Coopetition usefulness: what do the agents of Lithuanian travel trade market think?

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Abstract

Dynamic changes of tourism market determine the necessity for its participants to search for adequate ways of activity. Coopetition is one of such ways. The article discloses coopetition nature, reasons, benefits as well as dark side of this phenomenon and diversity of coopetition. The results of the case studies of Lithuanian tour operators show that coopetition among tour operators, which are core elements of tourism market, is in the stage of rudiment, and its possibilities are limited by legal, market and organizational reasons. This is the first attempt to understand the coopetition phenomenon in Lithuanian tourism market. Deeper understanding of this phenomenon is possible by continuing broader researches.

Keywords: Coopetition; Competition; Partnership; Travel trade market; Tourism; Lithuania.

Introduction

The phenomenon of coopetition as inter-competitors cooperation first has been referred by Branderburger & Nalebuff (1995). Later coopetition has been used to address various business issues and problems. Researches have highlighted the diversity of possible types of coopetition (Bengtsson, Eriksson, & Wincent, 2010; Castaldo & Dagnino, 2009; Pellegrin-Boucher, Le Roy & Gurau, 2013), benefits (Ho & Ganesan, 2012; Kozyra, 2012) and limitations (Della Corte, 2009). But the researches on coopetition are still in its early stage. It is still unknown how organizations should manage a co-opetitive relationship, and how they practically manage to compete and cooperate with other organizations.
The studies of coopetition in tourism are very fragmented today though the importance of this sector of economy is constantly increasing. Complicated and heterogeneous relations of tourism system participants are determined by particularly dynamic competition among tourism destinations. Many researches on coopetition in tourism have focused on tourism destination, tourism networks/cluster forms relationships (von Friedrichs Grängsjö, 2003; Wang & Krakover, 2007; Kylänen & Mariani, 2012; Pesämma & Eriksson, 2010; Zach & Racherla, 2011); IT development and sharing among tourism participants in destination (Noboa, 2002; Pease, Rowe, & Cooper, 2005; Belleflamme & Neysen, 2009). However, by now little attention is paid to the researches on coopetition of main tourism intermediaries – the tour operators and agencies though they stimulate demand and supply in destination places. These organizations as main players in the tourism industry realise the variety of tourism packages (e.g. transportation, accommodation, events etc.). Thus not only collaboration but also coopetition among inter-firm in the supply chain is an imperative for surviving and developing destinations. In addition, the tour operating industry is changing faster than any other sector in tourism; the growth of low-cost airlines, internet-based travel companies and interdependent travel has led to an increasingly competitive marketplace. Tour operators find themselves in coopetition (Pease et al., 2005; Zach & Racherla, 2011).

The purpose of this paper is to disclose the (mis)understanding of coopetition usefulness by Lithuanian trade travel agents. This paper is organized as follows. In the first part, we illustrate our theoretical background which explains the nature of coopetition among travel trade market participants. Then in the second part, we move on to the research methodology. We use case study strategy and try to find the answers on two research questions: 1) coopetition environment in the Lithuanian tourism market and the experience of tour operators and 2) coopetition perspectives. We subsequently present and analyse the results of our case studies, and conclude with a discussion of the results.

1. Nature and diversity of coopetition in tourism

Tourism is an industry where a number of different organizations produce a limited set of products and services, and compete with each other for customers and resource as well as cooperate, seeking to acquire competitive advantage (Leiper, Lamont, & Hing, 2011; Zach & Racherla, 2011). In tourism industry usually small and middle enterprises prevail; thus they face difficulties in possessing all necessary resources and competences to perform their activity. Thus, when pursuing to strengthen their competitive positions in the market, to effectively use the possessed resources, to guarantee the profitability of their activity being performed as well appropriate satisfaction of consumers’ needs, travel agencies develop their partnership with various participants of the market, as well as their competitors. Cooperation contributes to acquire missing competences and resources, to share knowledge and information, easier to integrate into new markets, to create innovative products of tourism and so on. Strong vertical and horizontal integration is more characteristic for tourism industry than other businesses (Klemm & Parkinson, 2001; Hopeniene, Railiene & Kazlauskiene, 2009); thus the synergy of cooperative and competitive relationships is inevitable. The major reason for cooperation and coopetition is packaged tour arrangements, which require cooperation of tour operators as wholesalers and their principle partners such as airlines, hotels, and travel agents for the successful delivery of the packaged tourism product (Leiper et al., 2011). Trust, social bonds, communication, performance satisfaction, economic and social benefits, etc. maintain cooperative relations of competitors. But, as von Friedrichs Grängsjö (2003), Kylänen & Mariani (2012) stressed, the nature of business relationship within the tourism industry are paradoxical and it is difficult to see the shift among competition, cooperation and coopetition.

