2017(p) is projected value

Appendix 7: Infographic about the evolution of online travel



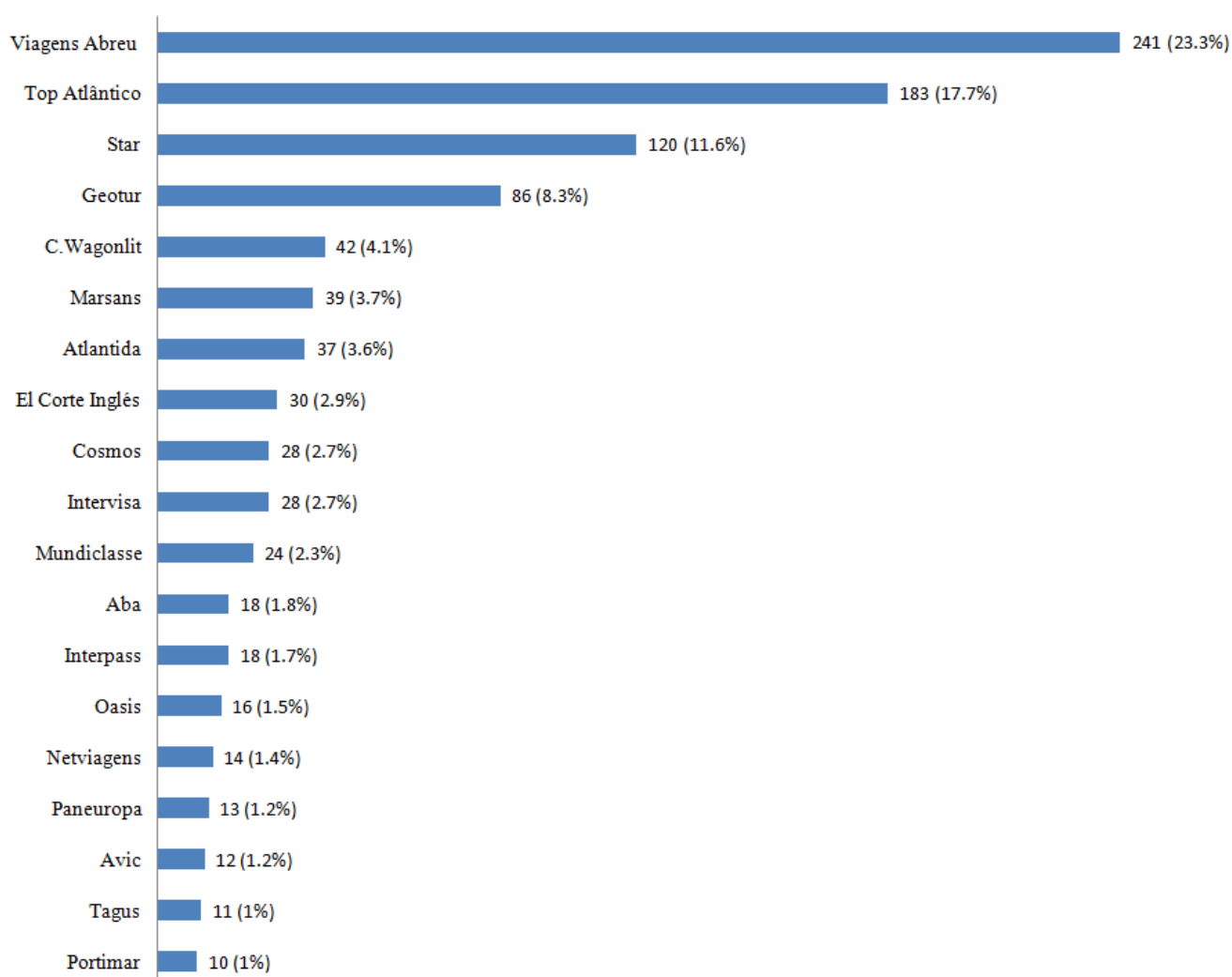
Source: Mashable

Appendix 8: Major global online travel agencies by gross bookings (US\$ million): 2014-2015

Company	2015	2014	% Growth
Expedia Inc	60 830	50 447	20,6
Priceline Group	55 528	50 300	10,4
Ctrip.com International Ltd	26 753	16 935	58
Airbnb Inc.	9 641	6 449	49,5
eDreams Odigeo Group	5 117	5 606	-8,7
Lastminute.com Group	2 682	1 744	53,8

Source: Skift

Appendix 9: Travel agencies' sales in 2008, (in millions euros) and market share (%)



Source: Martins de Carvalho, F. (2012), Viagens Grupo Espírito Santo: When growth goes on vacation. Master. Universidade católica portuguesa.

