Master's Thesis

THE INFLUENCE OF LEAN PHILOSOPHY ON BUSINESS MODELS AND BUSINESS MODEL INNOVATION IN SERVICES

AN INVESTIGATION OF TRAVEL AGENCIES

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Executive Summary

The need to survive and excel on markets facing increasing competition and highly demanding customers represents the catalyst for the attempt of many companies to innovate their business models and to try to stay profitable. Because most business model innovation strategies involve high costs with the research and development of new products, many businesses struggle when it comes to renewing their business models.

After studying two different theoretical concepts, 'lean' and 'business model innovation' in diverse contexts during the Master's Courses, the author of this thesis perceived a possible connection between the two. Therefore, through this thesis it was aimed to explore the potential influence lean may have towards business model innovation.

The case study chosen is part of a declining industry which struggles to defeat the online competition, the traditional travel agency industry. This type of business was chosen due to its high need of finding a business model innovation method which would not compromise the quality of their service or their financial situation. In this context, the researcher of this thesis sought to explore the potential influence of the lean philosophy on business models and business model innovation in travel agencies, having in mind that the lean implementation generates high quality services and also allows keeping the costs under control.

The research demonstrates that several lean elements have an influence upon existing business models, whereas some of them just guide the activity without actually impacting the business model elements. The research also shows to what extent lean contributes to business model innovation. Besides the scientific conclusions, the study presents in the end the managerial implications. These may represent a useful tool for the travel agencies managers and a modest guide for the services entrepreneurs to a new way of running their businesses in times of economic recession and tremendous unconventional competition.

Contents

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I. Introduction

During her Master's courses, the researcher of this thesis came across two very interesting business concepts that seized her curiosity and interest, 'lean production' and 'business model innovation'. The researcher learned about 'lean' during the Process Management course, part of her Process Management and Innovation minor, and about 'business model innovation' during the Entrepreneurship course. Nothing could have been more different in the contexts the researcher got introduced to the two concepts and nothing announced any similarity between the two. However, the researcher was intrigued how both concepts laid the ground for success stories, like lean did for Toyota and business model innovation did for Tesla Motors for example, the producer of the first exclusively electrical sports car, whose main sales channel is online.

The 'lean' concept finds its roots in the Toyota Production System, developed by Toyota Motor Car Company. In time, Toyota faced bankruptcy and in order to revive the company they started developing the lean philosophy that changed forever their approach to doing business (Womack et al, 1990). The company built a long-term philosophy based on high ethical values and aimed at doing the right thing for the customer and adding value to the society (Liker, 2004). "Toyota's starting point in business is to generate value for the customer, society and the economy" (Liker, 2004, p:86). When challenged with a question regarding the business rationale of Toyota, two managers of the North American plant comprised in their unanimous answers the essence and core aim of the lean philosophy: *"The purpose of the money we make is not for us as a company to gain, and it's not for us as associates to see our stock portfolio grow or anything like that. The purpose is so we can reinvest in the future, so we can continue to do this. That's the purpose of our investment. And to help society and to help the community, and to contribute back to the community that we're fortunate enough to do business in" (Liker 2004, p:86).*

Likewise, a different strategy, "business model innovation", is seen to be triggered by equally unhappy circumstances as the Toyota Production System started in Toyota's case at the beginning of the successful history of the company. Chesbrough (2006) states the necessity of having a "shock in the system" to determine the need of changing the business model. The shock may come under the form of economic recession that leads to a serious downturn in revenues or "threats of obsolescence" (McGahan, 2004, p:88) that affect the companies' core activities, traditionally responsible for profit generation.

Moreover, business model innovation is governed by the aim of generating value for customers, of identifying unmet customer needs and finding ways of fulfilling them. Business model innovation is about replacing no-longer performing models, is about "creating value, for companies, customers, and society" (Osterwalder, Pigneur, 2010, p:5). In Chesbrough and Rosenbloom's (2002) vision, business

models' core focus is on value creation and business model innovation is "about creating new mechanisms to create value" (Osterwalder, Pigneur, 2010, p:136) when the old system fails to generate results. Business model innovation aims at offering more value permanently, by designing "original models that meet unsatisfied, new, or hidden customer needs" (Osterwalder, Pigneur, 2010, p:136). Therefore it may be concluded that betweeb lean and business model innovation there are some similarities, as both are triggered by unhappy circumstances and both are focused on value creation.

Furthermore, analysing from the perspective of the results and benefits generated by lean philosophy adoption and business model innovation, other similarities may be identified, besides the focus on delivering value to the customer. Both concepts, when implemented correctly, achieve growth. The lean values involve achieving growth for the society and for the company, in order to be able to continue to deliver value to customers (Liker, 2004). Similarly, business model innovation's core rationale is "renewing growth and profits" (Chesbrough, 2010). This similarity however is not complete, as lean regards profit as a means to achieving its mission of adding value.

Going further with the observations, both concepts, if implemented correctly, offer competitive advantages. Through lean, Toyota managed to incorporate a faster product development strategy, managing to launch a new product a few times faster than its competitors (Womack et. al 1990). Similarly, business model innovation "can also help companies stay ahead in the product innovation game" (Amit, Zott, 2012, p:42) because a new product embedded in an innovative business model is more difficult to copy by competitors (Amit, Zott, 2012). As demonstrated in the Toyota case, this fact offers the company precious time, helpful in staying ahead of the competitors.

After making these observations about the two concepts, the researcher of this thesis deduced that there might be a connection between them so she decided to continue exploring it.

I.1 Problem Statement

The development of the research topic started in this context, where at a first glance, the two concepts, lean and business model innovation, appear connected in certain aspects. Then, the researcher put together two other aspects realised while reading the literature on the two topics. The first aspect is that one of the lean implementation results is generating high quality products and services without unnecessary costs. The second aspect was the need existing on the market for finding business model innovation methods that wouldn't compromise the financial situation of the companies. Having in mind these two aspects, the researcher of the thesis wanted to explore how lean and business model can interact and if lean could represent a potential method of business model innovation.

With a more exploratory approach, the author developed the following aim for the thesis: the aim is to analyse how lean may contribute to business model innovation by influencing the organisation's business model. To carry out the research, the author of this thesis has chosen to conduct a case study in the travel services industry, more specifically in a traditional travel agency from the UK, Skyfare Travel. This type of business was chosen because it is part of a declining industry and is in high need of finding a business model innovation method which would allow it to keep the quality of its services with minimum investments.

Thus, the following problem statement has been formulated:

> **How May Lean Philosophy Impact Existing Business Models and Contribute to Business Model Innovation in a Travel Agency?**

To build the answer to this problem statement, the theories on lean, business model and business model innovation will be analysed and applied to the empirical data collected during the research.

I.2 Research Purpose

The author's of this thesis ambition through this research is to explore how lean philosophy may influence and change business models and based on this to assess how lean philosophy may contribute to business model innovation.

The existing literature offers an extensive number of studies on the two separate topics, business model innovation and lean, but no attempt has been made to study the two concepts together and analyse how they interact. The research is aimed at enhancing the empirical materials and to contribute to the literature on the two separate topics with a new approach of analysing the business model innovation through the lean philosophy perspective.

II. Literature Review

In order to achieve the research purpose, the author started with creating the contextual foundation for the problem statement by reviewing the academic literature on the two concepts that are at the heart of this thesis: lean philosophy and business model innovation. Therefore, this chapter is divided into two sections: presentation of the lean concept, focused on the development of the lean philosophy in manufacturing and its application to services, and business model innovation, which analyses the theories behind the business models and the innovation of existing business models.

The structure of this chapter is described by the following figure:
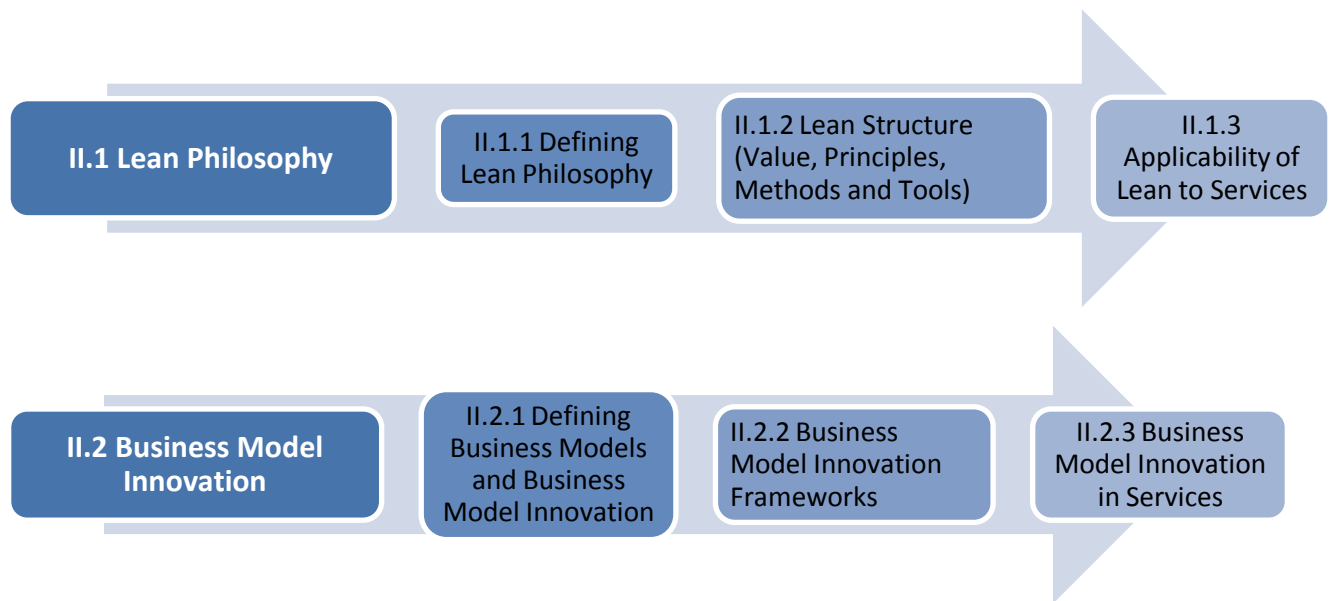
Figure 1. Literature Review Structure

II.1 Lean Philosophy

The need to survive and excel on markets facing increasing competition and highly demanding customers represents the catalyst for the attempt of many companies to improve their business processes and find new ways of becoming more efficient. Lean production, pioneered by Toyota in its Toyota Production System in the last half of the 20th century (Womack et al, 1990), proved consistent results for the manufacturing companies. This section will introduce the lean concept and will analyse the existing literature on lean from the perspectives of manufacturing and services industries.

II.1.1 Defining the Lean Philosophy

After being coined in 1988 by John Krafcik, the lean manufacturing philosophy became widely popular in 1990, with the research on the Toyota Production System, *The Machine that Changed the World*. In their study, the authors Womack, Jones and Roos formulate the theoretical framework of lean manufacturing. Lean production combines the advantages of craft and mass production, while avoiding the high cost of craft and the rigidity of mass (Womack et al, 1990).

Karlsson et. al. (1996) developed a model aimed at describing their conceptualisation of lean production. In the model, the lean principles are mapped on the main functional areas of the business: Development, Procurement, Manufacturing and Distribution and include waste elimination, zero defects, pull instead of push, multifunctional teams, continuous improvement. Synthesising the basic lean principles, the authors conceptualise five fundamental principles: "multifunctional teams, vertical information systems, no buffers, no indirect resources and networks" (Karlsson et al, 1996).

A slightly different approach in defining lean, however still based on the principles, is used by Womack and Jones in their 2003 book, "Lean Thinking". Focusing more on whole systems rather than on manufacturing only, the authors range "Value" as the governing lean principle. Value represents the result the customer buys, and not the product/service itself. They continue with "Value stream" (the sequence of steps from raw materials to customers), "Flow" (flawless movement of goods through the production line, or of customers), "Pull" (produce to order), "Perfection" (reaching customer's exact expectations, without delays, at a fair price, with no waste). The five principles are "not a sequential, one-off procedure, but rather a journey of continuous improvement" (Bicheno 2008, p. 31).

Based on a synthesis of the lean conceptualisation of Womack and Jones (2003), Liker (2004) formulated a comprising definition of lean: Lean "requires a way of thinking that focuses on making the product flow through value-adding processes without interruption (one-piece flow), a pull system that cascades back from customer demand by replenishing only what the next operation takes away at short intervals, and a culture in which everyone is striving continuously to improve" (Liker, 2004, p:20). In "The Toyota Way" Liker identifies and analyses fourteen principles which stand at the ground of the lean philosophy, formulating this way his own version of the Toyota's philosophy, after many years of experience with the company. The fourteen principles cover four main areas of focus: long term philosophy, right process for the right results, development of people and partners, solving root problems to drive organizational learning (Liker, 2004).

The definition of lean is not something unanimously accepted in the specialty literature. Some authors treat the topic as "an abstract concept, a philosophy, a culture or as principles" while others deal with it as something more tangible like "a way of working, a method, tools and techniques" (Modig, Åhlström,

2012, p:83). The definitions presented above offer general interpretations of the concept of lean, at a "high level of abstraction" (Modig, Åhlström, 2012, p:86), from a perspective that encompasses all the elements of a lean definition: philosophy, principles, methods and tools. However, many attempts of defining lean have been made in the literature, at a lower level of abstraction, from the perspective of methods and tools. The disadvantage of describing lean at a low level of abstraction is that the whole lean philosophy might be misunderstood and also the area of applicability to different fields or businesses can be significantly smaller (Modig, Åhlström, 2012). In their endeavour of highlighting the importance of generally applicable definitions of lean, Modig and Åhlström (2012) created a definition valid for all types of organisations: "Lean is an operations strategy, a strategy to achieve an objective. In particular, the objective is to prioritise high flow efficiency over resource efficiency. By eliminating, reducing and managing variation, the aim is continually to increase both flow efficiency and resource efficiency" (Modig, Åhlström, 2012, p:127).

II.1.2 Lean Structure

The most comprehensive and visual structure of the lean concept is given by a Toyota Sales Manager during one of the visits of a Swedish researcher, as related by Modig and Åhlström (2012). The Toyota Manager illustrates the elements of lean in a hierarchy, creating thus a complex definition of the concept for the "unauthorised" foreign researcher.
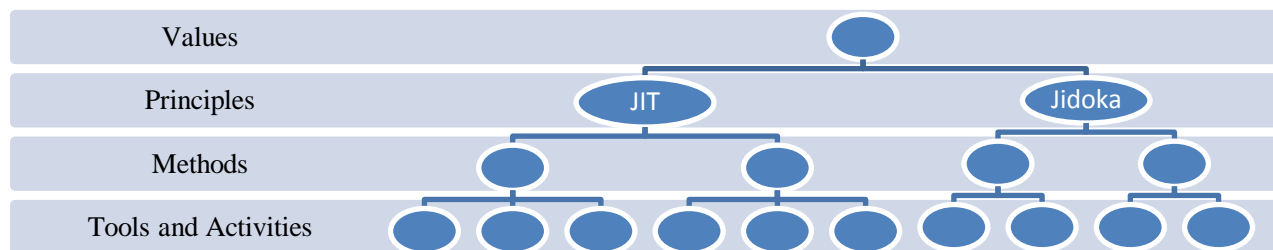
Figure 2: Lean Structure (source: Moldig, Åhlström, 2012, p:138)

At the top of the pyramid there are the company's values. "The values define how an organisation should behave" (Modig, Åhlström, 2012, p:140). Then follow the principles, which define "how an organization should think". In Toyota's case the principles considered to be the core of the Toyota Production System are Just-in-time, which focuses on creating flow and Jidoka, which creates visibility, a clear picture for all employees so that mistakes can be spotted and fixed immediately. The methods define "what an organisation should do" and the tools and activities represent the means of how the methods are realised

or "what an organisation should have". The conclusion that is drawn is that lean is neither a set of tools and methods, nor a set of principles, but an operations strategy. The composing elements of the pyramid are only means of realising lean, defined at different levels of abstraction, from more abstract (values) to more concrete and tangible (tools)(Modig, Åhlström, 2012).

Following the structure of the lean concept described above, the next section will analyse each of these components as they have been illustrated in the existing literature.

II.1.2.1 Lean Values

The general lean values can be identified when looking at how Toyota Production System started. The company created a culture and aligned all the employees to believe in a common mission, which is different from earning short term profits. The employees understood to be committed to the customers and to do the right thing for the company, its stakeholders and the society as a whole. "The Toyota starting point in business is to generate value for the customer, society and economy" (Liker, 2004, p:86). When analysing Toyota's mission statement, the first thing that comes into mind is the fact that it doesn't mention high profits or the prosperity of their owners or stockholders. Toyota's mission is not to build a high quality product that generates big sales and profits. The mission has three parts: a focus on the economic growth of the country where the company is located, a focus on the welfare of the employees and finally, on the growth of the company (Liker, 2004). The company puts the development of the society first and accordingly, it aims at offering a high quality product in order to contribute to the society growth. The guideline principles of Toyota employees include honour, respect and dedication (Liker 2004, p:96).

When talking about the lean values, Modig and Åhlström (2012) come to highlight that at the centre of Toyota's values is the focus on the customer and on satisfying the customer.

In the first principle of "The Toyota Way", the author went to argue the same values of the lean philosophy. Liker (2004) mentions that the long-term philosophy of the company should represent the base of any management decisions. Short term benefits should not be pursued unless they are aligned with the company's long-term philosophy. The company's purpose should be bigger than just generating profits and the employees should be conscientious and committed, aware of their responsibility towards the customers and the society (Liker, 2004).

II.1.2.2 Lean Principles

The decisions made in the business process and the lessons learnt on the way in respect with the lean values represent the lean principles (Modig, Åhlström, 2012).

The two pillars of the Toyota Production System, are Just-in-time and Jidoka. These two principles summarise the whole approach of Toyota towards accomplishing their mission statement.

Just-in-time (JIT) is a principle concerned with creating flow. The philosophy behind it deals with "delivering exactly what the customer wants, when the customer wants it and in the quantity that the customer wants", as a Toyota plant manager described it (Modig, Åhlström, 2012, p:132). The goal of JIT is "to produce instantaneously with perfect quality and minimum waste" (Bicheno,1987 in Voss, 1987). This goal represents an ideal, most probably impossible to reach, but it explains very clearly the direction that should be followed by the company. JIT aims at facilitating the flow of the product or the customer through all the operational phases in a smooth manner.

In conclusion, "the power of JIT is that it allows organisations to be responsive to the day-by-day shifts in customer demand through a set of principles, tools, and techniques that allows companies to produce and deliver products in small quantities, with short lead times, to meet specific customer needs" (Liker, 2004, p:38).

Jidoka is the second pillar of the Toyota Production System, complementing Just-in-time principle. It is described metaphorically by a Toyota plant manager as a football pitch where the players can see the overall picture of the match and can take decisions accordingly in order to score (Modig, Åhlström, 2012). Jidoka is about "creating a visible and clear picture so that anything that happens to, hinders or disturbs the flow can be identified immediately" (Modig, Åhlström, 2012, p:134). In today's crowded organisations this visibility is difficult to achieve as companies are structured into departments or they have several premises, meaning that people may work in different places and can't physically see the entire flow and act whenever something goes wrong. This is why, jidoka means literally "automation with a human touch" and this implies that quality issues should be checked instantly in the production processes rather than being corrected later. The moment a defect is spotted, an automated or manual tool stops the flow (Liker, 2004); therefore Jidoka means building in quality by not allowing the errors to proliferate through the system. Jidoka refers also to the freedom of the employees to perform value added tasks instead of being tied to the machine (Liker, 2004).

Jidoka represents the basis of the fifth principle of "The Toyota Way", that recommends to "build a culture of stopping to fix problems, to get quality right the first time" (Liker, 2004, p:141). Here the author argues that productivity in the long run can be enhanced by stopping and getting quality right in

the first time. Repairing the issue immediately is more effective and less costly than fixing quality issues after a longer time (Liker, 2004).

A similar approach in defining Jidoka, with a slightly different terminology, is used by Karlsson and Åhlström (1996) when they analyse the zero defects principle. Creating fault free products from the beginning increases productivity. The quality of the products needs to be ensured from the beginning also because in lean there is no dedicated personnel for quality control. "Quality assurance is the responsibility of everyone" (Karlsson, Åhlström, 1996), there are no teams dedicated to quality control, as this would add no additional value to the product.

The authors mention how, when stopping the production line, the responsibility to fix the defect belongs to the person that caused it. Therefore the quality check is delegated to the employees and there is no need for a dedicated department of quality assurance (Karlsson, Åhlström, 1996). This way, the company decreases the time and work needed for fixing an issue discovered at the end of the production line, when the whole product needs to be disassembled and reassembled and the costs with quality check dedicated personnel are eliminated.

II.1.2.3 Lean Methods

In the existing literature on lean, little consistency can be found in the terminology used for lean principles and lean methods. For instance, Womack and Jones (2003) and Liker (2004) treat concepts such as "flow" or "pull" as lean principles. However, the pyramidal structure of lean described by the Toyota plant manager (Modig, Åhlström, 2012, p:138) regards as lean principles only JIT and Jidoka. The reason is that these two concepts describe best "how the organisation thinks" (Modig, Åhlström, 2012, p:140). The same approach classifies concepts such as "pull" and "flow", as methods, because they define "what a lean organisation should do" (Modig, Åhlström, 2012, p:140).

Following the approach used by the Japanese manager described above, this thesis will consider and analyse as methods, all the lean activities that support JIT and Jidoka. Thus, this section will have the following structure:
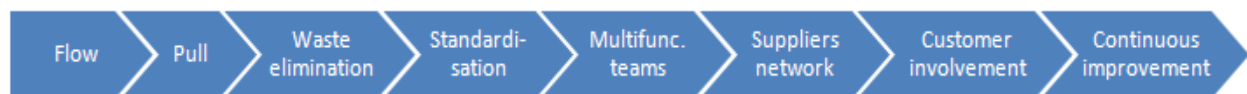

Figure 3. The Lean Methods. Source: made by author

Flow

The focus on flow of the lean philosophy has been the foundation of the Toyota's success, fact best expressed by Ohno, the founder of Toyota Production System, long before the term "lean production" appeared: "All we are doing is looking at the time line from the moment the customer gives us an order to the point when we collect the cash. And we are reducing that time line by removing the non-value-added wastes" (Ohno, 1978 quoted in Liker 2004).

Liker (2004) ranks flow as a second lean principle, after the long term philosophy, which in the current paper has been treated as a core lean value. Therefore, in Liker's (2004) view, flow is a primordial principle, based on creating a continuous movement of the product through the production system, with minimum idle time for both the product and the resources. Minimising the time from raw material to finished goods results in superior quality, shorter delivery times and lower costs. The flow is ultimately aimed at identifying problems as soon as they occur (Liker, 2004). Whenever the error happens, the flow is stopped immediately and the mistake is fixed on the spot, therefore it affects a small production lot.

The rhythm or the speed of the flow should be governed by the rate at which the customer buys the product (Liker, 2004). The lean production systems aligns the supply chain and production processes so that the production is neither faster than the demand, and overproduction happens, nor slower, and bottlenecks occur.

A critique of lean is that, when creating a smooth flow, it may decrease resource utilisation, compared to mass production where the focus is on a high productivity and resource utilisation. However, in lean production, if the resource utilisation is not value added for the final good, it will be no use to aim it. Moreover, high resource utilisation can generate overproduction, excessive inventory and as a domino effect, the storage costs will be driven up, errors will be difficult to spot and will generate high expenses with repairs at the end of the production line.

Nevertheless, lean may increase resource utilisation together with a smooth flow of the good through the production line. The way to both maximise resource utilisation and realise a smooth flow, is "to minimise variation" (Bicheno, 2008, p:23).

The benefits of flow are identified by Liker (2004) as including: high quality, because the defects are fixed immediately and they don't propagate; flexibility, due to the very short lead time; high employee morale, because they see easily the result of their work; and lower costs, due to less inventory storage and less errors to fix.

Pull systems

Very much related with the JIT principle, the third lean principle on Liker's (2004) list, deals with the use of pull systems as a means for avoiding overproduction. The pull system means that items are delivered

only when they are needed and the goods are produced according to immediate customers demand level (Liker, 2004). "In the Toyota Way, pull means the ideal state of just-in-time manufacturing: giving the customer what he or she wants, when he or she wants it, and in the amount he or she wants" (Liker, 2004, p:118). The objective of pull systems is to reach zero inventory. The working mechanism of a pull system is the following: each stage of the process signals when it finished a job and triggers replenishment with resources from the previous step. The work in process is not pushed from a stage to another, generating excess inventory, but it's pulled at the moment when it is needed. The benefits of a pull system are related to elimination of waste, under the form of costs with storage, costs of fixing faults which are difficult to be spotted in a crowded working space.

The ideal pull system has no inventory. However, in reality, very small buffers of inventory increase the flow efficiency (Liker, 2004). Unlike push systems where different departments overproduce inventory in order to obtain high resource utilisation and to minimise changeovers between different products, pull systems produce only when they are triggered by inventory going low.

In order to put into place a pull system, tools like "kanban" can be used. This is a system of signalling to the suppliers or to the previous stage of the production line that more materials are needed. The kanban concept is detailed in the Lean Tools section.

Waste Elimination

Eliminating waste is unquestionably the most notorious lean method. Waste means "any activity that does not add value to the product" (Monden, 1983 quoted in Karlsson, Åhlström, 1996). In the Toyota plant, the *Machine* authors observed clean isles, few indirect workers, no room for storing inventories, almost no rework at the end of the production line, short time set-up changes and inventory brought by neighbouring suppliers (Womack et al, 1990). It all began because initially Toyota couldn't afford to overproduce because of lack of warehouse space and money. After that, they understood the benefits of the resulted flow, and eliminating waste became part of their philosophy (Liker, 2004). The first step in eliminating waste is decreasing inventory, which represents a source of important costs with storage, increases the pressure on the workers and adds no value to the product. More so, it prevents workers from identifying potential defects and solving them on time (Karlsson, Åhlström, 1996). The *Machine* authors observed several other ways of eliminating waste practiced by the Toyota plant: decreasing the batch size which decreases the production cost, diminishing the transportation of parts, outsourcing the production of certain parts to more cost-efficient suppliers, etc. (Womack et al, 1990).

The elimination of waste is most visible in the manufacturing side of lean companies but it also sets the guidelines for other processes, more service-related such as procurement. According to the lean production model conceptualised by professors Karlsson and Åhlström, lean procurement distinguishes

itself through "supplier hierarchies" and "Larger subsystems from fewer suppliers" (Karlsson, Åhlström, 1996). Unlike mass production companies which work with an important number of suppliers, outsourcing every single part to different producers, Toyota works with three tiers of suppliers, outsourcing whole functionalities. Therefore they work directly with only the first tier, and thus, by reducing the number of suppliers, Toyota was able to decrease costs with managing the procurement process (Womack et al, 1990). By outsourcing the whole functionality, Toyota doesn't "waste" time and work on assembling all the small parts and fixing potential flaws themselves.

The sources of waste have been classified in the lean literature in multiple ways. Womack and Jones (2003) talk about two types of waste: activities that create no value but are necessary to maintain operations and activities that not just don't add value but destroy value. The first type of waste should be reduced through simplification and the second type of waste should be eliminated (Womack, Jones, 2003). Taiichi Ohno (1988) creates a comprising list of seven types of waste: transport, inventory, motion, waiting, over-production, over-processing and defects. Ohno emphasises the high importance of over-production as this leads to excessive lead time, defects may not be detected early enough, products may deteriorate and artificial pressure may affect negatively the employees (Bicheno, 2008). Liker (2004) agrees with the seven wastes from Ohno's list and adds an eighth, "unused employee creativity". The consequences of not engaging employees are losing ideas, time, improvements or learning opportunities (Liker 2004) and these diminish the value offered to the customer.

Waste elimination is obviously a central aspect of the lean literature. It is even considered to be the goal of lean and some authors argue for this (Bicheno, 2004; Monden, 1998; Shingo, 1984; Liker, 2004). Still, other opinions classify other aspects as the lean goal, such as: lowering costs (Ohno, 1978; Karlsson, Åhlström, 1996) or creating products with fewer defects to satisfy customers' needs (Womack, et. al, 1990).

Standardisation

Standardisation lies at the ground of flow and pull. It is a method of using repeatable procedures or activities in order to maintain predictability and reliability of the outcomes of the business (Liker, 2004). Standardisation has the role of ensuring consistent results and it contributes to generalising best practices throughout an organisation. The rules and procedures need to be documented, approved and known by the employees within the organisation. Liker (2004) views standardisation as the "necessary foundation on which tomorrow's improvement will be based" (Liker, 2004, p:155). Through standardisation all the employees will be aware of the way a task should be done, at a level which is as good as the current knowledge permits it. The standards should be regarded not as the absolute perfection but as aspects that can be improved, in order to achieve progress (Liker, 2004). Therefore the standards need to be specific

enough in order to guide the employees in their work but also flexible, in order to allow employees to be creative in finding ways of perfecting the existing standards.

Multifunctional teams

Multifunctional teams are a very important feature of lean. These are defined as a "group of employees that are able to perform many different tasks" (Karlsson, Åhlström, 1996). Through multifunctional teams, the organisation manages to avoid being under or over-staffed. The employees are trained to do multiple tasks within the team, therefore when peak times occur in different areas of the team, the employees can be reallocated here.

Through multifunctional teams, organisations are able to decrease costs and to keep a balanced number of employees regardless of the seasonality or fluctuation of the activity.

Suppliers' networks

Developing the suppliers' networks is another imperative method of lean. According to the lean production model conceptualised by professors Karlsson and Åhlström, lean procurement distinguishes itself through "supplier hierarchies" and "Larger subsystems from fewer suppliers" (Karlsson, Åhlström, 1996).

In order to achieve high quality while keeping the costs under control, Toyota outsourced parts of the business that did not represent core activity. However it staid involved even in those areas and kept internal competency in the outsourced activities (Liker, 2004). Unlike mass production companies which work with an important number of suppliers, outsourcing every single part to different producers, Toyota works with 3 tiers of suppliers, outsourcing whole functionalities. Therefore they work directly with only the first tier, and thus, by reducing the number of suppliers, Toyota was able to decrease costs with managing the procurement process (Womack et al, 1990). By outsourcing the whole functionality, Toyota doesn't "waste" time and work on assembling all the small parts and fixing potential flaws themselves. Staying involved in the outsourced areas, however, Toyota helps the suppliers to improve and offers guidance whenever issues occurs, so that the suppliers are able to deliver high quality components just-in-time (Liker, 2004).

Customer involvement

Customer involvement has a central role in lean, very much related to the elimination of waste. In the waste elimination method, the customer's needs are guiding the whole process. Therefore, everything that

doesn't add value to the final product from the customer's point of view needs to be reduced and eliminated. The customer's input and feedback needs to be permanently recorded and evaluated.

The lean customer relations are based on building customer loyalty. The Toyota sales representatives visit customers periodically; they bring the customer input into product development and make them feel like they are part of a big family. The goal of this practice "is to maximise the stream of income from a customer over the long term" (Womack et al, 1990:187). Having the customer at the heart of the product development process helps building the product or the service from the customer's point of view, and thus, the value is added to the product as the customers would perceive it and not as the organisation perceives value.

Modig and Åhlström (2012) highlight the necessity of creating a balance between flow efficiency and resource efficiency in lean. While resource efficiency ensures high utilisation and offer value for the organisation, flow efficiency offers benefits for the customers, whose needs are met in a shorter time-span with optimal quality. The focus on customer gains even higher importance in lean services. Here the customer represents the "unit of production" that flows through the organisation in order to have his/her needs met and the flow is aimed at adding value for the customer (Modig, Åhlström, 2012).

Continuous improvement

Continuous improvement is considered the second governing principle of lean production, after waste elimination (Karlsson, Åhlström, 1996). Employees are engaged in the processes and are interested and encouraged in contributing with suggestions to their improvement. Continuous improvement is realised through thoroughly training employees, allowing them to do a multitude of tasks, which secures their job and makes them less vulnerable to lay-offs. The highly skilled employee treats his job as a life-time one and is more motivated towards innovations. In Toyota, the concept is extended towards suppliers as well. Toyota's suppliers are selected based on previous performances, and not solely on price, and they are organised in associations. They don't compete against each other but collaborate permanently and share innovations because they are aware that they will all benefit from the collaboration with the big car manufacturer. Due to continuous innovation, they are able to continually decline production costs of supply over the life time of a model (Womack et al, 1990). Continuous improvement defines the way Toyota has been doing business and it is part of its operational excellence. Often called Kaizen, continuous improvement "is the process of making incremental improvements, no matter how small, and achieving the lean goal of eliminating all waste that adds cost without adding to value" (Liker, 2004, p:39). Kaizen shows that not only breakthrough innovations are the key for progress, but also incremental innovations made on a systematic basis. The employees are the main resource used for continuous improvement. The employees possess a deep understanding of the processes and are able to analyse

potential problems that occur and come with relevant solutions of improvement. Even when the solution is to mechanise the process and to displace human force, the employees in a lean organisation are motivated to find and recommend this solution, without fearing losing their jobs. "Toyota always seeks alternative value-added work for workers displaced by production improvements" (Liker, 2004, p:128).

II.1.2.4 Lean Activities and Tools

Tools are defined as "what an organisation should have" (Modig, Åhlström, 2012, p:140) in order to accomplish lean. Several tools and activities can be used to support the methods applied for lean implementation and some of the most popular are mentioned below. Visual planning boards are such type of tools. They represent visual representation of the process and help to see and control the flow through the process (Modig, Åhlström, 2012). Another tool that helps the flow is the "kanban" system. This has the role to signal every time when the assembly line has used the parts and needs more from the previous stages of the line (Liker, 2004). The "poke-yoke" is a tool aimed at stopping the line whenever a product doesn't comply with the standards.

In terms of managing the defectives, Toyota is applying the "5 why's" strategy, through which it goes to the bottom of a problem and fixes it from there, ensuring thus no other reoccurrence of the same issue. The moment a flaw is discovered, the production line is stopped and the whole team gets together and works on solving the issue. Asking why five times as soon as a problem occurs, gives the team the ability to detect problems and find root causes and radical solution for them (Womack et al, 1990).

II.1.3 Lean Applicability to Services

The lean principles that revolutionised manufacturing have proven equally efficient when applied to service companies. Several articles on lean philosophy have translated the lean manufacturing principles to services operations, proving the applicability of this manufacturing originating concept to an industry dealing with intangibles.

