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The competitive networks of tourism e-mediaries: New strategies, new advantages

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ABSTRACT
KEYWORDS: strategic networks, alliances, tourism e-mediaries

Using strategic network theory, this paper discusses the relationships between tourism e-mediaries within the competitive environment. It argues that strategic networks have been used by tourism e-mediaries as a means for gaining sustainable strategic advantage. Though there is a body of knowledge concerning strategic networks and alliances, there is minimal research investigating the formation of these within e-business, and yet strategic networks are prevalent among tourism e-mediaries. The paper initially reviews strategic network theory and subsequently proposes a framework upon which the strategic networks of tourism e-mediaries can be analysed. Future directions for tourism e-mediaries in gaining a 'network advantage' are also discussed.

INTRODUCTION
The virtual tourism marketspace is becoming increasingly competitive, as online players vie for the attention of consumers who have the opportunity to access and purchase from multiple channels. According to Amit and Zott,[1] virtual markets refer to 'settings in which business transactions are conducted via open networks based on the fixed and wireless Internet infrastructure'. They argue that there are a number of characteristics that can be associated with virtual markets: high connectivity, transaction focus, the importance of information goods and networks and high reach and richness of information. Amit and Zott[2] also note the influence virtual markets are having upon business structures, including disintermediation and reintermediation, and the restructuring of industry boundaries as businesses collaborate and outsource. This is particularly relevant within the tourism industry, which has been characterised by changing distribution networks[3,4] and the formation of disparate tourism collaborations across industries.[5] This process of restructuring within the

tourism industry has been driven primarily by the rapid proliferation of 'tourism e-mediaries',[6] defined herein as organisations offering services via a network of virtual channels to stakeholders, and which are not constrained by geographical boundaries. Though there have been some studies investigating alliances within the tourism industry,[7,8] this paper is innovative in that no studies so far have analysed the formation of strategic networks between tourism e-mediaries. Indeed, Amit and Zott[9] argue that the network perspective in e-business, 'is clearly relevant for understanding wealth creation. . .because of the importance of networks of firms, suppliers, customers and other partners in the virtual market space'. Furthermore, New and Mitropoulos[10] have stressed the need for models and knowledge that explore the supply networks between firms in different industries.

THE GROWTH OF TOURISM E-MEDIARIES

Tourism e-mediaries are represented by a new breed of strategic players within the tourism industry, and facilitate the distribution of information flows, directly and indirectly, between customers and suppliers.[11] They have emerged in parallel to the massive growth in new technologies, including the Internet, e-commerce and iDTV. This has led many major tourism firms to reengineer their business processes towards a multi-channel focus to compete effectively against a set of new players, including, for example, lastminute.com, eBookers and expedia.com, to name but a few.[12]

The tourism e-commerce environment is expected to grow rapidly. According to Marcussen,[13] in 2001 online travel sales were €4.4bn, representing 2 per cent of the European market. By 2006, Marcussen[14] argues that this is expected to rise to €13.9bn, representing 5.6 per cent of the market. Concurrently, there has been a rapid increase in visitors to UK travel sites, reaching 4.8 million by September 2001, representing the biggest online travel market in Europe.[15]

Mobile technologies will play a major part in the growth of tourism e-commerce. IDC[16] claim that 23 million Europeans will be using mobile technologies to purchase travel services by 2005. Dalgety[17] attributes this widespread growth to technological improvements, the cultural change towards sophisticated Internet users and the rapid increase in online travel services. Indeed, as a result of these societal and technological trends, many tourism-related organisations, as mentioned previously, have reengineered their distribution strategies towards a multi-channel focus.[18] For example, the no-frills airline players such as easyJet and Ryanair drive 90 per cent of their sales volume online. This has become a common phenomenon throughout the no-frills sector and one which has fuelled the growth of the European online travel market.[19] The growth of the tourism e-commerce environment can also be attributed to the strategic manoeuvres of competing firms. It is evident that much of the competitive activity between tourism e-mediaries is based upon networking and the formation of strategic alliances. It is therefore important to understand the theory upon which these strategic networks are based, to enable a wider appreciation of the strategic growth, direction and structures of tourism e-mediaries.