Appendix 10: Digital signage explorer



Source: Thomson

The Thomson next generation store integrates the latest technology to enhance the experience of choosing and booking a holiday. Customers can explore several destinations on a 84 “touch screen interactive map and interactive table” designed to entertain customers as they research their holiday. Moreover, the store is zoned depending on what stage of choosing a holiday the client is at.

Appendix 11: Viagens Abreu’s financial data

Viagens Abreu	2015	2014	2013	2012	2011
Turnover (million)	464	446	405	355	320
EBIT (million)	1.7	2.1	1.5	3.9	2.4
Net income (Thousands)	518	754	668	698	745
Profit margin (%)	0,26	0,36	0,26	0,30	0,36

Source: Orbis

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Case Analysis

1. Use of the case

This chapter was developed to be used as a basis and a guideline for instructors towards the case issues. It contains a suggestion of strategic issues to explore and a detailed analysis that links relevant theory and industry specific approaches.

This case illustrates the main strategies that TTA such as Viagens Abreu should adopt in order to ensure customer loyalty in the future and to become more competitive. In this sense, this thesis is focused on strategy, consumer behaviour, customization and strategic issues such as strategic alliances and joint ventures, by developing a case study with Viagens Abreu about travel agency industry. Moreover, Viagens Abreu is concerned about how to react in competition with online travel platforms.

Taking this into consideration, the main goals of this case study are:

- a) To analyse travel agency industry and its main challenges and trends;
- b) To analyse new business opportunities, partnerships and strategic alliances for traditional travel agencies;
- c) To analyse and reflect about new strategic recommendations that should be implemented within traditional travel agency sector;
- d) To understand how online travel platforms are emerging and how this issue should be addressed;

This case can be taught in strategy courses (Strategy, Strategic Management, Business Strategies), either for Undergraduate or Master students.

2. Strategic issue

This section aims to provide recommended questions for students to analyse and prepare in advance. Moreover, these questions should be used as a tool for students discuss in class after a comprehensive reading of the case in order to address the strategic issues faced by Viagens Abreu. Under this theme, there are four questions that address the core question.

- *How could virtual reality in stores and new technologies boost Viagens Abreu core business?*
- *How could Viagens Abreu ensure customer loyalty in the long-term?*
- *How could Viagens Abreu expand its business through strategic alliances and joint ventures?*
- *How could Viagens Abreu benefit on vloggers and internet?*

3. Analysis

3.1 How could virtual reality in stores and new technologies boost Viagens Abreu core business?

Brand and consumer experience has become an important topic over the last few years and has positive impact on consumer satisfaction, loyalty and brand-consumer relationship [Dennis et al., 2012].

New technologies have changed the travel agency industry and consumers are looking for more convenient service. Viagens Abreu needs to explore a dynamic and an innovative approach in order to entice the clients. However, it is really important to serve clients in a seamless way. Virtual reality aims to enlighten customers about new destinations which will make them to go more easily to places they have never been before. Therefore, it creates value to the customer.

Ijaz et al. (2016) notes that “*the accomplishment of a successful retail business relies on a quick response and the adoption of new technologies that simplify the customer’s shopping experience*”. Moreover, virtual stores have a strong impact in enhancing the success of a retail business. Further, a virtual store is more efficient for buying goods than a traditional store [Ijaz et al., 2016].

Moreover, virtual reality in stores aims to create an environment that entices and attract customers, encourage them to stay longer and to purchase from the store as well [Ijaz et al., 2016]. For this reason, it would be interesting for Viagens Abreu to install digital signage in their stores. The concept “digital signage” is defined as “*a networked audiovisual information*

system that allows remote controlling of the content from a centralized system". It is commonly referred to "*an electronic display screen*" and in stores increases the customer's traffic and sales [Burke, 2009]. Digital signage also provides a new experience to the shoppers [Schmitt, 1999]. Moreover, it is used in several contexts such as main street shopping areas, malls and individual stores. The main purpose may be advertising, to enhance image and to improve customer satisfaction [Dennis et al., 2012].