John Bicheno (2008) analyses the lean services using the perspective of a system. The author of *The Lean Toolbox for Service Systems* suggests that lean is about improving the whole organisation, the whole system before focusing on every component. He refers to the concept of flow, speaking about the "economies of flow" which came to replace the economies of scale used in mass production manufacturing. The lean services are aimed at improving the experience of the customer. The rising customer expectations can only be met by services that improve continually, therefore the systems need to be adapted accordingly (Bicheno, 2008). Using empirical material from four different service providers,

P. Åhlström analyses the applicability of the core lean principles to these activities. After translating the main concepts of lean from manufacturing to the school, hospital, road maintenance and railways services, Åhlström, claimed that the principles of lean manufacturing were applicable, with "contingencies", in service operations (Åhlström, 2004).

While most of the lean principles and methods are transferrable to services, one of them raises some questions, and that is flow. Liker (2004) argues it is difficult sometimes to understand the flow in services compared to manufacturing where a physical product can be followed throughout the production process. The author mentions how work in service organisation is organised around projects that can be variable in terms of time, people involved etc. However, mapping the process from the customer's point of view, by observing the value adding phases, identifying the flow could be much easier (Liker, 2004).

The same idea is debated by Modig and Åhlström (2012) when they analyse the flow in services. The flow unit in services is either information or people. The flow unit goes and in processed through all the stages of the process. The authors argue further the importance of defining the process from the perspective of the flow unit and not from the organisation point of view, because the focus is on the flow unit to be receiving value on the way (Modig and Åhlström, 2012). In the case of services, accumulated inventory as a source of waste can be translated into queues of information waiting to be processed or of people waiting to be served (Liker, 2004). Another particularity of lean services is that pure services cannot be stocked, therefore in the case of services it's always pull instead of push (Åhlström, 2004).

Even though, services industry lacks the manufacturing part where most of the lean philosophy originated, these powerful principles and methods may be translated and adapted when dealing with intangibles as well. The reason behind this is the fact that an important part of the philosophy is related to processes which are part of any organisation regardless of it being a manufacturing or a service providing company.

II.2 Business Model Innovation

In order to explore the concept of business model innovation it is necessary to look initially into the definition of business models. This is due to the fact that, simply put, the changes in the business model, even when they don't have the amplitude to disrupt an industry and are only incremental, they still generate business model innovation (Amit, Zott, 2012). This suggests that any alteration brought to the existing business model elements, however small, has the potential to create business model innovation. Therefore, the analysis needs to start with the business model and its elements.

II.2.1 Defining Business Model Innovation

II.2.1.1 Business models

Business model is a relatively recent concept in the literature. Even though business models have a long history in the world's economy (Teece, 2010), the term hasn't become widespread until the 1990's, with the beginning of the Internet and e-commerce (Zott, Amit, Massa, 2011). The increased use of technology generated new possibilities of creating value for customers and companies. Since then, the usage of the term 'business model' in the academic papers increased exponentially and even more so in the non-academic articles (Zott, Amit, Massa, 2011), highlighting the high importance acquired by the concept in practice.

Business models have been defined in the literature in several ways, but all the definitions are built around similar grounds.

Timmers (1998) defines the business model as "an architecture of the product, service and information flows" and adds composing elements such as sources of revenues and business actors with roles and benefits (Timmers, 1998, p:2).

Magretta (2002) defines a business model as being "a way of telling a story about the business" and stresses that business model is not a strategy, even though this term is frequently used as a synonym. The role of the business is encapsulated by Chesbrough (2007): "at its heart, a business model performs two important functions: value creation and value capture". The creation of value deals with generating a net value which is mandatory for engaging other actors to participate in the business model, whereas, capturing value deals with generating revenue for the company, which is mandatory for staying in business (Chesbrough, 2007). Johnson (2010) shares the same opinion when he describes business models as "the way the company delivers value to a set of customers to a profit" (Johnson, 2010, p:5) and adds how the business model evolves towards eliminating the company's weaknesses, leveraging its competitive advantages and perfecting its resources.

When defining the business model, related to the technology industry, Chesbrough and Rosenbloom (2002), create a framework composed of six elements: value proposition, market segment, value chain, cost structure and profit potential, value network and competitive strategy. The authors highlight the importance of the value network created around the business. The value network influences the role of suppliers, customers and other actors in impacting the value captured from commercialisation (Chesbrough, Rosenbloom, 2002).

Another synthetic definition of the business model is provided by Johnson, Christensen and Kagermann (2008) and it implies that the business model "consists of four interlocking elements that taken together

create value". The elements are the customer value proposition, the profit formula, the key resources and key processes (Johnson, Christensen, Kagermann, 2008).

A more recent approach on business model definition belongs to Osterwalder et.al (2010), who define business models following the same path as Chesbrough (2007), as "the rationale of how an organisation creates, delivers and captures value" (Osterwalder, Pigneur, 2010, p. 14). The same authors develop the definition of the business model around the "nine blocks" which create it and cover areas such as value proposition, customer relations, target customer segments, distribution channels, key activities, key resources, key partners, cost structure and revenue streams. The "building blocks" create the business model canvas, concept that gained a lot of popularity in the recent business model literature. One of the reasons for this popularity might be its applicability to a wider range of companies and industries, as opposed to the previous frameworks, focused on e-businesses or technological entrepreneurial endeavours (Osterwalder, Pigneur, 2010).

II.2.1.2 Business Model Innovation

Even though the idea of innovating through the business model seems to be obvious, this concept doesn't have a long history in the literature. Business model innovation concept didn't become a research topic until recently, therefore the available literature is scarce. Simply put, business model innovation represents a new way of creating value, by altering one or more of the elements in the business model (Amit, Zott, 2001; Teece, 2010; Osterwalder et al. 2010; Chesbrough 2010).

Osterwalder et al. (2010) speak about how business models are evolving and shaping industries at a very high pace nowadays. They understand the increasing potential a business model has for innovation and define simply business model innovation as being about "replacing outdated business models" and "about creating value, for companies, customers, and society" (Osterwalder, et al. 2010, p:5).

Speaking about business model innovation, Chesbrough (2007) acknowledges the importance gained by the reinvention of the business model compared with other types of innovation. He mentions how research and development incurs ever increasing costs with product development, in the same time with the shortening life cycle of products. Therefore, increasingly expensive technologies can no longer be relied on to generate profits. The solution suggested for innovation under these circumstance, is that "it should include business models, rather than technology and R&D" (Chesbrough, 2007, p:12).

Osterwalder et al. (2010) state that business model innovation cannot find inspiration in the past of the company or in the competitors' businesses. Business model innovation doesn't mean copying or benchmarking the competition, it is about discovering new ways of creating value and generating

revenues. Business model innovation represents "challenging orthodoxies to design original models that meet unsatisfied, new, or hidden customer needs" (Osterwalder et al, 2010, p:136).

Business model innovation is important because it represents a source of future value and because it might be more difficult to replicate by competitors, compared to replicating a new product (Amit, Zott, 2012). Therefore, "innovation at the business model level can sometimes translate into a sustainable performance advantage" (Amit, Zott, 2012, p:42). Amit and Zott (2012) identify the purpose of business model innovation which is to create new markets for companies or to extend the opportunities in existing markets.

Depending on the degree of novelty brought into the business model, the innovation may be incremental or disruptive. Incremental innovation deals with minor, incremental improvements, while radical or disruptive innovations represents something completely new to the world, that may have the potential to change a sector of activity or even the whole basis of the society (Tidd, Bessant, Pavitt, 2005). Amit and Zott (2012) acknowledge the differentiation and argue that even subtle innovations, that don't have the potential of disrupting whole industries, "can still yield important benefits to the innovator" (Amit, Zott, 2012, p:44).

Johnson et al (2008) advocate seriousness in business model innovation for the established companies and point out the situations when business model innovation becomes necessary. Briefly, innovation in the business model is required "when significant changes are needed to all four elements of the existing model", value proposition, profit formula, key resources and key processes (Johnson, Christensen, Kagerman, 2008, p:57). The idea is developed further on and the authors describe several strategic circumstances when business model innovation is required: when there is an opportunity to address big markets of customers that don't have access to the product due to high price, when an opportunity occurs to capitalise on new technologies; when there is an opportunity to meet some unsatisfied customer needs; when there is experienced a shifting basis of competition (Johnson, Christensen, Kagerman, 2008). Similar circumstances are mentioned by Osterwalder et al. (2010) when describing when business model innovation occurs: satisfying unmet customers' needs, creating a new market and bringing new technologies into the market. Osterwalder et al. (2010) differentiate however between new and existing enterprises. Therefore, they identify separately the motivations of business model innovation of existing companies: critical instability in the current business model, changing in the external environment of the business that require adaptation of the business model, emergence of new technologies and anticipating the future through trial of various different business models (Osterwalder et al.2010).

Having in mind when business model innovation is necessary, several authors took a step forward and analysed how business model innovation can be done. Amit and Zott (2012) recognise three key elements

of the business model, "content, structure and governance" and identify in them, ways of generating business model innovation: by introducing new activities (content), by connecting the activities in new ways (structure) and by changing the actors that carry out the activities (governance) (Amit, Zott, 2012). A very similar approach has been used by Osterwalder et al. (2010) when they identified four potential "epicenters" of business model innovation in the business model's elements. The ideas for business model generation may initiate anywhere in the "nine building blocks", however four blocks can serve as a starting point for major transformations that affect all the rest of the blocks:

- Resource driven: innovation starts in the existing infrastructure and partnerships;
- Offer-driven: the source of innovation is in the value proposition;
- Customer-driven: innovation starts with the customers' needs;
- Finance-driven: innovation based on new mechanisms for pricing or generating revenue.

The authors add a fifth type of business model innovation with multiple-epicenter. Here innovation is generated in several blocks at the same time and the shift influences the rest of the blocks (Osterwalder et al., 2010, p:138-139).

Chesbrough (2007) regarded business model innovation as "vital but difficult to achieve" and supported the idea of permanent business model experimentation lead by internal leaders for change. In their research focused on business model innovation from the existing business perspective, Govindarajan and Trimble (2011) identified three major challenges in business model innovation: forgetting (all about the existing business model), borrowing (existing assets in building the new business model) and learning (things by doing them from scratch). The authors emphasise how the three challenges should be tackled together permanently, in all the phases of the innovation.

II.2.2 Business Model Innovation Frameworks

The literature provides several frameworks that support business model innovation and that structure the innovation process of the business model. The available frameworks comprise the necessary steps in generating an innovative business model and have the role of helping businesses create and implement new business models by identifying the key challenges involved in the process.

Johnson, Kristensen and Kagermann (2008), create a framework for business model innovation after they observe the process in two companies that implemented successfully new business models. The authors reckon there are three compulsory steps in innovating a business model. The first step is creating a value proposition that meets exactly the customer's need. This requires precision and focus on the need and on the factors that keep the customers from getting these needs met. These barriers are "insufficient wealth, skill, access or time" (Johnson et al, 2008, p:55). The second step is to design the profit formula, having

in mind the barriers mentioned above and the final step implies identifying the key resources and key processes required to deliver the value proposition (Johnson et al., 2008).

Another useful innovation framework may be found in the innovation management literature. Though it is a framework applicable to innovation in general, it is very relevant for business model innovation, as well. The Search-Select-Implement-Capture framework developed by Tidd and Bessant (2009) represents a map aimed at guiding the process through which the organization renews their offering for the target market.
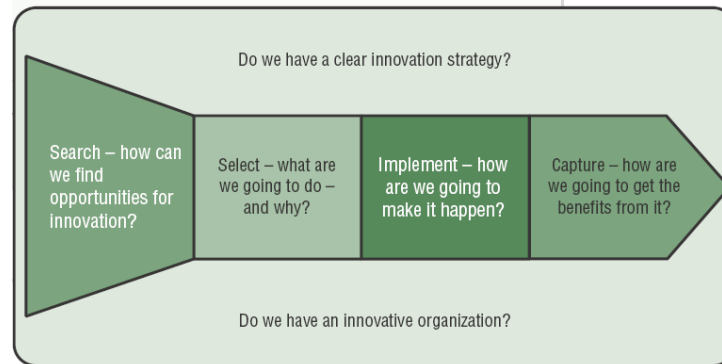
Figure 4. Process Model of Innovation (Source: Tidd, T., & Bessant, J. (2009), p: 55)

The first phase of the innovation process is named by Tidd and Bessant (2009), Search. It is the stage when opportunities for innovation are seek. "The first phase of innovation involves detecting signals in the environment about potential for change" (Tidd, Bessant, 2009, p:79), after searching the internal and external environment. It is the phase the issues around the resources needed in the project are explored and possible threats and challenges are identified.

The second phase of innovation is the selection phase. "Innovation is inherently risky and even well-endowed firms cannot take unlimited risks. It is thus essential that some selection is made of the various market and technological opportunities" (Tidd, Bessant, 2009, p:80). The selection of the elements to be part of the new business model needs to be done in accordance to the company's strategy and goals, but also fields of expertise and competence base. After the selection of the key elements, the next phase is "turning those potential ideas into reality. The implementation phase may be seen as one which gradually pulls together different pieces of knowledge and weaves them into an innovation" (Tidd, Bessant, 2009, p:81).

The last phase of the process is "capture". "The purpose of innovating is to capture value from them, be it commercial success, market share, cost reduction or changing the world" (Tidd, Bessant, 2009, p:85). Here is the phase when the new business model is functional and the profit mechanisms are exploited; this is also when the value generated by the new business model is transferred successfully to the customers

and partners. The launch of a successful new business model is seen to lay the grounds and to motivate towards new innovations. "An inevitable outcome of the launch of an innovation is the creation of new stimuli for restarting the cycle" (Tidd, Bessant, 2009, p:86).

The "five phases" framework proposed by Osterwalder et al. (2010) do not represent a secret sauce for business model innovation. However the framework covers the necessary steps that are mandatory in generating innovation on the business model. The framework is valid for both new and existing businesses, adapted to the challenges met in both situations.

| Mobilise | → | Understand | → | Design | → | Implement | → | Manage |

Figure 5. "5 Phase" Business Model Innovation Framework. Source Osterwalder et al 2010

The initial phase of the innovation process in Osterwalder et al.'s (2010) approach is called "Mobilise" and covers the preparation activities conducted once the decision to innovate has been taken. This is the phase where the team is assembled, the objectives of the project are outlined and some incipient business model ideas are tested. From the existing company's perspective, Osterwalder et al (2010) identify several success factors for this phase. These factors include forming cross functional teams, so that their ideas and contributions are more diverse. In the same time, creating the project's legitimacy is another challenge, because the employees need to acknowledge the importance of the project and dedicate their time and commitment to it.

The second phase of the innovation model is "understanding" and it is aimed at researching the external environment of the new business model. This phase is accomplished by determining the context of the new business model by involving the customers, by analysing the competitors' business models. Osterwalder et al. mention that in case of the established company, for this phase, it is recommended to possess a very thorough understanding of the current business model and to look for feedback in different markets compared to the existing target market.

The third phase is the "design" which comprises the actual new business model generation phase. The idea generation of new business models is realised according to the information on the market acquired in the previous step. It is an exploration phase where bold ideas for new business models are looked for and where the team members are expected to challenge the current models while generating ideas. The newly generated business model ideas are recommended to be tested with business experts or potential customers (Osterwalder et al., 2010). Osterwalder et al. (2010) argue that in this phase, existing

companies face challenges related to keeping a balance between the boldness and the risks the ideas incur and to keeping a long term profitability focus rather than a short term certainty.

After the idea generation and testing, the chosen idea will be taken through the following step of the innovation process, "implementation". Here, the conceptualised business model prototype will be implemented in the field. This is an ample project which is guided by a business plan. Osterwalder et al. detail the challenges of the implementation phase, from the established company's point of view. These are related to separating the new business model from the old one, obtaining and maintaining sponsorship of the project and eliminating the "fear of new" which the employees face in organisations (Osterwalder et al, 2010).

After the implementation of a new business model, it is required permanent monitoring and evaluation against the market response. Osterwalder et al. (2010) call this final phase "managing" and they mention it involves a long term perspective. This phase includes a continuous assessment of the new business model in regard with the external factors that may influence it. The authors suggest that the company should keep an open mind towards potential changes that need to be brought to the business model after implementation. From the existing company's perspective, this phase requires a cross-functional team responsible with monitoring the new business model and a "beginner's mindset", meaning the company is prepared to move on and change again the business model when the evolution is not as good as expected (Osterwalder et al., 2010).

II.2.3 Business Model Innovation in Services

The theory on business models started being developed after the emergence of the Internet in the 1990s, which allowed the expansion of e-commerce (Zott, Amit, Massa, 2011). The literature was aimed at facilitating the understanding of how the new, service-based business models work. Even though the initial focus was on business models for services, the theories resulted were however equally applicable to manufacturing-based business models.

Over time, the literature recognised an increasing orientation of the manufacturing businesses towards servitisation, which represents a useful method of business model innovation. Chesbrough (2011) identifies the necessity of companies to reanalyse how they perceive their own products and also how they create value for the customers. Chesbrough (2011) affirms: "you must think of your business as a service," in order to avoid the commodity trap, this being the place for companies which are interested in product innovation only. Companies such as Rolls Royce, IBM, Xerox, have witnessed how their customers became more interested in the experience gained through using the products than in the

products themselves (Chesbrough, 2011). As a consequence, they switched the focus towards service innovation. Further, Chesbrough (2011) explains that this decision implies a change in business models.

However, even the businesses with a service based business models may realise business model innovation through a proper service orientation as well (Nair et al, 2013). "The concept of service orientation addresses adaptability and flexibility, that is, promotes all the necessary mechanisms for innovation" (Nair et al, 2013, p:969). Nair et al. (2013) argue that flexibility represents the capacity of the firm to shift focus in response to changing external factors and the firm's success is a measure of the skills demonstrated during the process. The authors claim how identifying the core competencies of the company and creating the business model around them is what can bring competitive advantage over companies with similar business models (Nair et al, 2013).

Concluding, the business model innovation literature started as being based on service providing businesses and more recently it returned to services as being an effective business model innovation technique both for manufacturing and service industries.

II. 3 Conclusion

Analysing the theory on lean and business model innovation a few remarks can be made. The circumstances that trigger the implementation of the two concepts are similar: lean started in Toyota when the company was under the threat of bankruptcy and business model innovation is determined by a "shock in the system" (Chesbrough, 2006), which usually results in decrease of revenues. The aims of the two concepts are alike as well, lean focuses on generating value for the customer, employees and society and business model innovation's purpose is to generate value for the customer by fulfilling unmet needs.

Looking at the lean values, principles, methods and tools, it may be claimed about the benefical changes that they entail in the business' opearations, about the degree to which they affect the entire business and the environment in which it operates. In the same time, the business model elements represent the key areas of the business. This way, a theoretical hypothesis emerges: taking into account the fact that lean influences and changes the entire business, implicitly it will affect the elements of the business model as well. This theoretical hypothesis and the innovation potential of the lean philosophy will be tested through the empirical data analysis, in order to built the answer to the problem statement of the thesis.

With the purpose of finding the answer to the problem statement, a series of factors have been followed during the research:

- The way the company uses the lean methodology was identified through the interviews with the staff (A1-A5)

- The description of the company's business model elements was searched for through specific questions during the interviews with the staff (A1-A5) and through the observation sessions (A8)

    o The relationship with partners and suppliers was understood through the interviews with the staff and questionnaires with partners and suppliers (A6).

    o The picture of the customers relationship was built by asking specific questions in the interviews with the staff and by comparing them with the customers' point of view from the customers questionnaire (A7).

- The influencing factors and the phases of the business model innovation episodes were looked for through specific questions through the interviews (A1).

III. Theoretical Framework

As a result of the Literature Review presented in the previous chapter, a theoretical framework was developed with the aim of guiding the analysis of the empirical data on the basis of established theoretical perspectives. In the development of the theoretical framework the researcher of this thesis considered the theoretical concepts presented and analysed in the Literature Review, lean, business models and business model innovation.

These theoretical concepts will be applied to the analysis, in order to reach the research aim of showing how lean may impact business models and contribute to business model innovation.
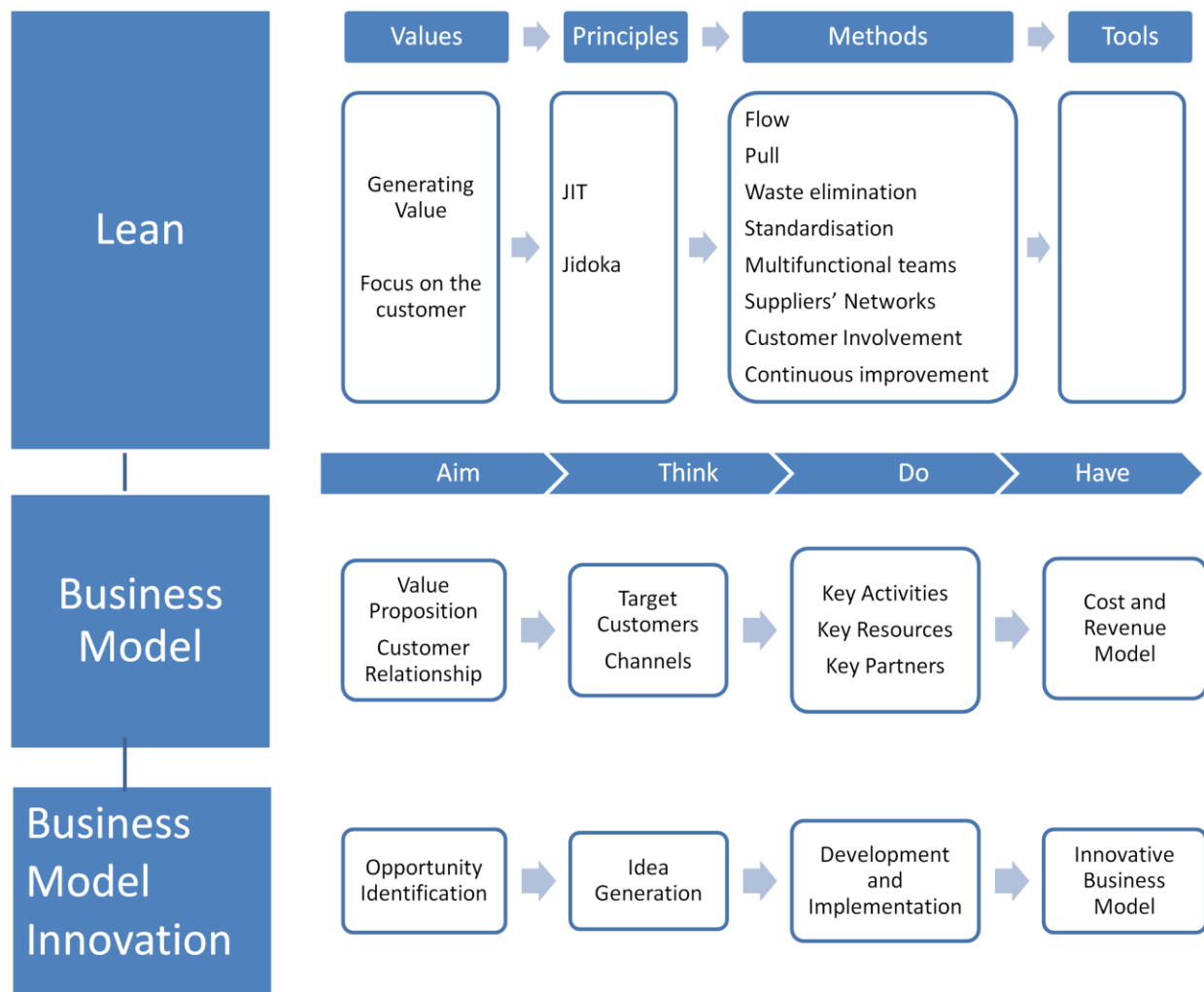
Figure 6. Theoretical Framework

The lean structure presented by the Japanese Toyota plant manager (Modig, Åhlström, 2012) has been used in the development of the framework: the lean values represent the company's aim, or ideal behaviour; the lean principles are what the company should think; the lean methods represent what the company should do and the tools describe what the company should have. The lean methods included in the theoretical framework do not represent the totality of the lean methods, but only a selection. This selection has been made based on the most relevant methods for the activity of the chosen case study. For example, the travel agency does not deal with product development because this task is mainly accomplished by tour operators, the ones that create and organise the holidays. Consequently, the lean method 'cross-functional teams' would not be applicable to the activity of the travel agency, therefore it was not included in the framework. The lean tools box does not include any of the lean tools described by the theory, because of the little incidence they have within the case study. An exploratory perspective was used in order to recognise and understand the tools used by the studied company.

The second part of the theoretical framework includes the elements of the business model that have been introduced in parallel with lean, following the same structure. Likewise, the stages of business model innovation come to complete the framework. These stages have been conceived by adapting the frameworks existing in the literature to a more practical approach, which is more appropriate for the present case study. In the researcher's perspective, the opportunity identification represents the aim of the organisation; the idea generation is where the company needs to think; the development and implementation phase shows what the company should do in order to reach the last phase, where the company reaches/has an innovative business model.

IV. Methodology

This chapter presents the theoretical analysis of the methods used during the research, in the attempt of finding the answer to the problem statement of this study. The purpose of the methodology section is to prove the trustworthiness of the research and to create the quality of the study (Karlsson, 2009).

IV.1 Research Philosophy

The research philosophy refers to the "development of knowledge and the nature of that knowledge" (Saunders et al., 2003), because, however modest the attempt, the current research has the role of creating knowledge. The adopted research philosophy depends on the research author's view on the world. There are four research philosophies: positivism (also called scientific), interpretivism (anti-positivism), realism and pragmatism (Saunders et al, 2003). However, there are two dominant research paradigms in service management: the positivist paradigm based on the deductive approach, and interpretative paradigm, which applies the inductive approach, however, they are not mutually exclusive (Malhotra & Birks, 2007).

This paper has been written using the interpretive philosophy. Interpretivism stresses the importance for the researcher to understand the differences between individuals in their "role as social actors" (Saunders et al, 2003). The author of this paper believes that the interviewed people for this research behave in their social roles according to their own set of meanings, therefore many interpretations of the reality have been generated. Saunders et al (2003) argue that the interpretivism is an appropriate perspective in business research due to the uniqueness of the situations studied. The business situations represent particular sets of individuals and circumstances brought together at specific times (Saunders et al, 2003).

The inductive approach of the interpretative paradigm implies that the area of study has little theoretical framework and the knowledge is created by observing and interviewing participants in specific circumstances and "by searching for the occurrence and interconnection of phenomena" (Malhotra & Birks, 2007, p:161).

The interpretivist paradigm has been chosen due to its appropriateness in studying specific context where detailed observation is needed. Due to this in-depth level of analysis required by the current research topic, large representative sampling is not relevant, if even possible. The interpretivist approach generates theory that "should be subject to constant review and revision" (Malhotra & Birks, 2007, p:161) as it is influenced by the "researcher's subjective view of the nature of reality" (Saunders et al, 2003, p:119).

IV.2 Research Design

When designing the research, the researcher needs to understand what type of information is necessary in order to answer the research question in a credible manner. The type of necessary information may be identified by analysing the amount of knowledge available on the topic.

There may be identified several types of research designs according to the development phase of the field or topic studied. The explorative research is usually conducted in the initial stages of development, followed by descriptive research when certain patterns start being observed. Later on, the research becomes analytical, when it explains the relations between components. The maturity phase in a field may be researched through causal approaches, aimed at "reaching normative knowledge" (Karlsson, 2009, p:20).

In this paper, the explorative approach has been used, due to the novelty of the concept researched. The attempt of placing together the two concepts of business model innovation and lean and analysing how they are related represents a first endeavour on this topic, with no literature or previous researches to support it. The explorative approach is used to "provide insight and understanding of the nature of the phenomena" (Malhotra & Birks, 2007, p:70), in this initial step. The research process in the explorative approach is "flexible, unstructured and may evolve", and the studied "samples are small" (Malhotra & Birks, 2007, p:70). This type of research is particularly useful because it is used when the "problem needs to be defined more specifically" (Malhotra & Birks, 2007, p:79), as it is the case with the current research question. The research question is aimed at finding the connection between two concepts that have never been juxtaposed before. Moreover, the explorative research is useful "when key variables need to be isolated and classified as dependent or independent" (Malhotra & Birks, 2007, p:79). The two theoretical concepts analysed in the research, lean and business model innovation will be broken down into elements and each element will be analysed in order to determine how they interract and how one (lean) influences another (business model innovation).

IV.3 Research Strategy and Methods

The current research is laid out as an empirical, explorative, single case study research. The case research is viewed to generate "new creative insights", "development of new theory" and can have "high validity with practitioners – the ultimate users of research" (Voss in Karlsson, 2009, p:163). Yin (2003) argues that the case study is a preferred strategy "when "how" and "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within

some real-life context" (Yin, 2003, p:3). The purpose of this paper is to analyse how lean may contribute to business model innovation. By showing this, the research wants to contribute to the existing theory on the two separate topics. Therefore, the case study approach seemed to be the appropriate research strategy due to its high capacity of enriching theory, of in-depth analysis of a certain topic and of answering a "how" question. Karlsson (2009) argues that the popularity of the case study research is due to the multitude of methods and methodologies that can be used.

The data collection methods for the present case study are qualitative, as they are aimed at describing and at facilitating the understanding of how lean may influence business models and contribute to business model innovation. Qualitative research looks into the "meaning, quality, and texture of the experience" (Willig, 2001, p:9). The qualitative approaches are "concerned with interpretation and perception rather than with identification of a rational, objective, truth" (Croom in Karlsson, 2009, p:66). The role of interpretation is high for defining the studied phenomenon through the qualitative approaches (Croom in Karlsson, 2009). The qualitative methods used for the data collection in the present case study were in-depth interviews with the employees of the studied company, surveys among the owners of similar businesses, surveys among business partners and potential customers, observations at the company's premises and external reports and articles from international institutions.

IV.4 Research Approach

"The extent to which the researcher is clear about the theory at the beginning of the research" (Saunders et al, 2003, p:124) defines the research approach to be used. There are two types of approaches used: deductive and inductive. The deductive approach is used when the researcher develops a theory or a hypothesis and creates a research that tests the hypothesis. The inductive approach collects data and develops theory based on the data collected (Saunders et al, 2003).

The current paper uses a combined research approach. Saunders et al (2003) argues that it would be misleading to consider the two approaches as "rigidly divided. Not only is it perfectly possible to combine deduction and induction within the same piece of research, but also in our experience it is often advantageous to do so" (Saunders et al, 2003, p:127). Also known as "hybrid approach" (Saunders et al, 2003), the combined deductive – inductive approach was used in the current case research because the researcher wanted to explore how lean may impact business models and contribute to busines models innovation, after studying the two concepts separately during the Master Courses. Therefore the hypothesis of the two concepts being related and the potential of lean to contribute to business model innovation, was made at the beginning, before the data collection and analysis, which is a feature of the deductive approach. However, this hypothesis only helped adding more sense to the findings, it did not

govern the data collection and analysis. The data collection and analysis were conducted using the inductive approach. The data obtained was the base on which the new theories (conclusions) were built; therefore theory followed data, which is a feature of the inductive approach. The inductive approach gives a higher importance to the context where the case study takes place and considers a smaller sample of subjects as appropriate, compared to the deductive approach which uses large samples (Saunders et al, 2003). The induction approach focuses on gathering qualitative data, whereas the deductive approach collects mainly quantitative data. In the current research the data collection methods were exclusively qualitative and using a reduced sample, as the research was focused primarily on one company.

IV.5 Research Plan

This section describes the sequence of activities conducted in order to gather and analyse the necessary data for this research.

The initial step of the research was the literature review. The priority of this step over the data gathering for the case study was due to understanding the contribution that can be brought to the existing literature through the research. Given that there is no specific theory to describe the relationship between lean and business model innovation, the research question developed was aimed at finding out how the former can contribute to the latter. The literature review helped in the development of the theoretical framework on which the data analysis was based.

The next step was building the case study through various qualitative research methods, such as interviews, on-line questionnaires and observations. The four face-to-face interviews conducted with the personnel of the studied travel agencies helped in building a perspective on how their business processes work, on how the business model evolved over the last few decades and on the role of their customers and their network for the business. Initially, the employees of the travel agency were interviewed in order to obtain detailed information related to the day to day activity and processes. After understanding the details of the business, through the interviews, informal discussions and observations in the company's offices, the two directors were interviewed in order to obtain information about the evolution of the business over time and external influences.

Additional information on the customers' perspective was collected through qualitative on-line surveys among potential customers. There have been realised thirty-eight surveys, aimed at unveiling the customers' perception about traditional travel agencies and the ways to convert them toward preferring their services over the internet. These surveys offered a different point of view on the relationship between the travel agent and the customer and this came to complete the existing perspective of the travel agent.

The next step was collecting data on the activity of other travel agencies that work in the same market and of business partners of the studied travel agency. Their feedback contributed to creating the overall picture of the industry and offered information on how they adapted their business model to the changing industry conditions. There have been two responses from managers of partner travel agencies and four responses from service providers of the studied travel agency (hotel, web designer, tour operators).

After the data collection step, the data was analysed according to the theoretical framework developed. The data collection and data analysis were not two different sequences in the process. The two activities took place simultaneously because in this way, many situations, where additional questions have arisen during the analysis phase, they could be solved by finding the answers during the next visits and informal discussions at the company premises.

IV.6 Empirical Base

The main part of the empirical data used for this thesis is represented by the case study company, Skyfare Travel. The chosen case study is a travel agency with twenty-eight years experience on the English travel market. Skyfare is a family run business which was founded in 1985 by two entrepreneurs, man and wife, in Sutton Coldfield, a Birmingham suburb. Simultaneously with studying this business case, the researcher of this thesis has used and analysed inputs from other travel agencies' managers from the same British area in order to create a complete picture of the change and adaptation of the traditional travel agency to the market trends. Further primary data was collected through on-line questionnaires from potential customers of travel agencies services.

IV.6.1 Case Selection

The travel agency business was chosen due to the decline experienced in the past years by this industry and especially because of the challenge created around the reinvention of this commercial activity. In a market where more and more businesses close doors, the survivors have lessons to share and stories that need to be heard. The specific case of Skyfare Travel was chosen due to the close personal relationship between the owners of the business and the author of the thesis, fact which granted high access to the company's activity and processes. The selected case was very interesting to study due to their experience on the market as well, of twenty-eight years and also due to their whole team, which are people working in the industry as a lifetime job.