STRATEGIC NETWORK THEORY

Strategic network theory has emerged as a body of knowledge that offers new ways in which to understand key strategic management issues.[20] Indeed, strategic networks have become a major feature of the contemporary competitive environment and have been argued to be critical to obtaining and sustaining a strategic advantage,[21,22] particularly for tourism e-mediaries.[23] This has largely been due to the difficulties in being able to gain, let alone sustain, an advantage for tourism e-mediaries acting independently. The notion of strategic advantage — that is the ability of an organisation to add more value for its customers than its rivals[24] — has often been discussed in terms of industry structure[25] or from the perspective of an

organisation's resources and capabilities.[26] However, this takes a parochial view of the organisation, focusing on its ability to take advantage of opportunities within the competitive environment and/or to exploit its internal strengths and weaknesses. Even though these strategic analyses are important, the organisation's ability to take advantage from partner relationships also emerges as an essential area for research when considering organisational strategy and performance.[27]

According to Gulati et al.,[28] strategic networks are stable interorganisational ties which are strategically important to participating firms. They may take the form of strategic alliances, joint ventures, long-term buyer-supplier partnerships, and other ties. Gomes-Casseres[29] attributes the growth of strategic networks to the increasing complexity of goods and services and the subsequent need to draw upon a wider array of resources for the success of the end product. He also notes the desire for organisations to compete globally. To some extent, this can only be achieved by networking with other organisations which have the necessary skills, competences and capabilities for this to be successful.

Strategic alliances and networks in the tourism industry have often been characterised by vertical, horizontal and diagonal relationships.[30,31] Dale[32] has illustrated this within the context of the UK tour operating industry, where the major tour operators have integrated their operations by systematically networking with suppliers and buyers in the distribution chain. Airline alliances such as the Star Alliance and One World, for example, have also epitomised the nature and growth of the competitive environment in the airline industry.[33,34] Bennett[35] argues that these alliances are forged with the main objective of maximising capacity and economic performance. For tourism firms, Peattie and Moutinho[36] stress the importance of forming alliances to maximise the potential of new information technologies and the value that this generates. Thus, by networking with other organisations, tourism e-mediaries are able reciprocally to add value to their goods and services, something which might otherwise be very difficult to achieve alone. Crotts et al.[37] describe this as 'synergistic strategic value', a process whereby the partner firms reciprocally and mutually benefit from the network of relationships involved. Cooper and Lewis[38] recognise the value chain as being pivotal in this process. They contend that relationships between tourism firms should be viewed as a network of value chains or a 'value creating system where all those involved work to co-produce value'.[39] Obviously, any relationships between e-mediaries would need to demonstrate a compatibility and synergy between the network of value chains if any possible gains were to be made. Anand and Khanna[40] have also found that firms generate more value as they gain more experience in the formation of alliances. Furthermore, those firms that acquire more experience of alliance formation are often more centrally situated within the strategic network and are more likely to enter into new alliances with greater frequency.[41] As shall be discussed, this is clearly apparent among leading tourism e-mediaries, whose growth has been based, in part, on the relationships that have been forged with strategic partners.

STRATEGIC TOURISM E-MEDIARY NETWORKS

Collaborations among e-mediaries have been described by Romano et al.[42] as 'virtual clusters'. They define a virtual cluster as 'an e-business community, made up of customers, suppliers, distributors and commerce providers sharing digital and knowledge networks for collaboration and competition'.[43] The leading organisation in the cluster focuses on a set of core competencies while outsourcing the majority of other functions. The supporting e-mediaries in the cluster add distinct aspects of value for the end customer by exchanging digital knowledge with other members.[44] It is therefore important to explore the different relationships that exist between different clusters of tourism e-mediaries, to enable a wider understanding of the motivations and strategic direction of