Furthermore, the content is interactive and vibrant, mainly with technologies such as touch screens, facial recognition, and iris recognition that allow tailored information and advertisements. In a nutshell, the adoption of digital signage generates higher frequency of visits, likelihood of revisiting soon, time spent in store and buying [Dennis et al., 2014]. Moreover, digital signage positively influences the customer experience, by creating the feeling of entertainment and pleasure [Ijaz et al., 2016].

In addition, virtual reality in Viagens Abreu's stores will create competitive advantage since it would be the first store in Portugal with this kind of approach. According to Resource-based theories of strategy (RBV), firms with valuable, rare, and inimitable resources (including nonsubstitutability) have the potential of achieving superior performance [Barney, 1991].

According to the VRIO framework, "*Barney (1991) notes that a firm's resources should not only be valuable, rare, and inimitable to facilitate superior performance, but the firm must also have an appropriate organization in place to take advantage of these resources*" [Wiklund and Shepherd, 2003].

3.2 How could Viagens Abreu ensure customer loyalty in the long-term?

To ensure customer loyalty in the long-term, Viagens Abreu should provide experiences that align with customer's personal values or provide tailored offers to them. Moreover, Viagens Abreu should bet on a personalized service, by establishing a personal relationship with the client and understand its needs.

Loyalty is a complement of the strategy that increases value capturing. Viagens Abreu benefit from loyal customers because they are less price sensitive and the costs to maintain them are lower than those to attract new ones. Further, they are considered a more stable source of

revenue, and they contribute to increasing firm's profits [Mittal and Lassar, 1998]. Moreover, businesses are driven by customer demand. However, they have different preferences, values and expectations which continue to force travel businesses to adapt (page 20).

In addition, *“the customer's experience with online and offline travel agencies differ because the personal contact, the information provision, the time period for interaction, and the brand presentation are different”* [Rose et al., 2011]. However, there isn't personal interaction with the online travel agency. Furthermore, the information overload from the internet may have a negative impact to the tourists which stresses the importance of TTA in improving the tourist experience [Silva and Gonçalves, 2016].

The personalized experience will be crucial for Viagens Abreu. Nowadays, consumers can make choices based on independent online research. However, this process may be time-consuming. In this regard, travel agents can offer a more personalized and convenient service than the internet and providing authoritative and impartial advice as well [Cheyne et al., 2006].

Therefore, *“the five most important dimensions for people when planning and arranging their overseas holidays are, in priority order: reliability, handling complexity, assurance, good deals and security”* [Cheyne et al., 2006]. Taking this into account, there are three strategies that Viagens Abreu may adopt in order to ensure customer loyalty: personalized experiences, a personalized service through travel consultants and loyalty programs.

It is really important to understand what customers want to and to transmit tailored offers. In this sense, Viagens Abreu's sales staff need to gain travel-product knowledge and tailor packages that addresses the client's needs. Thereby, customers start to trust in travel agencies and start to become loyal to them since they provide the best experiences and the best prices [Pansiri, 2008].

In addition, loyalty programs are important because they influence the purchase intention of travellers. Every customer is unique and each responds to travel agencies in a different way to different types of rewards. Loyalty programs may be in hotel, airline tickets, car rentals, cruises. Taking this into account, each booking would result in points awarded based on the

cost of vacation and type of booking. On the other hand, it is also possible to get extra points for taking a social action, like sharing feedback about the trip on Facebook or Instagram.

Hudson et al. (2001) stated that *“a traditional travel agent often has significant influence on consumer’s decision making process and therefore booking a more complex trip with multiple layovers might be faster and easier with a traditional agent than online”* [Hudson et al., 2001]. Hence, *“travel agents will need to expand their advisory functions and provide all the information and details that are not available on the internet”* [Cheyne et al., 2006]. Moreover, travellers still rely on travel agents because they provide support in case of crisis and because they establish a personal relationship with the client.

In this regard, when there is *“little price difference between offline and online transactions it is likely that many consumers will prefer the agent to assume responsibility, provide advice and make suggestions in relation to alternative travel options”* [Barnett and Standing, 2001]. Hence, the main reasons for booking with a TTA may be the following: *“personal advisory service, competent staff, personal counselling in planning and arranging complex trips and the support network in case of need during the trip”* [Anckar and Walden, 2001].

