

RESEARCH ON THE INNOVATION ACTIVITY IN ROMANIAN TRAVEL AGENCIES

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Abstract

Research on innovation in the tourism industry should become a priority, since it is a valuable tool for understanding the dynamics of this business sector, offering a more in-depth perspective that can be useful not only for its representatives, but also for policy-makers. As a result, this paper presents the findings of an exploratory study, based on a questionnaire applied among travel agencies officially registered in Romania. The main aim of the research was to indicate whether travel agencies have an innovative behaviour, whether managers in this type of organizations perceive innovation as a key element in obtaining competitive advantage, and broadly, whether their organizations have innovation-related objectives. In addition, the study presents empirical evidence on the areas in which travel agencies tend to be more innovative.

Keywords

Product and service innovation, process innovation, marketing innovation, managerial innovation, organizational innovation, travel agencies.

JEL Classification

L83, O31, Z31, Z32.

Introduction

The global tourism industry is currently characterized by two milestones: rapid growth and competitiveness. In the last two decades, attention has been increasingly focused on innovation in tourism (Hjalager, 2010). It has been repeatedly stated that rigorous innovation research has been applied to tourism only to a limited extent, and empirical tests on the phenomenon have been modest (Hjalager, 2002; Sundbo, Orfila-Sintes and Sørensen, 2007). It is true that tourism analysts appear to have begun late to resort to the transfer of theory, concepts and methodologies already known and applied in other sectors for several decades. However, a review of the tourism innovation literature shows that recent research is not at a level comparable to that of other sectors. This article analyses different innovation categories – product, process, marketing, organizational and managerial innovation. The research is even more necessary since OECD (Organisation for Economic Co-operation and Development) does not include Romania among the 35 countries surveyed in terms of innovation indicators (OECD, 2017). In addition to the four types of innovation identified by the latest edition of the Oslo Manual (product, process, marketing and organizational innovation) the authors have chosen to also include in the research managerial innovations (Eurostat, 2017). The aim of this article is to investigate the extent to which travel agencies

in Romania have innovative behaviour and innovation-based objectives, as this is a source of competitive advantage for all companies in the tourism industry (Den Hertog, Gallouj and Segers, 2011; Tang, Wang and Tang, 2015; Victorino et al., 2005), including for travel agencies.

Literature review

The traditional approach to academic innovation developed by Joseph Schumpeter (1934) has been applied to some extent in tourism research. Hall's study (2009) is consistent with the four innovation categories mentioned by OECD, Hjalager (1997) offers a basic, but original classification close to Schumpeter, while Weiermair (2006) brings another vision. To a significant extent, tourism innovation studies are still based on exploratory and qualitative cases where the phenomenon is investigated and explained from several angles and where exact definitions are less important. At the same time, however, there is a preoccupation for innovative tourism studies to meet international standards and procedures, thus providing more possibilities to compare quantifiable levels of innovation at sectorial, national and international level (Hall, 2009). This requires a clear definition of the innovation concept and identity coordinates of the tourism industry, as outlined by the OECD and Eurostat (2005) in the Oslo Manual.

According to the Oslo Manual (2005), innovation represents „the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations”. In clarifying the typology of innovations, it was considered appropriate the approach of Hjalager (2010), this being comprehensive and following the OECD and Eurostat classical approach (2005). Thus, the main types of innovations may be defined as follows: *Innovation* – the result of human creativity, representing the successful exploitation of new ideas, resulting in the production or commercial exploitation of a new product or process. *Product or service innovation* – changes perceptible by the customer, generated at the level of tourism product/service offer that may influence the purchasing decision of potential customers. *Process innovations* – seldom visible to clients, implemented in back-office, aimed at increasing efficiency, productivity and operational flow; most of the time, are related to the emergence of new technologies. *Marketing innovations* – fundamental changes in the marketing mix, with a role in the customer-service provider relationship, determining the market orientation and the reputation of the organization. *Managerial innovations* – new ways of organizing the company's internal and external resources, generally designed to improve human resources, by increasing skills and satisfaction; this type of innovation is directly reflected in employees' performance and productivity. *Organizational innovations* – new structures and forms of organization (collaborative) that help to increase business and improve the legal framework in which tourist services are provided and consumed.