IV.6.2 Data Selection: Population, Population Frame, Sample

The single case study approach was centred on the company described above. Defined as "the entire group of people, firms, plants or things that the researchers wishes to investigate" (Forza in Karlsson, 2009, p:115), the population in this specific case study is represented by all the company's employees, managers and owners. The population frame is the "listing of all the elements in the population from which the sample is to be drawn" (Forza in Karlsson, 2009, p:116). In the current case study, the population frame includes one full time travel agent, two directors working full time in the company, one part-time admin clerk and two self employed agents working from home. As the population frame was fairly limited, the chosen sample for the qualitative interviews included all the three full time employees and one of the self-employed agent. The sample "is a subset of the population: it comprises some members selected from the population" (Forza in Karlsson, 2009, p:116). The four interviewees, however, provided very useful and comprising data, relevant to the case, due to their twenty-six to thirty years experience in the travel agency business. Three of them have been working together in the same company for twenty-six years, and the fourth had only a few years gap. They know and complement each other and create a very strong team. The part-time admin clerk was not included in the sample for the qualitative interviews due to the lack of relevance to the case. This person is involved only in a small part of the business tasks and the information she could provide could be biased by lack of information related to the whole business process. However, her feedback on the tasks she is involved in was included in the observations. The second self employed travel agent was not included in the research because of lack of availability due to working from home.

Apart from the qualitative face to face interviews with the company's personnel, additional data has been gathered through on-line questionnaires circulated among customers of travel services. In this situation, the population is assumed by the author of the present paper to be virtually any person that goes on holiday. Therefore, the author chose a sample from her acquaintances, trying to cover wide age, budget and background criteria.

For the on-line questionnaires aimed at travel agencies managers, the sample was established together with the two Skyfare directors, by choosing from relevant members of the travel community. The sample was created based on diversity. There were selected businesses that focuse on online channels, businesses that operate only over the shop counter, businesses that specialise on different niches, etc.

IV.7 Data Collection

The data collection was performed according to the following schedule:

Data collection method	Details	Date	Duration
Face-to-Face Interview	Stephanie Wills (A2) -self employed travel agent, former travel agency manager	May 17th 2013	1h45'
Face-to-Face Interview	Natalie Parker (A3) -employed travel agent	May 30th 2013	1h
Face-to-Face Interview (1st part)	Manolis Mavroulakis (A4) -travel agency Director	June 13th 2013	1h
Face-to-Face Informal interview	Anna Mavroulakis (A8) -travel agency Director	May 13th 2013	20'
Face-to-Face Interview (2nd part)	Manolis Mavroulakis (A4)	September 12th 2013	1h20'
Face-to-Face Interview	Anna Mavroulakis (A5)	June 21st 2013	1h15'
Online Survey	Partner travel agencies managers, partner hotels and tour operators, IT service providers (A6)	June – August 2013	6 replies
Online Survey	Travel agencies customers (A7)	June 2013	38 replies
Observations	Skyfare Travel premises (A8)	March – September 2013	4-5 hours weekly sessions

Table 1: Empirical Data Collection Schedule

All the aspects of the evolution of this business over more than two and a half decades have been revealed during the interviews with the company's directors and staff. The first interview (A2) conducted at their premises was with Stephanie Wills (SW), self employed travel agent. Before joining Skyfare Travel she was managing another local travel agency, Midlands Coop Travel. Stephanie had joined this business from her college years as an intern, twenty-six years ago and grew professionally in the shop. Towards her last years there, the shop had been bought by a large tour operator and chain travel agent, so her

experience covers not only the independent travel shop but also the big corporation local branch. Recently, she joined Skyfare as a self employed travel agent, working three days in the shop and the rest from home and she is paid on commission, according to sales.

The second interview (A3) was taken to Natalie Parker (NP), employee of Skyfare Travel. She has been working for the shop from her intern years, twenty-six years ago. She is a senior travel agent and during the interview she described the day to day activity in the shop and the way the challenges encountered by the business over the years.

The third interview (A4) was conducted with Manolis Mavroulakis (MM), Skyfare Travel director and owner since the beginning of the company. He has been working in the travel industry for over thirty years and he is a very fine observer of the industry's dynamics. The interview was less focused on the day to day activities that take place in the shop but on strategy, external environment and value proposition.

The fourth interview (A5) was conducted with Anna Mavroulakis (AM), the other director and owner of the travel agency. Involved in all aspects of running the business, she presented a detailed description of the work processes from the shop and offered insights from the financial aspects of the business model.

The data gathered from potential customers and from travel agencies managers was obtained through on-line questionnaires, hosted by on-line questionnaire tools with cloud storage database (SurveyMonkey, Wufoo) and circulated by e-mail and social networks (Linkedin, Facebook).

For secondary data on the travel industry dynamics, several Euromonitor and High Beam reports have been used. Another source of secondary data have been two interviews given by Manolis Mavroulakis, director of Greece and Cyprus, to the local radio station, BBC Midlands on the occasion of the Cypriot financial crisis peak in March-April 2013.

IV.8 Data Documentation and Coding

The documentation of data obtained through interviews has been done through the transcription of the recordings (A2-A5). This was done immediately after each interview was conducted, in order to "maximise recall and to facilitate follow up and filling of gaps in the data" (Voss in Karlsson, 2009, p:181). The observations were documented with notes taken during the weekly company visits (A8). The accuracy of these notes was ensured by double checking them with the company personnel.

The data resulted from the thirty-eight questionnaires with the customers was processed into an easy to read and understand document (A7).

The first step in data analysis was the transcription of the interviews. The next step was coding the data, which deals with sorting and classifying the available data into categories (Voss in Karlsson, 2009, p:182). The coding of the data was done manually, by analysing all the interview transcripts, notes,

questionnaire answers and marking with a different colour all the information belonging to a certain category. The categories chosen were related to the theoretical concepts that constitute the basis of the theoretical framework: lean, business models and business model innovation (A10).

IV.9 Reliability and Validity

Assessing the reliability and validity of the research project is a critical analysis of the research process aimed at proving that the research outcome is trustworthy. The concepts were defined as follows:

- Reliability is "the extent to which the data collection techniques or analysis procedures will yield consistent findings" (Saunders et al, 2003, p:156). Reliability tests whether the outcome is repeatable under similar conditions on all occasions (Bell, 2002).

- Internal validity refers to "the extent to which the conclusions regarding dependency between factors of a relationship are certifiable" (Croom in Karlsson, 2009, p:73). Among the methods recommended for enhancing internal validity are methods triangulation and data triangulation. The use of these methods in the current research is described below.

- External validity refers to the extent to which the outcome of the research can be generalisable in other similar situations (Croom in Karlsson, 2009). Concerning the external validity or generalisability of this analysis, the results of the research may be considered applicable to the traditional travel agency market. This is due to the high similarity between the studied business model and the others existing on the market, similarity proven by the research. However, the research can provide useful information for other sectors as well but it cannot be generalised to the whole service industry.

- Construct validity refers to "the extent to which an observation measures the concept it is intended to measure" (Croom in Karlsson, 2009, p:77). In the current research, in order to address the construct validity, data triangulation was used.

IV.9.1 Triangulation

Triangulation represents the "principle of using different methods to study the same phenomenon" (Voss in Karlsson 2009, p:190). In the current research, the interviews could be considered "verbal reports only" which are criticized by Yin (2003) of being "common problem of bias, poor recall or inaccurate articulation" (Yin, 2003, p:93). Similarly, in collecting the empirical data, the observations made by the researcher of this thesis may be subject to potential bias (Yin, 2003), as the author could have been influenced by preconceptions, personal beliefs, etc. In order to avoid or limit bias as much as possible, a

form of triangulation was used, through the use of "multiple respondents for the same question" (Forza in Karlsson, 2009, p:126). The employees in the current case study may be involved in some activities and may be less knowledgeable about other parts of the business, therefore, repeating the same set of questions in several interviews, helped obtaining a more complete picture. Using the same questions for different respondents provided answers including a large number of different real life examples. This way, several aspects of the activity were revealed and could be analysed.

Another type of triangulation used was the methodological triangulation that involves more than one method to collect the information, such as interviews, questionnaires, observations and literature. The methods triangulation is considered to "increase reliability", as "multiple sources of data on the same phenomenon are used" (Voss in Karlsson, 2009, p:191). For example, for collecting data on the external environment of the studied company, there have been used interviews with the employees, questionnaires with business partners and competitors, questionnaires with the potential customers, observations at the company's premises and several secondary data sources. All these sources helped gather extensive information and also helped minimising biased opinions. For example, if employees in the office get overwhelmed by daily tasks and can't have an objective opinion on the market dynamics, by using different sources of data, the data collected is less affected by misleading information gathered from individual sources.

V. Empirical Data

In order to investigate the problem statement of this thesis (to what extent may lean philosophy impact existing business models and contribute to business model innovation in travel agencies), the author of this thesis has used as empirical data, the case study of an established travel agency, with over twenty-eight years experience in the industry.

The purpose of this chapter is to introduce briefly the data base formed of the case study and other related empirical data obtained during the research. Further on, the data presentation initiated in this chapter will be continued and detailed in the following chapter, where all this data will serve as an input for the analysis. In the next chapter, the data will be analysed as it will be presented, therefore, the details of the empirical material will be found there.

V.1 Industry Overview and Market Trends

The travel industry is a very eclectic service industry which includes multiple types of businesses such as airlines, cruise lines, hotels, restaurants, tour operators, travel agencies, car rentals, insurers, etc.

In the industry of travel, the travel agencies have the role of intermediating between providers of services and customers. Travel agencies are "businesses engaged in acting as agents in selling travel, tour, and accommodation services to the general public and commercial clients" as High Beam Research defines it (HBIR, 2013).

The travel agency industry is very dynamic and experienced constant change over the past few decades. After a substantial expansion in the 1980s of almost 20% annually (HBIR, 2013), the travel industry was considerably affected by the economic recession started in 2008 and experienced significant decline in the demand of travel services.

In the 2000s, the industry was dominated by liquidations, mergers and acquisitions and large companies started dominating the market. Online travel agencies affected tremendously the activity of the traditional travel agency in the early 2010s, with several large on-line actors leading the industry (HBIR, 2013). More traditional firms offered higher customer service and specialised services, operating on niches, in order to stay in business in the highly competitive marketplace. Reports show that the internet is leading among the purchase channels for travel services, with 54%, while the travel agencies harvest only 24% of the bookings (WTTR, 2012).

V.2 Case Study Presentation – Skyfare Travel

Established in 1985 in Sutton Coldfield, Birmingham, UK, Skyfare Travel agency started their business targeting a niche. They started operating under the brand name "Greece and Cyprus Travel" and offered travel services focused on destinations from Greece and Cyprus. The two directors and founders used their Greek-Cypriot background to package holidays for two of the most desired destinations at the time. They targeted the general UK market, but a considerable part of their customers became the large Greek-Cypriot community from the UK.

In time, they diversified their offer with destinations from all around the world, selling packages of several tour operators. In 2006 they expanded their business when they bought "Ross and Brown Travel", an agency targeting a higher end market and which was operating in the same area as their existing business, Sutton Coldfield.

Nowadays the two merged businesses operate under the same roof and represent one company, Skyfare Travel, however the two trade names continue to exist separately, "Greece and Cyprus Travel" and "Ross and Brown". They represent one of the very few traditional travel agencies to serve the local market, managing to overcome the challenges generated by the economic decline and the online travel services providers' expansion.

The company stayed faithful to their off-line sales channels, by providing services only in the shop or over the phone, and not online. However, the business model changed over the years in order to adapt to the new travel market environment.

V.2.1 Skyfare Travel Business Model

The studied company's business model is based on offering travel services in the form of packaged holidays, cruises, accommodation, flights, travel insurance, hotel parking, excursions, etc. to their customers.

In the late 1980s and all through the 1990s, the English market was experiencing an extremely high demand of travel services. The travel agencies were the only place people could book holidays, therefore the travel staff remember how customers used to queue in front of the agency every time promotions were in place for the holiday sold for the coming year or season (SW A2). Over the years, demand has been gradually "stolen" by online alternatives to the traditional travel agent. The economic decline contributed as well, and consequently many travel agencies had to close their doors. Skyfare partnered up with a part of the surviving agencies and created a consortium. It became thus partner with its past competitors in order to serve the customers better and differentiate from the new unconventional competitor, the internet.

The target market for the business is middle to high end, selling approximately 30% travel services for Greece and Cyprus and 70% for other destinations (AM A5). Their value proposition is a hassle free travel experience and top customer service. Focused on providing excellent service to their customer, "second to no other", as they personally declare, the company's staff understand that a main reason of their survival through the industry downfall have been their customers. The moment the customers enter their travel agency, the slogan welcomes them and establishes once and for always the beliefs and guiding principles of the team, "Putting service first". The high quality service is provided through very experienced staff, collaboration with top tour operators and avoiding suppliers of low-cost services. The sales channel used exclusively is the shop that hosts the two brands of the company. The company has one admin employee, an employed travel agent and the two directors. They also collaborate with two self employed travel agents that partly use the company's office space a few days a week and partly work from home. All the employees and collaborators are travel experts with over twenty-five years experience and those that haven't been working with the company from the beginning have been followed here by loyal customers. Thus, the customer relationship is nourished and maintained by each travel agent over the phone, e-mail or post.

The company sells packaged holidays from different tour operators and act themselves as a tour operator, creating tailor-made holidays for Cyprus and Greece. The key activities include sales (serving customers, booking holidays, after-sales), marketing (direct mail) and administration tasks. The activities that take place in the agency throughout the day can include: selling package holidays, cruises and city breaks; booking transportation (air, river cruises, coach, car rental, taxi transfers); booking accommodation (hotels); arranging meals, booking additional luggage, travel insurance, transfers to and from the airports, applying for visas. The agency staff has to mail the customers their travel documents and invoices, they need to update the CRM system and the physical customer files with information regarding every client. They update the offers displayed in the windows and mail leaflets with offers to the customers from the database.

The key partners of Skyfare are the tour operators, the travel agencies from the consortium, hotels, airlines and airports, travel insurers, coach companies, cruise lines, car rentals, amusement parks, etc. Over the years, Skyfare decreased their service offering as a tour operator and concentrates now on selling packages created by big tour operators. These are their primary business partners. The wide range of tour operators Skyfare collaborates with, make sure the agency is always stocked with their brochures and provide assistance to the travel agents over the phone or through their websites.

The consortium the agency is part of, Elite Travel Group, gathers all the independent travel agencies in the area (Midlands - UK) in order to help them obtain advantageous arrangements from their suppliers. The consortium organises periodic meetings and conferences for its members in order to train them, help

them network and keep them updated with news from the industry. The ultimate goal of the consortium is to help increase the profitability of its members. Collaborating with other independent agencies is a good method for Skyfare to share their business acumen, learn from other agencies' experiences and attract business for their niche, when the others can't match the customers' demands. This is why the independent agencies, part of the consortium, don't treat each other as competitors but rather as partners, and direct business to each other when their knowledge or expertise is below what the customers need.

The key resources used by Skyfare in their activity are the agency premises, the travel licenses, the employees and collaborators, as well as the IT equipment, databases and travel software.

The cost structure is formed of office rent and utilities, travel licenses and insurance, salaries, marketing expenses. The revenues are generated through the commission they receive from tour operators or occasional booking fees charged to the customer for visa applications or other value added services.

For a better understanding of the activity and position on the market of Skyfare Travel, a SWOT approach was used, to summarise the current, 2013, situation (A9).

VI. Analysis and Discussion

This chapter is aimed at analysing the data obtained through the research from the perspective of theory, according to the theoretical framework developed in chapter III. This analysis will help to understand the impact of lean upon the business model and to assess the potential contribution of lean to business model innovation in the activity of the selected case study company, Skyfare Travel. After the previous chapter introduced briefly the empirical data obtained during the research, this chapter continues detailing the data and analyses it as it is exposed.

As mentioned in chapter III, the development of the theoretical framework took into account only relevant lean methods that are applicable to the studied company. This selection was made in parallel with the data collection. This way, the author of the thesis was able to select only the theory that was related and relevant to the available data.

According to the framework, the analysis is structured into two sections, the first examines the lean philosophy from the perspective of the company and the ecosystem existing around it, and the second analyses the company's business model and the business model innovation episodes. By studying the evolution of the company over a period of twenty-eight years, the analysis will help to build an answer to the problem statement of the thesis, which is aimed at showing how may lean philosophy impact existing business models and contribute to business model innovation.

VI.1 Lean vs. Skyfare Travel

VI.1.1 Lean Values

The moment the customers step into Skyfare travel agency, the slogan welcomes them and announces the indisputable guiding principle of the business, "Putting service first". Since the business was launched in 1985, the aim was to add value to the community they were part of, by delivering excellent service coupled with an unquestionable expertise in the destinations they were selling.

Liker (2004) argues about how the long-term philosophy in lean is greater than earning a pay-check and how doing the right thing for the customers, employees and the community is governing Toyota's culture. Similarly, Skyfare Travel puts the customers' interests and an immaculate business ethic ahead of the high short term profits. The first brand name the company started operating under, "Greece and Cyprus Travel" revealed a lot about their products. If the targeted Greek and Cypriot customers were not

convinced from the first encounter of the organisation's brand name, they would undoubtedly be converted when getting in touch with the two entrepreneurs who still run the business today, Greek and Cypriot man and wife, MM and AM. The personalised service, speaking their Greek customers' language, knowing their culture are among the reasons why twenty-eight years later the company is still in business, having built a strong reputation in the field.

The two directors not only offer value to the English market but they are giving something back to their ancestral countries, Greece and Cyprus, as well. Even if this company is their sole source of income, the couple doesn't allow profit rationalities to take over their moral integrity in running the business (NP A3). Their ethic is more important and they prove this when they let go of opportunities to make money that are not in consensus with their personal morals. For example, they turn down customers willing to buy holidays in Northern Cyprus, after this piece of land was occupied by the Turks, following an invasion and violent conflict with Cyprus (NP A3). Their personal beliefs and moral integrity are not traded off for profits.

These facts reflect the values of the business, the morals and the culture that dominates its employees. The business adds value to the Greek-Cypriot community, by offering a specialised service in an area of interest for these people. Moreover the business promotes the tourism in the native countries of the two owners, and sends thus something back to the places they came from.

Modig and Åhlström (2012), when speaking about the lean values, mention how focusing on the customers and on meeting their needs represent the core of Toyota's values. Skyfare Travel is run following the same principles. MM is aware how their excellent customer service, earnestness and professionalism represent nowadays their main differentiators against the on-line competitors. These attributes are in MM's opinion the reason why their business survived the economic downturn which made so many others close down (MM A4).

VI.1.2 Lean Principles

Just-in-time is the lean principle aimed at creating the flow and at "delivering exactly what the customer wants, when the customer wants it and in the quantity that the customer wants" (Modig, Åhlström, 2012, p:132). As, Åhlström (2004) argues, the pure service cannot be stored. Accordingly, Skyfare Travel responds to their customers' enquiries the moment these are received, they do not book holidays in advance to sell them later and they own a network of suppliers at hand to provide the travel services when these are needed.

Without using the lean terminology, Skyfare Travel guides itself after the just-in-time principle, being committed to deliver the service "instantaneously with perfect quality and minimum waste" (Bicheno, 1987 in Voss, 1987). NP mentions her immediate dedication in serving the customer: *"If you're in the office I've got the 100% attention to you and to find you the perfect holiday [...] I had this one guy that came in wanting [...] either Mauritius or Santorini, and two other places. So it was a lot, so I gave him all I knew, I had to look up all the holidays and list them all down"* (NP A3). The agents focus on serving the customers immediately because they are aware that once they leave the office without booking the holiday, the chances of them coming back and booking decrease dramatically: *"So if a client comes to me once, I'll go book her, I won't let him leave that door unless they book a holiday, but I do it in a nice way...'cause the trouble is, once you let them out the door, you lose them"* (NP A3).

As a service provider, Skyfare has increased flexibility of offering a wide range of services to the customers: from standard flights or holidays, to tailor-made holidays or organisation of special events abroad (e.g. weddings) (NP A3). Unlike the manufacturing companies that need time to switch between the production of different items, in the services industry this change is performed instantly, due to the flexibility of the human resources.

Jidoka is the principle related to "getting quality right the first time" (Liker, 2004, p:141) and not letting mistakes proliferate along the system. In Skyfare Travel's case, mistakes may appear in the holiday packages they sell. However the staff doesn't overlook these situations and doesn't rely on the customer not noticing. They fix the issue straight away, without trying to spare additional expenses or efforts. This is because they understand, as they say, that a customer complaint can be more damaging for the business than a small effort made to fix the problem (A8). AM recalls a challenging experience with a tailor-made tour: *"I never told [the client] about all the problems I had with the booking, while I was doing it.... but if he had done it himself he'd probably have stopped after the first hurdle. He wouldn't have carried on, I carried on with the tour operators...They misquoted by £200 and they said, tell the customer we misquoted £200 and I just said "too bad, I gave him the price. If I had told them to speak with him directly, he would have said yes, ok, he'd have no choice"* (AM A5).

The two lean principles Just-in-time and Jidoka are in-depth analysed in the following section, through the methods that contribute to shaping of the operations in the direction aimed by the two principles.

VI.1.3 Lean Methods

The lean methods "define how different tasks should be performed and represent motors that propel the organisation into the right direction" (Modig, Åhlström, 2012, p:138). This section will analyse how relevant lean methods are used in Skyfare Travel's activity.

Flow

Flow has been the foundation of the Toyota Production System and was defined most comprehensively by T. Ohno as the span of time between the customer places an order and the moment the company receives the payment and all the activities of waste elimination incurred in order to shorten this time span (Liker, 2004). From the researcher of this thesis' perspective, the customer flow should contain more phases through which the company and the customer go through together, others than the ones mentioned by Ohno in Liker (2004). The company may influence and is interested in optimising the duration of time and the activities performed until the customers makes a decision and orders; the same thing is valid with the duration of time and activities performed until the customer returns to the shop and buys again.

In this thesis, this approach will be used to analyse the flow in the travel agency business. This is because the agency's responsibility is to ensure a smooth service not only when the customer comes and books the holiday but also throughout the whole trip. In the same time, it is in the agency's best interest to optimise what happens before the customer decides to book and after the customer travels until he comes back to the shop.

The observations collected during the empirical research (A8) helped to create an outline of the flow of customers through the process. It involves the following steps:

- The customer comes in the shop and enquires about a holiday;
- The staff provides brochures and information to help the client choose a destination;
- When the customer decided on a destination, the agent searches online or phones the tour operators that provide that destination. The agent finally communicates three offers to the customer;
- The customer decides on an offer and, straight away, the agent books the holiday with the tour operator;
- The client is offered additional services like airport parking, car rental, holiday insurance, etc.;
- The client decides which ones he prefers and the agent makes notes, in order to book them later;

- The client pays fully or partially for the holiday and extras and goes home;
- When the tickets and all the travel documents are ready, the customer is announced and comes to collect them and to pay the outstanding balance, if case;
- The customer travels to the destination and back;
- Eventually the customer returns to the agency to book the next trip.

The diagram below details the phases of the customer flow specific to the travel industry.
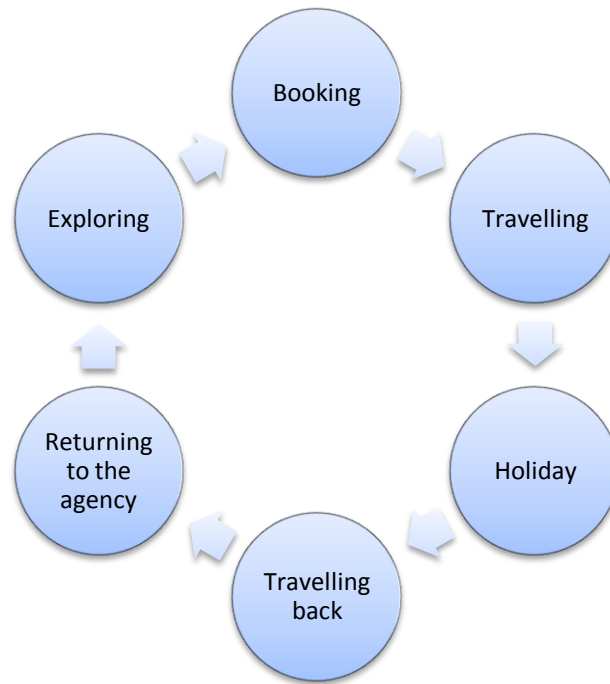
Figure 7. Flow of customers in travel industry (source: own creation)

The agency personnel works on optimising the flow of customers. The phases of the flow presented above include the exploration, when the customer doesn't know exactly what destination to choose. Afterwards the customer decides and the booking takes place. At the time chosen, the customer travels to the chosen destination, spends the holiday and travels back. The optimal situation is when the customers return to the agency to book their next trip.

The flow of customer through these phases is optimized through highly experienced and knowledgeable sales people, who ask the right questions, offer all the information they know about the destination and add some personal experiences too (SW A2). The employees are trying to shorten as much as possible the "exploration" phase. The shorter the time the customers spend on exploring the service they want to book, the better it is for the business. NP mentions how she is converting them at the first visit, otherwise they are lost: *"I won't let him leave that door unless they book a holiday, cause the trouble is, once you let them out the door, you lose them"* (NP A3). There are cases when the exploration phase may be longer as

the customers go home to decide, and later on, eventually they return to the agency to book. What the agency does in order to shorten this time and to make sure they secure the client is to follow up the situation. They will call back the customer, offer more information and help the client decide faster (NP A3).

In order to offer optimal services to the customers, the booking stage is also shortened as much as possible. The agency books flights and holidays through a professional booking software that saves 90% of the time necessary for booking online on customer friendly web-sites (observations). Between the time the booking is made and the actual trip, the agency prepares all the necessary travel documents for the customer, including tickets, insurances and visas and posts them to the customer's address. The agency prints even the luggage labels so that the time spent by the customer in the airport is minimised (A8).

On the other hand, travelling to and from the holiday destination can be put at risk by various natural disasters, operators going bankrupt or political conflicts. By booking holidays packaged by the agency's tour operator partners, the customers are protected by the operator's license, should anything happen and affect their trip. In situations like these, the agency is responsible of ensuring the customers arrive safely and on time to or from the destination, so when the situation demands it, they will work extra hours or work from home in order to make arrangements for all the customers on routes. The risk of unforeseen situations is minimised by collaborating with top tour operators and by avoiding low cost carriers that may change or cancel flights with a very short prior notice.

The customers' flow through the process is ensured at Skyfare Travel also through the use of Customer Relationship Management (CRM) software backed up by physical files for all customers. This is where all the information is stored, regarding customer's details, holiday, additional services or payment. This way any question received from the customer may be answered by any employee from the office, and not only by the person who dealt with the client. This way the service is prompt and the customer doesn't have to wait to be served. Moreover when the customer books a second holiday, his/her data are already in the system so less time is required and the flow is smoother.

However, during the observation sessions in the shop, the researcher of this thesis identified factors that may contribute to slowing down the flow. For example, the personnel creates and uses physical files for each booking of each customer (A8). The physical file includes all the details about the booking (flights, accommodation, insurance, car hire), e-mail confirmations, itineraries and any special requests from the customer. Part of this information is stored simultaneously in the CRM as well, so it might be considered a form of waste to print out information already stored electronically. The physical files use a lot of printing resources, time and storage space. According the existing regulations these files need to be kept for two years, so the agency's physical storage space needs to be considerable (A8). An important step

towards improving the data storage has been made with the customers' passport information. Instead of keeping physical copies of the passports in the physical files, the personnel stores the details in an Excel data base, easy to handle and to access whenever the same customer books again.

Going back to the flow phases, after the customer travels back from the holiday, optimally, he/she returns to the travel agency to book the next holiday. This is proved by the very high retention rate the agency reaches. Around 90% of the customers that book holidays every month are existing customers (AM A5). The shorter the time span of these two final phases of the flow, the better it is for the business. The personnel optimises this time span through exceptional customer service and after-sales (AM A5) and also through marketing activities aimed at informing the customers about the newest offers (MM A4). The continuous movement (Liker, 2004) of the customer through the processes, without any interruptions or dissatisfaction is the purpose of the employees of the agency.

The customers' flow may be influenced by another factor, identified by NP. She mentions how the customers' enquiries are treated faster when the incoming channel of the enquiry is direct, over the shop's counter. This is the time when the customer has priority over any other tasks the agent is working on at the moment and he/she gets *"100% attention to find the perfect holiday"* (NP A3). On the other hand, if the enquiry comes by phone or e-mail, then it will take longer to respond, as it may interfere with other facts of priority (e.g. customers walking into the shop, or other phone calls or even high priority admin tasks) (NP A3).

The flow unit in services, as described by Modig and Åhlström (2012) is either information or customers. Besides the customer flow, described above, the other flow unit, the information flow in Skyfare travel is represented by the paperwork that needs to be processed in parallel with the customers' enquiries. Each booking is followed by a long array of documents to be prepared.

The observations conducted during the empirical research (A8) allowed drafting the following outline of the information flow. It includes the following activities:

- When the enquiry for a holiday comes over the phone or on the e-mail, the agent does the research, and offers three options to the customer, describing them over the phone;

- At the moment a customer decided on booking a holiday, the agent books it online or over the phone with the tour operator;

- Instantly the tour operator sends back the booking confirmation and the ATOL certificate, the one that offers protection to the customer; the agent checks the confirmation;

- The agent is responsible to create a new file in the CRM application with the customer's details and the details about the holiday;

- The agent will charge the customer and will print the receipts. If the customer is not present when the payment is made, the agent will mail the receipts through the post;

- After the customer leaves the office the agent is responsible to:
    - Print a physical file with the customer's booking details and will enclose confirmations and e-mails related to the booking;
    - introduce the passport information on the flight operator's website;
    - book any additional services online or over the phone;
    - print confirmations for all the services booked;
    - print the tickets and ATOL certificates if they are delivered in electronic format. They can also be received in the post by the agency;
- If the customer doesn't come to the shop to collect the travel documents, these will be mailed to his address.
- In case anything goes wrong with the booking due to natural disasters, bankruptcy of the flight operators, etc., the agent will make all the arrangements necessary to ensure a smooth travel experience for the customer.

On top of these, there are other administrative tasks to be accomplished related to running the office, stocking and bookkeeping. In order to keep a smooth flow and to avoid queues of information to be processed (Liker, 2004) one of the directors mentions how they use students as part time workers for extra admin work, whenever the situation requires (AM A5).

Pull Systems

The second lean method analysed according to the theoretical framework is Pull systems. As Åhlström (2004) argues, the pure service cannot be stored, therefore the services industry is always based on pull and not on push. This is the situation in the case of Skyfare Travel, where the agency's mechanism is put into motion whenever a customer demands for their services.

However, a few decades ago, when the agency's activity as a tour operator was a big part of their business, they used to have an allocation of seats on the flights to Cyprus with commitment (AM A5). This type of pre-allocation of seats with commitment means that the agency would lose money if they didn't sell them. Therefore, this can be considered to be a "push" method, by having an excess inventory under the form of pre-allocated seats, which are "pushed" to the customer. The seats were allocated without having an actual demand for them. Yet, times have changed and the agency nowadays enquires for seats on flights or holidays, only after receiving the customer's demand. They use "pull instead of push", which diminishes the risk of being left with unsold inventory or having to sell it at highly discounted prices, which would generate losses for the business. Moreover, having pre-allocated seats incurred additional costs for Skyfare's licenses, so cutting down the activity as a tour operator involved also decreasing in the costs.

The push method is still used by tour operators that collaborate with Skyfare Travel (A8), e.g. Olympic Holidays. These operators pre-book rooms in hotels and have their own aircrafts, so when the demand is low and they are left with many packages near to the holiday period, they start discounting them. Even so, Skyfare only buys the packages when they have the demand for them.

Pull is a method of avoiding queues (Liker, 2004) of customers or information in the case of services. The queues of customers usually form in peak seasons, which in the case of travel agencies is the summer and winter. However, AM mentions how the customer demands became irregular and less easy to forecast, therefore, they expect a high customers' inflow all throughout the year (AM A5). In order to be able to meet the increasing customers' demand that the agency faced the current year, 2013, the managers decided to increase the number of days worked by their employed travel agent from four to five days a week (NP A3). The aim is a reduced waiting time for the customers to have their enquiries addressed. However, the directors need to realise a balance between the resource utilisation and the flow efficiency, therefore, they don't want to hire new agents now, because they cannot foresee if this increase in demand will be durable or it is only temporary (AM A5). This is because, if the demand were to decrease abruptly, the agency would be left with unused labour force.

Waste Elimination

The very notorious lean method, elimination of waste, can be observed significantly in the activity of Skyfare Travel. Waste elimination is described briefly by the literature as "any activity that does not add value to the product" (Monden, 1983 quoted in Karlsson, Åhlström, 1996). Several waste sources has been identified by Skyfare's management and eliminated or reduced throughout their long time activity.

One of the first aspects the researcher of this thesis identified was how the agency manages to produce all their marketing materials in house. All the brochures they use are produced and delivered by tour operators, so they don't waste any expenses on these materials very useful for the walk-in customers. The direct mail brochures, however, are printed, enveloped and posted from the shop premises. AM mentioned how they bought a top of the line multifunctional printer around ten years before. The investment in this top quality equipment was regarded as very useful for the business, even though it decreased their bank account statements with £10,000 at the time. Committed to provide top quality services to their customer, the two directors understood the future savings this investment could bring and were aware of the smoothness of the work process ensured by new, top quality equipment. This way they eliminated future waste of money on repairs of the old printer and waste of time waiting for the printer to be repaired. The waiting time would have been transferred to the client and their experience would have been affected by, for instance, coming back to the shop another day to pick up the travel documents.

The direct mail has been a constant marketing tool used by the business from the "very beginning, in 1985" as MM remembers (MM A4). Twenty-eight years later, not only is it still used but it is the most efficient promotional tool for their offer. AM mentions how they tried to promote a holiday package last winter through a leaflet distributed in the business centre of Birmingham and they achieved zero customer conversion rate, even though the voucher included a 5% discount voucher. They understood that a more targeted campaign is harder to fail, so they remained faithful to the direct mail (A8). The direct-mail brochures are sent to existing customers of the travel agency, customers from their own database and people that have made business with them previously. The brochures are printed on the multifunctional printer from the office, they are enveloped and posted using the franking machine they bought in order to facilitate their work. The name labels are printed in the multifunctional printer as well (A8). For the mailing activities the business employed a student, hourly paid, who comes to the office on Saturdays. Thus, the time of their qualified staff is not wasted with low skill but time consuming tasks. "The franking machine was bought fifteen years ago" AM recalls. *"It is paid over the phone, so you don't waste time with going to the post, buying and sticking stamps"* (A8). She mentioned that many shops still use stamps for the posting and also said that two years before, the franking tariffs became 20% to 30% lower than the regular stamps. Acquiring the franking machine was another strategic decision the shop management took. The expense was considerable for something as minor as posting letters, £2,000 at the time and a yearly maintenance fee, but it saved a lot more money and especially time on the long term, by eliminating activities which don't add value for the customer.