At last, Viagens Abreu and Portuguese travel agents should focus on improving the skills of their employees. Fortunately, tourism organizations in Portugal are trying to assist agents. For instance, the Portuguese National Tourist Office has launched a new online training programme designed to transform agents into experts on the country and its tourist regions. Other assistance is also occurring in terms of marketing travel agents to international and domestic visitors [Assaf et al., 2011].

3.3 How could Viagens Abreu expand its business through strategic alliances and joint ventures?

As the travel industry continues to evolve and change, diversification has become critically important to the ongoing success of travel agencies and their development. OTA are threatening the survival of local agents such as Viagens Abreu that are looking for new alternatives to explore in order to become more attractive.

One possible strategy to address this challenge may be joint ventures since would allow Viagens Abreu to grow and share costs with third parties in order to gain efficiency and reach

new markets (page 23). Through joint venture, travel agents can create package deals for their clients that include flights, accommodation and services from local tourist operators. It is a strategy that allows opening new markets and contributes to business expansion. It would be interesting for Viagens Abreu to create joint ventures for business travel in order to grow the business and provide value to corporate customers as American Express Global Travel Management did.

“Joint ventures involve the creation of a new entity with shared equity between partners” [Gulati, 1998]. Kogut highlighted three main reasons for the formation of joint ventures such as transaction costs, strategic behaviour that leads firms to enhance their competitive position, and a quest for organizational knowledge [Kogut, 1988].

Another strategy consists in establish strategic alliances with other entities since alliances entail continuing exchange and adjustments. [Gulati, 1998]. Moreover, *“strategic alliances are voluntary arrangements established between firms that involves exchange, sharing and co development of products, technologies or services”* [Gulati, 1998]. On the other hand, an alliance may be considered a transitional agreement in which the parents terminate when they achieve their goals or when they have valuable information that makes viable on acquisition or divestiture of that business [Kogut, 1991].

Tourism industry is also defined by the creation and development of strategic alliances within the industry which are crucial to achieve growth and competitiveness. Moreover, these strategic alliances include joint ventures and franchising, marketing alliances and shared facilities.

Resource base view of the firm identifies an organization as a collection of unique resources and capabilities that allows to create a good strategy. As a result, a good strategy creates competitive advantage and consequently switching costs. Therefore, it is crucial to know if the partner joins the operational capability in terms of resources and core-competencies.

Taking this into consideration, one recommendation for Viagens Abreu would be to establish a partnership with Airbnb in order to maximize Airbnb’s occupancy rate and its profitability. In return, Airbnb would pay a commission to Viagens Abreu. Regarding business travel, one

suggestion would be to create a partnership with Uber, considering the example of Concur Business Travel & Expense Management already mentioned.

3.4 How could Viagens Abreu benefit on vloggers and internet?

The travel agency acts as the intermediary between the travel suppliers and the consumer [Barnett and Standing, 2001]. Furthermore, travellers are searching more on websites to compare several packages and prices. Therefore, the rising use of the internet is forcing Viagens Abreu to adapt their business approach *“from a product-oriented to a service-oriented sales model”* [Connon et al., 2007]. In this sense, the main challenge is to get to know customers better using the data they create whenever they use their laptops, tablets and mobile devices. As a result, it is possible to know what customers want and how to address their needs (page 16).

Since the clients are embracing new IT and internet tools, they have more contact with travel agencies and also among them. Moreover, through the internet clients better know the tourist experience. *“With this information, agencies can improve their service quality and thereby improve customer satisfaction and customer loyalty”* [Buhalis & Law, 2008]. For this reason, Viagens Abreu should benefit on the internet and *“integrate to form large networks to extend their market penetration”* [Law et al., 2004].

Additionally, the source of income of retail travel agencies relies mainly on commission from ticket sales. However, this supply chain is under some pressure as airlines, travel wholesalers and consolidators start to sell their products directly to consumers through their websites [Barnett and Standing, 2001]. Therefore, TTA should look for new strategies in order to sustain competitive advantage in the long-term. *“A firm’s competitive advantage depends on its ability to create more value than its rivals”* [Porter, 1985]; [Bradenburger and Stuart, 1996]. To create value to the client, the firm should innovate successfully.