In recent years, innovation has become increasingly more frequent the subject of research in tourism (OECD, 2006; Peters and Pikkemaat, 2006). However, studies in this field are still scattered and fragmented: some analyse the economic dimensions (for example, Weiermair, 2006), and others focus on the role of entrepreneurship (eg., Ateljevic and Doorne, 2000; Brunner-Sperdin and Peters, 2004; Koh and Hatten, 2002).

Tourism services are personal services and gain substance through the contribution of an internal factor (supplier) and an external one (the client) (Smith, 1994). The client himself has to be proactive and in most cases he is the one who comes to the destination (a constrain that could be a challenge for innovation); he participates either passively, or actively (in this situation there is even more room for innovation) in the production of services. Overall, tourism services depend on external partners and other factors. Similarly, the capacity and human resources motivation are essential, suggesting the need for both capital work-related

innovations (Bieger, 2002). In developing countries, the lack of a suitable political and business environment, insufficient education, focus on day-to-day issues and limited R&D investments make it difficult to implement Western style innovation processes (Aubert, 2004). In this context, which is also the case of Romania, innovation is simultaneously stimulated by formal development programs and by a multitude of local entrepreneurs and local communities who innovate in order to survive.

Research methodology

As highlighted in the previous section of the paper, innovation is a reality in a world dominated by fierce competition and an increasingly demanding customer. How can your product or service be better? How can it be distributed to the client through the best and fastest channel? How can you motivate staff to remain faithful to an often unbalanced labour market? Can innovation be a solution for Romanian travel agencies? With these questions in mind, the authors have developed an exploratory study, the main purpose of which is to determine whether travel agencies in Romania have an innovative behaviour and to research the role of innovation and its materialization form.

The research objectives are as follows: **O1** – to identify whether travel agencies in Romania have an innovative behaviour; **O2** – to determine the main ways of innovation in travel agencies in Romania; **O3** – to highlight whether Romanian travel agencies are developing an innovation culture. To meet these objectives, during April-June 2017, a personalized e-mail was sent to all travel agencies in Romania registered in the Ministry of Tourism database (<http://turism.gov.ro/web/autorizare-turism/>, accessed at March 10, 2017). The e-mail asked respondents to fill in the online questionnaire posted on isondaje.ro platform. The actual sending of e-mails to the database of over 2000 agencies was carried out by students of the second year of the Bucharest University of Economic Studies – Faculty of Business and Tourism.

The questionnaire covered 21 questions, mainly closed ones. Out of these, 5 complex questions, items 5-9 (with a total number of 20 items to be answered) of the questionnaire, were aimed at identifying the respondents' opinions on the five types of innovation analysed for their travel agency, by using a 5-step Likert scale to determine the importance/frequency of implementation of innovation in travel agencies (from 1- complete disagreement, to 5 – complete agreement). To avoid confusions, the terms used in the questionnaire were explained in the preamble, by using Hjalager's (2010) approach. Finally, after sending 2071 e-mails to all licensed agencies in Romania at the time of research (for agencies with multiple points of sale, only one e-mail was sent, to the „parent company”), 71 questionnaires were returned, resulting in a 3.43% response rate. The research is total since it covered the whole target population, and the results provide an interesting description of the innovation process in a specific business sector: travel agencies.

Results and discussion

The centralization of the information obtained allowed the analysis and the formulation of relevant conclusions regarding the respondents and the objectives of the research. The identification questions focused, on one hand, on aspects related to the organization, and on the other hand, on aspects related to the respondent. Data analysis and the comparison with the information provided by the National Statistics Institute regarding the number of employees of Romanian travel agencies revealed that the research is objective. According to research results, most organizations are small enterprises (91.5%). For year 2016, there were registered 2391 agencies with less than 10 employees, meaning 93.7% (INS, 2018). Medium-sized companies present the same value for both data series (5.8%), while in the case of big companies, the percentage covered by the research was of 2.8%, compared to 0.7% at national level. Regarding the age on the market, there are two intervals, „1-5 years”,

