

# ECONOMICS AND BUSINESS ADMINISTRATION (according to the economic activity types)

UDC 339.1,379.8

DOI 10.26906/eip.2018.3(70).1241

## INTEGRATION OF INNOVATIVE MANAGEMENT SYSTEMS AND TOURISM DISTRIBUTION CHANNELS

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*Стаття отримана редакцією 10.09.2018 р.*

**Introduction:** In times of turbulent changes and highly uncertain European future tourism industry is still seen as a key driver of socio-economic progress through the creation of jobs and enterprises, export revenues, and infrastructure development. The external environment factors related to the global geopolitical uncertainty, economic volatility and the highly competitive nature of the international tourism market raise the awareness of the tourism enterprises performance at the global market. While tourism is one of the largest and fastest-growing economic sectors in the world, an increasing number of new destinations with new tourism enterprises are continuously emerging. That forces tourism destinations to increase their competitiveness to show virtually uninterrupted growth, to enlarge their market share and to raise the international tourism receipts earned by them. So, there is a growing need for tourism enterprises to focus on overcoming the weaknesses and treats which emerge in order to stay competitive.

In that context the following article is based on the integration of the innovative information system and the tourism distribution channels. The article aims to examine the present challenges facing the Bulgarian tourism enterprises, based on the data provided by the World Economic Forum and the World Tourism Organization. Maintaining the competitiveness requires continuous innovations into the tourism enterprises operations to satisfy the growing needs of the increasingly demanding tourists.

**Review of the recent research:** Along with the global market challenges the distribution system in tourism industry has been changed by numerous specific factors related to its operations, flows and functions. The traditional travel business worldwide evolved with an integrated group of players — airlines, Computer Reservations Systems, Computer Distribution Systems, travel agents and credit card companies — whose successes were interdependent. In other words, if an airline sale a seat and make money, so everyone else in the chain does. But the advent of online travel created new business models that altered the relationships among the key players. They became less interdependent and more competitive. Moreover, their two primary goals are now similar and could be summarized as generating revenue and building customer loyalty by selling directly to consumers and improving profit margins by reducing transaction costs, primarily in marketing and distribution. Instead of sharing customers, now they began to compete for them.

According to recent researches in the field of innovation it could be summarized that the innovation is a critical factor for the success of destinations and tourism enterprises performance. The strength of the relation between innovation and growth is supported by a long-standing range of empirical studies by Fagerberg (1994) that show positive correlations between various innovation investments, outcome proxies and growth outcomes. Innovation therefore drives growth but is accompanied by significant change in either the structure of the economic system, or in the composition of its activities. Tourism enterprises operate in challenging and unpredictable circumstances. So, it is important to distinguish the main areas of innovation.

They can be highlighted according to the den Hertog's model as service concept, client interface, service delivery system and technological options. The first area refers to a service concept that is new to the market. Many service innovations involve intangible characteristics of the service, and others involve new ways of organizing solutions to problems. The client interface in the context of tourism industry refers to innovation in the interface between the suppliers of tourism services and the tourists. Customers are often highly involved in service production, so that any changes in the way in which they play their roles and are related to suppliers can be major innovations for many services in the tour operator, hospitality and animation sectors. The service delivery system also often concerns the link between the service provider and the tourists. New information technology is especially important to services, since it allows for greater efficiency and effectiveness in the information-processing elements. That can be expressed through the customers loyalty programs (cards); various tourism mobile applications; different ways for transactions, etc. More recently, Aarstad, Ness, and Haugland (2015) showed that innovation strategy and uncertainty assessment are together associated with the creation of "shortcut" ties that enhance information flow and innovation. Based on the research conducted by Odyliya A. M. Meneses and Aurora A. C. Teixeira (2011) on the innovative behaviour of tourism firms, in order to determine the types of innovations implemented by the tourism companies the following classification of variables for innovations can be outlined:

***Innovation as an object consists of:***

1. Product Innovation – New or improved services.
2. Process Innovation – New or improved forms of producing an existing service.
3. Innovation in commercialisation and provision (delivery) processes – Novelties or improvements in the distribution, delivery and commercialisation of services.
4. Internal Organisational Innovation – Novelties and improvements in the internal structure of firms, where activities and processes take place.
5. External Organisational Innovation – Establishment of new relations with other agents, such as strategic alliances, new types of interfaces, etc. or enlarging the business operations of firms to reach an international scale
6. Market Innovation – Entrance of the firm in new markets.