Hence, there are two strategies that could be adopted by Viagens Abreu such as *“product specialization and information specialization”* [Barnett and Standing, 2001]. In this regard, Viagens Abreu could specialise in different niches such as senior market or specific tourist destinations. For example, a travel agency that aims to attract a specific niche such as

windsurfers should provide information about the windsurfing sites, the sport, videos. In addition, travel agents should bet on the *“development of their own websites and the use of online bookings, in order to enhance their advisory role”* [Cheyne et al., 2006].

Since new OTA have emerged, business competition for TTA has increased as well. Online booking increased due to several factors such as *“low cost carriers sell solely on the internet, airline companies have their own booking websites, and new online agents that emerged”* [Mayr and Zins, 2009]. Nowadays, online customers opt especially for *“convenience (e.g. low waiting time, quick and reliable booking handling, product variety, favourable payment conditions)”* [Mayr and Zins, 2009]. That fact may be explained due to the high penetration rate of smartphones and portable tablet devices that has been one of the main drivers behind the increase in online bookings (page 14). Customers usually use more internet for organizing their overseas travel when they are going to places they are familiar with. On the other hand, they would use a travel agent to go to places they have never been before [Cheyne et al., 2006]. So Viagens Abreu should benefit on internet to create meaningful information for their clients.

Moreover, when the customer is searching through the internet, there is more information available, lower prices and quicker responses in comparison with TTA. On the other hand, many clients may prefer TTA since they make complex travel arrangements, give answers, handle problems and maintain a relationship with travel consumers. However, one positive movement for TTA such as Viagens Abreu is to establish partnerships with internet-based businesses to ensure more sophisticated booking systems. However, although hotels can develop their internet profile to sell rooms at a cheaper price, they should maintain a “win-win” arrangement with travel agents, since many travellers don’t like to play trips by themselves [Tse, 2003]. On the other hand, people are using social media more than before and it is becoming a new critical channel to drive positive feedback and satisfaction (page 15).

Viagens Abreu should get along with their customers, understand customer expectations and since they search for information online (e.g. using hyperlinks, reading blogs and posts) in order to solve customer issues effectively. Use of social media further enhances their long-term communication with customers and enables them to receive feedback from customers to improve business. Availability of information raises the confidence of travel agents to use it successfully towards customer service, thus increasing the overall productivity of the agency

[Srivastava and Dhar, 2016]. Additionally, the information shared in social media also influences brand's image and sales [Park and Cho, 2012].

Furthermore, Viagens Abreu may take advantage of the social web by using social networks (Facebook, twitter) that allows users to interact with others. YouTube is also another platform that is growing a lot in which people for example can post promotional videos about travel destinations and share their experience. In this regard, Viagens Abreu should hire vloggers based on the highest number of views to promote its destinations. Therefore, this network effect creates switching costs by augmenting the numbers of users. Briefly, by achieving network effect, it creates value to customers and consequently high switching costs for the company.

Moreover, travel bloggers have a positive influence on “*ad message processing in terms of ad memory, ad attitude, and brand attitude*” which is essential to form brand attitude. Therefore, high-involvement travel bloggers give rise more easily to “*favourable impressions of ads on travel blogs*”. Once consumers build strong relationships with the brand, their purchase intention will increase [Huang et al., 2010].

4. Recommendations

This section concludes with recommendations that have been supported and discussed by the previous analysis. In a nutshell, it is possible to identify six new strategic recommendations that Viagens Abreu should adopt in the future.

Table 7: Strategic recommendations for Viagens Abreu

Recommendations	Requirements	Expected effect
Bring virtual reality to stores	High investment on digital signage: touch screens and digital posters	Give holidaymakers a chance to experience where they are planning to go on holidays
Bet on social media: youtubers, vloggers	Contract vloggers based on the highest number of views	Promotion of destinations, travel packages, travel's experience
Establish a partnership with Uber	Add transportation for corporate segment to Abreu Corporate portfolio	Cost optimization for its clients, exclusively access to the Uber for Business features for free
Establish a partnership with Airbnb	Add-home sharing accommodation to Viagens Abreu portfolio	Attract a higher number of clients, maximize Airbnb occupancy rate
Build a personalized customer experience	Understand traveller behavior and provide tailor-made offers	Save time to consumers, provide unique and personalized experiences
Bet on travel consultants	Employee training and improvement of knowledge	Personalized service that aims to determine client's needs and suggest suitable travel packages

5. Limitations and issues to explore further

Along this dissertation there were some limitations. First of all, there was lack of information from Viagens Abreu which would have allowed making a more detailed analysis about new strategic recommendations and the main challenges for the company.