tourism e-mediaries engaging in alliance formation. Buhalis and Licata[45] have attempted to do this by adopting a tourism systems approach to identifying the relationships between tourism e-mediaries. However, the framework in Figure 1 extends this further by arguing that five categories of tourism e-mediary relationships exist. These are described as channel, collaborative, communicative, complementary and converse networks. The justification for this framework is based upon an analysis of the relationships that have evolved between tourism e-mediaries in the period from June 2001 to August 2002. The tracking of these relationships has been derived from tourism info-mediary sources, including eyefortravel.com, travelmole.com and etid.co.uk. The websites of the major tourism e-mediaries have also been reviewed for further data.

Channel

Channel relationships can enable one e-mediary to access the channels of another and thus facilitate increased efficiency in the distribution of an e-mediary's goods and service.[46] The GDS providers primarily drive this relationship. For example, Worldspan signed a long-term agreement with Priceline.com to be the preferred GDS powering their travel pricing and reservations service in February 2002. In November 2001 Amadeus formed a partnership with

Figure 1 Strategic networks in the tourism e-mediary competitive environment

OpenTV to facilitate the use of purchasing travel services via iDTV.
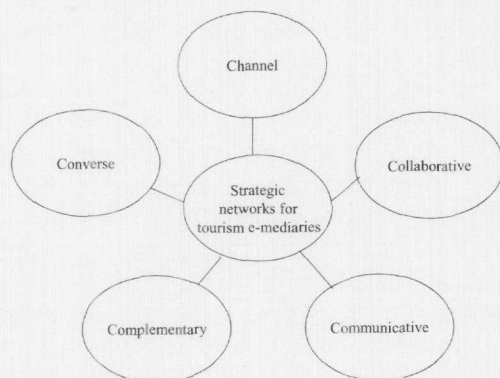
Channel relationships can also enable partners to exchange strategic resources and capabilities that may be scarce or lacking in either one or both of the firms.[47] For example, in February 2002 Expedia signed a deal with British Airways to provide its hotel booking solution. This allows BA to offer more than 40,000 hotel properties throughout its websites in Europe.

Being able to combine resources and concurrently access channels is the motivation behind the strategic partnership that lastminute.com has formed with Orange UK. This partnership, formed in January 2002, enables lastminute.com to exploit the technological mobile resources of Orange as well as to gain access to mobile distribution networks and develop location-based services. Partnerships also allow e-mediaries to pursue a multi-channel objective. For example, the joint venture established between Travelocity and German direct marketing firm Otto in January 2002 enables Travelocity to gain a retail presence via Otto's Travel Overland outlets. The relationship between First Resort and BSkyB to create the UK's first transactional travel show also creates another channel for the tourism e-mediary to distribute its goods and services. Channel relationships therefore enable greater breadth of distribution, enhance the efficiency of distribution and facilitate the convergence of strategic resources, capabilities and competences. However, alliances between bricks and clicks firms will have to be wary of the 'channel cannibalisation' that these networks may consequently bring.[48]

Collaborative

Many of the current network relationships are based upon competing e-mediaries cooperating with one another. Stiles[49] has argued that this is a form of 'collaborative competition' whereby value is appropriated between partner firms. Brandenburger and Nalebuff[50] alternatively describe this as 'co-opetition', which they argue is based upon a comparison of two perspectives: a player is a complemen-

tor if customers value one's product more when they have the other player's product than when they have one's product alone, or a player is a competitor if customers value one's product less when they have the other player's than when they have one's product alone.

Within the context of tourism e-mediaries, collaborators are competing firms which join forces to distribute their products collectively. Examples of this are Andbook.com, a European hotel portal targeted at business travellers and owned by Meridien, Accor and Hilton International. Opodo, formed in November 2001, is an online airline collaboration created by Air France, Aer Lingus, Alitalia, Austrian Airlines, BA, Lufthansa, Finnair, Iberia and KLM. The American equivalent of Opodo, Orbitz, is a collaboration between the airlines American, Continental, Delta, Northwest and United. Though the collaborators are directly competing against one another, by forming a multi-company alliance they are able to maintain a greater online presence in the face of other online opposition. They also have the brand power that emanates from a collaborative marketing approach.[51] Collaborators have also formed partnerships with each other, which can be described as 'inter-collaborations'. For example, in May 2002 Andbook and WorldRes combined to provide a hotel booking service for Opodo.