By doing the marketing in-house, a large part of the expenses with an external publishing company are saved, contributing this way to the survival of the company.

Another method of eliminating unnecessary expenses was their decision to postpone the acquisition of a special printer for printing flight tickets, until it became mandatory for every travel agent to use them. It was in the time when they were hand writing the flight tickets for the customers. They understood that the investment in this equipment was not going to add any more value to the customers, so they preferred to use their budget on really important investments, which could make a difference for the customer experience. Therefore, they continued to hand write the tickets until the travel regulations didn't allow it anymore.

A source of unnecessary costs which didn't add any value to the services offered by the agency was the high number of employees. The solution found by the agency was to decrease their employed staff and to collaborate with self employed travel agents, who work in the office only a few days a week and the rest from home. These agents do not earn a fixed monthly income but are paid with commission according to the sales closed each month. This way the agency was able to cut costs without compromising the quality of the service offered to the customers.

Skyfare Travel went through a process of change with their whole "supplier hierarchy" (Karlsson, Åhlström, 1996), when they started decreasing the proportion of their role as a tour operator in the advantage of their travel agent role. Just like Toyota, who outsourced whole functionalities and kept a reduced number of suppliers (Womack et al, 1990), Skyfare reduced collaboration with a large part of their suppliers needed for tailor-made tours (airlines, hotels, car-hire companies, etc). The main part of their activity is formed nowadays of selling holidays packaged by other tour operators (AM A5). This way, they reduced whole activities like product development; they reduced costs with necessary staff for keeping the relation with the suppliers.

There are two categories of waste described by Womack and Jones (2003): activities that create no value but are necessary to maintain operations and activities that not just don't add value but destroy value. From this perspective, Skyfare Travel incurs activities that are mandatory for their organisation, though these don't add any value to the customers. For example, the communication between the company and the suppliers (confirmations from the operators, transmitting passengers' information, amending bookings), doing the book keeping or the admin work in the office are activities that are necessary for maintaining the business, even though little of these result in adding value for the customers. Skyfare Travel simplified over the years a lot of their administrative work, by using the latest technologies. They became computerised in 1989, becoming the first computerised agency in their area, maybe even in the country (AM A5). Afterwards they kept up to date with technology with the CRM system (TARSC), expensive multifunctional printer and franking machine (A8), all having the result of simplifying their work. This way, Skyfare Travel simplified the activities that didn't add value but were necessary to maintaining the activity, confirming the argument of Womack and Jones (2003), who affirm that these activities should be reduced through simplification.

On the other hand, the activities that don't add value but even more destroy value are more difficult to identify by the managers, who have been doing their activity by the book for so many years. MM mentions how it is difficult for them after so many years to change the way they are used to do things (MM A4).

When it comes to defining what the customers understand through value added, the agency's personnel are an inexhaustible source of stories describing the customer perception of their services. AM describes the hidden costs incurred in running her business, like errors, insurances, licenses that the customers don't understand (AM A5). SW mentions as well how the customers don't see the hidden costs with licenses (SW A2). Therefore, from the customer's point of view, these costs don't add immediate value. However, they are necessary for staying in business and whenever something wrong might happen to their travel experience, the customers start appreciating them: *"it has to go wrong for the individual customer, on the*

internet for them to understand the issue...and the benefits of travelling through a travel agent" (SW A2). MM recalls the damage produced by the volcanic ash cloud in 2009, when all the flights were cancelled for seven days and they had to make arrangements to return those customers home (MM A4).

Another important source of waste in lean according to the literature, are the "defects" (Ohno, 1978; Liker, 2004; Bicheno, 2008). Defects for the travel services provider, Skyfare Travel, represent all the situations when the customer is not satisfied with the service throughout the flow or simple mistakes made by the staff and fixed before they can affect the customer's experience. The cases when the customers are dissatisfied with the service may happen from several reasons, e.g. a tour operator mistakenly booked a group on two separate flights at different times, instead of booking them together (A8); a customer's flight to Los Angeles hasn't been booked at all by the tour operator and the customer ends up missing the flight and the connection flight and arrives at the destination twelve hours later (AM A5); a tour operator keeps cancelling and modifying their flights due to shortage of passengers and affects the holidays of the customers that already booked and made plans for certain dates (A8); or natural disasters may occur like the ash cloud from 2009 and customers are stranded at their destinations with no possibility of flying back home (MM A4).

All these situations, even though they do not occur from the travel agency's fault, they still affect the personnel. Skyfare Travel's team is responsible with submitting the complaint, with following up the situation and with giving the resolution to the customer. Whenever the situation imposes, the staff will book additional services (flights and accommodation) for solving the customer's situation. In this case, all the costs will be covered by the business initially, until the situation is reconciled with the responsible tour operator (MM A4). Apart from generating cash flow issues, mistakes like these incur wasted time from the travel agent with solving complaints and they also create unpleasant situations that may turn the customers away from the business. In order to minimise potential mistakes, Skyfare chooses to make business only with reputable suppliers. For example, they avoid certain low-cost flight operators that have become famous for bad service, deliberately hidden costs, cancelling and changing flights or simply bad websites that require a lot of patience and time (MM A4, A8).

The other type of defects, the one caused internally by lack of attention, occurs very rarely, due to the highly experienced team members. AM remembers a situation that happened three years before, when they had a case of negligence that cost them two thousand pounds. She also mentions how they contracted a liability insurance, in order to minimise the risk and be covered in situations like this. Apart from the insurance, in order to ensure a professional service, AM employs only experienced staff regardless of the costs: *"I'd rather pay for that quality, quantity is not important"* (AM).

Standardisation

Through the observation sessions at the Skyfare's office, several facts related to standardisation could be spotted. As Liker (2004) defines it, standardisation is related to using work procedures that ensure repeatable results and reliable quality. In the office all the travel agents use similar approaches with the customers in the sales process, e.g. they all recommend packaged holidays that include the protection against the risks (AM A5, SW A2). The admin tasks are performed in a certain order and according to rules well known by the team, e.g. after each booking, the passport information need to be introduced into the applications; each payment needs to be receipted through the CRM, and two copies of the receipt are printed, one with the company's heading which is given to the customer and another simple copy which is needed internally for the monthly book-keeping tasks (A8). All the work procedures are well known by the team, even though the procedures are not documented in written.

This lack of written documentation of the work procedures represents a source of waste for the business, because, for example, this way it is more difficult and more time consuming to train new employees and also it is more difficult to assess the team members individually.

Regarding customer service targets, these are extremely flexible due to the diversity of the situations that may occur. For example, there is no targeted timeline related to sending the holiday tickets to the customer after booking because sometimes the holidays are booked with months in advance and the tickets are received from the tour operator closer to the departure date (A8), whereas in other cases, the passengers may book flight tickets over the phone from the airport with a few hours prior to departure (MM A4).

Multifunctional teams

The main feature of the employees interviewed during the research process is their passion for the business. SW says *"I still get excited when I book..."* (SW A2). It's the passion rooted in the years long experience and deep knowledge and understanding of the industry, services and customers. They know all about the business, therefore, whenever times are busy or silent, the employees are able to switch to other tasks, more urgent at that moment. All the agents do paperwork when the admin employee is not in the office, and vice-versa, when inquiries increase, the admin employee is responsible to take calls and offer minimum information to the walk-in customers, until one of the agents gets free (A8). NP mentions *"There's no hierarchy here, everybody does everything"* (NP A3). AM argues the same thing : *"whoever we are, whatever position we were we'd just roll up our sleeves and we'd do whatever job needs doing in the office"* (AM A5). Every day of the week, an employee is responsible to wash the coffee and tea cups, on a rotor basis (A8). SW remembers from her previous work place, when she was managing Coop Travel, that slow periods used to be filled all the time. Time was never wasted. Thus, employees were

analyzing the bookings from the previous week and called the customers in order to offer them additional services: airport or hotel parking, insurance, excursions, etc. With other occasions they were following up the customers that have enquired about holidays but haven't booked yet. SW still applies the same techniques in her current job as well. She mentions how valuable employees with initiative are. These employees will never ask what to do next. They always know what is to be done in order to make the work process smooth, regardless of their position (SW A2).

Suppliers' networks

The suppliers' networks have a tremendous role in Skyfare Travel's activity. When walking into the shop, the customer's sight is caught by colourful travel brochures which cover two of the agency's walls. All the brochures are printed by English and international tour operators and sent to Skyfare in order to help them in the sales process. The brochures are proper booklets of a few hundreds of high quality pages with information about destinations around the world. All the travel operators sending these brochures seek to make business with the agency and therefore send periodically their representatives for public relations visits (A8). The agency collaborates with a large number of travel operators: *"Being an independent you have a huge range of tour operators"*, states NP (NP A3). However the preferred ones are the reputable tour operators and the company never books with operators that don't have travel licenses (NP A3).

Skyfare collaborates with two main tour operators that have been identified during the observations session, JTA Travel and Olympic Holidays. The former offers packages around the world whereas the latter is specialised on a few countries, amongst which Greece, Cyprus, Turkey and Spain are the most popular. The business models of the two tour operators are very different. Olympic Holidays is a classic tour operator who collaborates directly with hotels, have their own airline and have their own representatives at destinations. On the other hand, JTA Travel does wholesale for bed banks and airlines, meaning that they book everything online, create a package, protect it with their license and sell it. The advantage between the two business models is the flexibility JTA Travels has in creating a package for any destination and also the lower costs incurred, as they do not have personnel on the field and the sales team can also be less numerous as in the case of a classic tour operator.

Another key supplier for Skyfare is their IT services provider. Understanding the importance of being present online, the business invested in this area from 2004 and 2009. The Project Manager in charge recalls: *"we provided a web design, web hosting, support and maintenance service to the two travel agency brands between 2004 and 2009"* (A6). Even though MM, one of the directors had high technical capabilities, he decided to outsource these activities. They did the same thing that Liker (2004) describes about Toyota, they outsourced parts of the business that didn't represent the core of their activity to specialised suppliers. The result obtained was a high quality product with no wasted time and costs. In

order to keep costs under control, the agency wanted to have the possibility of updating the information on the websites themselves, so they wouldn't need to have an ongoing contract with the IT provider for maintenance (A6). However, the IT Project Manager recalls how there has been a decrease in the investments Skyfare made in the past few years in IT services and they kept purchasing only essential services that enable the web sites to run, "*such as web hosting and domain names renewal*" (A6).

The suppliers' network created around the travel agency attracts providers with similar customer targets as the agency. For example, the manager of the luxury hotel chain Amathus mentions how they choose their collaborators among *"high street agents with loyal, high end customers"* (A6). This is how Skyfare Travel became a partner of the fine hotels located in Greece and Cyprus, by targeting a similar customer segment, high end customers, willing to buy high quality holidays in Greece and Cyprus.

Customer involvement

At the heart of Skyfare Travel's business is the customer. The services are created around the customer and adapted to the customer's demands. In lean, the customer is involved in product development, so that the organisation makes sure it creates a product shaped by its customers' needs and also builds customer's loyalty (Womack et al, 1990). Even though, Skyfare lets in large extent the product development in the charge of tour operators, the company still creates packages when its customers need tailor-made holidays. In these cases, the customers come to the agency and the tailor-made packages are created on demand, therefore the agency doesn't have to make an effort of engaging the customers. People simply come and ask for services.

The data collection for this research included methods of identifying the customers' perceptions about travel agencies in order to assess to which extent Skyfare Travel is aware of the travel customers' needs, opinions and preferences. The questionnaires realised among travel services customers unveiled the general views of customers about travel agencies. If the price were the same in a travel agency or online, half of the interviewed persons said that would prefer to book online, while the other half don't know or would book in the travel agency. The main criteria that would make people prefer a travel agency over online booking websites are better price (60%), convenient location (31%) and excellent customer service (26%) (A7).

Skyfare Travel's staff is aware of these needs and addresses them according to their possibilities. Regarding the customers wish of finding low prices or at least as low as online, MM mentions *"These days, people come and tell you the online thing [price], they ask you to match"* (MM A4). AM is also aware of the segment of the market which is price sensitive: *"the low-end is easily bookable online"* and because of that they focus on a different customer segment: *"Now we specialise more on middle to high end"* (AM A5).

The good location for their office has been a priority for Skyfare Travel since the beginning. They changed two premises, both in the centre of Sutton Coldfield in commercial areas, being surrounded by many shops and having their own park spaces (MM A4, AM A5, A8), so the "location" aspect has been acknowledged as well.

The excellent customer service, which the customers consider essential (A7), is the main key factor that differentiates Skyfare from their online competitors: *"the way we position ourselves these days is more on the service factor"* (MM A4), *"a lot of our clients actually now, think that generally booking on the internet is cheaper. But they still come to us because they want the service"* (MM A4), *"[we] want to give them that service, that they keep coming back, don't want to lose the customers"* (NP A3).

After the first three factors mentioned by potential customers in the questionnaire, price, location and customer service, the next in line is the need of complex tailor-made holidays for higher budgets (10%). The customisable holidays would be a service the customers would buy from a travel agency and not from the internet. Skyfare Travel is aware of this perception among its customers and tries to capitalise upon it, by becoming specialised on high end tailor-made holidays: *"if it's low end [holiday], it's bookable easily on the internet. If it's high end [holiday], often it's tailor-made tours [...] Now we specialise more on middle to high end"* (AM A5). MM argues how the perception among customers is that online travel services are cheaper than the ones offered by travel agents. MM states though, that this is the case for the low-end market and that the customers with high budgets feel uncertain to book online: *"When it moves to the middle and higher end of the market and more expensive holidays, then you start sort of losing faith and confidence in yourself when you're thinking of £2,000 or £5,000 holiday, you want to be sure that things will go right"* (MM A4).

Skyfare travel understood in a high extent how customers perceive travel agents. However, there are a few aspects that customers don't understand about travel agents. Very few of the customers interviewed were aware of the safety issue of booking packaged holidays through the travel agents. The holiday packages and the tailor-made packages are protected through the tour operator license, whilst booking online flights, accommodation and transfers separately, doesn't offer any guarantee. In case something happens and the flight is cancelled, the customer is left with the accommodation (SW A2). This advantage of booking through the travel agency has been mentioned by only 10% of the respondents.

Another aspect that some customers are not aware of is what services the travel agents offer. 5% of the respondents mentioned they would prefer travel agencies if they offered package holidays with transfers. This is the main service Skyfare Travel focuses on, package holidays, which always include transportation from the airport to the hotel and back, besides accommodation and flight. On the other hand, another respondent mentioned he'd prefer travel agents if they sold flight only services. This is again a very common service offered by Skyfare Travel, however, not all the customers know this. The

aspects that are not acknowledged by the customers help to identify a small gap in the communication between the travel agency and its customers. However, this gap represents also an opportunity for the agency to improve the customer involvement and collaboration.

Continuous improvement

Continuous improvement is the lean method that works on the attitudes of the team towards learning, becoming better and improving their work. It was defined in the literature as "the process of making incremental improvements, no matter how small, and achieving the lean goal of eliminating all waste that adds cost without adding to value" (Liker, 2004, p:39).

Looking back at the twenty-eight years history of Skyfare Travel, one can tell how focused the company was on continuous improvement since their early days. Initially they concentrated on technology: *"[we] embraced technology right from the start, since we started this business, since we opened the office and there was no computer system at that time. The first ones came through and we adopted them straight away. In fact we were the first computerised agency in the Sutton Coldfield area, even before the multiples like Thomas Cook and Thomson...we were the first ones to have an actual in house computer system, TARSC [...] In1989, we were the first agency who actually had that"* (MM A4). Later they purchase the top of the line multifunctional printer, making a considerable £10,000 investment in quality. The printer allowed them to print in-house marketing brochures, to print adhesive labels for the envelopes, adding therefore convenience and lowering the expenses incurred by collaborating with marketing agencies (A8). Then the company acquired the franking machine, for a professional and prompt postal stamping. The next step was to invest in websites for the two brands run under Skyfare Travel, in 2004 (A6), after the internet became a mandatory channel of communication between customers and businesses.

However, when the economic crisis started in England, in 2008, the business ceased any investments in technology for their office. The rapid evolution of the online travel businesses stole a considerable segment of their customers, mainly the buyers of low-end holidays and also left marks on the business owners: *"it's been particularly hard for a person like me who actually embraced technology right from the start [...] it pains me because I've always been in for technology... (he shows me a photo) it must have been 1988, this is my first laptop which I've still got at home, thick and heavy"* (MM A4).

Even though the business couldn't keep up with technology for the office and ceased to invest in the online channels, the attitude of the staff shows their willingness to lean, improve themselves and their work. NP recalls how the company director and secretary, AM used to work in the back office, doing the accounts and the administrative tasks and never sold holidays, until 2007 (NP A3). Asked how people become good sales men of holiday destinations, AM mentions: *"you read up, and if you're selling*

something, you soon get to know the destination. If you're good enough to do that, which comes with experience and knowledge..." (AM A5). Now AM is an excellent sales agent and she proves it every day through the high number of enquiries converted into sales (NP A3). SW, after twenty six years experience, is still eager to learn new things on the job and keeps an open mind towards improving herself: *"I've been on the job 25-26 years and I still don't know everything. So every day you can learn something new. if you're willing to learn...I mean I still get excited that I do business, I still get excited that I've booked £12000 holiday"* (SW A2). Driven by the reason to better herself, NP recalls how she took travel courses: *"I taught myself IATA and I know to do things that others can't do and I find it challenging"* (NP A3).

VI.1.4 Lean Tools

Analysing the empirical data obtained during the research lead to observing how hardly any of the lean tools described in the literature were used in the activity of the studied company. However, other tools have been identified that provided similar results.

In order to improve the information flow, the team uses electronic reminders in their CRM system. This way they are able to book seats on flights or print boarding passes the moment these become available. This happens usually with a certain number of days before the departure date of each holiday. The reminders are particularly useful when the person that created is not in the office when the reminder is scheduled, so another team member may perform the task. Another tool that improves the flow of information is to write notes on the physical and electronic files, describing the actions performed. This way, any member of the team can tell at any point what stage the booking is at, in case the customer enquires about it.

A tool that helps visualising the state of work, similar in a very small extent to the 'andon', is keeping the physical files of the customers at hand on a desk until the return date of the holiday. After the customer has travelled, the file is called "dead" and is stored in a drawer in the back office (A8). This way, the team follows the situation of each client and by visualising the file every day with notes regarding the necessary actions, they make sure all the paperwork is in order and all the arrangements are made by the time the passenger needs to travel.

The lean tools used by Skyfare Travel are different from the traditional lean tools used in the manufacturing, for the simple fact that the studied company operates in the services industry. The tools identified here are not specific to the travel industry and can be applied to any other service sector that involves administrative work.

VI.2 Skyfare Travel's Business Model

The business model framework created by Oserwalder et. al (2010) is built around the "nine building block" and was described in the Literature Review section. This framework has been used to analyse Skyfare Travel's business model. The interviews with the travel agency staff gathered important information about each element of the business model, and helped understand how these elements evolved and changed over time.

VI.2.1 Value Proposition

When discussing about the value proposition of their business, all Skyfare employees had similar opinions. This fact proved the staff understands thoroughly what their business delivers to the customers. For instance, SW mentions they offer a hassle free service: "*it's because they get fed up crawling through [the internet], because it's a complicated thing to buy especially if you don't know what you want. When you say you want a holiday, unless you know exactly what country you want to go to, it's a great big old world to sift through search engines*" (SW A2). AM speaks about the service as well, as a key element of their value proposition:" *it's face to face [service] and after-sales. If you book on the internet you don't speak to anybody afterwards. If they've got a problem, they can't contact that person. Or they will pay premium price to do it, 10p a minute or whatever...they know that as a travel agent we'll fight their corner [...] if they've got a problem they just file the complaint, and they can come to us so we can deal with it and sort it*" (AM A5). MM speaks about how the older generation still prefers their services for reliability and protection: "*A lot of our clients actually now, a lot of them we have for 30 years, a lot of them think that generally booking on the internet is cheaper. But they still come to us because they want the service and the reliability, financial protection, all sorts of things*" (MM A4). Besides good customer service, the team affirms they offer their knowledge, expertise and professionalism: "*the client might have the knowledge about where they're going, but they don't have the knowledge of how to put it all together so we can help them*" (AM A5), "*If you are a lawyer or in any other type of business, do you really want to sit down and spend all your time to do that and having all these questions unanswered or you want to stick to you guy who's been here before, just pick up the phone. He knows your plans, he knows all the trips that he's done for you throughout the years, he knows what you are talking about. So you just give him the days and he does it for you*" (MM A4).

Another meaning of what Skyfare Travel offers to the customers is identified by NP, when she speaks about how the socialising factor attracts customers to the shop: "*They come for…social…'cause you get to know [them]*" (NP A3).

Concluding, all the interviewed employees of Skyfare Travel acknowledge the same reasons why customers prefer their business over their competitors and the same benefits they offer to their clients: hassle free travel experience delivered through high customer service, knowledge, expertise and professionalism. This value proposition has been constant over time and in MM's opinion is the one factor which allowed them to stay in business all these years.

VI.2.2 Customer Segments

Skyfare Travel started their activity in 1985 by selling a niche service, holidays to Greece and Cyprus and in a small proportion to other destinations: "*probably 70% we did Greece and Cyprus*" (AM A5). The main customer segment targeted was a niche market, the Greek and Cypriot community from the UK ("*we had a big following of Greek Cypriot market, the* community"(AM A5), "*the big back-bone was the Greek travel market"(*MM A4)) and the secondary one, the local English people living in Sutton Coldfield where the agency was operating (MM A4).

After the fast development of technology and online travel services combined with the economic recession, Skyfare's target market was affected and changed: "*well, the internet has affected the business but from the lower end of the market because mainly people think that going online they're going to save*" (MM A4). Their shift towards specialising on a higher end market was affirmed by the other director, as well: "*Now we specialise more on middle to high end, where really our middle to high end was small before. […] if it's low end, it's bookable easily on the internet*" (AM A5). The acquisition of "Ross and Brown" determined the shift towards high end customers, as well: "*Ross and Brown were specialising in top market. It was up market*" (AM A5), "*As she's (AM) bought Ross and Brown, people have changed, they go on cruises, they go skiing... more varied" (*NP A3). As years have gone by, Skyfare witnessed their target customer segment getting older: "*the older generation remembers how it was before [the internet] and still prefer the service. There's a section of the population who wouldn't go and book on the internet. Because these people who are in their 60s-70s-80s, very few of them would actually sit down and do it*" (MM A4).

Analysing the opinions of the staff, it can be concluded that Skyfare Travel target market evolved and changed focus from a mass market segment travelling to Greece and Cyprus to a high end market travelling in luxurious holidays around the world. The Greece and Cyprus niche was still kept, but the volume of operations decreased. Examining the evolution of the customer segments, it can be observed

how this was triggered by the dynamic of the customers' demands. By keeping a close relationship with their customers, the two managers of Skyfare became aware of the decrease in demand for their services they were offering initially and understood the need to diversify and reposition their offering. They decided not to ignore the shift in their target customers' behaviour, which became more focused on booking online and consequently, they chose to extend their target segments and address people with other kind of needs. Therefore, the lean method "customer involvement" represents an influencing factor for the business model element, "customer segments" and may determine its evolution and change.

VI.2.3 Distribution Channels

The channels refer to the ways "a company communicates with and reaches its customer segments to deliver a value proposition" (Osterwalder et al., 2010, p:26). The channels used by Skyfare Travel to communicate with the customers are the traditional ones, the shop counter and the phone. The travel documents are either mailed or handed in to the client in the shop (A8).

Related to the online channels, NP mentions: *"Unfortunately, I don't know why we haven't gone down that route. We have got a website but ....some travel agents have got that far now and let people book online and advertise online which I suppose is good, but we've never got that far, you can't see so much online"* (NP A3). Asked why they haven't developed their online channels, one of the directors mentions how they preferred to remain faithful to what they knew best, offering the best service over the counter, instead of going down an unknown path that could have jeopardised their entire business and make them lose everything (MM A4).

From the interviews with the staff it was obvious how the distribution channels didn't change over time. Skyfare's expertise and professionalism has been delivered to the customer, faithfully, over the counter of their shop for the past twenty-eight years.

VI.2.4 Customer Relationships

The customer relationships represent the "type of relationships a company establishes with specific customer segments" (Osterwalder et al., 2010, p:28). Osterwalder et al (2010) identify the motivations of customer relationships as: customer acquisition, customer retention and up-selling. All these factors determine the customers' relationships between Skyfare Travel and its clients (AM A5, SW A2). In order to increase customer acquisition Skyfare's staff takes advantage of every opportunity to sell when customers step into their agency:*"if a client comes to me once, I'll go book her, I won't let him leave that door unless they book a holiday, but I do it in a nice way, cause the trouble is, once you let them out the*

door, you lose them" (NP A3). AM speaks about the after-sales service she offers to the customer and also how she keeps in contact with them, after they travelled, as a means of customer retention: *"And we send letters after they travel saying if they had a nice holiday because we want them to come back"* (AM A5). SW mentions how in the slow days they used to call customers that were going to travel soon and would up-sell additional services like car parking at the airport (SW A2).

Skyfare's customers all benefit from dedicated personal assistance. The dedicated personal assistance "involves dedicating a customer representative specifically to an individual client. It represents the deepest and most intimate type of relationship and normally develops over a long period of time" (Osterwalder et al., 2010, p:29). This is how all the clients of Skyfare are treated, they have their own travel agent that gets to know them over time and they grow to have a close relationship: *"Carol (one of the homeworkers) she had her own travel agency, all followed her. They were all so loyal, all of them have come to us. I think she's lost a few but ... there must be hundreds. They still follow her, because they want that service of her. She will go and hand deliver the tickets, or she will go and collect the money, from companies, she'll go to lunch with them. I made friends to my customers and they invite me places and I'd go, but I think that's the whole thing of how you keep them. A bit of PR, they become your friends, not just your clients, your friends."* (NP A3).

Very much related to the value proposition, the customer relations in Skyfare travel are based on exceptional service delivered through the shop by a dedicated travel agent. The customer relations remained constant over time, with a slightly higher focus on retention at the moment: *"A lot of our clients... we have them for thirty years and still come to us"* (MM A4).

VI.2.5 Key Resources

The key resources represent the "main assets used to make the business model work" (Osterwalder et al., 2010). According to the observations collected during the six months of research, the human resources are very important to the business, and in peak periods, they struggle to be able to serve all the customers. For example, when due to an accident, one of the travel agents was unable to come to work for a month, AM extended her own work week from five days to six days, and they have used an external part-timer for the admin tasks two days a week (A8). Due to the economic downturn, the company had to decrease the number of employees: *"Twenty years ago, we probably had nine staff and in our current position we have four staff and the two home workers"* (AM A5).

The main physical resources are the office space, the computers and printers (A8) and in terms of intellectual property they own the CRM system and the databases of customers: *"we use our inhouse*

system which is called Tarsc" (AM A5), *"we bought a client base, a company called Azure travel ...so we acquired that just to get it to build our client base"* (AM A5).

The key resources used by the company in its activity didn't change much over time. The only obvious change was the one in the human resources which decreased in number. Simultaneously, the home-working type of collaboration emerged, where agents are working a few days a week in the office and a few days from home, earning only from sales. In terms of the human resources, it can be observed how the dynamic of the key resources has been affected by the lean method, waste elimination. Due to the need of eliminating unnecessary costs with personnel, the agency started collaborating with self employed travel agents, and changed thus the structure of their key resources.

VI.2.6 Key Activities

The key activities are "the most important thing a company must do to make its business model work" (Osterwalder et al., 2010, p:36). The key activities of Skyfare Travel evolved and changed over time. The key activities that take place in the office can be categorised under the following main areas: Sales, Marketing and Administrative.

Skyfare Travel's role initially was more of a tour operator as they were organising their own packages. They acted as consolidators for airlines: *"we probably had five thousand seats as a tour operator and consolidator. Consolidating is having special fares. So you own a set fare to the tickets which is better than the public would see or other travel agents would sell. And these you could sell on their own or package with accommodation and sell package holidays"* (AM A5). After the industry regulations changed, they reduced their role as a tour operator *" then we gradually reduced our license, we reduced down to five hundred, which is where we are now"* (AM) and after that focused mainly on selling holidays packaged by other tour operators.

In terms of marketing things changed dramatically. Initially, before the internet existed, the company used traditional means of promoting their business, by advertising in the local newspaper and in the Yellow Pages directory *"we'd advertise in the Yellow pages all over the country... We advertised in the local papers. And all we had was a tiny advert which was five lines probably cost a hundred quid but you would get so many calls"* (AM A5). After the developments of the internet services that caused the Yellow Pages and the local newspapers to decrease in popularity, the company ceased their advertising efforts.

A marketing activity the company remained faithful to over the years was direct mailing: *"So we'd buy a phone book for the areas we wanted. It was mainly areas where there was a big Greek community. So*

Mansfield, Nottingham, Manchester ...we'd have all these directories, and we'd would go through the directory and pick the Greek names from the directory" (AM A5). The direct mailing includes brochures created and printed in-house and is an activity still performed by the company after so many years, because it is the only one that still brings sales (A8).

Recently, the company was given the possibility of outsourcing the direct mailing to the consortium they are part of. This way, they may focus on their core travel business and allow a specialised team to deal with the professional design and print of brochures. The costs incurred could be even lower than the ones incurred for the same activity performed in-house (MM A4).

The administrative tasks performed in the office suffered great changes over time as well. AM recollects how they used to hand-write tickets, then they switched to a special printer for tickets in order to move a few years later to e-tickets (A8). NP remembers how at the beginning they used to share a computer in the whole office, so most of the work was performed manually. Whereas now, if the internet connection is down, it may paralyse the entire activity, as the business is completely dependent on it (MM A4). Even thought the administrative tasks simplified through the use of computers, the paper-work necessary for each booking is tremendous: *"I think it's more paperwork than really selling holidays"* (NP A3).

Concluding, many the key activities in the office changed considerably over the years. Among the influencing factors of these changes, there can be observed the lean methods: "pull" determined the change from using stocked inventory to buying the inventory only when the demand exists; "waste elimination" lies at the ground of outsourcing the direct mailing to the consortium; "continuous improvement" determined the use of technology to simplify the activity in the office. However the core activity of the business, selling holidays, changed very little and only allowed the personnel to get better at what they were doing. MM reckons that the reason why they stayed in business for so many years is the fact that they remained faithful to what they knew best (MM A4).

VI.2.7 Key Partners

"The network of suppliers and partners that make the business model work" (Osterwalder et al. 2010, p:38) is essential to Skyfare Travel's activity as their role, to a large extent is to intermediate a service put together by tour operators. Therefore, the product development activity is left for the operators. Skyfare acts as a Sales force for the tour operators and focuses on keeping the relationship with the end customers, and less on creating packages themselves.

However, at the beginning of their activity Skyfare's role as an intermediator, as a travel agent was small. The dominant role was as tour operator, who creates packages for the niche market, willing to travel to Greece and Cyprus..

A very important element of the partners network for Skyfare Travel is the consortium they are part of, Elite. The independent travel agents from the Midlands region in the UK joined together to form a consortium. The purpose of this is to obtain better deals from their suppliers. The consortium is beneficial to the tour operators as well, because if they negotiate a deal with a consortium, they will obtain a higher volume of bookings from the travel agents (NP A3). A travel agent member of the Elite consortium speaks about the diminishing number of suppliers in their market: "less and less suppliers are looking at us to sell their products" (A6). The lack of suppliers has been mentioned and explained by SW who noticed how their suppliers want to address the customers directly, without using intermediaries, so they avoid the travel agent (SW A2). Another relevant opinion that points out the same thing belongs to one of the managers of an exclusive hotel chain Skyfare collaborates with. He declares they started "marketing their offer directly to end customers in the past ten years", but mentions they are trying not to jeopardise the relationship with the tour operators (A6). This is one of the main roles Elite consortium has, to find suppliers and to obtain good deals for its travel agents members. NP recalls one of the accomplishments of the consortium was to obtain prices for the Thomas Cook holidays equal with the prices advertised online by the tour operator. This way, the agents didn't have to compete against the internet on the Thomas Cook holidays. However, this situation hasn't been solved yet with other important tour operators, such as Thomson (NP A3).

NP mentions how the members of the consortium don't work against each other, but actually collaborate by consulting each other on diverse travel issues. AM speaks about the regular meetings organised by Elite and says how they facilitate discussions and ease the understanding of any regulatory changes. The meetings are aimed at keeping the members updated with information and industry news (www.elitetravelgroup.co.uk). The consortium of travel agencies encourages collaboration and learning among its members, and not competition.

Concluding, the changes in the key partners used in their activity over time, were triggered by various factors. For example, due to the demanding regulations of the flight carriers and due to the increasing risk of booking seats in advance, Skyfare Travel gradually moved from being a tour operator to being a travel agent. In order to limit losses with being left with unsold seats, the agency preferred to start selling when they the demand. As a travel agent, they could always book a holiday when the customers asked for it, unlike the situation of a tour operator when they were buying services in advance. It can be observed thus how the lean methods "waste elimination" and "pull" can influence the key partners in a business model. On the other hand, the need to learn and improve themselves through the collaboration with other similar business, influenced the travel agents to ally and create a consortium. Another reason for creating the consortium was the decreasing number of tour operators due to the economic recession, which caused

prices to rise. The agents needed better prices in order to offer a competitive service to their clients, therefore the consortium proved a very profitable opportunity. This shows how the lean method "continuous improvement" may have an influence on the "key partners" element of the business model.

VI.2.8 Costs and Revenues Model

"The cost structure describes all costs incurred to operate the business model" (Osterwalder et al., 2010, p:40). Skyfare Travel has fixed and variable costs in running the business. According to one of the managers, there are fixed costs like the rent, salaries, bonds for the travel licenses and variable costs like the phone and internet bill, the travel operator license. The costs generated initially with creating packages themselves as a tour operator have been replaced later with costs with travel agents for packaged holidays.

The revenue model includes "the cash generated by the business from each customer segment" (Osterwalder et al., 2010, p:30). The source of revenues represents the payments the customers make for their holidays. The earnings obtained by deducting the costs from the revenues are actually *"commissions and booking fees"* (AM A5).

The costs and revenue model stayed fairly constant over time. However, one difference is in the commissions received from the tour operators which have been decreased or completely eliminated by the majority of flight operators. Another difference is represented by the costs of operating the business which have been driven down in order to be able to stay profitable: *"We cut costs big time, made changes to the way we work, the number of staff we've got. Electricity, turn the signs off all around the shop. More or less that was half the electricity bill. Looking for better deals on our phone contract and cutting the stationery to the bare minimum, forget about all the stock that we used to have"* (AM A5). The managers identified the sources of costs that didn't add value to the customers and eliminated or decreased these wastes. Another wasteful source of costs was the high number of employees. By using multifunctional teams formed of employees able to accomplish a multitude of tasks, the business was able to decrease the costs with the monthly wages. This fact shows how the lean methods "waste elimination" and "multifunctional teams" influence the cost structure of the business model.