There is a large amount of researches on tourism competition, cooperation and coopetition from the perspective of collaboration in tourism destinations (von Friedrichs Grängsjö, 2003; Wang & Krakover, 2007; Kylänen & Mariani, 2012); intra-industry and inter-industry cooperation (Leiper et al., 2011; Pechlaner & Volgger, 2012); value of collaboration in tourism networks (Zach & Racherla, 2011), strategic alliances in tourism (Tsaur & Wang, 2011) as well as knowledge and IT sharing among tourism organizations (Noboa, 2002; Pease, et al., 2005; Belleflamme; Neysen, 2009). In other words, these researches disclose how, in the case tourism destination or network, collaboration relationships form among the participants of value creation chain, as well as among competitors. Tour operators are the participants of network / tourism value chain, which distinguish in the strongest cooperative relations with the primary service providers. Their main goal is - to get larger economic profit from collaboration and through tourist flows to control marketplace. Often cooperation with competitors becomes
necessary. Competing tour operators collaborate by sharing information about destination countries, hotels, and in the case of incoming tourism – perform corporate marketing. At the same time they remain strong competitors at the local level (Pesämma & Eriksson, 2010). Zach & Racherla (2011), Kylänen & Mariani (2012) state that in the case of a network product or a territorial destination product, coopetition becomes useful for enterprises if they envisage its benefits and possibilities being provided. According to them, the role of public institutions responsible for tourism place planning and development is important in this situation. They should help tourism business enterprises to see better business possibilities in collaborating than in competing. Wang & Krakover (2008) stress the importance of formal institutions, such as memoranda of understanding or contracts, for to secure on-going commitment to cooperation. Zach & Racherla (2011) have identified that coopetition value is larger under dyadic relationships than in the case when more stakeholders get involved. Tsaur & Wang (2011) pay attention to social relations and states that cooperative behavior is linked to sympathy and cooperation is more relevant at personal than institutional level. In summing-up it is possible to state that the researches of coopetition in tourism industry are focused not on tour operators but on other members (hotels, tourism agencies, etc.) of local tourism destination which participate in tourism value chain. The research results disclose positive effect of coopetition (the demand for tourism place increases, the image improves, more tourists are attracted, innovations are created), which contributes to competitiveness growth of the tour destination place at regional and global extent. However, the coopetition of tour operators as main elements of the tourism system is explored not enough.

2. Research methodology

The tourism system consists of closely interrelated subsystems of destination, transport, demand and travel intermediaries. Tour operators as travel intermediaries interlink all elements of the tourism system and encourage the demand for destination. By this the exceptional role of tour operators manifests in the tourism system. This circumstance has determined our choice of tour operators when pursuing to explore the coopetition in Lithuanian outbound tourism market.

The purpose of our case study was to explore as fully as possible the competition phenomenon in Lithuanian outbound tourism market. The objective was twofold: first, to understand how the tour operators involved into the research envisage the coopetition’s opportunities in Lithuanian outbound tourism market at present time, and second, how they outline the future of coopetition in this market. The tour operators were named A and B (the real titles of the tour operators were not announced according to their request). The criteria to choose the tour operators were three: (1) participants of outgoing tourism market. The outgoing tourism was chosen due to much greater competition in comparison to the incoming tourism; (2) the size of the enterprises. The both tour operators are the largest in Lithuania. The tour operator A is the international enterprise of the Lithuanian capital; the tour operator B specializes in creating niche tour products; in addition, it sells the tour products of the tour operator A; (3) the experience in the outgoing tourism market. Both tour operators possess more than ten years of the activity experience. Primary data were collected through two semi-structured interviews. This kind of interview has a flexible and fluid structure and contains themes to be covered during the course of the interview. The member of the board of directors of the tour operator A and the director of commerce of the tour operator B were invited as representatives of the companies. Having got the agreement of the informants, the interviews were recorded and later they were transcribed. The interview with participants lasted for 1 h 30 min. The guide of the semi-structured interview was prepared on the basis of the literature and secondary data analysis. During the interview, two topics were discussed: 1) coopetition environment in the Lithuanian outgoing tourism market and the experience of the tour operators, 2) perspectives for cooperation with competitors.