***Innovations as an activity are classified as:***

1. Technological innovation – refers to incorporations of technological novelties or improvements.
2. Non-technological innovation – development of novelties or improvement without using technology.

***The technological areas where technological innovations can occur are:***

1. Information and Communication Technologies (ICT).
2. Other technological areas.

So, it could be summarized that the integration of innovative management systems and tourism distribution channels is based on the technological innovation in commercialisation and provision (delivery) processes which occur in the Information and Communication Technologies (ICT) area. Based on the author's previous research on correlation between the innovations and the Bulgarian tourism industry, the central role of technological innovation, based on the information and communication technologies in all areas - from product innovation to market innovation, has been outlined.

The literature emphasizes the strong changes in tourism due to the use of the ICT (basically the internet) by transport services, hotels, travel and tourism agencies. An overview of the tourism industry shows that due to different innovations there is an abundance of online and mobile travel start-ups, and if the adjacent verticals like social media services and photo sharing start-ups are included, the number rises even more. So the opportunities for innovation in tourism for gaining competitive advantage are quite limited. There is almost no chance for success in anything targeting the airlines sector, hotel search and just a few companies aim directly at the B2B sector or business travellers.

**Task statement:** Facing the global challenges the Bulgarian tourism enterprises need to innovate to stay competitive and to overcome the weakness of their performance. Studying the competitiveness of the Bulgarian tourism industry, the shift in the structure of the tourism distribution channels and the growing significance of the innovation explains the need of innovative information system which could be integrated into the distribution channel system. The significance of information management developments into the distribution process is result of the tourism product specifics. The tourism distribution system consists essentially of transport, accommodation and attractions. The producers or 'manufacturers' of these services include air, sea, road and rail carriers, hotels or other forms of tourist accommodation, and various forms of

facilities designed to attract the tourist, such as heritage sites & amusement parks, and purpose-built activity centres such as skiing resorts. These services can be sold to the tourist in several ways, either direct or through wholesalers. Having looked at all the different sectors of the travel and tourism industry, it is apparent that the various businesses cannot work in isolation. Each of them relies on others for its success because of the interrelationships and interdependencies in the supply chain in tourism. The chain of distribution is the means of getting the product to the consumer. But as the industry is much more complex in many cases the traditional chain has been shortened and has to be upgraded.

**Basic material:** Quite naturally comes the question which is the most effective way is to attract the tourists nowadays. Analysing the possibilities, the author reviews the shift into the tourism distribution channels because services suppliers such as airlines and hotel companies already sought to reduce reliance on fees to travel agents and Computer Reservations System (CRS) operators by selling directly to consumers through websites. In response to this threat to their cash flow, CRSs followed suit, reducing dependence on airline and agent transaction fees. The travel agents' response was to build online stores for leisure and business travellers. Credit card companies formed co-branded alliances with hotels and airlines to secure customer loyalty and supplier acceptance, and incorporated travel links into their online payment sites. Those trends are completely applicable by the tourism destinations. Instead of being dependent of the tour operators marketing strategies related to the 4th P, they could communicate directly to the customers all over the world and efficiently influence the traveller decision-making process as the information system has transformed the way a traveller chooses and executes his travel plans. Travellers are increasingly using the internet to research and book flight tickets and hotel accommodation, swapping traditional travel agents for online travel agents (OTAs). The deepening penetration of internet usage and smart phones has led to increased booking of hotels through online portals and applications in recent times. While the ease of access has provided hoteliers with an effective marketing avenue for their rooms, it has also increased the cost of customer acquisition due to commissions paid to hotel aggregators and OTAs and expenditure on upgrading IT systems.