VI.3 Business Model Innovation in Skyfare Travel

Business model innovation represents a new way of creating value, by altering one or more of the elements of the business model (Amit, Zott, 2001; Teece, 2010; Osterwalder et al. 2010; Chesbrough 2010). Analysing the activity of Skyfare Travel over the years, it may be observed how certain episodes

caused a renewal of the business model, affecting several elements of the business model in place at the time.

The first episode was the adoption of computers, which took place in 1989, four years after the company was created. Skyfare became the first computerised agency in Sutton Coldfield. The advantages of this strategic movement were obvious and immediate: *"[technology] was helping me a lot along with things that we do in the office, I saw that you can organise your work a lot better and that you can take a lot of the boring paperwork out of the way"*(MM A4). Therefore, the key administrative activities were changed from doing everything manually, for example book- keeping, to doing them on the computer, through a specialised software. Being able to print the travel documents translated in more value for the customer, as the customer wouldn't need to wait to have the papers written by hand, and the overall quality of the service would be much higher. For the business, this change had an impact on the cost structure as well. Buying the computers and printers involved a high expense for the business, however on the long term the expenses with the paper have been reduced, as they decreased the amount of paperwork.

This change may be classified as business model innovation, as it alters in a high extent an element of the business model, the key resources. As a consequence of this, other business model elements were influenced and changed, like the key activities and the costs structure. According to Osterwalder et al. (2010), this type of business model innovation is "resource driven", as the innovation is generated in the "key resources block" and then other blocks are affected.

The innovation of the business model through the adoption of computers is considered to be incremental, as it deals with a minor, incremental improvement (Tidd, Bessant, Pavitt, 2005).However trivial it might have seemed at the beginning, this innovation had a positive effect on the business, as it helped them get accustomed with the technology at an early stage. Being an early adopter helped Skyfare have a competitive advantage over similar business who only adopted technology when it became mandatory for staying in the trade. However subtle, this innovation "still yielded important benefits to the innovator" (Amit, Zott, 2012, p:44).

In this business model innovation initiative, the directors followed the business model innovation phases contained by the theoretical framework: problem recognition, opportunity identification, development and implementation. They have identified there was a problem with the high amount of paperwork at the time. The opportunity recognised was to adopt technology as a means of decreasing the amount of paperwork and also as a means of differentiation from the competitors. The development and implementation of this opportunity was to equip the office with computers, train the employees and adopt the specific travel agency software. The consequence of this process was the generation of a subtle incremental business model innovation.

Analysing the reasons that led to this innovation, a connection with the lean philosophy can be found. The adoption of computers in the travel agency is part of the continuous improvement lean method, which the agency has been applying since its early years. It can be observed how continuous improvement, through the adoption of technology, influenced the key resources and key activities of the business model and generated incremental business model innovation. However, if continuous improvement had been applied consistently by Skyfare Travel, this might have generated even disruptive business model innovation. One of the methods of applying continuous improvement could be keeping up to date with technology.In this case it translates into adopting the online sales channels, which became a growing practice for this industry. A relevant example of disruptive business model innovation through continuous improvement is one of the agencies interviewed in the research, part of Elite consortium. This agency was an early adopter of the benefits the online environment provided. They extended their shop based activity with online booking services, and currently operate successfully on both channels (A6). Another example could be the online accommodation booking websites, e.g. booking.com or expedia.com. If Skyfare Travel had changed their classical distribution channel with the online channel, they could have benefited from disruptive business model innovation, bringing something new to the industry at the time and renewing completely their business model.

A second episode with an impact upon the business model was the gradual movement from a business with a predominant role as a tour operator towards a business with a predominant role as a travel agent. As a tour operator, Skyfare was buying airplane tickets and accommodation in advance. If they didn't sell these tickets and accommodation they would lose the money they paid. Therefore, in order to eliminate the risk of losing money, Skyfare started gradually to diminish their activity as a tour operator. In the same time, there was also pressure from the airlines that determined them to prefer working as a travel agent:*" It was getting more difficult ...we had to buy less, but at the same time Cyprus airways was having ('cause Cyprus airways had committed seats) difficulties and started putting us under pressure to buy those seats […] then they started to change the rules on our ABTA license, then we reduced down to five hundred (seats). We had about five thousands (seats) in our peak"* (AM A5).

This change altered essential elements of the business model. The key partners were affected, because the agency switched from suppliers of accommodation and flights to suppliers of already packaged holidays. The costs structure was modified, as the new costs incurred were for holiday packages and before the costs were represented by wholesale rates for flight tickets and rooms. Even though the costs with the packages increased, in the same time, the agency decreased the costs with their local representatives at destinations. The revenue streams were modified as well, because the profit Skyfare was making from the sale price of the holidays was replaced by commissions coming from the partner tour operators.

The "epicenter" (Osterwalder et al., 2010) of this episode of business model innovation can be considered to be the costs and revenues model. Therefore, this innovation was "finance driven" (Osterwalder et al., 2010, p:139). This is because this change had its roots in the high risk undertaken by Skyfare with booking seats in advance. The potential financial losses they could have had drove the management of the business to gradually diminish their role as a tour operator.

Considering the degree of novelty of this change from tour operator to travel agent, it may be said that it is an incremental business model innovation. This is because this change in the business model doesn't have the potential to change a sector of activity or the whole basis of the society (Tidd, Bessant, Pavitt, 2005).

This business model innovation episode happened gradually. Asked about the steps they took to change the emphasis from tour operator to travel agent, MM reckons it wasn't a clearly phased process: *"It doesn't happen like this, it's not easy to say: yes tomorrow I'm going to do this. You can influence the situation up to a certain percentage, after that it's totally beyond your control. And it's a matter of luck and it's a matter of how things develop, how clients come to you…"* (MM A4).

Even though unconsciously, the directors followed the business model innovation phases described in the theoretical framework: problem recognition, opportunity identification, development and implementation. They have identified there was a problem in their business model as a tour operator: the risks undertaken were threatening the business existence. The opportunity spotted was to play safe under the travel agent hat. The development and implementation of this opportunity happened gradually, by modifying their supply chain and key activities. And the result of this endeavour was the generation of business model innovation.

Analysing how this gradual change started, another connection with lean can be observed. The agency wanted to avoid the risk of booking in advance flights and accommodation. They wanted to avoid having accumulated inventory because of the expenses incurred by this situation. They wanted to change from push to pull, from having to sell already bought inventory to selling only when the demand existed. By adopting the pull method, several elements of the business model have been affected, starting with the costs and revenues model and continuing with key partners and key activities. This way incremental business model innovation was generated through the adoption of pull instead of push.

The third episode that affected the business model was the acquisition of a local travel agency, Ross and Brown. This acquisition allowed the company to diversify their offering and their target customer segments. The decision to buy the company was determined by the need to target a new customer segment apart from their niche market, focused on Greece and Cyprus. AM recalls the reasons why they bought Ross and Brown: *"because with the ways the travel industry changed, with the internet, the turnover was going down, the business was getting harder, so we said to buy another company,*

amalgamate them and also to diversify what we were doing, which was specialised on Greece and Cyprus" (AM A5). Their existing business at the time found it hard to sell other destinations, especially because of their trade name: *"up to that time we were actually linked with Greece and Cyprus only because of our name, although we tried as much as we could to promote the other parts as well...But we couldn't do it because we were humbled by the name, Greece and Cyprus Travel"* (MM A4). A secondary reason for the acquisition was also related to the shop premises: *"the lease of the shop was actually finishing at that time so we had a choice of renewing it and stay there and move out"* (MM A4). Because of the difficult relation with the landlords and the increasing price, Skyfare decided to move (MM A4).

The result of the acquisition was to adopt the "up market" customer segments, which Ross and Brown was specialized in. As a consequence, the services offered have changed: *"So we're probably now 30% if that, Greece and Cyprus, to 70% other destinations. Now we specialise more on middle to high end, where really our middle to high end was small before"* (MM A4).

This change altered essential elements of the business model. The "epicentre" of the innovation was the "customer segments" block of the business model. Therefore, the innovation was "customer driven" (Osterwalder et al., 2010, p:139), as it was based on satisfying more customers' needs. The new segments targeted were the local high end market (AM A5). Together with the new customers segments, the value proposition was slightly influenced as well. From delivering only a hassle free travel experience to Greece and Cyprus, now to the value proposition they added hassle free high end travel experience towards destinations around the world. The cost structure was massively affected by the investment in the new company (MM A4). The key activities were affected, as well, as the team extended with the bought company's employees. Together they trained each other to deal with the old and new customers.

Considering the degree of novelty, from Skyfare's point of view, this business model innovation was disruptive. This is because it changed in a very large extent the existing business model of the company. However, from the industry point of view, this business model innovation was incremental, as it wasn't something completely new to the world (Tidd, Bessant, Pavitt, 2005).

This business model innovation episode was built following the business model innovation phases contained by the theoretical framework: problem recognition, opportunity identification, development and implementation. The two directors have identified there was a problem with being able to serve only a niche market, especially because of their trade name, "Greece and Cyprus Travel". Because of the name, they couldn't diversify their offering. The secondary problem was the expiration of the lease for the shop premises and the perpetual difficulties with the landlords.

The opportunity emerged, as the two directors found out that "Ross and Brown" was for sale. *"It was an ideal opportunity"* (MM A4) because it was able to solve both problems the agency encountered. The development and implementation of this opportunity was the acquisition itself and the integration of the

two businesses that started operating under the same roof. The consequence of this process was meeting extended customer needs and serving a wider market segment.

Analysing the determinants of this business model innovation episode, again a connection with lean can be observed. The need to diversify their offering, to become specialised in something else is a consequence of the customer involvement. The customer feedback at the time was revealing increasing unmet needs of travelling to other destinations than what the company offered and a decreasing demand of the existing destinations, Greece and Cyprus. Therefore, the customer involvement lead to the acquisition, which influenced dramatically elements of the business model, like the customer segments targeted, key activities, key resources and costs and revenues model. This fact generated disruptive business model innovation from the company's point of view and incremental business model innovation from the industry's perspective.

Concluding, in the activity of Skyfare Travel, the lean philosophy influenced several elements of the business model. It has been shown as well that the lean philosophy has the capacity to generate business model innovation, even though in the present case study, the innovation was only incremental. These facts contributed to building the answer to the problem statement of this thesis, which will be concluded in the next section.

VII. Conclusions

The purpose of this thesis was to explore the connection between two concepts, lean philosophy and business model innovation and to understand how lean may influence business models and contribute to business model innovation. The study was lead by the following problem statement:

> **How May Lean Philosophy Impact Existing Business Models and Contribute to Business Model Innovation in Travel Agencies?**

After formulating the problem statement, the researcher of this thesis chose the case study from the travel agencies industry. The choice of the travel agencies business was governed by considerations related to the uncertain position of this type of business in the current economic environment. The travel agencies' business is threatened at the moment by the dramatic decrease in customers due to the online travel services and by the ageing customer segments. Therefore, it was identified how this industry was in high need of finding a business model innovation method which would not compromise the quality of their service, the values they believed in or their financial situation. In this context, the researcher of this thesis sought to explore the potential influence of the lean philosophy on business models and business model innovation, having in mind that the lean implementation results in high quality services, high moral values and also allows keeping the costs under control.

In order to build the answer to the problem statement, the data obtained through the research has been analysed from the perspective of the theories on the two topics, lean and business model innovation. Firstly, the activity of the studied company was examined in order to show how it adopted the lean values, principles, method and tools. Secondly, each element of the business model has been studied in order to understand how it evolved over time. Afterwards, the influencing factors of the evolution of the business model elements have been identified among the lean elements. Lastly, a few major episodes of business model innovation have been chosen from the company's history. The analysis of these episodes has shown how lean elements represented influencing factors for the business model innovation. Therefore, the following conclusions may be drawn:

1. **The lean values may set the direction of the business but do not influence the business model elements.** Having high moral values and business ethics, doing the right thing for the

customers, employees and the community (Liker, 2004) represent standards that guide the activity of the studied company. However, these values alone did not prove to have the capability of influencing the evolution of the business model.

2. **The lean principles Just-in-time and Jidoka offer a guideline for the activity but do not impact the business model.** It was demonstrated how Just-in-time and Jidoka guide the activity of the studied company, as its employees are committed to delivering the service "instantaneously with perfect quality and minimum waste" (Bicheno, 1987 in Voss, 1987) and to "getting quality right the first time" (Liker, 2004, p:141). However, in this case study it is not the principles that impact the business model elements, but the methods, which represent the immediate lower level of abstraction in lean definition, after the principles.

3. **The lean methods influence and contribute to the change of certain business model elements:**

   The analysis of the empirical data showed how the studied company applied a selection of lean methods in its activity. These methods proved to have an influence upon the business model "building blocks" (Osterwalder et al., 2010), determining these elements to evolve and change over time. The relationships between the lean methods and the elements of the business model are as follows:

   - Flow influences the key activities;
   - Pull influences the key partners and key activities;
   - Waste elimination affects the key resources, key partners, key activities and the cost structure;
   - Multifunctional teams influence the cost structure;
   - Continuous improvement affects customer segments, distribution channels, key resources and key activities;
   - 'Customer involvement' influences the 'customer segments'.

There are also lean methods that couldn't be proved to influence the business model elements in the current case study. According to the literature review, 'standardisation' has the potential to change the 'key activities', because it represents a method of spreading best practices across the organisation. However the current case study didn't provide relevant information on this topic, because 'standardisation' hasn't been among the methods thoroughly used by the business.

Building the 'suppliers' networks' did not represent an influencing factor for business model innovation in the current case study. On the contrary, the 'supplier's network' was a consequence of the business model innovation episode when the company reoriented from being a tour operator towards being a travel agent. The episode was triggered by the willingness to avoid unnecessary risk and by moving from 'push' to 'pull'. And the consequence of this movement was the necessity of building a different supplier's network.

4. **The lean tools do not influence the existing business model elements.** The lean tools described in the literature could not be recognised in the current case study, however different lean tools have been identified. These tools were discovered studying the travel agency business, but are not exclusively applicable to this activity, and could be generalised to other services as well. The identified tools are reminders and notes in the CRM system, or a method of keeping the work-in-progress files visible, on a desk with the purpose of improving the information flow. These tools contribute to the application of the lean methods which influence the business model elements. However, the tools themselves do not impact the existing business model.

5. **The application of certain lean methods generates incremental business model innovation.** It was shown how methods like 'continuous improvement', 'pull' and 'customer involvement' represent triggers and influencing factors for business model innovation for Skyfare Travel. Analysing the business model innovation episodes that occurred along the company's history according to their degree of novelty, these episodes represent incremental innovations. Therefore, it may be stated that certain lean elements generate incremental business model innovation. The potential of the lean elements to influence disruptive business model innovation may represent an aim for further research.

The answer to the problem statement is that the lean philosophy impacts the elements of existing business models through the lean methods. The other elements of the lean philosophy, lean values, lean principles and lean tools, have a positive role in guiding the activity of the business, however, they do not affect the business model elements. Simultaneously, the lean philosophy contributes incrementally to business model innovation in the studied travel agency.

This answer is valid for the case study company and could be generalised among the members of the traditional travel agencies industry. The generalisation may be done taking into account the fact that there are no significant differences between the activities of various traditional travel agencies, as the primary

data collected for the research has shown. The answers of similar travel agents part of the same consortium with Skyfare Travel, as well as the answers of SW related to her previous work for another travel agency proved how various travel agency use similar business models.

The extent to which lean influences existing business models and business model innovation could depend also on the degree and consistency of lean philosophy application. The data obtained through the current research offers an example of a Birmingham based business (A6) which applied a lean method more consistently than the studied company. The lean method of continuous improvement (translated into adopting the newest technologies and understanding and following the market trends) generated disruptive business model innovation for the business, which operates now in parallel on online and traditional channels. However, the data related to this example was limited; therefore this could represent an interesting starting point for future research, to show the potential of lean methodology to contribute to disruptive business model innovation.

This research represents a first exploratory attempt to put together the two concepts, lean and business model innovation and understand how the former can influence the latter. The main contribution brought by this thesis, from the researcher's perspective is that it showed how lean has the potential to generate business model innovation. Given that the existing literature doesn't provide studies which analyse the way lean and business model innovation interact, this research is considered to bring a small contribution to the literature and more so, to foster the curiosity for further research on the topic.

Future research is necessary in order to deepen the understanding of the role lean may have in business model innovation. This thesis focused on studying a company from the travel services industry. It would be very interesting to understand how lean influences business models in other type services and furthermore, how it may affect manufacturing business models.

VIII. Managerial Implications

This section is aimed at presenting the managerial implications for Skyfare Travel, as a result of the analysis of the empirical data obtained during the research.

Using a critical approach, it may be said that the lean philosophy has been guiding Skyfare Travel activity to a large extent, nevertheless the business still needs to take a few steps in order to become lean, e.g. increase the standardisation in order to simplify and add quality to their daily activities, increase the degree of engagement of the customers in their activity, eliminate waste through moving a higher extent of the paperwork into the computer system, etc. The innovation potential of lean has been demonstrated, therefore the leaner the activity becomes, the higher the chances are to witness business model innovation.

An outcome of the customer survey conducted part of the data collection is related to the lean method, 'customer involvement'. The survey showed that very few people know the real benefits of booking holidays through a travel agency, compared to the online websites. The results of the survey show that only 10% of the respondents are aware of the protection they obtain through buying a package holiday through a travel agent. 90% are unaware that booking online flights, accommodation and transfers separately, doesn't offer any guarantee and should the flight be cancelled, the customer would be left with the accommodation. This fact represents an opportunity for Skyfare Travel to promote their activity and increase the customer involvement and awareness about their business.

Another result generated by the survey was that some customers are not aware of the types of services the travel agents offer. 5% of the respondents mentioned they would prefer travel agencies if they offered package holidays with transfers, whereas this is the main service Skyfare Travel focuses on. On the other hand, another respondent mentioned he'd prefer travel agents if they sold flight-only services. This is as well a very common service offered by Skyfare Travel, however, not all the customers know this. Skyfare Travel could use this situation as an opportunity to improve communication with the customers, by increasing their presence online with short articles or posts in the social media that lets the customers know about their true value proposition.

The method of conducting questionnaires among potential customers may be realised periodically in order to identify aspects that could improve the relationship with the customers. This can also help to stay updated with changes in customers' preferences and behaviour which could be useful for the future of the company.

As a consequence of the observations made in the office during the six months of the research, a set of recommendations related to the lean method 'waste elimination' emerged. It was observed how the customer information and documents were duplicated, by being kept in a physical file as well as electronically, in the CRM application. The physical documents like invoices, tickets, and payment receipts could be scanned and saved electronically. Email confirmations could be attached to the file as well. Eliminating the paper files and storing all the information in the CRM could contribute to decreasing the administrative work that doesn't add much value to the customer's experience. In the same time, several accounting actions that take place at the end of every month can be reduced. For example, the manual input of the receipts and the accounts codes into the computer system could be replaced with reports extracted from the CRM system with the specific information. The accounts codes should be introduced in the CRM when receipting the payments.

Another managerial recommendation resulted from the analysis is that the customer flow in the travel agency should not be considered separately for every interaction with the customer. The team should focus on optimising the whole interaction with a customer, from the moment he enters the shop to book a holiday and to the moment he comes back into the agency to book the next holiday. In order to optimise the customer flow the agency should make sure they offer all the necessary information from the beginning, so that the customer doesn't return with questions. The staff can ensure a smooth flow when travelling to and from destination by collaborating with top suppliers that do not cancel or change flights or other arrangements. By offering a flawless service, the agency ensures the customers will return to them to book again. The business is therefore responsible at optimising the customer flow and eliminating potential wastes even for the periods of time when the customer is not in the office.

Concluding, using the lean philosophy may represent a viable option for any company struggling with an out-dated business model. Usually, a complete business model innovation would require important investments and would add a higher risk, because the business would start operating in a completely new environment without having the necessary expertise. Lean philosophy implementation, however, represents a gradual change and would not add pressure on the business pecuniary resources. On the contrary, lean would boost the quality of the service and the high productivity simultaneously.

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Appendixes

Appendix 1 – Interview Questions Guide

INTRO

I'm writing my master's thesis on business model innovation with a focus on travel industry, more specifically on traditional travel agencies. In other words, I want to study how the activity of travel agencies changed and adapted to being able to survive the economic decline and the internet threat. My interview includes general questions about the activity of a travel agency, how it works, how it makes money and how it changed compared to 10-20 years ago.

QUESTIONS

Introduction

1. How long have you been working in the travel industry? Tell me a little about your background?

Business Model

2. I want to talk a little bit about your business model, how it looked like at the beginning and how it is right now. I will start with asking you about the services you used to offer. How did they change over the years? Has your offer increased, diminished, became more specialized on niches?

3. Tell me about the target customers. Who were the main customers back then and how did they change?

4. There is an established marketing idea that customers buy results, not products- for example they don't buy a dishwasher but clean dishes. What is the value, the result your customer buy from you? Which are the reasons a customer should come to you for a holiday instead of booking it online?

5. In comparison to online booking web sites, what do you think are the limitations for customers of booking through a travel agency?

6. Which are the main sources of costs for a travel business? How is the revenue generated?

7. What are customers really willing to pay for? Where can the largest margins be achieved?

8. I would like to ask you now about your competitors.

I know you are part of a consortium, called Elite. What are the advantages of being a member?

I understood you don't act as competitor to other agencies but as a partner. How was the situation 20 years ago? Was the competition between shops fierce?

Environment

9. I would like to talk now a bit about the environment of your business (trends, changing customer needs, technology, economical environment) and how they affect your business. Let's start with the recession and how it has affected your business?

Did you think to do packages within the UK as a response to the crisis ?

10. Please tell me which are the main technology trends in the travel market and how are these likely to affect your business?

11. Internet has been viewed as the "enemy" of the traditional travel agency. Is it true or are there benefits of this, as customers are now more informed, find out more about the destinations they want to travel to and the closure rate is higher for the travel agent?

12. Tell me about societal trends. Which shifts in societal behaviour have affected your business over time? Have the customers modified their preferences or their behaviour regarding holiday bookings?

13. How about regulatory trends? Have they influenced your activity in any way? (licenses, rules regarding commission caps)

14. To what extent have external influences (e.g. recession, the decline of the traditional travel industry) driven you to decrease your costs? Please give major examples.

TEAM

15. Do you outsource any of your office activities? (e.g. advertising, accountancy, cleaning)? If so, please state which and why?

16. How did this change compared to 10 years ago?

17. According to the specific of the travel industry, the activity in your shop may have peaks and slow periods. Do you rotate the tasks among the members of the team according to the work volume, for example having admin workers doing bookings or talking to the customers? please detail

18. In your team you have full time, part time employees and collaborators. How would you describe in a few words the culture of your team? What is the main guiding principles of all your employees?

19. I know some of your staff have been here very long, tell me how do you motivate the employees? Did you think it might be cheaper to work with interns?

PROCESSES

20. I am interested in the process that follows after a customer comes to your shop interested in holidays/flights, etc, Are there any targets which need to be reached, in terms of time of response?

How long does it take from the moment a customer decides what he wants until the booking is done?

21. what if the customer comes and wants to talk for 30 minutes before booking a flight. Is there a way you could minimize this waste of time?

22. In your shop you have people working 3 days week or people working 4 days week. So I assume there are situations when a customer enquires Natalie for example for something on Monday, and Tuesday when he calls back or comes back into the shop he is dealt with by somebody else. How do you ensure that the customer's request "flows" and doesn't get stuck because people don't know about the customer's situation?

Does the customer's inquiries flow through the system of your organization or there are situations when they get stuck? Which are the cases of them getting stuck? Are there cases of queues of customers?

23. Going back to the packages you offer - Are your packages customized in all the cases or you also sell pre-configured packages (better deals you have obtained for a batch of bookings). How was this process 20 years ago?

24. As you previously mentioned in different discussion we've had, you don't book flights with low costs carriers. Can you tell me more about this?

25. Which is the main source of inspiration when you innovate your product portfolio/ when you introduce new types of packages?

26. How do you find out about your customers' demands and preferences in order to create packages that address their needs? Do you do any type of market research? How do you loyalize customers?

27. Describe/mention briefly the improvements you introduced into your activity in the past few years?

28. In the end I would like to ask you how do you see the future of the traditional travel agency business and what is it that you will do in order to stay in business?

Appendix 2 – SW Interview

This appendix includes an abridged version of the interview. The complete transcription and recording can be found on the enclosed CD.

A: How do you think service offering in the travel agency evolved over the years, can you mention if at the beginning the service offering was different from what it is nowadays? What kind of packages where travel agencies offering at the beginning and what are they offering now?

S: Ok, well, obviously it's the internet that's created the biggest issue because in the old days, people used to take home 6 or 7 magazines, books, sit at home, pick a handful of hotels or apartments, then come in and sit with you. They could be in the shop two hours going through, I want to go 2 weeks 3 weeks in July, 2 adults, 2 children anywhere in Europe. You know you could be there forever trying to narrow it down. Whereas now, people are more specific, they know what they want. They've done some homework or by the time they come into my travel agency they could have been 6 or 7 and done their homework and now they come into this and they want that. When they come and they are too specific you know that they've either been somewhere else before they come to me and all they want to do is trying to see if i can better the price

A: You mentioned that people come with their homework done on the internet, I assumed the internet was a big threat for the travel agency, but in this case, i guess it helps customers err...

S: If people use it as a live, real (library), you know, just to get some sort of information that's fair enough, but what they are doing... these tour operators are saying that online should be parity to what we can offer. If it's a like for live holiday to what we've seen on the internet you'd like to hope that we can come in pretty much the same by giving away a lot of margin, because there is always an online discount and we still make a little bit of money rather than lose the business to the internet. Erm, but there's a lot of internet companies out there that are not financially bonded so their trading you know, not illegally, but it's not as clear cutted... can i match onthebeach.com, can I match lollipop.com. Some of these companies don't have the licenses and the overheads and that's why they're cheaper, so it's not guaranteed every time you can beat the internet. You might be able to match it just sometimes by giving up your margin. A lot of the big boys have said that the price parity should be the same whether you sit in Thomas Cook, Coop travel or Ross and Brown Travel. We should all be selling and we should all be singing from the same ... but obviously we know the fact that that's not right. If I want to book a Thomson holiday and I'm in a Thomson holiday shop, Thomsons holiday shop get a better margin on selling their own product.

A: Beside this commission you get from tour operators for selling holidays what are the other ways of making money for a travel agency?

S: Well, we could be incentivised by the tour operators in the form of a gift voucher, it could be a specific shop or it could be an open voucher, love to shop voucher. Most travel agents like "love to shop " vouchers because it's an open field, whereas if you specify you can only spend this in onje shop....but i mean a voucher is a voucher at the end of the day, i'd spend it wherever you give it me. That's always a nice thing...

A: how about commissions from booking flight tickets, do you get any commissions from the...

S: ...the low cost carriers?

A: ...from all the carriers?

S: Again it depends, if a travel agent has got an IATA license where they pay to have a license to sell all the airlines, then obviously, they do a monthly return, depending on how much sale they've done with all the airlines within that month...it depends what profit, commission they make.. low cost airlines don't pay travel agents a dime, so if customers would want me to do the business we put a booking fee or a handling fee....so if you don't want to go on the internet and do it and you want me to do it then you'll have to pay me for the service...not me personally but the shop for the service of doing it.

A: But I assume this is one of the few examples where you charge the customer, because you usually charge the operator or the carrier...

S: Yeah, true ... so obviously competing with the internet again they're using the low cost carriers...well so that's the case, we can usually compete there as well, but the licenses and the lore has changed. If you buy the airplane separate and then you buy the hotel separate and then you buy a transfer separate then it's not a package holiday, so you've got a lot of pitfalls if one of those elements fail. So we actually don't really like doing it that way

A: So what is the benefit of booking holidays through a travel agency compared to online?

S: Because we don't actually have to use Ross and Brown ABTA license, because if Anna or Ross and Brown Skyfare travel, she pays the civil aviation for an amount of ABTA seats every year, but it costs the company money to do that, so therefore, if we want to use that licence we have to push some costs onto the customer, but that's the only way to protect it,.... and the example of that is the ash cloud a couple of years ago, you know....if you hadn't booked a package and that ash cloud happened and you were in Mallorca or wherever, then you'd be on your own to get home, it was your cost.. If you booked a package holiday, with a travel agent, you were financially protected, then that travel agent, that tour operator sorted out how you were going to get home or sorted out you staying 3 extra days in Tenerife...and you needed feeding and watering while you're over there...but if you did it on your own on dot.com thinking you can be a travel agent yourself, yes it's cheaper to add A B and C together but in the event of anything going wrong...

A: so when this happened to customers and they were stranded in different parts of the world, they didn't have to pay anything for...

S: yeah, if they booked a package holiday,, but if they did it all themselves on dotcom, then yes, they did have to pay. People couldn't get rental cars

A: but wasn't it a big expense for you as a travel agent to cover all that?

S: No, because, again we are the middle man, all our customers are booked for a tour operator, so yes, the tour operators had a massive expense to get those people back.

A: but not you as a travel agency

S: no, not us because all our holidays are booked through a tour operator. If we had booked it ourselves using our ABTA license then yes it would have cost us money. But because most of the business that comes through the door we put through a tour operator, we are the third party, so it's their responsibility. But these customers believe that they're little mini travel agents. So if it was cheaper to do it that way, why travel agents even existed, we'd all do it that way. It's obviously got to be a catch. But before they get stung, they won't learn ....so let them go and get stung...all these people want to use you and abuse you for all the information...for flight time, you go what day of the week, you feel like you've been helpful with them and everything, and then they go home and then sit on the internet themselves. So it's a fine line of how much information you tell people, and that's what changed, because in the old days you would sit there, being superb at customer service, telling them everything there is to know about Mallorca, and all the extras you can do and how i can book you park passes....get into the water park and you know...sell them insurance, sell them anything extra, sell them car parking at the airport

A: because they didn't have the alternative...

S: No

A: ..of doing it themselves

S: You never...I mean you spend an hour and a half booking a holiday and you want to go Huh, I've done that but haven't even don ancillary. Ancillary sale is car park at the hotel, oh, car park at the airport, a lounge at the airport, travel insurance, car hiring, an excursion in the resort, all the things that get me money. And how the bottom line would look better than it does

A: I guess they are the hardest to sell nowadays

S: Well, If you can sell them at the time of booking, ka-ching – ka-ching, because you've got them in front of you and they just want everything sorted, you know what i mean?

A: Yes, and once they go home...

S: Once they've left the shop and they're not going on holiday for 7 more months, so then they've got time to investigate that themselves or look at that themselves, or somebody's going to give them a lift...i mean i heard all the excuses now, I don't need a parking at Birmingham Airport, my mom will give me a lift... now i don't need car rental because I don't drive abroad...I don't want an excursion cause I'll wait until I get there and see what I want to do when I get there...you know...I mean...I heard it all... but,

financially we want all those additional things added on before...if I was working for Thomas Cook, Thomsons or the Coop in my managerial responsibility, I would ask all my members of staff every day, how many parkings they've done, how many overnights have they done before flights...you know, parking and hotel at the airport, because we used to target the staff because it's sales and that adds extra commission and value to the holiday..so, all my staff used to have a target every week. They all had to book one car hire, which is harder, so we only used to give them one...because otherwise they would go and worry everyday 'cause they don't have the car hire...but we used to give them a target of 3 parking or hotel parking at the airport...

A: Is the staff getting the training at the beginning by default or are they training on the job?

S: Well, I've been on the job 25-26 years and I still don't know everything. So every day you can learn something new. if you're willing to learn...but some of these people used to just come to the store and just think you know... and not have any passion, i don't care that i sold no business today, it's not my problem. I've got a manager, it's her problem. But some people come to the shop on a daily basis and they are hungry. I mean I still get excited that I do business... I still get excited that I've booked 12000 pounds holiday, I still get excited by it.

A: You were mentioning about your team, I'd like to ask you about...if there were any peak or slow periods in the office, and I assume in travel industry it is the case...sometimes it's slow, sometimes it's busy. Did you use to rotate task among team members? For example having admin workers doing bookings?

S: Again we had a rotor on the wall, cause no one wanted to do dishes and no one to clean the toilet. In my last years as a manager at Coop I was lucky to have a cleaner, so I didn't have to get into all those arguments of people because I don't think at 5:30 when the door closes you have to stay in any longer to clean the toilet or bins...so we used to have a cleaner coming after hours. Because if the staff did it we'd have a hoover at 5 o'clock. But the shop didn't shut until 5:30 so you know it's a bit embarrassing with customers in the shop, i didn't think it was very professional. So we'd have our rotor for that, but again, there wasn't really anytime when you were free. I worked months, like December when you really struggle to keep your day going because no one's booking before Christmas unless it's the odd guy that's panicking that he hasn't bought his wife a present.

So I'd get back to your question on what would you do on a quiet day, a quiet day is...I'd pull a report off for all your bookings and you'd go and check if they put car parking on them, and if there isn't, that staff member would have to get a quote for those days and call the customer and go: "I've just had a special offer in on 9 days car parking at Birmingham and I can do it for you today at 39.99", and make it sound like it's a deal that's just happened...To try to get more business in... or again airport, hotel, car hire, anything you want me to sell you, a water park ticket and we usually did that in December kind of time really, because it was so quiet. But really I had a procedure that every month you would go back and look at what you did last month so in other words, 4 weeks post the customer and try to flog it then. Because sometimes you pulled the report off for 3 months work but some of them have travelled. You've got to really do it that month. Because most people if they book a late holiday, they know at that stage if they

needed car parking...usually you'd hope to think that the staff member would have swept up all the late bookings and try and flogged in everything because it's a late booking and they're going in the next 7-10 or 3 weeks time..so i only ever did a report for a month previous.

A: so the senior, the old employees are more valuable were there any methods, any ways of loyalizing and making sure they will stay with the business?

S: Well, I used to.. to keep their morale going i used to buy the staff sandwiches on a Saturday so I used to go around with a list in the morning asking what they would like and the company paid for that, it came out of my shop account. Just to keep their morale up, because Saturday sometimes you never get off your chair. You'd be lucky to get a cup of coffee. So I used to incentivise, best seller this week, best percentage improvement... I would buy them a voucher of their choice, because again, not everybody wanted the Marks and Spencer voucher. I would just put it through expenses on my...we used to support the winner, so even having an excuse of spending the money, head office never queried it, but it was always going to come out of my bottom line so I wasn't going mental in spending the money, because like I said, I ran it like it was my own business.