Collaborations also allow tourism e-mediaries to pursue entry into new geographical markets,[52] particularly Asian markets. For example, lastminute.com in January 2002 established a joint venture with Kinki Nippon Tourist, Nippon Travel Agency and Mitsubishi Corporation/MC Capital Fund to launch the brand in Japan. Similarly, in March 2002 Travelocity forged a collaboration with 17 Japanese airlines, including Japan Airlines, All Nippon Airways and Japan Air Systems, to launch tabini.com in Japan. A collaborative approach also allowed the reverse auction e-mediary, Priceline.com, to access the Hong Kong market. The collaboration with Hong Kong-based Hutichison-Whampoa also allows Priceline to access alternative offline channels in the form of call centres and agencies. However, these e-

mediaries have to be aware of the cultural differences that may exist in terms of organisational structures, management styles and the ethnocentric orientation of the firm, which ultimately may have an impact upon the success of the network.

Communicative

Communication partnerships allow e-mediaries' goods and services to be disseminated through infomediary channels and portals. For example, Orbitz has a relationship with Comet Systems which operates Comet Cursor, a shopping comparison site, allowing customers to compare travel prices with, for example, Travelocity and Expedia. Forging relationships with ISP portals, as eBookers have with Yahoo! and AOL with Travelocity to become their preferred travel partners, also enables the greater dissemination of an e-mediary's good and services.

Infomediaries can also add value to a partner site by disseminating ancillary information that might be of interest to customers and nurturing them in the process from lookers to bookers.[53] For instance, lastminute.com has formed an alliance with Viator, a database supplying destination information. In October 2001 Hostelworld.com, the budget accommodation booking agency, announced partnerships with Rough Guides, timeout.com, igougo.com and uniserveUk.com, enabling it to widen its market representation and facilitate its ability to target specific markets. Often, and as will be discussed further, these relationships can be unrelated. For example, in April 2002 lastminute.com forged a partnership with the sports website Rivals.net so that it is featured on its website's navigation bars.

Partnerships with technology providers can also facilitate the dissemination of information. Expedia is the preferred partner of Microsoft's operating system Windows XP. Expedia's customers who have the XP system are able to receive updates, news, faretracker information and so on. Expedia is also a Microsoft Passport enabled site, which saves customers time when booking travel. In June 2002 a reciprocal relationship was

forged between eBookers and the destination management portal Tiscover. eBookers booking engine features on Tiscover websites, while Tiscover supply tourist information on eBookers' European websites.

Communicative relationships via technology also necessitate the enhanced distribution of an e-mediary's goods and services. The ability to 'technology transfer'[54] enables partner firms to develop new systems upon which competition can be based. For example, lastminute.com announced in March 2002 that it was to use COLT to build an advanced hosting and network management solution, which will enable lastminute.com to meet growing customer demand. Communicative relationships between e-mediaries, therefore, add value by enhancing the speed and efficiency of distribution processes and creating greater marketspace representation for tourism e-mediaries.

Complementary
Complementary relationships are those where related e-mediaries cross-sell or distribute tourism services that complement each other. For example, Travelocity.co.uk has a relationship with Page & Moy whereby the online agency distributes the itineraries of cruise lines such as P&O Princess Cruises, Cunard and Fred Olsen. Similarly, Holiday Autos has deals with Opodo and WorldRes to distribute their rental car suppliers worldwide. In June 2002 Expedia formed a cross-marketing alliance with Ticketmaster to onward sell tickets for theatre and sporting events.