Along with that tourism enterprises could take advantage of the independent ticket-booking sites which need to address basic disclosure issues — from describing how their technologies work to clearly disclosing business deals they make with airlines that might affect the price of fares, or their position on a screen. Sites also should better separate airline and other advertising from screens of available fares, so the consumer is not manipulated into making a choice based on strategic placement of an ad. Fees should be more clearly disclosed, earlier in transactions — not at the end after a consumer has invested valuable time selecting a flight which could negatively affect tourist experience.

The meaning and significance of the restructure of the marketing channels in tourism are result of the shift into the demographic profiles of those who make online plans. Nowadays online travel has gained mainstream popularity, and there were thousands of sites that offer travel information and services. They range from direct providers (e.g. airlines, hotels, ground transportation) to support services (e.g. tour organizers, travel and trade publications, hotel management companies), tourism development organizations, eco-tourism coordinators and travel Web sites which could be categorized as service providers, destination related or Internet travel agencies (sometimes virtual branches of traditional agencies such as American Express, or virtual branches of Internet portals like AOL and Yahoo!).

Effective information management system integrates the marketing tools including distribution channels for attracting tourists. For example the online service providers which are branded sites developed and operated by airlines, hotels and others that want to sell directly to consumers. Major airline sites offer customers reservations, electronic tickets (e-tickets), seat selection, in-flight merchandise, reward points and sometimes discounted fares unavailable elsewhere. In addition, they may offer lodging, transportation-package deals and cruises through their alliance partners which in fact have treated the travel agencies the most. Those sites could have links to the destination sites providing information and services about the countries, city or area, including details on transportation, accommodations, sightseeing, dining and local cultural events. The complexity of the tourism distribution channels and the shift in their structure determine the contribution of the information technology for the tourism enterprises competitiveness.

Travel resellers and travel portals which could be classified as effective information system managers offer consumers the convenience of being able to review and compare many travel options in one catalogue or on one website, and make it easy to find travel packages, to book them, and to pay for them. Most resellers and portals earn a commission from the operator whose package is sold via their catalogue or website, and they may resell trips from both inbound and outbound operators.

Travellers may purchase products directly from resellers and portals, but travel agents and travel agencies also look for products to sell from these sources, and most resellers and portals have a commission arrangement for agents. Resellers and portals commonly have well defined target markets, and the theme of the trips they sell will reflect this. They may focus on budget or low-cost travel or focus on other specialty travel interest such as eco-tours, adventure tours, the gap year market (young adults taking time off to travel between finishing high school or college and starting a career), women travellers, or travellers over 50.

But the fact that the traditional marketing channels continue to exist and even thrive in the second decade of the Twenty-First Century does not change the fact that a great metamorphosis has occurred in this century that has profoundly altered the structure of marketing channels. One overriding implication, however, is already crystal clear: customers now expect far more and better channel choices for gaining access to the vast array of products and services from all over the planet—how, where, and when they want them.

Many companies are following and adapting the technological developments in communication area, with high percentage usage ratios of web page and mobile applications-based services, even as linking them on the social media channels. Besides, internet usage and social media has been appeared out as an important distribution channel in every sector. Tourism sector is one of the top sectors in this sense and it is adapting these new social media channel and technological communication tools. Almost, all tourism companies are updating themselves for catching the new wave. Tourism distribution development overview shows that traditional travel business evolved with an integrated group of players — airlines, Computer Reservations Systems, travel agents and credit card companies — whose successes were interdependent. In other words, if an airline sold a seat and made money, so did everyone else in the chain. But the advent of online travel created new business models that altered the relationships among the key players. They became less interdependent and more competitive. Moreover, their two primary goals are now similar. First, generate revenue and build customer loyalty by selling directly to consumers. Second, improve profit margins by reducing transaction costs, primarily in marketing and distribution. Instead of sharing customers, now they began to compete for them.

In the context of Bulgarian tourism, it is crucial to develop the capacity to acquire and absorb existing innovations in the most competitive tourism destinations, to "internalise" knowledge that is codified and convert it into know-how which tends to be incorporated into routine operations. This capacity naturally depends on structural factors such as the size of the firm, the type of organisation and whether it belongs to a group. Logically it seems clear that hotels which are part of an integrated or voluntary chain have a much stronger propensity to innovate, with the central management playing a vital role.