3. Results

3.1. Description of Lithuanian travel trade industry

In 2014 in Lithuania the services of tour organization were provided by 271 enterprises, out of which micro enterprises (1 to 9 employees) made the larger part (86.8 percent). The persons directly engaged in tourism made 4.7
percent of all employees of private sector in Lithuania. According to data of Statistics Lithuania, 1.79 million of Lithuanians travelled abroad (1.4% more than in 2013). The Lithuanian outbound tourism market is practically divided: here several tour operators, which sell their tour products via wide network of tourism agencies, have been functioning for 10-15 years. Practically the main tour operators suggest 8-15 destinations and more than 30 programmes of sightseeing tours. The main tour holiday destinations are Egypt, Turkey, Greece, Spain, Croatia, Bulgaria, and distant countries – Sri Lanka, Philippines, Indonesia, Vietnam, China, and India etc. Two or three years ago more specialized micro tour operators started establishing; they are involved in tour organization to exotic distant countries by suggesting to travel in small groups (2-14 tourists) with tour guides. Thus it is possible to state that in the Lithuanian tourism market the rudiment of the specialization (though scarce) is observed. In the Lithuanian outbound tourism market competition becomes more intensive. It is sharpened by the following factors: 1) small tour operators and tour agencies intensively started to offer the tours of Polish tour operators to the most popular season tour destinations that are chosen by Lithuanians; 2) small tour agencies offer the independently traveling tourists to plan their tours by using internet systems www.judek.lt, www.atvaziuoju.lt and so on; 3) the companies of cheap flights Wizz air and Ryanair orient not only to weekend tours, but also to European resort destinations liked by Lithuanian population; 4) the electronic systems of tour sales and reservation allows the people who travel individually to choose any route offered by the tour operators by letting to compare their prices (for example, www.geros-keliones.lt); in addition, the tours are formed considering cheap flights and the hotel chosen by a customer (for example, www.tagoo.lt, www.skrendu.lt etc.). As the competition gets sharper, large tour operators offer new and attractive tour destinations, seek partnership with new air lines to administer charter flights, organize sales promotion and offer the tours up to 50 percent cheaper by booking the tours in half a year, create new business models by offering economy class flights, cheap tours. Such competitive situation is not very threatening for large tour operators in Lithuania, according to them, because they orient to the contingent of tourists who wish complex service: hotel, direct flight, transportation to / from the hotel and airport, services of a tour guide, excursion suggestions, and in the cases of force major (for example, the volcano eruption in Iceland in 2010) – the help of the tour operator. The tourists who tried cheap tours most frequently return to the large tour operators which guarantee comfort and safety that trip will be organised. The organization of the tours in completely new directions is publicly considered by tour operators as the activity of great risk and sometimes not profitable.