Complementary relationships can also drive value through better marketing processes. For example, in December 2001 lastminute.com signed a long-term partnership with Disneyland Paris, enabling the theme park to gain greater access to its core target markets. For lastminute.com this reinforces their brand credibility in distributing reputable products. In September 2001 eBookers formed a co-brand with TeamTalk allowing its users to access travel products and sporting holidays via its website. Complementary relationships are often supplier driven, but offer opportunities for maximising the sales ratio for e-mediaries and the yield of distressed inventory for suppliers.

Converse
Converse relationships are those where one e-mediary distributes the unrelated products of another e-mediary and vice versa. For example, Ryanair forged a relationship with Churchill in October 2001, and Bank of Scotland in August 2002, to sell insurance and mortgage products respectively through its website. In September 2001 the independent agency network Travelcare partnered with the online bank Smile to distribute holiday products through their site. Similarly, lastminute.com entered into a relationship with Granada Broadband so that their goods and services are disseminated through football-related sites such as Liverpool FC and Arsenal FC. Relationships between converse providers can also emerge when unrelated e-mediaries desire to distribute travel products but require expertise to do this. For example, in October 2001 Amazon.com partnered with Expedia.com to offer discounted travel through its website. Thus, converse relationships allow tourism e-mediaries to access the distribution networks of unrelated e-mediaries while not acting as a direct threat against them. They also allow tourism e-mediaries to access new market opportunities for their goods and services. However, converse relationships could dilute and devalue the core product. Therefore, tourism e-mediaries need to be aware of the diversity and type of converse relationships that they enter into.

FUTURE DIRECTIONS
The five Cs framework has clearly illustrated that the tourism e-mediary competitive environment is characterised by a strategic network approach. Those tourism e-mediaries which have created a number of networks or virtual clusters[55] with other e-mediaries are therefore able to gain strategic advantages from the benefits that these relationships bring. Furthermore, it could be speculated

that future competitive activity will be dictated by the network of partners as a whole and not by a single e-mediary. It is therefore paramount that tourism e-mediaries establish partners which reciprocally add value to their business and thus enable a 'network advantage' over competing networks. This has major strategic implications for those tourism players which fail to recognise the advantages that can be gained from the formation of networks. For example, the ability of firms to transfer organisational know-how and learning is particularly apparent.[56] Kandampully[57] views this as being critical to the viability of the strategic network. He describes this 'amorphous knowledge resource' emanating from the network of partners as being the firms' core competency. Amit and Zott[58] note that this includes the dissemination of, for example, new technologies and market data allowing for enhanced learning and knowledge work for all partners concerned. Within the context of the resource-based view of competitive advantage, Gulati[59] further observes that firms can collectively generate 'network resources' that are inimitable and non-substitutable. According to Baum et al.[60] the acquisition of instantaneous resources offsets the 'newness' of the firm and the difficulties it might face in the competitive environment. This is a major characteristic of the tourism e-mediary environment where firms are relatively new and are competing against a number of well-established tourism organisations. Gultai[61] also notes that a close set of network ties can place the network in a pseudo-oligopolistic position within the industry, thus increasing the chances of a firm's profitability. A strategic network such as this may also assume a very powerful position by generating the 'rules of the game' within that particular industry and thus placing barriers to entry for competing firms.[62] As is apparent from the preceding discussion, this is becoming a feature of the tourism e-mediary environment, which is already being dominated by a number of core players.