A: You mentioned earlier about cleaning. You had a cleaner. Were there any other activities in the business that you used to outsource for example bookkeeping?

S: No, it was all usually done at the head office, so as long as the accounts in the shop and all the paperwork added up, everything then went to head office once a week and obviously they had an accounts department to see through all the expenses and all the paperwork. But we had to have a receipt for everything we did.

A: But this was the situation when you were bought by the big company?

S: Yeah, In R& B obviously they have to employ an bookkeeper

A: and the main reason for that is to have high quality accounting, because if you do it in house and you're not specialized...

S: you might miss a lot of errors, yeah. I mean the managers of the travel shops have a lot of responsibility, it's some of the multiples that want the managers to be managers and in the travel shops you have to be a seller and a manager, so you have to be on the counter as well as coach your team and take responsibility for the actions in the shop or,

A: how about the issues you were mentioning about the customers. With the bookings, they miss a flight for example and they file a complaint how are these complaints solved, do you solve them in house, or do you send them to the tour operator in case it's their fault?

S: Well, usually people come in tell you face to face what the problem was and then you'd have to tell them :" by law you'd have to put your complaint in writing, no one's going to take into account a verbal complaint and then we would establish at that stage was it the hotel was it i lost my bag or is it, you think there was an error in the shop where they booked the wrong holiday...you told them there was all

inclusive and they would get there half board. And then when they went away and wrote their letter...I would usually explain to them how to write a letter as well, i e. Don't waffle, try to put it in point form, explain what happened, because if you send it in a 5 page letter, no one will get to read it all and then when that letter came into the shop, I would then establish whether it was a shop error or a tour operator error and then I would usually do a covering letter to the tour operator

A: but they answer back to you

S: to the travel shop and they we used to send the covering letter back to the lady or gentleman "please find enclosed our response..." because the tour operator doesn't know the customer's address and we don't want them to know.

A: Yeah, and you don't ask the customer to send the letter directly to the tour operator.

S: Again, that's customer service. But if you want to book on the internet, rock on! See where you get then. Nowhere! You have to do it all yourself. So we used to pay for the letter to go, we pay for postage, we pay for the correspondence all you have to do is write and I'll make sure that they stay in legal terms. Don't ring me to chase it cause i know how long they've got and I will be chasing them if they're running late or they're running up to the... I customer would never have to ring me and say "I haven't heard from you", I would be ringing you say: "look, we still haven't heard, leave it with me, we're on the case, we're looking into it but don't worry, rest assured, I haven't forgotten you, you're on my diary everyday to chase it...so again that's good customer service, good after sales, and after a while they'll come back and book the next one.......If you only realise what travel agents do. All you have to do is physically book a holiday and we'll do all the rest. We'll do the passport, visas, if people are paying for pre booked seats, for extra leg room seats and you can usually get them with 90 days before. We'd have a diary going and every day somebody would look on the diary and go on pick the seats for the customers...I woke up at 7 in the morning and logged on from home, booked the seats, but i rang the customer at 9 am. You've got the seats, so they think I'm fabulous, but I actually got on the computer at 7 am. And the fact that I'm passionate and I want to make that customer think I'm brilliant, and impress them.

A: Returning to...you mentioned you don't buy bulk seats on an airplane because that would cost a big amount on your license. How do you buy your services, one by one, when the customer asks for it, you turn to the tour operator and ask for a holiday, or how does it work?

S: Yeah, the Crete one i just did at the minute, the customer gave me a window of dates to check. I would then search more than one company that go to that place. What I would normally do, first is who goes to that hotel so that direct me to what brochure I'm going to pick up. If a customer is specific and knows the hotel, rather than pick up 10 books and hope it's in 5 of the ten, I would probably Google the hotel first or go on one of the agent websites that tells us which tour operator work with that hotel. And then I would turn to those brochures. But i would then get a price on 3 or 4 different companies to prove to the customer that I've done all the homework, I've done all the donkey work I've checked this, this ant this and this one's the best price. So, for 20 pounds more, this one offers the best flight times

A: you do that for the customer, to let him know you've done your homework. But do you have prebooked holidays with tour operators just because they want to sell you bulk on a better price?

S: No, never? We have to say to people that that price you're giving to them right now is valid only for the length of the phone call. Some tour operators have got their answer machines messages, because again i could find you a holiday today with a 392 pounds discount, if you go home tonight, talk about it and come tomorrow, it's gone up. Because the discount's now 240 but yesterday when you were here it was 392. So, that's a bit of a self thing as well. If you book it now and Ive got no kind of a guarantee what's it going to be tomorrow. We cant hold options.

A : You were mentioning why these customers buy from you, because they don't want to bother with the internet or they're old and they don't use internet. There is this established marketing concept that people buy results not products, what is the reason why the customers buy services from the travel agency?

S: I'm hoping it's because they get fed up crawling through it because it's a complicated thing to buy especially if you don't know what you want. When you say you want a holiday, unless you know exactly what country you want to go to it's a great big old world to sift through search engines.

A: Can't you prevent a customer from popping into the shop and chatting with you for a half an hour because he has no idea where he wants to travel?

S: as a sales person you have to ask probing questions to get the idea of whether they are a time waster, whether they are already half way there on the internet and they're just plugging you through information. We sold national express tickets, we never did rail tickets but we sold national express tickets. And the belief on that was, as much as you can do 25 tickets a day and they are 7.80 or 10.20 or 20 or 30 pounds to the airport. You would only make 10%. It was rubbish, but we were the only shop in the town centre to sell it. And you would hope that because that little coach lady had such good service she might have somebody else that's good at the ...or they might come in and book their proper holiday with you. You should never assume it's rubbish business because they might come back and blow your marble and book a 10 000 pounds holiday

A: If we were to consider the recession and the way the travel agency adapted to the economic crisis I assume even in the agency you were working in before, as well as here, you've been doing a lot of decreasing of costs. Could you give a few major examples of that?

S: The first thing to go was to get rid of the cleaner. Cut your windows down...we used to have our windows done every week. Could you get away with having the inside done every 4 and having the outside done every week? Cost cutting would be staff...at the end of the day my wage bill had to suffice the amount of business coming in. If i was really quiet every day and I had 5 staff sitting around and doing nothing, I'd have to go as well. You have to over haul the business.

It's hard now because there's no pattern of when people book, people book when they have the money. Say, in the old days, January people were queuing outside the door and all the staff would be in the shop

8 o'clock in the morning because the brochures were going on sale at 9 o'clock and then you'd have a list of everybody, we used to call them in advance for registration, so i knew what i want.....the sale after Xmas, we used to open boxing day ,they used to be queuing at your door not queuing at the retail for clothes, or...Next or Debenhams or any of them...queuing at the travel agents door. But those days are finished. I mean January was the peak selling month. Not now anymore... Maybe 3 weeks ago 2014 brochures went on sale i haven't had a person yet asking me for 2014 holiday. I've been package holiday to Mallorca or to Greece o ....but in the old days it was a big thing, big marketing in your windows 2014 on sale next week, coming soon, next week. NOW! On sale now! And you'd have loads asking you of brochures. It doesn't happen like that anymore.

A: Have you observed some patterns in the customers nowadays, are they requesting for some specific packages or specific destinations? Do you have to adapt your offer to what the customers want?

S: Less than 7 or less than 14(nights) and the low cost airlines are coming and opened up that. You Cant get a 5 night duration and a 9 nights . The only time when the big company would get an odd duration was on their winter planes are crossing over with their summer planes. Go out in April which is a winter plane and you come back in May which is a summer plane. A low cost airlines can only pick to go somewhere if he thinks he can service the route and get the flight full every day. Otherwise it's no point in sending the plane half empty, it's loss making. And that's why lost cost is unreliable because you book it in advance to get on the plane and then they write you and say, I'm sorry due to lack of support we reduced the service on a Tuesday to Chania, so you'd have to go on a Friday from Gatwick. If I wanted the Friday from Gatwick, I would have booked it from the first place, wouldn't I?

I love it because it's so diverse, i love. Everyday something else happens, something else changes. But there are a lot less companies now, in the old days you'd have 100 of different companies. They'd either folded or been bought out. Unfortunately I think Thomson and Thomas Cook, unless Thomson goes bust pretty soon, they're going to take over the world. The choice is really narrow. The small companies didn't survive the recession. There's a lot of companies going into the wall in 20 years. We had hundreds of people stranded abroad. And you'd just come into work and you're there from 7 in the morning til 10 at night because always people are stuck because the company went bust and they're overseas, and they're panicking and phoning you. And there are people that have to go tomorrow and the day after and the day after that have got no holiday and they want something else. But they've got no money to pay for something else cause they spent it on the company that went bust. It s amazing, it's a stressful thing, this job is so stressful.

A: But this thing doesn't happen very often I assume?

S: No, but when it happens there are thousands of people abroad. When companies do fold it's a catastrophy.

They want their money back and sometimes civil aviation . So we would pay for the new holiday and we could wait 18 months for the civil aviation to give us the money back from the original company... You cant ask the customer who has paid in full, leaving tomorrow to pay again. Where are they going to get

the money from so the big companies used to pay for them to go on the next one and wait for the money. But civil aviation could take up to 18 months to....

Every year, let's go 5 years, every year there's been a major catastrophe in the industry which affects our business.

A: can you tell me about any other technologies that you adopted after the crisis?(computers, databases, social media)

S: Well, the coop weren't very big on advertising on facebook and twitter.

They didn't get into that technology really. They started doing electronic boards in the window rather than the old fashion paper point to sale. Some of them were concept shops, you know where you sit ina pod rather than a table, where your feet are on display and anyone can see my screen and I could sit with you like mates, the concept shops....but if you weren't very well trained or very smart, you could show a customer something that you really didn't want them to see

There were never any money, shops were getting refit and refurb but shops were going to pay for that in the next 5 years. SO if they said to me if you want a refurb it's going to cost 150 000, my budget for what i needed to do was going to be inflated for the next 5 years to cover it. It didn't jsut miraculously find money to keep doing it. That's why shops don't get refurbed.

So shops refurbs and concept shops didn't happen very often.

A: I would end with this one. I will ask you how do you see the future of the travel agency where do you see travel agencies in 3-5 years from now, or even 10.

S: I still think there will be a lot of closures, i think it's going to be a very unfair market because it's going to be a couple of big boys that will lead the plain field. Which is really bad because the choice will be rubbish. I would see online, doesn't matter how much we sit down here and jump up and down, and say online isn't a deal and isn't the end of, I think a lot of people will still go on the online route and i think retail shop have got to work really hard to prove that it's worth coming into their store to give you business. I don't know what that means. There's rumour that all companies will make their staff self employed. So you're not going to have a salary structure, unless you sell, you don't earn. And there's been rumours that there'll be no brochures on the shelves, there will be electronic. SO you don't physically be able to pick up the brochures, it'll all be on touch-screens. E-brochures they call them. There's other rumours that companies will pay travel agencies nil commission and you as a travel agent will have to put a booking fee on. So you'll have the price plus the booking fee, and that's the bit that's going to sting. But it's a gamble that, isn't it?

A: Ok! Thank you very much!

Appendix 3 – NP Interview

This appendix includes an abridged version of the interview. The complete transcription and recording can be found on the enclosed CD.

A: I would like to start with asking you to tell a bit about your background and the travel agencies you've been involved in…

N: So I started at 16 on Margaret Thatcher's YTS which is called the youth training scheme where we worked 40 hours a week for 27 pound. It's like the apprenticeships now…which they're trying to bring them back. So I started with Anna (Ross and Brown/Greece and Cyprus Travel), I came for an interview and she gave me an interview and the college said you've gotta take me and she took me. And then I went to college I think once a week and then after about 6 months- 8 months Anna took me off the youth training scheme and hired me.

A: So you've been here with Ross and Brown and Greece and Cyprus, can you tell what type of services do they offer?

N: In the way to like what travel services….well the main thing when I started and we still on was IATA –I don't know if you heard….

A:I heard about it being a license

N: A license that we can sell airline tickets in the office. That involved…everything's changed with that cause we do them on one system whereas we had ticketing ….anyway, we're a tour operator and a travel agent, tour operator we have our own Greece and Cyprus program and as a travel agent we sell other peoples company to everybody else so it's Thomsons, Thomas Cook, erm…we book coach tickets, we've never done rail and we've never done erm that's just rail, isn't it? We've never done rail….what else, we offer insurance, car parking, we've never done currency.

A. But do you think these services changed over the years or it used to be the same situations 20 years ago, as well?

N. Yeah, we've always sold everything like that, it was harder years ago because we used to have handwrite tickets so we had an allocation on the Cyprus airlines flight which meant that you stayed late one night after work and handwrite about 40 tickets. Whereas now you never have to do that, it's just printer, printer through the computer, everything is computerized. When I started, there was one computer between Manolis, me another girl and another girl and Anna used to sit out in the back office anyway….and one computer, so…mental really when we've all got computers now. It was a little one printer between us all…so lot of things were handling then…and then the brochure….this is what I learned in college as well, if somebody comes in and wanted that holiday out of that brochure, instead of going on the computer it was all manual with work it out in the brochure, exactly how it was in the

brochure, the flight, etc. Whereas now the brochure is only a guide, you can never say, you can never do a price out of a brochure…whereas years ago we had to work it all out ourselves

A: But you were selling exactly the same thing 20 years ago with only one computer and now I suppose the whole process is way easier

N…way easier…still a lot of administration work…a lot…

A: a lot of paperwork

N: always, even now, the e-mail, its different to sending through the post, it's different, but it's a lot …I think it's more paperwork than really selling holidays.

A: Who are the target customer groups for the travel agency?

N: for Ross and Brown it's all the high class customers that Anna bought off Ian (previous owner of Ross and Brown) so …but the trouble is they used to go away…the people that are retired or the people that are self made have a lot of savings and then when their savings, the bank of interest dropped,they're out they never got ..so what they do is they have a holiday with the interest that's saved on the savings, but when it dropped they used to not have some much holiday. Greece and Cyprus years ago used to be packed, the shop used to be packed every day, the phones used to ring off the hook every day for Cyprus, they used to book packages, we used to have 40 seats on each flight twice a week for the summer, so it was always mad and busy and we did a lot, but now it's very rare…

A: So, Greece and Cyprus doesn't target necessarily the high class as Ross and Brown, it's more mass market

N. No, we can't, for Mike and Anna, in order to survive when we were down the road as Greece and Cyprus, they had to specialize in something, because there were too many multiple travel agencies in Sutton Coldfield. There were probably 10 or 14, so back in the days, Cyprus was really popular, started coming into tourism … selling really good…so they specialized in Greece and Cyprus to just get mainly that market and the Greeks Cipriots that wanted to fly back to Greece and Cyprus. As the years have gone on and she's bought Ross and Brown, people have changed, they go on cruises, they go skiing, more varied, we have done more varied. Even though we did do Greece and Cyprus over holidays, or half on Greece and Cyprus, our main selling point is Greece and Cyprus. But now because we're so busy with packaging, Mike does all the flights whereas years ago I used to do all the flights, Anna used to do all the flights, Anna didn't even sell, never sold when we were down the road ….but we've got no staff.

A: Yeah, and these customers why do you think they come to a travel shop? There is this established marketing idea that people don't buy a product but they buy the result of that product. They don't come here for a holiday, they come for….

N: …social, like,..yeah, cause you get to know..say Anna has like, she's took over all Ian's (previous owner of Ross and Brown) wealthy customers… So she's took over them and then obviously, and she tried to make an impact on them so they will come back like nothing has…any trouble to do for them…and they

are probably the worst customers as well cause…they swap and change and do whatever…when she get them and like you and they feel comfortable they'll always book with you and they'll give you the good bookings, but they are hard work because you have to do everything…they swap and change….and they want something specific usually, or you offer them something they want…proper high class accommodation…so she copes with older ones, with money , because she wants to give them that service, that they keep coming back, don't want to lose them customers because on paper the income we get off them is quite big compared to other customers… But we would never treat them differently if you get what I mean…I could serve someone for 600 pound holiday or Anna could serve someone with 60 000 pounds holiday but we would give them the same service.

A: And you sell the packages to the customers through the shop only not through online channels?

N: Unfortunately I don't know why we haven't gone down that route. But Manolis has got a website but he never set un anything….some travel agents have got that far now and let people book online and advertise online which I suppose is good, but we've never got that far, you can't see so much online, it's only Greece and Cyprus anyway…but they have to come, they have to come to the shop. The good customers always come anyway but other people like, say yesterday, 2 people came in for a holiday to CY, obviously because we advertise CY and they wanted the brochures, they wanted a quick price and said they will come back tomorrow and book, but they never… a lot of them will go home for something like that a week , 2 weeks, straight forward and will go online. If there's no way, they don't know where to go, if it isn't recommended by someone it's harder if you don't I suppose …

A: What is the advantage of them booking directly in your shop compared to if they book it online?

N: because loads of things happen online, if they book through the shop are ATOL license protected…we only use reputable companies, they never book companies that haven't got AtOL licenses …these are the ones on the internet…we always include all the prices so what you see is what you get …everything they get, transfers, holiday insurance, car parking, everything is in the all round price. If you work with tour operators, reputable tour op they're going to get the service right there, as well, they are going to have the ground rep.

A. You were telling me you don't use internet for bookings but do you use online media for correspondence, for example emails…

N. Yeah, some tour operators have gone on the internet now so we have to book like, flexi trips, we have to book some Olympic holidays, so it all stuff like that is view data, easy booking systems, so …sometimes we have to go on the internet to do that. We do that, personally also the company with our own programs, people can't book on the internet, people will all sit down and on the brochure, we have to phone book. We use e-mail, I've got an e-mail address, Anna's got one, Manolis's got one. We don't like give e-mail quotations because they're going to take it to another travel agent to do a price matching thing…

A: Tell me a bit more about the activities that go In the shop, every day.

N: So usually I come in, I'm the first one here, I check my e-mails. So if I've got any e-mails responses from anybody I do them….enquiries, I'm the first one to answer the phone, I'm the first to take customers that walk into the office. I do admin during the day and I do the end of day banking sheets, I issue tickets, APIs, Nicole's here solely for the admin so she does all the APIs and she checks confirmations. So she puts all the passport details on the bookings. I don't try to get involved in that unless she's off and then I do…It is a lot of work. So for 3 days, 2 days, the majority of it she does it and… Mike will book his flights only. I go through his files and take payments, so we have to do all that for him as well, Nicole does that usually. Me and Anna will only deal with packages now, not flight only, we'll give them to Mike, cause they haven't got a high volume of flights only anymore…I do the brochures, I do the window…because there's no like….hierarchy here, everybody does everything…it's not like I won't do that, or I won't do that…you know, everyone does everything, …you mark files up, you have to mark the commission schemes and see how much Anna pays to the bank, she's company secretary as well, as director. So we don't get involved in that. So she's taken a lot more than just say… being an independent travel agency you have to do everything; if you were in a multiple, literally all they do is book holidays. Everything else goes to the head office and they do everything else…which would be nicer to do here, because you wouldn't have to do so much paperwork (laugh). If I could sit there and book holidays all day I'd be alright.

A: So, which are the main sources of costs in the travel business and how the revenues are generated?

N: Rent on the premises, so she pays the rent, the rates, our wages,

A: the travel licenses?

N: Yeah, they're bonded though, so she has to have so much in the bank..I don't know IARTA wants about 15-20 000. Means she puts that amount the bank, she has to have that money in case she loses the IATA license. To get an IATA license, she has to be bonded, so she has to put money into a bond. I don't know how much it is.

A: How about making money, how do you make money?

N: So we sell holiday, say I sell a holiday for 500 pound so the commission on the holiday is usually 10-12 %, depending on the tour operator. So say 10%, so that's 50 quid, you've made… the company's made. I don't earn commission myself because I have a wage, so then… you have to do …if you're rent is 800 a month, and you've got wages and you've got water and…you have to make a lot of money in that month to cover all that..so Anna tries to target about 5000 a day. So if we can do 5000 pounds worth of business a day gross then the net, whatever we get on that …10%, if we could get that everyday we'd be alright, but we don't really get that every day.

And then in flights only we make 25 quid ona flight only. So Manolis has to book a lot of flights only at 25 pounds to make any money at all.

A: so you don't do flights at all?

N: If my regulars ask me to do a flight I would do it, because I used to book loads and loads of flights. But it's hard work because you think, for making 25 pounds on a flight, the paper work and everything to go with it…it's a lot of money for a flight, that's why Anna's targeted Mike to do the flights and us to do the big money. Big money is the packages..the more packages you do…you can make, 100 times over

A: Because of all the internet threat, I suppose the customers are not so willing to pay so much extra for holidays, are there certain things that can provide bigger margins for you?

N: Well, she's in a consortium, Anna is, called Elite. If you're in a consortium, to explain it really a lot of travel agents, Anna pays them a fee, and they give us bigger commission…some companies' is 13% some companies' is 12%... Thomas Cook as well, what they've done for us in the consortium is, they've matched the price of what the clients find online, so if you went online and picked a Thomas Cook holiday, usually it would have shown that holiday 10% cheaper than what would be for the travel agent. But what Thomas Cook have done, they moved from 12% to 10% and matched the price on the internet. So whatever you would find on the internet for Thomas Cook, I can find exactly the same. Which is helping, but if you're going to Thomsons, Thomsons is generally knocking off commissions and we can't price match them, because it's cheaper through a Thomsons holiday online than it is to come into a travel agent. So, the tour operator have to be travel agent friendly, because they're not helping doing that, the customers, making them feel like it's cheaper to book on the internet because they're giving away the travel agent. It's really hard, it's a hard business to be in, very hard. There's no money in it anymore. It used to be a lot of money in it and nobody has got any money in it now. Cause you don't get the volume of people anymore.

A: Do you think it's mainly because of the websites that offer cheaper…?

N: Yeah, you get people that get on the websites and they want to give us a chance so some people write…and you try to match them, and then some people go on the internet, oh, it's cheaper, and then they go to the end and it's dearer because they had to get all the extras or they say of course, the really expensive ones, they want to go from Birmingham at this stage and find them something, give them a price and then the've gone home, gone on the internet, and then they say "Oh, no, we got it cheaper on the internet". And you say ok, what's cheaper and they say Manchester, 2 days after. But because they've never given you…cause they're specific when they contact you about it….they're not flexible…so we lose business over that as well, you say, well, you've never given that date…

N: Or they sit here 3-4 hours, give them all the information, tell them all about the destinations they want to go to, the best places to go, and they can go home, then, knowing I want to go to this destination and book it up on the internet, it's just disheartening all the time…but usually, I've got a good turnaround. So usually, I convert good. So if a client comes to me once, ill go book her, I won't let him leave that door unless they book a holiday, but I do it in a nice way, cause the trouble is, once you let them out the door, you lose them. That's just how the industry has gone, the last few years been a nightmare

A: You've been talking about Thomas Cook and Thomsons. They're mainly tour operators, but do you consider them competitors as well because they have their own travel agencies?

N: No, not the travel agencies themselves because we've had quite a few people go to like, first choice shop, or a Thomsons shop, and then come here and say …this one client said to me I've been up the first choice shop and I asked her " I want to fly to Vancouver", and they're hiring young staff that havent got no clue on geography, and the girl said "where's that?"

So (laugh)…. they come down to us…and obviously as soon as you say that, people lose faith, so she don't know where Vancouver is, so you know…they are coming down to independent or people that are travel agents, like me and Anna that have got a clue where it is. And I think the public knows as well, if you go to a Thomson shop or a Thomas Cook shop you will only be sold their holidays, you won't be sold any of us. Being an independent you have a huge range of tour operators.

A: What are the steps when a customer comes in and asks for a holiday?

N. So if you come into me and tell me I wanted to go to Dubai and you want to go to this specific hotel in Dubai then I would give you, I would then search 3 tour operators. That's what we used to say, 3. SO 3 independent companies and I'd give you a price with each company on that hotel and then you'd choose. If it's a massive difference, obviously I'd give you the lowest. But, for that, for Dubai, for long haul places we don't use Thomson or Thomas Cook, we always use independent travel agents, like Azure travel, emirates tours, then you're fine…they'll give the most competitive prices because them companies maybe deal only with Dubai so they've got better rates, better than anyone else. So we give you 3 quotes, I only give 3 , because otherwise, you could be here all day checking thousands just for quotes…I use 3 and then that's it.

A: how about other independent travel agents, just like you, are there situations when a customer goes into another travel agent and they have a holiday with a certain tour operator which you don't have, do you try to match somehow?

N: There's never going to be a tour operator that we'll never going to do. The independent are really struggling because 3 of them in Sutton are already closed now so ….and Carol's business closed down as well and she is an independent. Usually say not as much going into the travel agents, because we would do everything anyone else does….independents do everyone and anyone, there's no…but say for instance, we don't sell northern Cyprus. We don't sell because it's against the principles of Anna and Mike. I have turned people away in the past for Northern Cyprus, but it's their beliefs, which is good I think, you know. But over than that, everything else we would be ready to do with anybody. It's just when they go on the internet…people have come on the internet and found something and then come and we got through a proper supplier cheaper…there's always routes down there, we can always match something someone's got, or try our best to.

A: so right now, you don't have that many competitors?

N: No, no. But the independent agents we know, we know them all, we're in the same consortium, so they don't work against each other, they work with each other, so say, if someone went up to the travel shop at Wylde Green, Allan owns that, and he couldn't do something for him, he couldn't know what brochure that's in, he'd phone us, and ask us, and we'd tell him. So there's no competitive…

A: It's more like a partnership

N. yeah, yeah

A: rather than competitors

N: Gaby travel, he used to come in and use our brochures, he used to phone us up and ask us things…

A: How do you maintain these relationships with the partners in the consortium, do you meet with them?

N: Anna tries to meet with them, because they invite directors or managing directors, so Anna's obviously our director. So they go, all the people that run the companies, will go to meetings. They have day meetings or evening meetings, they've got a website so they e-mail us. You can go an log onto the website and see what the news is, who's offering what, who's got an incentive on. And then we've got a barbecue in a couple of weeks, and that's for the staff as well, so we'll all go to that. And they host it all. They don't pay for it all, they get suppliers, like holiday offers, or somebody would buy a table for us..but that's in their best interest to get the consortium on their side, because obviously, there;s more bookings. We'd prefer agents to book with us. But Anna does pay a fee to them, I guess a yearly fee for being in that consortium.

A: What do you think are the main technology trends in the travel market that tend to affect you? You've been mentioning the internet and this huge migration of the customers from the shop to the internet.

N. I mean if it's a tailor made holiday they're not going to do it on the internet. Because they're going to have to phone the number that's an 08 number, you can always go to a travel agent and dial a local number….but if anything goes wrong, cancel on the internet the only thing that works in our benefit is that they don't get anyone to speak to… so if it's a tailor made and say you've saved up for years. And they want something specific, they want an itinerary, tailor made tour, they're going to New Zeeland, they're going to Fiji, you know, you're not going to go on the internet to do that. Because firstly you want to find somebody that's going to do it and it's hard. If you're on the internet you can't do that, you can't book a flight going into one place and coming into another…you can't ask questions…for people like that, and the honey moons, weddings, because I'm the wedding coordinator here as well. They will specifically come in and they will book, because I want that service off you. And you know they want your opinion, they want your expertise, so we do win in that way. But if it's a holiday to Spain…

A: Did you use to do the wedding packages 10 years ago?

N: Yeah. I was always the wedding coordinator, because everyone hated doing it. And I was right to do them because I loved them. I always did everybody elses. It was more the weddings in Cyprus, I do do more around the world…there was 2-3-4 weddings, and then people used to recommend me and the company…and I'd do anything for them. I mean I've done every sort of wedding you can imagine, from like a town hall to the beach to on the street, or you can …I've done every sort or reception, I've done a wedding in Cyprus and then I've done to Dubai, and I've even done 50 passengers. Some of the client wanted to pay for all the guests to get there. So I've done everything and everything on the wedding… to

Cyprus. And that was big business. That is big business… if you can get it, but we don't have anything anymore. I haven't got a wedding this year…at all

A: have the regulatory issues changed over the years, rules regarding licenses. Commissions caps?

N. For licenses you should talk to Anna. Commissions have always… say like, they dropped our commissions now, so we can match off the internet. Olympic holidays used to give us 12 % now on the internet they're giving 7 %off so we're only making 5%. Thomas cook one, they dropped it so we can match. We need them to do that really, even if ours dropped, to try to get some, not to lose so many bookings. We need something to help us. If you booked a cruise, that's terrible, you only get 5%. Whatever cruise that's 5%. But that's good in a way because years ago you couldn't do cruises because they used to offer like massive discounts. But now they done all the travel agents the same, You could come into mine, id quote you the same price, you could go online, you could go across the road, and we'd all get 5% the same. They can't give anymore discounts. Because travel agents give discounts off their commission trying to … You have people going around the shops for the best price, but with cruises, it's an equal playground. So no one can under quote anybody else. It's not worth doing the booking for less than 5%.

A: are there any external influences like the recession or decline of the travel industry that have driven you to decrease costs in the office?

N: I think a few years ago when Anna bought the business and it took a nosedive and cut back on everything, the cleaner…we've got no cleaner and her standard of living declined as well, you know. I haven't had a pay rise for a while, I wouldn't expect one anyway…you know everything, paper, cutting back on paper, cutting back on printing, cutting back on everything really, all out going…cause it was really hard when the recession hit. People weren't booking, people were careful. Travel, going on holiday is a luxury. If you are going to be hit, people made redundant not getting as money as they used to…Anna put me on a 4 day week, it's going to affect, you're going to say, we're not going on holiday this year. That's a luxury you can cut back on. But they are coming back, we're still in a recession but not as bad as it was when it first hit. I think they're coming back now, or people just had enough…How miserable can it get?

It's been a struggle…probably not the first year she bought Ross and Brown, which is like 5 years ago, but probably when the staff left. The Ross and Brown original staff went, that's when it went hard. When she took over the business, she had to keep Ian anyway, she kept him for a year but it stopped on 2 years, it was in his contract. Me and Anna used to look on that these days, she had over 100 000 wage bill, how would I pay all this staff… Anna me, Nicole, another girl then, Ian, June and a bookkeeper at the time…8 people on wages with no money coming in. So, I know she had sleepless nights, it was sad. Obviously it's just me now., cause years ago, down the road, we used to be 4 girls, a permanent bookkeeper on the premises, every day. A leaflet woman, Anna, who never dealt on holidays, and Manolis. We were fully staffed and as we said, so busy. But now If I have a holiday, I ask Anna, because we have no staff to cover…it is hard

A: Can you tell me what is the guiding principle of all this people that used to be here all the time? I know you're very nice to customers and a good sales person as well.

N: that's my life goal. Say if he's got really hard face and they're not very smiley, you breaking them. I love breaking them, so I think in a way it's a challenge for me. If somebody wants a wedding I do get all excited, and get myself involved and I buy a wedding card, anything they want, it's not a trouble. I used to do Greek tailor made like all over Greece, challenging things. I love challenging things, things that are different. You've got to still love your job, and I still love my job. And it is hard and it is disheartening to be in travel now but I still love my clients because I know them for 26 years …and that's the goal I set myself, I won't let anyone go if they come in to me, I try not to anyway I persevere… one's going to book theirs after I spend time with them

A: so you were telling me about booking the holidays straight away when the customer is here with you is it a rule that if the customer goes home and checks on the internet they won't come back or some of them do?

N. Some of them do, we don't lose that many to the internet. It's better sitting in an office. I like serving people some of them are very…I like you to be in front of me. I'd rather see you when you come in and I spend time with you if it's on the phone and you give me an enquiry on the phone it's hard because we're not big staffed, it's hard to answer the phone and do all your paperwork, as well as doing this person's enquiry. If you're in the office I've got the 100% attention to you and to find you the perfect holiday, when you're on the phone I find it harder, and the one emailed too. So we do lose a few to the internet but it depends again on what sort of holiday it is and what they want. But I find it to me personally better if the customer is in front of me…

A: And give him your full attention and you give him all the information you've got, do they call back for extra information?

N: I had this one guy that he come in wanting to go treat his girlfriend for her birthday, it was either Mauritius or Santorini, and 2 other places. So it was a lot, so I gave him all I knew, I had to look up all the holidays and list them all down…obviously he didn't know what budget. And for 2 weeks I havent heard of him. He went out the shop, went away, and he phoned yesterday and asked if I could check it again… the Santorini one he fancied more than the others. I recommended this place in Santorini because I had already had some customers that went. So he phones me back, "I looked at the reviews". So obviously he's been online, " and it looks a really good one". And I said to him, well I told you so. And he said are you in tomorrow, and I said yes, well I'll come and book it, what's the deposit. And I told him, so I might….you can lose them for a couple of weeks but then out of the blue…

The customer may think I want to go on holiday and they don't have the money so they come and mess you about for a while. I have customers that come after 2-3 months and ask you to check the same thing as 3 months ago. It's hard, we try to follow up on it. If they booked us for prices and we make sure we get there, we ring them every day (laugh)…and we get the e-mail address and Mike bombards them with e-mails. Cause if they're going to waste your time youre going to harass them to waste their time.

A: I'm almost done with my questions. If we go back to the packages you offer, I suppose they are mainly created by the tour operators or you can also make them

N: We can also tailor make them if they are Greece and Cyprus. We can tailor make them to Spain but we have to put you under someone else's Atol license, not our own. So our small Atol licenseonly cover, we only put under that Cy and GR.

A: The rest are created by tour operators…

N: Yeah, they create them. We'll book a flight…there's load of search engines, travel search engines that offer that choice now, to put flights, a specific accommodation and do a taxi or coach transfer. So years ago when there were holiday packages from the brochures, you can usually put together anything now, cause you've got more flexibility… but still have your all commission and be under an Atol license of one supplier.

Carol she had her own travel agency, all followed her. They were all so loyal, all of them have come to us. I think she's lost a few but the amount of customers that have come to Carol compared to the ones that come to Stephanie, there must be hundreds to Carol. Because I think, this down to earth, what you see is what you get kind of attitude… she always reached end of the market, they always come to her. There're also wealthy customers as well but even now, after closing down her own business, 18 months ago, they still follow her, because they want that service of her. She will go and hand deliver the tickets, or she will go and collect the money, from companies, which Anna might used to do years ago. But we don't sell that much now and we don't have time to go out. She'll go to lunch with them. I made friends to my customers and they invite me places and I'd go, but I think that's the whole thing of how you keep them. A bit of PR, they become your friends, not just your clients, your friends.

A: I will end with a q about how would you see the future of the travel agency?