Moreover, there wasn't much information about the main Portuguese TTA. Therefore, the lack of annual reports and available data as well didn't allow to understand deeply their business activity.

In the future, it could be interesting to further understand how can Viagens Abreu become a world travel group and how can embrace an international franchising strategy. This expansion process would be quite interesting mainly for countries in Africa since the language spoken is Portuguese. It would allow to extend the services to new markets and it would allow to reduce the dependence on the Portuguese market.

At last, it would be interesting to further analyse how Viagens Abreu can diversify their business and enter into different areas that may not be related with its current business.

Literature Review

This section contains relevant theories that support the case analysis indicated in alphabetical order.

[Anckar and Walden, 2001] - Anckar, Bill, and Pirkko Walden. "Self-booking of high- and low-complexity travel products: exploratory findings." *Information Technology & Tourism* 4.3-1 (2001): 151-165.

In this article, the authors write about the issue of self-bookings in travel. Moreover, it investigates the opportunities offered as well as the main challenges faced by the consumers when making their own travel reservations through the internet.

[Assaf et al., 2011] - Assaf, A. George, Carlos Pestana Barros, and Luiz Pinto Machado. "The future outlook for Portuguese travel agents." *Tourism Economics* 17.2 (2011): 405-423.

In this article, the authors write about the main characteristics of the Portuguese travel agency industry and the main trends about international travel agency industry. Moreover, the authors also highlight for potential improvements and they also measure the productivity and the efficiency of Portuguese travel agents between 2005 and 2007.

[Barnett and Standing, 2001] - Barnett, Martin, and Craig Standing. "Repositioning travel agencies on the Internet." *Journal of Vacation Marketing* 7.2 (2001): 143-152.

It is argued that the characteristics of TTA are not yet aligned with the demands of the new travel economy. Moreover, it also describes the travel industry sector and the research highlights that TTA need to adapt and change in order to remain competitive in the long-term and in order to compete with online channel.

[Barney, 1991] - Barney J. 1991. Firm resources and sustained competitive advantage. *Journal of Management* 17: 99–120.

In this article, Barney defines competitive advantage by using the resource-based model VRIO. Therefore, to achieve competitive advantage it is explained that the resources must be valuable, rare, inimitable and there shouldn't be substitutes.

[Bradenburger and Stuart, 1996] - Brandenburger, Adam M., and Harborne W. Stuart. "Value-based business strategy." *Journal of Economics & Management Strategy* 5.1 (1996): 5-24.

In this article, the authors write about how firms can create value with their suppliers and buyers as well. Moreover, the article shows the importance of the relationships between firm's supplier and buyers and is defined the "added value" of a firm.

[Buhalis & Law, 2008] - Buhalis, Dimitrios, and Rob Law. "Progress in information technology and tourism management: 20 years on and 10 years after the Internet—The state of eTourism research." *Tourism management* 29.4 (2008): 609-623.

In this article, the author writes about few articles on eTourism in the past 20 years and future developments that will influence the industry. Moreover, the author also writes about the main challenges that the industry is tackling now and that will tackle in the long-term.

[Burke, 2009] - Burke, Raymond R. "Behavioral effects of digital signage." *Journal of Advertising Research* 49.2 (2009): 180-185.

In this article, the author refers the importance of digital signage as a new channel to communicate with consumers in retail shopping environments. It concludes that in-store advertising effectiveness depends not only on the content of the message but also on the context. At last, shoppers are most responsive to messages that address their needs and least responsive to traditional brand messages.

[Cheyne et al., 2006] - Cheyne, Jo, Mary Downes, and Stephen Legg. "Travel agent vs internet: What influences travel consumer choices?." *Journal of Vacation Marketing* 12.1 (2006): 41-57.

In this article, the authors write about the main factors that influence travel consumers' choices between using a traditional travel agent and the internet. Moreover, it also suggests that travel agents may be more competitive by an effective use of information technology.