Tourism plays an important role for the economic development of Bulgaria as a destination. The industry gains income and employment and especially for the seacoast areas this is the main economic activity. The data of the World Travel & Tourism Competitiveness Report 2017 show that for the last two years Bulgaria has raised its T&T competitiveness. The country has climbed respectively 4 places to reach 45th position in the global rankings. The indicators estimating T&T government expenditure, government prioritization of T&T industry, country brand strategy rating and the effectiveness of marketing to attract tourists rank the country at the 65th, 100th, 96th and 103rd place respectively. ICT readiness pillar ranks Bulgaria at 48th place and exactly the digital transformation is the factor which could turn a tourism enterprise into a leader in customer experience. Interactivity, personalization, omnichannel delivery, and large-scale automation can help destinations and the services suppliers connect with growing number of customers and promote loyalty, retention, and advocacy.

**Conclusion:** This suggests that emergency measures should be taken by the Bulgarian tourism enterprises if the long-term goal of the industry is increasing the growth rate of international tourist receipts to growth rate of international tourist arrivals ratio. That could be achieved by enhancing the competitiveness of the sector which is due to integration of innovative information system and distribution channels. The innovative information system integrated into the distribution channel should represent a link which further connects the main factors of tourism with the intention to recognize the needs of tourists. The unique community approach to the development of IT solutions highlights the position of information system as a true partner to the customers. Benefits that users gain by applying the latest IT solutions into the distribution channels are numerous and are mostly reflected in the global availability and higher value sales with the efficiency, target marketing and brand differentiation.

The integration between the innovation in the tourism information system and the distribution channel is vital for the enterprises in the industry as it ensure the competitiveness of the marketing channels, their unlimited reach to the millions of tourists worldwide and enlarges the scope of the target markets. Innovation

in tourism industry is the main factor for ensuring long term growth through strengthening the competitiveness of the sector. In further researches the values of the indicators of the Bulgarian tourism competitiveness could be estimated through the prism of the information system management in the distribution channel and the innovation in the area. Based on the analysis of the Travel & Tourism Competitiveness Index the basic growth restricting factors could be highlighted along with the tools for effectively overcoming them through the innovative integrated information distribution system.

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УДК 339.1,379.8

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збуту, їх необмежене охоплення для мільйонів туристів у всьому світі та розширює коло цільових ринків. Інновації в індустрії туризму є основним фактором забезпечення довгострокового зростання за рахунок підвищення конкурентоспроможності сектора. У подальших дослідженнях значення показників конкурентоспроможності болгарського туризму можуть бути оцінені через призму управління інформаційною системою в каналі розподілу й інновацій в цьому районі. Ґрунтуючись на аналізі Індексу конкурентоспроможності туризму, було визначено основні фактори, що обмежують зростання, поряд з інструментами для ефективного подолання їх через інноваційну інтегровану систему поширення інформації.

**Ключові слова:** інновації, система управління інформацією, канал дистрибуції, конкурентоспроможність.

UDC 339.1,379.8

**Boycheva Hristina**, PhD, Chief Assistant Professor of the Marketing and Strategic Planning Department. University of National and World Economy, Sofia, Bulgaria. **Integration of Innovative Management Systems and Tourism Distribution Channels.** The problems of reforming the tourism distribution are under consideration. The necessity of implementing innovation in the tourism information management system as a guarantor of its competitiveness is substantiated. The prospects of the integration of innovative information system and the distribution channels are determined.

**Keywords:** innovation, information management system, distribution channel, competitiveness.

УДК 339.1,379.8

**Бойчева Кристина**, кандидат технических наук, кафедра маркетинга и стратегического планирования. Университет национальной и мировой экономики, Болгария. **Интеграция инновационных систем управления и каналов сбыта туризма.** Изучено существующие проблемы, стоящие перед болгарскими туристическими предприятиями, на основе данных, представленных Всемирным экономическим форумом и Всемирной туристской организацией. Определено, что поддержка конкурентоспособности требует постоянных инноваций в деятельности туристических предприятий для удовлетворения растущих потребностей все более требовательных туристов.

**Ключевые слова:** инновации, система управления информацией, канал дистрибуции, конкурентоспособность.