N: That's a hard one, because who does see the future…Im 42 now, Anna's 57 so, thing I have to look after myself. I know these two they would never let this shop go, they would kill themselves rather than give up this business.

I think it's harder for them because they are man and wife team so, and they've been bosses, you know….to work for somebody else, this is their lifelihood, I think as far as this agency, we'll carry on in the future. If she talked about years ago, not having a shop front, she might look at a cheaper rent. Shops are always so expensive… If they retire at 65, for Anna is another 8 years, so I'll be 50. What does that leave me, a 50 year old looking for a job, who's never done anything else but travel?

I always dreamed about working for an airline, not as a hostess, but in the reservation airline. I taught myself (IATA) and I know to do things that Manolis and Anna can't do and I find it challenging.

Business travel, I looked at, but I don't know what's going to happen, I don't know if travel agents will survive. They tried, they have tried, and I think they still will be because a lot of them it's their livelihood. Maybe these rent a chair like Carol and Stephanie will get more popular because the last year was fantastic with them, they boosted our profits immensely, we might get couple more of them.

Appendix 4 – MM Interview

This appendix includes an abridged version of the interview. The complete transcription and recording can be found on the enclosed CD.

A: In the interview I want to focus on the business model, how it changed over the years, how it adapted due to the economic crisis, how it managed to survive the threat of the internet. So my interview is about the business model at the beginning, the processes, the environment, influencing factors...

M: It's been a long and terrible history in travel because it's all linked to the political situation, to any developments , to anything that's happened in the world affects our business almost immediately. Whenever we have a gulf war, we had two gulf wars, one in 1991, then the Irak war was 2002... whenever a crisis like that in the middle east we are affected.

Depends on what market it is. Obvious every day you have one sector of the travel industry being affected. It depends now, because we specialise on Greece and Cyprus, if something happens in America or South America which is not our market, it doesn't affect us so much, it affects other sectors of the market, those people that specialise in those particular destinations. We had a situation with Cyprus with the economic crisis a couple of months ago, with the banking situation, it didn't affect the travel trade overall but it did affect us, all the Cyprus specialists... so you get situations like that, that could be regional or it could be sort of worldwide...so yes they affect. Unfortunately we are in a business that's affected a lot by anything happening around the world. Or when it was the epidemics throughout the years it affected as well...any airlines incidents or accidents they affect to a big extent...for example, you might remember 2 or 3 years ago we had the volcanic ash cloud from Iceland, that affected our business to a great extent. It was going for about 3 weeks and all the planes were grounded around Europe and you couldn't get flights, your clients are in airports or overseas...of course on top of that we had technology...revolution

A: hitting you...

M: and it's been particularly hard for a person like me who actually embraced technology right from the start , since we started this business, since we opened the office and there was no computer systems at that time. The first ones came through and we adopted them straight away. In fact we were the first computerised agency in the Sutton Coldfield area even before the multiples like Thomas Cook and Thomson...we were the first ones to have an actual in house computer system, TARSC.

A: So you were an early adopter?

M: 1989, we were the first agency who actually had that. So it pains me because I've always been in for technology...(he shows me a photo): it must have been 1988, this is my first laptop which I still got at home, thick and heavy. So I had one of the first laptops around, I still have it, it still works.

A: What was the reason behind the acquisition of Ross and Brown?

M: reason why we bought Ross and Brown was ...first of all the lease of this shop was actually finishing at that time so we had a choice of renewing it and stay there and move out. What happened is we had very bad landlords. Here is a different situation, here is Ian (previous owner of Ross and Brown) so it's more like a friendly situation, because we know him and we can...talk things ...it's not like having a big company, you never see the landlord. The office was owned by this large company that were dealing with us through agents, we never saw them, we never knew who they were... and what they did before we left, they started putting the rates up, sending us different charges all the time...it was becoming very uneconomical. So we decided, we were looking around, and we found this opportunity. Because Ian was looking to retire and sell it and it was an ideal opportunity because up to that time we were actually linked with Greece and Cyprus only because of our name although we tried as much as we could to promote the other parts as well...But we couldn't do it because we were humbled by the name, Greece and Cyprus Travel...and this opportunity came and it was an ideal scenario for us because we could actually move out and come here, and have actually two companies on the same premises...which is what we tried to do. And we got the benefit of having an extra market as well, other than Greece and Cyprus

A: Were they were focusing on high end customers?

M: exactly, different type of clientele. On paper it was a fantastic move, couldn't go wrong. But i'll tell you how it went wrong afterwards. So it was presented to us, we thought it's a win win situation. And ideally I think it would have stayed the same, would have been in a great situation now, but what happened is: we bought it and we started it here, the new project, and then we entered the recession. We bought is just before the recession, we were very unlucky, we actually bought it just before the recession hit England.

A: I want you to tell me more about the business model, how it looked like at the beginning and how it is right now after all these changes and I will start with asking you about the services you were offering at the beginning, you told me that obviously you were linked to Greece and Cyprus because of the name. Do you think the service offering obviously increased after you bought all these brands. Now you specialise in travel all over the world, not only GR&CY?

M: Yes, because we have this new clientele that we inherited from Ross and Brown. Because we came here and because of our name, people have seen now that Ross and Brown is not only Greece and Cyprus , Ross and Brown is a different kettle of fish. It helped in this way...

A: I'd like to ask you about the target market, at the beginning you were selling only Greece and Cyprus. Does this mean you were selling to the Greek community only?

M: Yes, but also English. But the big back-bone was the Greek travel market and in those days there was no concepts of internet or computers or on-line booking. So if people wanted to book they had to come. Even in those days some tour operators would not agree with travel agents, and were selling direct. It was a small sector of the market of tour operators who would try and not go through travel agents but

deal direct with the public and offer it by 8 or 10% cheaper than through the travel agent. But because they didn't rely on the trade network they had to spend...it was basically like false economy because they had to spend...if you're a tour operator and you've got a network of agents, then you don't need to go to spend all your money on direct marketing to the client, because the agents are doing that. That was the situation we had to face in those days, we had to face the people were actually undercutting us ... in a way it's a similar scenario now but it was more limited at that time. The public on the whole, only had those choices, booking with the agent or booking direct, they had to do somehow, they wouldn't book it themselves, as they do now.

A: and now the main target market is still the Greek community mass market or the higher end market coming through Ross and Brown?

M: well, the internet has affected the business but from the lower end of the market because mainly people think that going online they're going to save...more for economic reasons. They don't know, they're not in the position to know without trying us if they are going to save or not. But because the conception, the perception is that they're going to find something cheaper...that's for the lower end of the market. When it moves to the middle and higher end of the market and more expensive holidays, then you start sort of losing faith and confidence in yourself when you're thinking of 2000 or 5000 holiday , you want to be sure that things will go right. And it's obvious risks, we find there is a level and from there upwards people are hesitant to continue and they come to the travel agent. Apart from the fact that they have expertise as well, because if you start booking long haul holidays then you have to rely,...you need people's opinions because of all the choice is there. Who has been to the place, is the place the right one, you don't know, you find something online that you like but are you sure that is definite that's the cheapest around, that's the best airline...there's so many different things, so many different factors,

A: this was my next question, which were the advantages of booking online compared to booking through your agency

M: Would I want to answer this question? Advantages...the difference is in the price, because if somebody wants to book a simple trip from a to b and say the trip is 220 online and they come to us it will be 235 because of our markup for our services. But the question is do people...is price the only thing to consider, or whether it's the safest way to book this trip, what actually is involved. It come to people like Ryanair, do they offer a full protection when something goes wrong. What happens when you have a situation like the ash cloud which is a very important example. So then you can actually see what happens when you book direct. When you book direct, a trip from a to b a simple trip and it goes exactly like you want it to be, that's fine. But in real life, very rarely something goes exactly as we expect it to go. There are a lot of factors that come into it. This is when it becomes complicated and at the end of the day you might work out more, you might have more problems by not going through the agent.

A: do you think that people know about the advantages of booking through the agency, about the safety issue about?

M: No...it depends on the attitudes, you see, the younger people don't think too much about it because they've bee brought up in ...

A: online era...

M: environment and they are close to it. A lot of people are not aware of the pitfalls until actually you see this problem. So you decide to book online and it goes fine, you know, might be lucky you have 10 trips and nothing happens. Or you might be an unlucky person and with every trip that you book you have situations that you have to deals with. The older people, the people who actually can compare the situation ...our biggest problem is the youngest generation they don't know, they started doing it online and that's all they know, but with the older generations, the people who are comparing the situation with before with the online and after, we've got a better chance because they know how it was before and how it is now and a great deal of them decide to stick. Although they know the technology is there and they can do it, they remember how it was before that and the service they were getting and they still prefer that. A lot of our clients actually now, a lot of them we have for 30 years, a lot of them think that generally booking on the internet is cheaper. But they still come to us because they want the service and the reliability, financial protection, all sorts of things.

We have to face the novelty factor that the internet brought...the novelty factor is that oh yes! The internet! I play with it"...people gradually see now, ok I can do it online but it hasn't got the same attraction as it had originally because you can do everything online, it's just like another activity, don't get a kick out...whereas before when you are like a child when it all came out and "oh yes! I can book a flight!", "I've done it myself"

A: I understand that right now the older generation that remembers how it used to be before, comes and books in

M: Yes, all the older generation of course, and there's a section of the population who wouldn't go and book on the internet. Because these peoples who are in their 60s-70s-80s, very few of them would actually sit down and do it.

the way we position ourselves these days is more on the service factor, we're there like in other sections of the industries, we;re on services. We're here, we go along with technology, we offer a service, so I think there will always be a role for us. Now what type of volume there is going to be, we don't know, but always people will want things to be done in this way. That's a general state. We haven't reached that state where people do everything with machines and computers. They might in teh future, maybe these things will be irrelevant in 50 years form now but for the next 10 years or so I can still see a role for ourselves, even if it's reduced.

A: Tell me about the main sources of costs in the travel business and how the revenues are generated?
M: the only source of revenue is our commission from our mark-ups, whatever we sell, we have a mark-up, a percentage of profit.

A: was it the same thing 25 years ago? Were the commissions higher?

M: oh, yeah! Percentage wise, yes you have to say it's lower now because of the competition around, you can't have the same mark-up as 25 years ago. On the other hand, the actual prices are much higher now that what they were 25 years ago. So you turn them over as well, sales have increased but the level of commissions might be lower than what they used to be and this is where they gain at the end of the day...the margins are smaller these days of course...

A: Do you think there are some services that the customers are more willing to pay for now apart from bookings, do you think there are services where you can get a higher margin?

M: Yes we sell other services as well, the ancillary services as we call them now: insurance, car parks, coaches, airport hotels, these type of things, secondary type of things but you actually..you offer them because first of all you make a little bit, not a lot but it betters the overalls services. Your aim is to show the client that you can book everything for him as opposed to him sitting and doing it online; you get the feel of the overall service like this because....after i booked him the flights, he expects me to tell him how to get to heathrow. I cant tell him go online, book your hotel online, book your car park online, at the end of the day my aim is to to try and get him to book as much as he can. So we have these ancillary services as well which help the turnover as well, even thought they are not big deal in volume. They do help and it's part of the overall service and that helps. But they are on the same basis, the margins are the same...it could be 10% or 8%...

A: Tell me a bit about your competitors, I know you are part of Elite Consortium

M: These days, the competitors over the years...the picture has changed....30 years, now we can only see one big competitor and that's online, that's the worst competitor now because it's a competitor that's faceless, you don't know who it is, it could be anybody, Thomson, Thomas Cook, could be Expedia, easyjet, ryanair, ...where in the past we had the competitors that you knew, you knew the enemy. You knew how to fight them. Now it's different. This guy down the road, we knew how to deal with the competition, and you were given a chance. The worst that is happening now is that we are not given a chance. We find out that people are going somewhere, they come back. So how do these people travel? The do their own thing without even giving us a chance. That's the worst thing that we have at the moment, that people don't even try you...

A: so all the agencies that survived are not your competitors anymore?

M: On our own market here, over the years we had competitors of more kinds. Mostly the competitors we had was the agency, on this specific market. That situation has changed because we bought the remains of thatc ompany, Azure Travel, we had no physical competitor at all, in our market. But in the mean time, the internet has grown so much as a competitor...

A: Why don't you book with low cost?

M: we do, but not Ryanair.

A: why not?

M: Ryanair is a situation ...there's a lot of low cost companies and airlines but actually they don't discourage the agents. They don't mind the agents to book with them like Wizzair, Blue Air..they don't mind...you're jsut another customer. Easyjet we do quite a bit. Ryanair is an airline that actively discourages agents to book with them, they hate the agents, we are declared enemies of Ryanair. Because the owner thinks agents are parasites...

A: apart from that you don;t book with them because they're not reliable?

M: the other thing is reliable...the whole product is so cheap and nasty. They cut corners from wherever they can. If i was not an agent and just a member of the public i would not trust my safety on people like Ryanair, where I know the way they travel, and cut cost to the minimum. If I told you this airline flies with a minimum reserve of fuel, which they do. And there have been so many situations where people warned them and they are having arguments at the moment with authorities in Spain because of that. Would you trust yourself to be on an airline that tells you they operate with a minimum of fuel...

A: In the first part of the interview you told me a lot about technology, I want to jump to this topic because it was extremely interesting as well. You told me about how you became the first agency in Sutton Coldfield which was computerised and after that you kept that...you stayed up to date with technology. Why did you do this? What advantages do you think you had because you adopted technology.

M: In those days, first of all it was my personal idea, i like technology, i wanted that...but i saw that it was helping me a lot along with things that we do in the office, that you can organise your work a lot better and that you can take a lot of the boring paperwork out of the way. So if you can do things with the computers...if you are forward thinking... I mean in those days we're talking a lot more paperwork.

A: Tell me about the technology in the office. You obviously had advantages of using it. Why did you stop investing in that area?

M: We stopped investing...

A: I know right now you're following the latest apple release and you are an early adopter, why didn't you keep doing the same thing with the office as well?

M: with the office...you mean why our system are now so behind?

A:... I didn't say so behind?

M: well they are, I've got a lot to invest....3-4000 pounds to update everything. But first of all it's a question of costs and also a question of time. SO we need to find the right time to invest, the right time to replace the systems and that's what it is

A: when this whole internet craziness emerged, could you foresee the level it would reach?

M: about 10 years ago

A: yes, about 10 years ago when all the online services boomed?

M: I did. What was going to happen? Yes of course, I could see it and it turned out to be exactly as I feared but at the same time I was surprised to see how resilient the whole industry has been. It is amazing...people say ' why do we need travel agents?'...and then if you think of think of this slot of the technology in all the sectors of the industry and especially in the travel industry, you would think that it would have affected travel agents to fall down. You'd have expected 10 years ago that only 10% of us to have survived. If you had asked at that time....At that time the membership of ABTA was something like 7000 members. And, I'm glad to tell you that the membership of ABTA even 13 years after the start of the big thing with the internet is still around 6400 travel agents.

So I haven't got the exact figures from ABTA but we could easily find out. But there's not probably 1% decrease in the agents. So what happened, yes a lot of agents have gone but a lot more agents have come on the scene as well. So at the end of the day the fact that matters is that we're still around the same number even 10 years after the internet was established. So that answers the question 'is there a role for travel agents?'. Obviously there is because these are the numbers. Otherwise, people.. you can't say these people are around losing money, they can't do that. Even if they are not making money they are making a living. They are going from day to day, they are still surviving. Same thing like us. We don't make money like we used to but we are around, we carry on, we've got the business from day to day.

A: I saw some businesses around here that used to be travel agents and they went to online channels.

M: Some of them did, yes. With us it was more difficult, you see...because the way we developed out business was a lot to do with the tailor made side of thing. It wasn't the typical side of things with specific products. We couldn't actually put easily online...say we are going to invest and do everything online...if we did that anyway, we wouldn't have that personal service factor into account. So thinking back, I'm glad that we didn't actually try to do anything like that, because probably we wouldn't have been around. We just carried on doing the old fashion...

A: doing what you knew best.

M: And that's how we found our own market, our own niche that we actually kept. Our main success is that we actually kept the clients that we have for 10-15-20-25 years, 30 years I would say. Thinking that we started at the beginning of 81 and I still have clients that were coming to the agency that was in town. They are so used to dealing in a certain way with you, they expect things from you that they cannot get from a machine by sitting down and pressing buttons. So we found that this is our area. Our area is the personal service and doing things the old fashioned way.

we discovered that by offering clients the same type of service that we've been doing for all these years, we give them the alternative to the cold mechanical way of booking a holiday. And people like it. Anything that happens out of the ordinary any kind of change on a flight if it comes to us, in a traditional way, we would definitely make sure that we spoke to the person in person. If I phoned for instance a client, if it was a very important change, if he wasn't there but it was his wife, i would give a message

that there is a problem with the flight, but i wouldn't feel 100% happy unless if i spoke to him himself, to make sure 100%

A: tell me about the special situations when operators go into bankruptcy or when accidents happen like the ash cloud.

M: Yeah, the ash cloud would be a whole chapter in itself. Something we haven't experienced...it was an one off situation in 30 years of career here...and one that will not happen again. I don't know if you recollect that yourself. It was everywhere in Europe for 7 days there were no flights. In most parts, i remember it was a complete standstill and then gradually they started. It was a unique situation because people were stuck at the airport for ages. And then all this problems with the short hauls booked online and then the people could actually tell which were the good agents. They were all good agents, i couldn't see anybody...all the agents were up there, ready to help the clients and doing things for the clients.

A: Did you have clients?

M: yes we had clients

A: Can you give me an example of what you did?

M: We had clients stuck in Cyprus and not being able to come back. We were speaking to people all the time, all the updates we had to give them, keep them informed about the situation and the possibilities of what they have to do.

A:Did you have to extend their accommodation or?

M: Yes, for the package holidays, yes of course, the tour operators would do that for us, to extend the days at the hotel. I cant rember of people having to pay extra. If they were on a package holiday they couldn't anyway, because of the package regulations, that implied people had to be looked after. So if people were booked on normal package holiday protected by the Civil Aviation and ABTA, there was no problem. But there were a lot of problems with people that booked online and did these DIY packages, those were actually stuck because there was no relation between the flight the accommodation, car hire. There was no link between them and the flights...

A: tell me what happens if you have a customer booked through a tour operator and that goes into bankruptcy?

M: if you have a situation like that you make a claim through the bond. If you are a travel agent you can't send people abroad unprotected. You've got to make sure...that's why you see all these ATOL certificates. We have to do it. We don't do it by choice, of course we would do it by choice but it's compulsory, it's a regulation so we've got to follow that. We have to follow the regulation and offer clients protected arrangements which means that if a tour operator goes bankrupt, we can offer an alternative holiday

A: while you were working more as a tour operator for Greece and Cyprus, did you have any situations when an airline or a hotel or a supplier went bankrupt?

M: hotels no, yeah airlines yes, we had the people that we were buying seats from. If it happened, the organisers of the holiday would have to buy seats from another company and claim from the Civil Aviation. But we would do it in such a way that we were causing the minimum disruption to the customer.

A: But you would be totally covered by your licence?

M: yes, yes. I cant think of many cases when we booked flights with people that were not protected...if it was a charter flight, 99% of the time would have been protected by the Civil Aviation and the ATOL licence. The scheduled airlines are always a risk because there is no protection, in the theoretical case that British Airways or Cyprus Airways or anybody else goes out of business, there was no protection neither for the client, nor for the agent. There is protection if it is a package, then the tour organiser would have t replace the tickets that were booked with the bankrupt operator.

A: But if you are the tour operator

M: yeah, if you are the tour operator you would definitely have to find alternatives for you client

A: I was curious why did you decide to move from being a tour operator to being a travel agent?

M: It was not a decision, it was a natural process of how things turned out, that we ended up doing less and less. The main reason was that what happened in our industry is that a lot of people ...the small tour operators have to rely on seat brokers to buy seats off them. Now the choice on the market became very limited lately, and what happened was all these airlines brokers are actually sell down and the market was actually taken over by the big airlines like Tui and Monarch and Thomas Cook. To the point that they actually control now 95% of the flight market. Then what happened is these people know nothing about dealing with independent tour operators and small agents, they are not interested in giving them small rates or something like that. This is why the market has developed to such appoint now that there's not a lot of choice around. This is a natural process, the bigger companies acquire the smaller companies and this is what happened So we could adapt our model to the market conditions. We still do it every day. You just have to adapt to the changing situations. Because every day, every week and every month is different from what it was last year and the year before. You have to show your ability to survive and your experience from all these years back. This is what keeps you going. Because if you were stuck in one particular product and in one particular way, you'd find yourself that you've got no alternatives and you don't know what to do anymore. To give you an example of about 3 ago, 80% of our business was with Cyprus Airways and now 3 years later, is not even 8%, or 5% or even below that. And we're still around. We are here. Cyprus Airways have gone. What happened is you have to adjust yourself and adapt to market and new operators. So we still do the same thing for the client but with different people. There was a big change how things developed, and it's been an ongoing process. Nothing is set in stone in this business.

A: you say it was a gradual process, still you had to take some decisions in order to survive and get where you are now. The market influenced you but you were smart enough to say from today on we won't collaborate with Cyprus Airways, will focus more on packages, we'll be more travel agents.

M: Yes, we try to shift the emphasis of what you're selling. Other destinations than Greece and Cyprus. Its not easy to say, yes tomorrow i'm going to do this. Because you can influence the situation up to a certain percentage. Then a lot of it can be totally beyond your control and it's a matter of luck, of how things develop and how clients come to you...it's a lot of luck as well...

A: you told me a bit about the huge paperwork involved in your business, do you think any f it it's useless. Do you think you do paperwork and you shouldn't do it or it doesn't make a difference?

M: there are things that you could be doing, you wouldn't need so much paperwork but it's a constant struggle because of the way that we used to work before. It's very difficult to discipline yourself and say no, i'm not going to print that. I'm going to print less because it's on the system. You think sometimes you think it's easier to have everything on the system it's easy for somebody who is very young and they started...but it's harder for people who are used to... if technology hit them in their 30s as opposed to 5 or 6..They are very natural with technology from a very young age. Because we are used to the manual way, you find that people find it very hard to adapt. We tried; I mean I'm doing my best....

A: I'm almost done with my questions so tell me if you have other issues to tell me

M: yeah, An initiative we discussed with the consortium was the postal campaign for the leaflets. All they want from us is the database of clients and they are going to produce all these, the letters, and they will send that with the customers with an offer, on the anniversary of when they booked a holiday. Say they booked in January, about a month before next January they will send them a reminder and three months later there is another leaflet. This leaflet contains offers from various operators that participate in the scheme.

A: Are these offers going to be available two weeks from now?

M: if you look these say the price is from...these are just some examples with holidays. The idea is to make you phone. It will be our number and our own details here.

This is something that we usually do ourselves but this would take a lot from our hands.

A: Will you have to pay for this.

M: yes there are costs involved as well, but the costs are similar to as you were doing it yourself. I'd say less because the cost are just the postal costs and on top of that we'd have the costs of producing all these, time, personnel time... so there are advantages.

A: Ok, Thank you

Appendix 5 – AM Interview

This appendix includes an abridged version of the interview. The complete transcription and recording can be found on the enclosed CD.

A: I know you have been working in the travel agencies for more than 30 years now, tell me a bit about your background in travel and the travel companies that you are running right now.

Anna: I came into the travel business to do the accounts and gradually started solving problems with bookings and help and then gradually I went to do bookings and everything...

A: And now I you are running two travel companies, Greece and Cyprus and Ross and Brown in the same time. How did you end up having these two companies?

Anna: The initial company, Skyfare Travel, or Greece and Cyprus started 27 years ago, 1985 and then in 2007 we bought Ross and Brown ...just because with the ways the travel industry changed, with the internet, the turnover was going down, the business was getting harder, so we said to buy another company, amalgamate them and also to diversify what we were doing, which was specialised on Greece and Cyprus. So we bought Ross and Brown; our lease has come to end for our premises, which was 23 years...and so we moved to the Ross and Brown premises. We actually made them into one company, Skyfare travel, with two trading names Ross and Brown and Greece and Cyprus Travel. Acquired all the old customers, just to help the company going again...just after that 18 months later we bought a client base, a company called Azure travel ...so we acquired that just to get it to build our client base...and then after that just to help again with the sales we brought in two home workers, Carol Lawton, who had to close her own travel shop due to recession and internet and she brought all her customers so she works freelance. And another young lady called Stephanie and that's how things changed. IN our current position we have 4 staff and the homeworkers...and the turnover is lower because there is less of us; also 20 years ago we were consolidators and tour operators; small tour operator but a good size...we probably had 5000 seats as a tour operator and consolidator. And we consolidated for...

A: What is consolidator?

Anna: Yeah, consolidating is having special fares. So you own a set fare to the tickets which is better than the public would see or other travel agents would sell. And these you could sell on their own or package with accommodation and sell package holidays

So we had allocation but we had committed allocation we had to sell them, if we didn't sell them we lost the money...It was getting more difficult ...we had to buy less, but at the same time Cyprus airways was having (cause Cy airways had committed seats) difficulties and started putting us under pressure to buy those seats. At the peak we must have had...60 passengers per flight, it was good business because if you had seats at peak period and nobody else had them, you could sell them at whatever premium price you wanted.

A: This doesn't happen nowadays anymore...?

Anna. No, we're only a small operator the airline don't give it to you...a lot of them withdrew the contract ...we consolidated 8 airlines, it was good business...and then we gradually reduced our licence, and when they started to change the rules on our ABTA license, we reduced down to 500, which is where we are now. we had about 5000 in our peak. We are a small tour operator, on these 500. And we use them to package them together...it's mainly for the Greece packages that we do the tailor-made because we've got our overseas agents there. For Cyprus if we buy accommodation and flights and put them together then we cover with ATOL and the client buys a package. Now that's a very small part of our business compared to the old days.

A: You told me that when you nought R&B, you diversified. Was that only in terms of customers or also in terms of destinations?

Anna: Destinations, yeah because when we were just Greece and Cyprus, we probably 70% we did Greece and Cyprus, we had a big following of Greek Cypriot market, the community, but as their kids were growing up, they started using the internet. We still have Greeks and Cypriots booking here but it's a lot, lot less... you can't rely on them, and we needed to get away from that and get more into the package market. So we're probably now 30% if that, Greece and Cyprus, to the 70% other destinations. Now we specialise more on middle to high end, where really our middle to high end was small before. So if we did a booking like25 000 (pounds), you thought 'Oh my god!' But now we can do quite a few of those in a year.

A: Maybe because the market has changed and the rich people remained loyal to the travel agency?

Anna: No, it's more because if it's low end, it's bookable easily on the internet. If it's high end, often it's tailor-made tours, that type of things, we can't just go on the internet and book that. If you do, all you do is get a contact so it might be a tour operator or a travel agent, so really if you want a proper package, you go to a travel agent or a tour operator. So, and it's time...the client might have the knowledge about where they're going, but they don't have the knowledge of how to put it all together so we can help them.

A: There's this established marketing idea that the customers don't buy a product, but they buy the result of that product. What do you think people expect from booking with a travel agency, what is the value that they find, why do they come to you and they don't go...?

Anna: it's face to face and after-sales. If you book on the internet you don't speak to anybody afterwards. If they've got a problem, they can't contact that person. Or they will pay premium price to do it, 10p a minute or whatever...they know that as a travel agent we'll fight their corner...

A: Stephanie told me about the complaint process, and I understood that you take care of the complaint, you don't send the customer to address to the tour operator?

Anna: No. It's actually people would do it themselves. I actually had a case this year. I had a client who was doing 2 tours back to back, starting in America going up to Canada then coming back to America, it

was a complete package. He was a bit worried because the paperwork was wrong, and...I never told him about all the problems I had with the booking, while I was doing it.... but if he had done it himself he'd probably have stopped after the first hurdle. He wouldn't have carried on, I carried on with the tour operators...They misquoted by 200 pounds and they said, tell the customer we misquoted 200 and I just said "too bad, I gave him the price". If I had said to speak with him direct, he would have said yes, ok, he'd have no choice, but you know, we know that sort of thing. Anyway, it continues, he had his paperwork, paperwork was a mess, I sorted it. He felt uneasy and I said to him, don't worry, here's my mobile number, phone me anytime", expecting him to phone me when he was in America. 5 o'clock in the morning, at Birmingham airport, I get this phone call from the girl at the KLM who says his flight hasn't been booked. So his flight wasn't booked from the UK to Los Angeles and he was going through Amsterdam, so he had to change... So he ended off missing his flight, she put him on the new flight and had two stops instead of one. So it took him an extra 12 hours to get there... 70 years old... And he came back and we started all the letters of complaint and complaining and everything. I was doing it for him, he was 70 years old, I was typing and he was signing the letter. This is how far we'd go, cause if I left it to him, he probably wouldn't have gotten anywhere. Anyway, they offered him 200 pounds and I said not acceptable, plus the 35 his expenses. I said that's not acceptable. Oh and they say 200 pounds in vouchers to spend on his next holiday. I want 500. We sent the forms off and they phoned me last week and they said ok, we'll give him so he got 500. So if he had done it himself he wouldn't have got that and it probably would have got there ...because he had a good girl a KLM but if she wasn't there, he would have phoned me directly and I would have been arguing. They can't do that sort of thing online..so they get the service, that's why i said that after-sales is important as well. And we send letters after they travel saying if they had a nice holiday...

A: because you expect them to come back...

Anna: yes, we want them to come back, yap.

A: So now I understand which the limitations of online booking are, they lack a lot of things. And I know they're also not protected?

Anna: It depends on what company they use., cause some companies are protected. But what we're finding more and more with the online companies is they're not getting everything that they should be getting. For instance, they might come to me and say we've got this on the internet, we always have a look at what they've got because people don't read the smaller print...i had a client recently who tried to price match, bla bla ... the other woman booked it on the internet. When they got there they paid 11 euros a day to use the swimming pool; so these tour operators or bed banks are getting cheap prices because they're not getting all the facilities. It looks good initially ...and we find a lot of people making mistakes when they do the bookings, I've had people booking next year instead of this year

A: and they can't do much after that?

Anna: They don't know what to do really...I had one client that said to me I cancelled it she cancelled it cause she booked the wrong year, and she lost the deposit., which was 100 and something pounds each.

Then really, she could have just have changed the date instead. So people don't know...and if we make the mistake we cover it, we pay for it...and it can cost you a lot of money.

A. We talked about the customers, the type of services you offer, tell me a little bit about the costs and the revenue model. Which are the main sources of cost for a travel agency?

Ana: Your phone bill, big cost.... phone, internet...all that sort of thing, the licenses and the fees you have to pay for them. For us it's the ABTA license, the IATA license... the bondings you have to do for these...

A: Are there also bondings and fees?

Anna: Yes, for ABTA there's always a bond, so you do a bond. I think we just got a bond there for £ 33000...that wil cost as in the region of 1000 pounds to do the bond. Because you do it on insurance. Iata only ask you to do a bond if you haven't made ...it all depends on your balance sheet, your profit and loss account..this year we never needed one. Last year we did.... and then with the ATOL, there's fees..you have to pay a fee which is £750 you need to apply. And then for every passenger you book...which you pass that to the client really, £2.50...and then usually electricity goes, rent, all that sort of thing....

A: How about sources of revenue?

Anna: Commissions and mark-ups or booking fees...that's really the majority commissions and mark-up As a tour operator everything is net, cause your marking it up. Same sort of thing; small margins...

A: Is there any type of service that generates more margin than the rest and that you want to focus on?

Anna: Package holidays because then you're sort of looking, when you're doing a booking you'll think about which operator. So you'll do a price comparison....let's say you want to do a tour in America, you might get a better price off a tour operator but they will take small commission. It used to be more standardised

A: Why do prices don't match the internet?

Anna: It should, but they don't. Some companies do, just depends on the company's policy. With cruises, because that was the biggest market really that discounted heavily. Because there was so much competition from these big companies, you'd hardly sell a cruise holiday, especially P&O (complete cruise solution, the whole group of companies)...so what they did was, they cut everybody's commission to 5% and put it all on a level plain field. And we used to be able to get 5% discount on the website. Now they don't give any discount. It's supposed to be a level plain field, whether you booked direct with the cruise company, through these big cruise companies, or with a small travel agent, the price is the same. And legally, in the agreement, we shouldn't discount.

A: tell me a little bit about your competitors. I know you are part of this Consortium call elite and I heard most of the travel agents around the area are part of the consortium so you don't act so much like competitors but more like partners...

Anna: Yeah, and we'll help each other. If say, Allen up the road wanted to know something about Greece and he doesn't know, he'd phone us. Or if say I'm looking for a tour operator you know I'll ask for help. Our competitors that we don't really like are the multiples, First Choice shop and Thomas Cook. Because they are aggressive. And they are undercutting all the time. Even online sometimes they undercut more than we make so you can't price match or anything. With the independents agents, you all work together really. Very rarely get a client that's been both ...for the same thing ...usually they've been to multiples and then they come to you, thinking you're better.

A: Did it use to be the same before?

Anna: No, you probably had more competition with the independent, you probably more aggressive against them because people were shopping around from one agency to another, there were a lot more independents. Now there's just a few left.

A: Did you differentiate from the competitors back then 20-30 years ago?

Anna: Yes, that's why we had a niche. There were so many travel agents that you had to have a niche. Say our niche was Greece and Cyprus. That's how we chose Greece and Cyprus. So we stood out. Our business was national, we had business from all over the country where whent i look where Ross and Brown are, their business is ...out of my head 80% local, 90%...where ours was probably30% local.

A: how did you market in other areas, there was no internet?

Anna: Good question. Very good. Direct mailing. We used to do...we had yellow pages, phone directory. So we'd buy a phone book for the areas we wanted. It was mainly area where there was a big Greek community. So Mansfield, Nottingham, Manchester ...we'd have all these directories, and we would advertise in the yellow pages. That was the business one. So we'd advertise in the Yellow pages all over the country. We had directories from all the areas, and the areas were big..so you would do say Manchester, you had the whole of Manchester and say it was a cheap way...even in those days I spent with the Yellow pages about 2500-3000. Which was a lot of money but you covered a lot of areas and you got a lot of business from that. Because people look, Oh Greece and Cyprus, that's where I'm going. It was a really good work. And with the directories we would compile our own mailing lists. So the use of directories, and Mike would go through the directory and pick the Greek names from the directory. But the obvious names and somebody would do mailing lists, a member of staff. We had like 4 times staff really, doing that type of thing, just compiling the mailing list. Which was still used anyway. 15000 names, I don't know...that's always been Mike's (Manolis Mavroulakis) side of the business. So that was another way. We advertised in the local papers. Mainly the Birmingham mail, which in them days was a big paper cause you never had internet.