3.2. Research discussion and concluding remarks

Coopetition refers to the notion that two or more organizations simultaneously cooperate in some activities. In our research we have found that the competition among Lithuanian travel trade agents is stronger than cooperation. They assess each other as competitors, which do not have any corporate interests, and define co-existence as situation ‘if one wins, another loses’. The restricted understanding of the coopetition’s usefulness among Lithuanian travel trade agents may be explained by (1) concentration only to output activities (the possibilities to cooperate in input activities are not discuss), (2) short-sighted viewpoint that coopetition should be formal (excluding unintentional coopetition), (3) do not considered the benefit for customers experience due to coopetition. Coopetition is the new phenomenon in the Lithuanian travel trade market and its agents are not ready either in organizational or psychological viewpoint. Competition is strong in the Lithuanian outbound tourism market. In future it will get stronger not only due to the possible emergence not only of local but also strong foreign players in the market. The tour operators A and B are important players of the Lithuanian outbound tourism market though they possess different experience of this business. The tour operator A has grown from the local to international company, and it’s the market leader offering the products of mass outbound tourism. It is the only real tour operator – wholesaler, which creates tour products and sells them to its partners – tourism agencies, and these – to customers. The tour operator B functions according to the different model: it creates niche tour products, sells the tour packages prepared by the tour operators functioning in Lithuania and abroad as well as it complements the tour packages according to customers’ wishes from the services offered by Lithuanian and foreign tour operators. Thus the first tour operator due to the activity extent and the second one due to diversification are related with different local and foreign market participants by business relationships. However, their experience of the cooperation with the competitors is tenuous. The collaboration of the tour operator A with its direct competitor when ordering airplanes for flights to a tour destination country takes place indirectly via the air company. The representatives of both
operators traditionally assess their rivals and altogether the relationships of the competitors in the market, i.e. they see them as competitors, which do not have any corporate interests, and they define coexistence as situation ‘if one wins, another loses’. The limited understanding of the possibilities for coopetition is possible because the informants concentrate their attention only to output activities, for example, to selling and marketing of the tour products (indeed, the competition takes place in these activities); however, they do not discuss the possibilities for coopetition in input activities, for example, collaboration in exploring new tour destination places, satisfaction of tourists and so on. We would relate the narrow viewpoint to coopetition with the viewpoint of the informants to coopetition’s formalization – the informants not once mentioned unintentional coopetition. We are of the opinion that the coopetition influenced by the situations (for example, the collaboration of the companies’ representatives in tour destination countries) is important in the formation of the competitors’ collaboration experience. The fact that the informants practically reject the possibilities of coopetition in the Lithuanian outbound tourism market is determined by their evaluation of the coopetition possibilities in ‘attaching’ to the particular competitor. It is especially characteristic for the tour operator A – the strong rhetoric towards its main competitor prevailed during the interview. It should be pointed out that none of the informants considered what benefit the customers would experience due to coopetition. We could divide the reasons named by the informants, which influence the rejection of coopetition as collaboration form, into external and internal. We would assign legal and market reasons to the external ones, the organizational reasons – to the organizational ones. The Competition Law of the Republic of Lithuania determines legal limitations mentioned by the informants. However, the law limits the formation of the dominating position in the market, which is possible when several enterprises cooperate, or hidden agreements concerning prices (hidden agreements on prices (cartels). However, other possible activities of the competitors, for example, market research are not restricted. The emphasis of legal norms as the factor limiting coopetition is mostly determined by the fact that the tour operator B has been fined for the cartel agreement with the market participants. In our opinion, legal reasons, which limit coopetition, are not the most important. It is possible to attribute small market, short existence of tour operators in the market (especially of new ones), the lack of trust in customers, and the aspiration to maintain the competitive advantage can be assigned to the market reasons that limit coopetition possibilities. But, we are of the opinion that the most important reasons of the unfavourable approaches towards coopetition are organizational ones. The tour operators (especially the tour operator A) participating in the research are the leaders of the market able to create tour products independently. They pursue to remain independent; do not wish to disclose the company’s goals; to share information with their competitors. In addition, their organization’s culture contains the uncompromising approach that a competitor is the rival, in which it is dangerous to trust. The surveyed tour operators do not possess successful coopetition experience; thus the stereotype viewpoint to competitors is still vital. We would assume that the coopetition is the new phenomenon in the Lithuanian outbound tourism market, to which the tour operators are not ready either in organizational or psychological viewpoint; thus the coopetition perspectives are vague as the results of this research show.

Limitations

The research limitations are determined by a small number of the cases and involved informants though their experience and insights help better understand the coopetition in the Lithuanian outbound tourism market. For deeper understanding of coopetition phenomenon it is necessary to perform further researches, which would involve more tour operators, employees of different levels and functions. In addition, it is purposeful to survey coopetition in the inbound tourism market as well.

Coopetition is still nascent concept and has a status of complementary paradigm. Consequently, in management literature, there are several conceptualizations and typologies about coopetition concept. The coopetition in travel trade industry is still explored not enough. Tour operators and travel agencies are the participants of tourism value chain, which distinguish in the strongest cooperative relations with the primary service providers. Their main goal is – to get larger economic profit from collaboration and through tourist flows to control marketplace. Often cooperation with competitors becomes necessary and in the case of a network product or a territorial destination product, coopetition becomes useful for enterprises if they envisage its benefits and possibilities being provided.
The funding of these case studies suggests that managers need to pay more attention to how coopetition can contribute to the success of firms. They should revise their logic of competition accordingly by incorporating the logic of cooperation. Managers must be encouraged to avoid the dogma that rivals are enemies and to consider the potential benefit of building alliances with them.

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