[Connon et al., 2007] - Connon, N., Thyne, M., & Deans, K.R. (2007). Corporate travel procurement: The client/agent relationship. *Journal of Customer Behaviour*, 6(1), 93-108.

In this article, the authors analyse the relationship between corporate travel agents and business clients. Moreover, it is also focused on the leisure travel market and on the effect on the Internet and on the supply chain.

[Dennis et al., 2012] - Dennis, Charles, et al. "New insights into the impact of digital signage as a retail atmospheric tool." *Journal of Consumer Behaviour* 11.6 (2012): 454-466.

This paper examines the effect of a digital signage network in retail shopping environment. It analyses how shoppers are influenced in the retail environment and it analyses their approach/avoidance responses.

[Dennis et al., 2014] - Dennis, Charles, et al. "The effect of digital signage on shoppers' behavior: The role of the evoked experience." *Journal of Business research* 67.11 (2014): 2250-2257.

This paper investigates the role of digital signage as experience provider in retail spaces. Moreover, the study gives a theoretical explanation of the effectiveness of digital signage in retailing. The authors state that digital signage provides a new experience and it is considered a key factor to build a new brand experience.

[Gulati, 1998] - Gulati, Ranjay. "Alliances and networks." *Strategic management journal* 19.4 (1998): 293-317.

In this article, the author writes about strategic alliances and identifies five key issues for the study of alliances such as the formation of the alliances, the choice of governance structure,

the dynamic evolution of alliances, the performance of alliances and the performance consequences for firms entering alliances. Moreover it demonstrates how social networks may influence the creation and the success of alliances.

[Huang et al., 2010] - Huang, Ching-Yuan, Chia-Jung Chou, and Pei-Ching Lin. "Involvement theory in constructing bloggers' intention to purchase travel products." *Tourism Management* 31.4 (2010): 513-526.

In this article, the authors explain the relationship between travel blogs and brand management. Moreover, it explains that travel blogs positively influence the processing of ad messages which positively affects brand management. Therefore, brand management is essential to business marketers and once consumers create a good relationship with the brand, their purchase intention will increase.

[Hudson et al., 2001] - Hudson, Simon, et al. "Distribution channels in the travel industry: using mystery shoppers to understand the influence of travel agency recommendations." *Journal of Travel Research* 40.2 (2001): 148-154.

In this article, the authors write about the main factors that influence travel agency recommendations. Moreover, the authors try to understand the customer's buying process and they use mystery shoppers in order to test travel agent recommendations across United Kingdom. Moreover, the research also highlights the role that travel agents play in the customer's decision making process.

[Ijaz et al., 2016]. - Ijaz, Muhammad Fazal, et al. "Efficient Digital Signage-Based Online Store Layout: An Experimental Study." *Sustainability* 8.6 (2016): 511.

In this article, the authors write about the main importance of human computer interaction and interface design for retail business. They defend that digital signage may enhance customer relationship management and contributes for the success of a retail business since layout has a significant influence on customer's behaviour.

[Kogut, 1988] - Kogut, Bruce. "Joint ventures: Theoretical and empirical perspectives." *Strategic management journal* 9.4 (1988): 319-332.

In this article, Kogut compares the perspectives of transaction costs and strategic behaviour by explaining the motivation to create a joint venture. In addition, it is proposed and developed a theory of joint ventures.

[Kogut, 1991] - Kogut, Bruce. "Joint ventures and the option to expand and acquire." *Management science* 37.1 (1991): 19-33.

In this article, the author writes about the main purpose of joint ventures. Moreover, he highlights that factors such as unexpected increases in the value of the venture and the degree of concentration in the industry leads to a higher probability of achieving an acquisition.

[Law et al., 2004] - Law, Rob, Kenith Leung, and RJames Wong. "The impact of the Internet on travel agencies." *International Journal of Contemporary Hospitality Management* 16.2 (2004): 100-107.

In this article, the authors analyses traveller behavior regarding making transactions through the internet or traditional travel channels since internet has a great influence on travel and tourism. In the end, the authors suggest that both online and traditional channels will cooperate with each other in order to improve the service to its clients.

[Mayr and Zins, 2009] - Mayr, Thomas, and Andreas H. Zins. "Acceptance of online vs. traditional travel agencies." *Anatolia* 20.1 (2009): 164-177.