A: And do you still do direct mail now?

Anna: We still do, but really, most of it is, I'd say all of it is from either client's who we've booked or they called and we'd take the name and address. But in them days we just used the phone, cause it was

Greece and Cyprus in 1985 we had the Greece's peak ...it was like bam ....every other person wanted to go to Greece. It was like Mecca. They will come back (laughing)

A: So the name Greece and Cyprus helped you in those days.

Anna. Yes, it did, because that was our niche market. Ross&Brown , in those days, their specialty was late bookings, cheap, anywhere, but late bookings. And that's what they were specialised in. And somehow, when I spoke to Ian (previous owner of Ross and Brown)about it, the market has changed, from late bookings to top market. It was upmarket. I don't know how it happened, but it just happened, ...and each business, because all we independents now that's what we're targeting ...the upmarket business or the higher end, because the bucket and spade; what we call bucket and spade is 2 adults and 1 child going to wherever in an all inclusive rubbish hotel, cheap. The multiples get most of that business, we get a small amount of that.

A: So that should be your target nowadays anyway?

Anna: That's our target. We still do that, and we can still do it but the competition is very high. And a lot of people go online and do that anyway, so...

A: So the internet is not such a big enemy for this high end target market?

Anna: No, it's used a lot for research, say the client might come in and now more than you about the destination that they want. You've just got to pretend you know as much as them

In them days we used to have brochures, because we were specialised in Greece and Cyprus we had to prove that we were specialists. So we had leaflets on every island, from the tourist board but we were all stocked up with leaflets. Say somebody would come to pick a brochure up for Greece and say wanted to go to Crete or wherever, we were giving some tourist information as well to go with it. Because if they just pick the brochure up, can go up the road. And then for Cyprus we had all the leaflets of the areas from Cyprus, hotel leaflets...now when somebody wants to go to a hotel they go on the internet, but in them days there was not internet, they wanted a hard copy.

A: Tell me a bit about the trends and changing customer needs, technology, how did they affect your business. Let's start with the recession.

Anna: Yes, that's the biggest change. Then I'd say, for me I'd always say recession hit worse than the internet. Because with internet we can cope, if you're good at what you're doing and you can sell, and if you compete, then you can deal with it. But with recession, however much you advertise, however much you sell, if the clients don't want to book and the clients don't want to go, you're not going to sell it. If they haven't got the money, you are not going to sell it. So, as much advertising as you want to do or selling as you want to do if the clients haven't got the money, then forget it. That's the big difference between the two, I think you can cope better with the internet than with recession.

A: What did you do in order to cope with recession? Did you start cutting costs in some areas?

Anna: We cut costs big time, made changes to the way we work, the number of staff we've got. But because mainly cut costs. Electricity, turn the signs off all around the shop. More or less that was half the electricity bill. Looking for better deals on our phone contract and cutting the stationery to the bare minimum, forget about all the stock that we used to have. There's things that you buy...why am I going to buy 6 new glasses to replace the old ones that are in the cupboard...

A: Tell me about society trends if you observed any shifts in the behaviour of the customers over the years, if they changed, started preferring other destinations compared to what they used to a few years ago.

Anna: I think all destinations are like a fashion. When I said before, Greece was peaked in 1985 and some other time in the 90s again, can;t remember exactly. I know 85 cause that's when we started and it was crazy. So every year there's like charts which tell you which is the destination. It does work like that. The last year or two Dubai and Las Vegas. Two years ago it was New York and at the moment it's becoming fashionable for Miami for the trendy people. Marbella...

A: Mike was mentioning that the worse the weather is the better it is for you.

Anna: Yea, that helps. The destination early in the year central Europe has floods, that was putting people off. People who have already booked, say a river cruise, the river cruises were cancelled but if you were going to do late booking on the river cruise and you saw that there were floods you wouldn't do it, just wouldn't go. So that puts people off. Eartquakes, tornadoes, 2-3 years ago in New Orleans when they had the hurricane.

A:So every cataclysm hurts your business...

Anna: Yes. That's why when you 're specialising you can really lose out on that business. So it's better to have lots of destinations. And we've seen that with specialists. You see that with a lot of tour operators diversifying into something else if they are just specialising.

A: But when you started diversifying could you foresee the beginning of the economic crysis?

Anna: It was the beginning of recession. It was a lot smaller at that time, it was affecting out business. But then it started.

A: I have a last question about these external influences. How about the regulatory influences?

Anna: Yes, they change all the time. Not so much the ABTA but the ATOL regulation which is the package regulation. They changed drastically last year. And we are a small tour operator, yes that affects us but we can control that when we issue the ATOL certificate. But what is affecting us more as a travel agent and i went to a meeting the other day. That's why they do these meetings to keep us updated. And we booked some holiday we had to give them an ATOL certificate to prove that they are ATOL protected. Really, as soon as the money passes over we should give them the ATOL licence. That it;s ok in theory...but realistically it's not always easy to issue documentation because the tour operator might be a small operator might not have the resources to straight away type up an ATOL certificate and give it to

the client. In that instance, we should issue it, but it's the same thing, we might not have the resources to issue it.

A: so if the company goes bust you're not covered in any way?

Anna: We have liability insurance. SO yes if it were a big amount we'd use it but if its a small amount we'd just pay it. We had a case when we made a mistake about 3 years ago cost us 2000 pounds but we never claimed because the premium is going to go up and we'd go through hassle with proving and everything. But it was negligence ...so yeah we have to pay liability insurance, that's another hidden costs 1100 pounds a year. People don't see all those costs. They think I booked 300 holidays which we don't like doing because we make 30 quid or I booked a 3000 and make 300 or I booked a 30 000 and I make 3000, but they don't see that in between that I've got all that costs; Alright they see I've got Natalie there and I'm paying her a wage but if she hasn't done a booking all week. I paid her wage and she hasn't done a booking all week which does happen and few small problems that haven't covered the salary. Same as all the hidden extras that nobody can see.

A: You were talking about Natalie, I would like to ask you a few questions about the team. Apart from Carol and Stephanie that are home workers, do you outsource any of the activities, I know you have external cleaners, do you have and external bookkeeper?

Anna: Yes, a bookkeeper comes twice a month.

A: Was this the same situation when you started?

Anna: No, the first ...i don't know how many years, I did the accounts myself. And then I had a bookkeeper 3-4 days a week and she did everything really: wages, banking, I just checked every booking was paid for and then we made a profit on this. We marked everything up, I wrote all the checks, I always write all the checks. So i knew what was made and that nobody misquoted cause that's how you can tell if someone has made a mistake. How much you received and how much you paid out. Even in the manual days. So yeah I had a bookkeeper 3 or 4 days a week. Employed. And now we have a bookkeeper twice a month.We don't need her anymore cause I do all the work, I get it all ready for them. But back then it was all manual. Every entry was manually, and now it's less work...

A: According to the specific of the travel industry, I assume there are peak periods and low periods. In case you have a peak periods and you have so many requests that you can't cope with, are there people from the team for example people doing admin work to do bookings or vice-versa?

Anna: Admin yes, but bookings no. Just Natalie works an extra day, so now because we're extra busy she works and extra day, she only works 4 days a week, but now she works 5, in factmost of this year she's worked 5 days, because we're busy, and she needs money.

A: But you have Nicole working 4 days a week, Natalie 5, Stephanie 3 days...what happens with a client, how do you follow his situation and how do you know all the time what to do about the customer?

A: If it's Natalie's because Natalie's my team ... and my clients... you have your own file with your own enquiries. So if say a customer comes in tomorrow when she's not there then I'll look in the file and see if she had it all. And she can leave an order trail of what you've done for the client and vice-versa between us. If I'm off, like today and I've got something I think the client will call back for, I'll leave it to Natalie. And she'd do the same. If I know the client will come back...but usually we tell the client when we're going to be off and...but we can follow it. If you bear in mind that most things you do...Natalie's doing South Africa at the moment and she's doing the routes all tailor-made so she will definitely keep all that information together so it's easy to keep up. But if it's somebody who's coming for a last minute trippy whatever, I will do it and I'll keep the enquiry for a week or two, just in case they come back...but whatever you've done for them you've got to do it again, because it changes drastically, so it doesn't really matter. But usually if it's my client I've left information about him...

A: I have a question about the interns. I know the value of having loyal employees, that worked for you for years and they do a good a job and you match with them. But don't you think you could decrease your costs by employing students as interns?

Anna: No. I've got a young girl that worked for us on a Saturday and she drives my around the twist because... no, NO! I'd rather pay for that quality , quantity is not important, is quality. We'd all just roll our sleeves up and do anything and that's what we did, whoever we are, whatever position we were we'd just roll up our sleeves and we'd do whatever job needs doing in the office. It's my job and that's what I'm doing. Not" I'm reservations and that's all I'm going to do, I'm not doing admin or I'm not going to wash up". You know? So no, we don't want students or interns.

A: You were talking about the quality of service and I know you don;t book with Ryanair for example which is a bad low cost carrier. Can you tell me more about this?

Anna: Ryanair in particular because if I book with somebody and then accommodation separately and protected through my ATOL. If the route isn't doing well or they haven't got the passengers, they'll cancel. My clients will be stranded, so unless I book them through an ATOL protected tour operator, who's going to take the responsibility for the flight as well....And if we book them we have to tdo the check=in as well, because if they don't do the check in they'll charge 60 quid or something stupid, so it's just to much hassle to think of all these little things you've got to do just for a simple... and the system is terrible as well, so I mean, I don't book them full stop. Carol does but that's up to her. She asks me and I say do it if you want to do it, she can make some money, but it's the hassle you might have so...I don't like the whole structure of Ryanair, I don't like him and I wouldn't fly Ryanair...I know most people know about their aircrafts...ryanair is out of the question.

A: How do you usually find out what the customers want?

Anna: Because we're independent and we do tailor-made and we're not doing mass, normally the clients find us and they find us through our website. It's such a small percentage of our business so it doesn't really affect us these days, because Greece and Cyprus aren't exactly very high on popularity

A: If you could tell about some major improvements you introduced into you activity in the past few years. For example, I know the new office space, or any other things like computers, systems?

Anna: Not really, because we haven't really had the funds to do that. And we didn't really spend any money on new technology or anything like that.

A: I know you did it in the old days?

Anna: Yes, when we had the money. We were probably in them days one of the most advanced independent travel agents, like in house system which is called Tarsc, we were one of the first out of the 100 independent travel agents that were computerised. Probably in the country. Because we became computerised in 1989. Yes that's right, and we'd have these days the travel agents computer systems. And we were again one of the first travel agents that had that

A: In the end I'd like to ask you how do you see the future of the travel agencies in general?

Anna: Diminishing, but still existing. I think travel agents will be less and the good ones will be left. If I look at the travel agents that are left in Sutton Coldfield it tends to be the travel agents that are run by owners. If I think of all the independents in Sutton Coldfield, all but 1 is not run by its owner. And I'd say in our consortium there are no agencies that are run by somebody else. Like me, knowing our clients, doing the bookings and there's very few that are run by staff.

Appendix 6 – Suppliers & Partners Questionnaire

This appendix includes an abridged version of the questionnaires. The complete answers can be found on the enclosed CD.

1. IT supplier Questionnaire

Q1: What is your job title and what type of organisation you represent?

Previously Project Manager, Evolution Co Web Solutions

Q2: What type of services do you provide to Greece and Cyprus travel agency?

Previously, we provided a web design, web hosting, support and maintenance service to the two travel agencies brands between 2004 and 2009.

Q3: Describe briefly how the collaboration with the travel agencies takes place.

The project collaboration took place through a series of meetings to establish the agency's requirements and various email correspondence helps to identify similar sites in the travel industry that the client likes or demonstrates how a particular feature or site 'could' look. This is a way of looking at the trends of how other travel agencies, tour operators or other travel organisations in the supply chain solve the business problem (e.g. taking enquiries online, presenting brochures, updating offers, communicating/engaging with customers via social media). Between 2-3 mockup designs are designed and presented to the client for them to choose, or mix and match parts of designs they like, so that the final design can be finalised and the site can be developed around it. The travel agency is provided with a domain name registration/management and hosting service if they do not have a web address, and the management of this is all taken care of, since most small travel agencies are not technically literate to manage it themselves unless they have a dedicated IT manager which is common in larger agencies employing 10-20 people than small ones employing 2-9 people. It is usually the case that the owner or one member of staff who is primary responsible for another business function (e.g. management, admin, finance) is responsible for maintaining the content of the web site and is therefore trained or shown how to do this through a step-by-step manual with screen shots or a training session. In the case where an agency has a budget, then maintenance to the web site design or features can be made, with the agency staff member(s) maintaining/uploading the content.

Q4: Did the travel agency increase or decrease its demand in your services over the past 3 years?

There would be a steady purchase of annual services that were essential to enable the web sites to run such as web hosting and domain names renewal. There was a decrease in the investment of web design services to radically innovative and overhaul their web presences since the budgets were limited or non-existent for this - and travel agencies were afraid to make investments when their profit margins of selling their service was already very tight - so the business case for investment was not very favourable.

They were also not very fast to adopt new technologies like social media if they were small agencies without the human or financial resource to do so, just to research it and figure out how they can do it for free or pay someone to do it. The travel agencies would he introduction of new technologies like social media means that agencies don't actually

2. Partner Tour Operator Questionnaires

What type of travel organization do you represent (travel agency/tour operator)?

R1: Travel Agent

R2: Travel Agency & Tour operator

R3: travel agency/tour operator

R4: Tour operator

What services do you offer to the end customers and how has your service offering evolved over the years? Please mention how your portfolio of services developed   (increased or diminished) as a response to the economic recession or to the evolution of technology.

R1: Bespoke travel - tailor made tours - clients bookings the type of travel we offer are keen to speak to our team for the advice and expertise we offer

R2: We try to maintain all services be it on a reduced level and at the same time we have invested in new technology for the internet.

R3: tours to East Asia: Thailand, Cambodia, Laos, Myanmar and Vietnam. The services we provide increased year after year in terms of new destinations in the mentioned countries. As a response to the internet boom we developed our website and we may receive requests from the customers by filling in an online form.

R4: Luxury Tailor Made Holidays. We keep adding new destinations periodically, in 2013 we've just added Slovenia and Montenegro. we feature specialist holidays from family to adult-only, to those looking for more of a cultural experience with our luxury European city breaks. We offer a range of four and five star hotels, multi-centre options, city breaks and new for 2013 holidays by train, aimed at lower budget tourists.

In comparison to online booking web sites, what are the benefits to customers of booking through a travel agency? Please share your experiences to briefly demonstrate real-world examples.R1:

R1: Advise experience of our staff - we have been on the high street for 40 years so clients know where they are booking

R2: Clients booking through the phone or in person have a chance to discuss their needs and think through their choices before commiting themselves.

R3: We offer great expertise in the destinations we sell, which is hard to find online. The customers get the human touch by booking in a travel agency, personal experiences, stories, details that the agent knows and for the customer it would be very difficult to find on the internet. We have customers who book expensive tours that may include more flights, different accommodations, several transfers from the airports. There is a lot of hassle for a person that knows nothing about the destination to do these by themselves online. Moreover, our customers are reluctant to booking expensive holidays online.

R4: in a travel agency customers get the service which is very important, they don't have to make efforts of going through several websites. The risk they take is also lower when booking in a travel shop.

In response to the changing customers' demands, competition and technological advances, how have you adapted your business in order to survive?R1:

R1: website / and sharing more information with clients on line

R2: Like i said earlier we have invested a great deal of money to develop our online services.

R3: We built a website and we started using social media.

R4: We created a website that is a platform for both travel agents and customers. We offer luxury tailor made offers at affordable prices. we introduced a loyalty program for our customers.

How do you keep up with technology in your business? Please mention anything related to your company's website, social media, technical equipment in your office or on-line programs/databases.

R1: we are constantly reviewing our website we use social media both facebook and twitter

R2: We do what we can unfortunately only the big organisations are able to invest the ammount of money and effort to make a real difference.

R3: website, social media

R4: facebook, twitter, servers for the website. There is a form on the website where customers can ask for information and we contact them directly

3. Partner Hotel - Amathus

What factors make you choose to partner up with certain travel agencies (location, customer base, online presence, etc)?

Mainly flight capacity and flight frequency to the destination. In addition the geographical area based on our type of customer we aim to contact. In our case we aim for mid to high clients that live in afluent areas

What advantages/disadvantages do you see in collaborating with traditional travel agencies compared to the online booking websites?

We deal with agents that have LOYAL high end clients. The disadvantage is that high street agents are fading away now .. and end consumers go to websites instead...

How did the increase of online travel websites affect you as a provider of travel services?

It does not effect us in that sense but help us to become more aggressive to monitor and adapt

Did you introduce any improvements into your activity in the past few years (e.g. new electronics, computer systems, use of social media, etc.) ? Please describe briefly.

Sure use of social media has become more influential in our marketing activities. We use all social networks and dedicate resource to ensure we are there

How do you think the travel environment will look like in the future? Please mention the actors that will continue to exist, or major shifts in the industry that you think will affect this market.

End users will be there and will increase Hotels will exist those that offer much more (experiences) Small boutique hotels will be on the increase Hotels in China will be on increase Travel agents will be reduced or offer different services as well Tour Operators that offer something unique in service and options will sustain themselves.

Appendix 7 - Customer Perception Questionnaire Results Analysis

The 38 responses to the survey aimed at understanding the customer perception about travel agencies are summarised below:
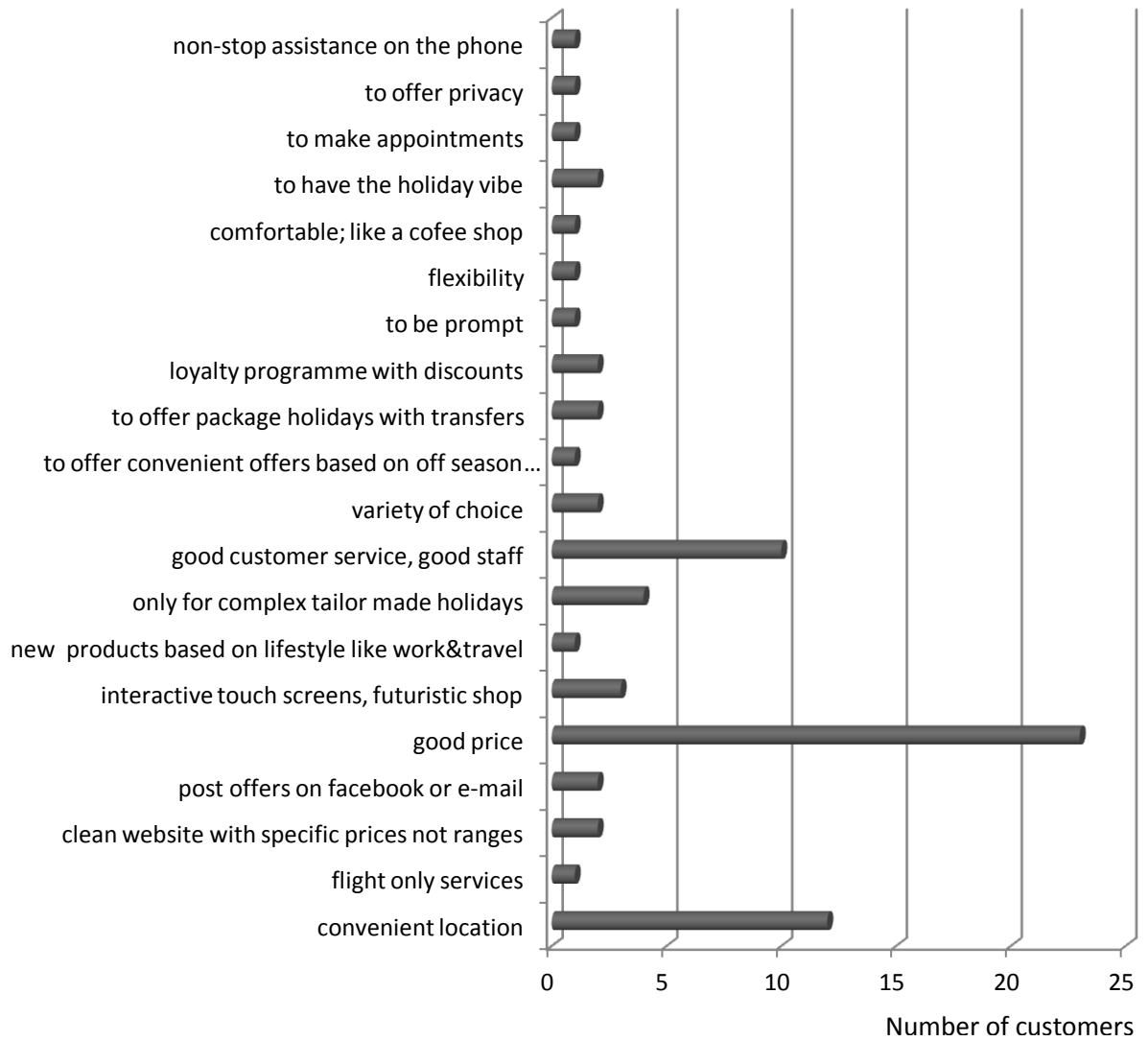
- If the price was the same, customers would prefer to book online (50%) rather than in travel agencies (32%):
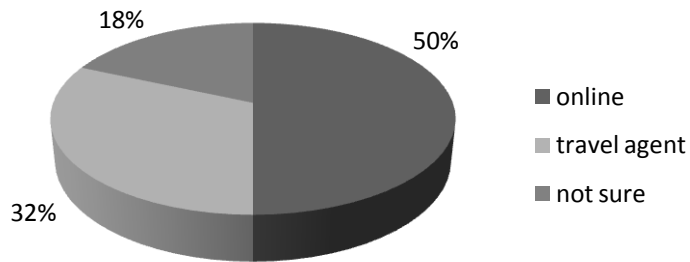
- The advantages perceived by customers (in percentages) when booking online and in travel agencies:
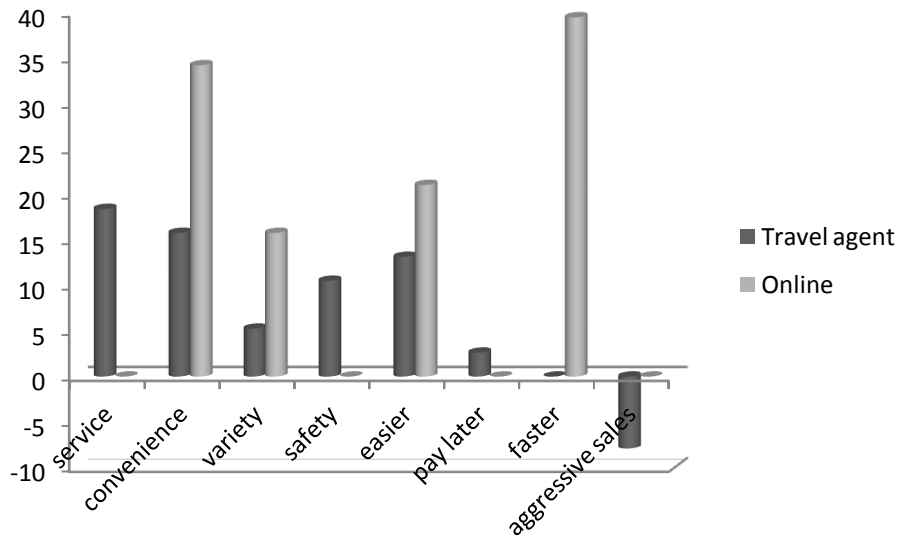
- The ideal travel agency, that would make customers prefer it over the online services should have the following features:

Number of customers

Appendix 8 - Observations in the Skyfare Travel's Office

- The travel shop is located in Sutton Coldfield in a commercial area is surrounded by many shops and it has a park space for customers.

- AM recommends to the customer on the phone to buy packaged holidays because if he has a problem with the flight he will be left with the accommodation and if he has a problem with the accommodation he'll be stuck with the flight.

- Informal chat in the office: If the weather is bad during the summer the bookings go up, because people want to get out of the rain. They don't want to go on holiday in the UK because it's very expensive.

- When NP broke her foot, AM struggles to replace her and extended her own work week from 5 to 6 days

- Customer complaint: In a group booking, the tour operator booked the group on two different flights and 2 different connection flights. The customers complained because they weren't together, and because the flights were scheduled at different times, they got to the destination a few hours apart. AM followed to complaint to the tour operator.

- Booking through low cost flight operator Blue Air is a hassle due to the low quality website features.

- In serving the customers the agents follow the same steps : discuss about the destinations enquired by the client, when he decides on one, the agent phones tour operators and looks for brochures; the agents give the client 3 options; the client decides; the client is offered holiday extras (airport hotel, airport car parking, taxi to the airport, car hire, holiday insurance, etc); the payment is made(sometimes partial payment); the agent talks to the tour operator and books the holiday; the agent hands in the receipt to the client; the agent introduces the passport information into the flight operator's system;

- Each payment is receipted in the CRM system and then two copies are printed, one with the company heading for the client and a simple one for the agency, for the end of month book keeping;

- When the tickets are made available by the tour operator in the system, or are sent to the agency by post, the agent starts preparing all the travel documents: he/she prints the tickets, prints the confirmations for holiday extras, prints the luggage labels for some operators, prints the Atol certificate – that offers protection for the package. These documents are either mailed to the client or handed in personally.

- A holiday is booked in July 2013 for 2014 with an operator. The tickets will be sent by the tour operator in February 2014, therefore the client will have to wait for them until then.

- Booking the flight tickets through Galileo system takes 30 seconds. It is not a user friendly application, on the contrary, it requires some minimal coding skills.

- The travel agents do administrative tasks when they don't to bookings: SW books extras online and introduces APIS

- The admin clerk welcomes customers when the travel agents are busy and offers them minimal information about holidays. She offers them brochures to study until one of the agents becomes available.

- In the kitchen, the agency has a poster announcing each member of staff that he/she is responsible with washing the dishes at least once a week.

- The shop was visited by tour operators representatives promoting their online services and brochures.
- All customers are treated the same regardless of the budget they are willing to spend on holidays.

- A holiday insurance was booked with an end date one day earlier than the holiday return date. The admin clerk observed the mistake and fixed it right away even though there was a small amendment fee.

- The agents prints a physical file for each customer, every time he/she travels. The file has a cover containing the details of the holiday and inside it includes the confirmations, copies of the receipts, copies of the tickets, itineraries, etc. The file is kept on the desk until the return date of that holiday. After the customer has travelled, the file is called "dead" and is stored in a drawer in the back office

- All the customers' passport details are stored in an excel file, in order to be used for future bookings

- The end of the month book keeping activities include comparing the daily till money totals from the CRM with the credit card machine totals; introducing all the receipts into an accounting system, with T accounts codes.

- The admin clerk goes periodically to the bank to pay in cash and checks.

- Anna stored the files of the customers that travelled in the last 2 months and stores them in boxes. She mentions how these files need to be kept for two years according to regulations.

- Olympic Holidays, classic tour operator: books seats on flights in advance and if they are left with the seats close to the departure date, they start discounting them. However, AM mentions they are not reliable lately and started changing the schedules for their flights due to lack of occupancy.

- The resources the company uses:
    - Computers, printers, a big Xerox multifunctional
    - Franking machine
    - Fax machine
    - Databases with customer details for marketing purposes
    - Travel specific software and accounting software

- Unofficial discussion with AM:

  - The history of booking flight tickets.
    - At the beginning they were written by hand having a set of many pages - a lot of paperwork
    - Then they had to start printing with a special printer (2000 pounds)- they upgraded to the printer at the limit, whent they were forced to do it
    - They moved to e-tickets

  - They used to get commissions for flights which decreased to 0 (now)
  - Customer don't understand the hidden costs of acquiring licenses (abta, iarta) and they expect the service to be free of charge

  - They did a leaflet campaign in the winter with a 5% voucher on the leaflet. Response was 0%
  - Direct mail still works
  - They have been using a database for ordering the tickets called Galileo for about 25 years.

Appendix 9 - SWOT Skyfare Travel

For a better understanding of the activity and position on the market of Skyfare Travel, a SWOT approach was used, to summarise the current, 2013, situation. The information used here was sourced through the interviews with the agency's staff, the questionnaires responded by their suppliers and potential customers and through data obtained through industry reports and publications.

Strengths	Weaknesses
• 28 years presence in the market • Experienced staff • Extensive customer base • Excellent customer service • Specialised on Greece/Cyprus niche • Expertise in a wide range of destinations around the world • Experience with weddings abroad • Strong consortium membership • Reputation in the Greek/Cypriot community • Sought-after opinion leader in the local mass-media (BBC) • Good location	• Aging website with little traffic • Low social media presence • High operating costs • Limited number of travel agents in the staff
Opportunities	**Threats**
• Forecasted economic recovery • Increasing demand for new niches (medical tourism, disabled, senior citizens, sports/adventure holidays, cruises) • Business Model Innovation	• Increasing use of internet services • Increasing internet literacy for older customer segments • Aging customer base • Intense competition from the big multiples TUI/Thomson, Thomas Cook • Uncertain economic environment with important players going into liquidation • Economic and political uncertainty in the world (Cyprus, Syria, Turkey, Egypt) • Natural disasters or terrorist attacks

Appendix 10: Coding

The coding of the data was done manually, by analysing all the interview transcripts, notes, questionnaire answers and marking with a different colour all the information belonging to a certain category. The categories chosen were related to the theoretical concepts that constitute the basis of the theoretical framework. A few examples are presented below and the complete coding of the interviews can be found in the complete transcription of the interviews, included in the attached CD. The following colours were used for each element:

Business models: Customer Relationship   Channels

Target Customers   Value proposition   Key Resources

Key activities   Key Partners   Costs and Revenue Model

                                                  Multifunctional teams

Lean: Value   Customer Involvement

Flow   Standardisation

Pull

          Suppliers networks   Continuous improvement

Waste Elimination

Examples:

AM interview:

Value Proposition: *"it's face to face and after-sales. If you book on the internet you don't speak to anybody afterwards. If they've got a problem, they can't contact that person. Or they will pay premium price to do it, 10p a minute or whatever...they know that as a travel agent we'll fight their corner...if they've got a problem they just file the complaint, and they can come to us so we can deal with it and sort it. "*

Pull/Push & Key Activities:

"A: As a consolidator you get a bulk of seats and you are responsible to sell them?

Yes, there are 2 ways, 3 ways. First, you just get the seats ad hoc for the particular client or you had an allocation of seats, on some flights we had 20 or 30 seats. If you sell them that's ok at the special price but you release what you have left back to the airline, so it never cost you anything if you never sold

them and the third one, we had commitment, so again you had a better price than the net price because we were committed. So we had allocation but we had committed allocation we had to sell them, if we didn't sell them we lost the money...

It was getting more difficult ...we had to buy less, but at the same time Cyprus airways was having (cause Cy airways had committed seats) difficulties and started putting us under pressure to buy those seats. At the peak we must have had...60 passengers per flight, it was good business because if you had seats at peak period and nobody else had them, you could sell them at whatever premium price you wanted."

Target customers: " *when we were just Greece and Cyprus, we probably 70% we did Greece and Cyprus, we had a big following of Greek Cypriot market, the community, but as their kids were growing up, they started using the internet. We still have Greeks and Cypriots booking here but it's a lot, lot less... you can't rely on them, and we needed to get away from that and get more into the package market. So we're probably now 30% if that, Greece and Cyprus, to the 70% other destinations. Now we specialise more on middle to high end, where really our middle to high end was small before. So if we did a booking like25 000 (pounds), you thought ' Oh my god!' But now we can do quite a few of those in a year"*

Multifunctional team: *"we'd all just roll our sleeves up and do anything and that's what we did, whoever we are, whatever position we were we'd just roll up our sleeves and we'd do whatever job needs doing in the office*. It's my job and that's what I'm doing. Not" I'm reservations and that's all I'm going to do, I'm not doing admin or I'm not going to wash up". You know?"

Costs and Revenues Model:

"A: tell me a little bit about the costs and the revenue model. Which are the main sources of cost for a travel agency?
Anna: *Your phone bill, big cost.... phone, internet...all that sort of thing, the licenses and the fees you have to pay for them. For us it's the Abta license, the IATA license... the bondings you have to do for these...*
A: Are there also bondings and fees?
Anna: *Yes, for Abta there's always a bond, so you do a bond. I think we just got a bond there for £ 33000...that wil cost as in the region of 1000 pounds to do the bond. Because you do it on insurance. Iata only ask you to do a bond if you haven't made ...it all depends on your balance sheet, your profit and loss account..this year we never needed one. Last year we did.... and then with the ATOL, there's fees..you have to pay a fee which is £750 you need to apply. And then for every passenger you book...which you pass that to the client really, £2.50...and then usually electricity goes, rent, all that sort of thing....*
A: How about sources of revenue?
Anna: *Commissions and mark-ups or booking fees...that's really the majority commissions and mark-up As a tour operator everything is net, cause your marking it up. Same sort of thing; small margins..."*

Suppliers' Networks:

"*Anna: Because there was so much competition from these big companies, you'd hardly sell a cruise holiday, especially P&O (complete cruise solution, the whole group of companies)...so what they did was, they cut everybody's commission to 5% and put it all on a level plain field. And we used to be able to get 5% discount on the website. Now they don't give any discount. It's supposed to be a level plain field, whether you booked direct with the cruise company, through these big cruise companies, or with a small travel agent, the price is the same.*"

Flow:

"*A: But you have Nicole working 4 days a week, Natalie 5, Stephanie 3 days...what happens with a client, how do you follow his situation and how do you know all the time what to do about the customer?*

Anna : If it's Natalie's because Natalie's my team ... and my clients... you have your own file with your own enquiries. So if say a customer comes in tomorrow when she's not there then I'll look in the file and see if she had it all. And she can leave an order trail of what you've done for the client and vice-versa between us. If I'm off, like today and I've got something I think the client will call back for, I'll leave it to Natalie. And she'd do the same. If I know the client will come back...but usually we tell the client when we're going to be off and...but we can follow it. If you bear in mind that most things you do...Natalie's doing South Africa at the moment and she's doing the routes all tailor-made so she will definitely keep all that information together so it's easy to keep up. But if it's somebody who's coming for a last minute trippy whatever, I will do it and I'll keep the enquiry for a week or two, just in case they come back...but whatever you've done for them you've got to do it again, because it changes drastically, so it doesn't really matter. But usually if it's my client I've left information about him..."

Waste elimination:

"*Anna: Electricity, turn the signs off all around the shop. More or less that was half the electricity bill. Looking for better deals on our phone contract and cutting the stationery to the bare minimum, forget about all the stock that we used to have. There's things that you buy...why am I going to buy 6 new glasses to replace the old ones that are in the cupboard...*"