A network advantage can, however, be difficult to sustain. Crotts et al.[63] observe that partnering is often a competitive reaction to

other firms gaining strategic advantage from their own alliances. Entering into a network can therefore be an *ad hoc* decision leading to incompatibilities and a lack of synergy between e-mediaries. Indeed, Vyas et al.[64] contend that power imbalances in terms of size, resources, image or market access can erode the network relationship. Power imbalances, therefore, may lead to the acquisition or even abandonment of lesser players in the network. This was arguably indicative of Sabre's bid for total control of the travel e-mediary Travelocity in February 2002. The nature of trust within the network is thus imperative.[65] Gulati et al.[66] note that trust is generated through the ability of partners to gain greater knowledge of each other's resources and capabilities thus leading to referrals. The growing reputation of a strategic network can also mitigate against firms acting opportunistically against partners to the detriment of the entire network. Nevertheless, the actual advantages of acquiring information, strategic resources, core competences and so on from a partner may also be the reason for leaving once these have been embedded into the strategic practices of the firm and the stronger partner has been able to enhance their strategic position in the competitive environment.[67] Gulati et al.[68] have described this as a 'learning race' where a partner attempts to acquire as much intellectual knowledge about a firm before disbanding from the relationship, possibly leaving the other partner(s) at a disadvantage. However, such activity is dependent upon the firms' relationship within the network and whether they are involved in alternative alliance structures.

Entering into multiple alliances, as many tourism e-mediaries have done, can also create the challenge of managing a portfolio of different partnerships and the conflicts of interest that may occur between them.[69] Having to manage a range of partners which have differing values can be challenging if the organisation wishes to pursue a particular strategic direction. In addition, the over-reliance on partners and the subsequent inability of the firm to create a sustainable resource base itself, and thus act indepen-

dently in the eventuality of divorced relationships,[70] can also be a disadvantage. Newman and Chaharbaghi[71] contend that over-dependence can lead to the erosion of knowledge leadership and the loss of mobility due to the threat of allies becoming competitors. Porter[72] also argues that synergies between different service providers can be destructive, contending that as competitors become more alike, this increases rivalry and causes organisations to balance possibly conflicting objectives between partners. Furthermore, Gomes-Casseres[73] argues that strategic networks can encounter strategic gridlock where the alliance structure becomes overcrowded, leading to a sense of competitive inertia. Table 1 summarises the costs and benefits of strategic networks for tourism e-mediaries.

CONCLUSION

This paper has discussed the network of relationships that exists between tourism e-mediaries and raised a number of key issues concerning the future direction of the competitive e-tourism environment. It could be argued that these relationships have formed, in part, due to the lack of geographical constraints and boundaries that are placed on e-mediaries. This has allowed tourism e-mediaries to forge relationships in an endeavour to grow rapidly and create a larger 'business pie'[74] in which they can compete. Those new tourism e-mediaries that fail to configure effective alliance networks could

ultimately be inferior competitors throughout the duration of the industry lifecycle.[75] Indeed, without a network of partners developing all parts of the supply network would be a massive task for a single e-mediary to undertake and to some extent would be impossible without an abundance of financial, technical and intellectual resources. Though ownership would enable greater control, management of the component parts of the e-business would be very difficult. Technologies also become obsolete very quickly and the responsibility of maintaining systems is thus devolved to the network of partners. However, trust between partners is imperative if the network is to be successful. Partners should be selected wisely, ultimately to enhance the competitive position of the tourism e-mediary and gain a network advantage.

From a theoretical perspective the strategic management literature should take a more holistic approach to the strategic advantages of the entire network of partners as opposed to merely the sole firm. This analysis has subsequently generated a basis upon which further research can be conducted. This includes exploring the motivations for forming relationships with other tourism e-mediaries, and establishing the exact value that is derived from these relationships and how this is transferred to the customer. The critical success factors of a tourism e-mediary network also need to be further explored. It is essential that tourism e-mediaries understand the network of relationships that exists

Table 1: Cost-benefit analysis of strategic networks for tourism e-mediaries

Costs	Benefits
Partner conflicts and compromises	Reduce competition and generate barriers to entry
Lack of trust	New market opportunities
Over-dependence on partners	Increased speed of market entry
Cultural differences	More efficient distribution and transactional
Loss of a degree of independent control	processes
Partner domination	Technological synergies
Industry inertia	Shared risk
Channel cannibalisation	Resource sharing
Managing a diversity of partners	

to enable them to gain a strategic advantage and position themselves accordingly within a fiercely competitive market.

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