In this article, the authors write about the main characteristics of the traditional travel agencies and online travel agencies. Moreover, they try to grasp which service propositions are crucial for traditional agents to compete with online agents.

[Mittal and Lassar, 1998] - Mittal, Banwari, and Walfried M. Lassar. "Why do customers switch? The dynamics of satisfaction versus loyalty." *Journal of services marketing* 12.3 (1998): 177-194.

In this article, the authors analyze the link between customer satisfaction and loyalty. Moreover, around 50% of the satisfied customers tend to switch service suppliers. This reflects that satisfaction is driven more by the quality of work performed than how the service

is delivered. However, when the client is already satisfied with the service, customer loyalty is influenced more by how the service was delivered.

[Pansiri, 2008] - Pansiri, Jaloni. "The effects of characteristics of partners on strategic alliance performance in the SME dominated travel sector." *Tourism Management* 29.1 (2008): 101-115.

In this article, the author writes about the main effects of alliances partners on strategic alliance performance. It was also explored alliance relationships between travel and tourism sectors.

[Park and Cho, 2012] - Park, Huiju, and Hira Cho. "Social network online communities: information sources for apparel shopping." *Journal of Consumer Marketing* 29.6 (2012): 400-411.

In this article, the authors aim to understand the impact of social network online communities on information seeking behaviour and decision making for apparel shopping. Further, the research concludes that there is positive relationship between them.

[Porter, 1985] - Porter, Michael E., and Competitive Advantage. "Creating and sustaining superior performance." *Competitive advantage* (1985): 167.

This research is based on creating and achieving competitive advantage. Moreover, it highlights the power of competition and how it may contribute to the success or the failure of the firm.

[Rose et al., 2011] - Rose, Susan, Neil Hair, and Moira Clark. "Online customer experience: A review of the business-to-consumer online purchase context." *International Journal of Management Reviews* 13.1 (2011): 24-39.

In this article, the authors define and write about online customer experience and they propose seven key elements which enhance consumer's experience of mobile-commerce such as the degree of customization, communication, connectivity and content. Furthermore, they argue that online customer experience will increasingly be influenced by the social interactions.

[Schmitt, 1999] - Schmitt, Bernd. "Experiential marketing." *Journal of marketing management* 15.1-3 (1999): 53-67.

In this article the author presents a new approach to marketing, named experiential marketing. In traditional marketing, consumers are described as rational decision-makers who are concerned about functional features and benefits. On the other hand, experiential consumers are described as rational and emotional decision-makers who are concerned with achieving pleasure.

[Silva and Gonçalves, 2016] - Silva, Graça Miranda, and Helena Martins Gonçalves. "Causal recipes for customer loyalty to travel agencies: Differences between online and offline customers." *Journal of Business Research* 69.11 (2016): 5512-5518.

In this article, the authors write about how travel agencies can achieve high customer loyalty through offline and online shopping experiences. Moreover, it is concluded that in the offline shopping context trust is really important to achieve high customer loyalty. However, in the online shopping context trust is not a sufficient condition, so travel agencies must combine it with perceived value in order to achieve high customer loyalty.

[Srivastava and Dhar, 2016] - Srivastava, Anugamini Priya, and Rajib Lochan Dhar. "Technology leadership and predicting travel agent performance." *Tourism Management Perspectives* 20 (2016): 77-86.

In this article, the authors write about the effect of technology on job performance through the role of internet self-efficacy. Moreover, it is concluded that technology leadership indirectly influenced job performance of sales agents through the internet self-efficacy. At last, low efficacy of travel agents may hamper job performance in economic terms and terms of market share.

[Tse, 2003] - Tse, Alan Ching-biu. "Disintermediation of travel agents in the hotel industry." *International Journal of Hospitality Management* 22.4 (2003): 453-460.

In this article, the authors write about the trend of disintermediation which is affecting travel agents. Therefore, this paper analyses the disintermediation of travel agents in the hospitality industry since hotels are setting up websites that allows customers to make bookings online.

[Wiklund and Shepherd, 2003] - Wiklund, Johan, and Dean Shepherd. "Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses." *Strategic management journal* 24.13 (2003): 1307-1314.

In this article, the authors write about how to use resources in order to create competitive advantage. Further, they defend that knowledge-based resources are positively related to firm performance.