with about half of the total number of answers, namely „over 10 years”, for about one third of the total number of answers. Most researched agencies are tour-operators (77.5%). Their activity is more complex than that of reseller ones, innovation being more visible in their case. As a consequence, the interest in completing the questionnaire goes further towards them. Thus, we can have a reason for the difference between the percentage of tour-operators and resellers registered in the research and those resulting from the statistical analysis (77.5% compared to 38.4% - tour operators, 22.5% and 61.6% resellers). It is worth mentioning that, at the time of the research, Romanian legislation classified agencies as tour-operators and resellers. Currently, the law considers tour-operators to be – „organizing travel agencies”, while resellers are considered to be „intermediate travel agencies” (Romanian Government, 2017). In addition, Eurostat (2017) has another approach, classifying this type of economic agents in tour-operators and travel agencies (corresponding to „resellers” or „intermediaries”). Another question targeted the specialization of travel agencies. In a very tumultuous market, with often modest profit margins, firms are tempted to engage in a mixed activity (56.3%), compared with 43.7% declaring to be specialized on outgoing or incoming.

Regarding the first objective of the research, that of identifying the innovative behaviour of Romanian travel agencies, it was noticed that 73% of the agencies have implemented innovation-related objectives, which means that managers are aware of its role. As reasons for encouraging this activity, there have been mentioned first those related to the client (28.4% - the desire to improve customers’ satisfaction level, and 26.5% - the need to improve the tourism products and services offered). In addition, the respondents were also concerned about improving the company’s financial results (19.1%). The prioritization of the client, compared to financial interests, shows a maturity of the market, in the sense that the delivery of a quality product and service is directly linked to customer satisfaction, which will be later reflected in the results. It is obvious that managers are becoming more aware of the role of the client as main actor in a competitive market. Moreover, there is a cause and effect relationship between innovation and competitive advantage, 93% of respondents agreeing to this. In other words, innovation becomes a means by which travel agencies can differentiate themselves on the market. Concerning the market competition on the innovation activity, the respondents were less firm, less than half choosing „somewhat agreement” and „complete agreement”. Most of them (35.2%) opted for „somewhat agreement”. The same result is indicated by the weighted arithmetic mean of all the answers obtained – with a value of 3.42, suggesting that in the case of the Romanian travel agency market, the competition in terms of innovation exists, but is not strong. Overall, analysing the obtained information, one can conclude that Romanian tourism agencies are developing innovative behaviour. Out of the proposed options, those that scored the highest mean for each type of innovation are shown in table no. 1.

Table no. 1. Main ways in which innovation is achieved

Innovation	Type of actions	Mean
marketing	In our agency, new methods and promotional tools are always being sought.	4.13
process	Within our agency, efforts are continuously being pursued in order to innovate in the service sales process.	4.04
managerial	In our agency, we constantly seek to identify new strategies to ensure the organization’s success.	4.01
products and services	Compared to other existing services on the market, the products/services developed by our agency offer more benefits to customers.	3.99

	We constantly add new products/services to our existing offer.	3.99
organizational	Our agency is constantly seeking to join various associations, alliances or collaborative structures in the tourism industry.	3.42

It is interesting how the means are close to value 4 (agreement) for aspects related to intrinsic activity. The scoring of how agencies relate to each other or with other associative structures is lower, indicating a relatively lower level of collaboration. However, networking is an important information base, including small companies. The principle of collaboration and association proves useful even in a market where players are small firms. In order to see on what areas the innovation activity of Romanian travel agencies is focused on, we will present the results obtained for each five types of innovation proposed in the questionnaire.

Considering the product and service innovation, respondents believe that their offer is more beneficial to customers than that of competitors and stress the concern for its diversification (as can be seen from table above). Thus, the desire to improve the customer satisfaction stated as a main reason for setting innovation related objectives finds its applicability. The results show the lowest score (3.23) for the statement: "In general, our agency is the first one on the market to offer a certain product/service". This is normal in the case of resellers, since they do not design the products and services, but only resell them. Considering the impact of the offer on consumers, the score again reveals a certain reserve of the respondents. The justification is also given by the absence of a complex analysis conducted by agencies, aimed at proving the impact products have on customers, all the more taking into account a substantial change.

Process innovation is more relevant, in descending order, for the sale of services, production and operational systems (4.04, 3.9, and 3.63). In a world where concepts of creativity and innovation are not just fashionable, but become a necessity for survival, efficiency and, of course, profitability, travel agencies, selling dreams and partially intangible products, must be ingenious. The development of the Internet and technology has facilitated contact between agents and customers, on one hand, but has also endangered their activity. 21st century tourists (obviously, not all) choose to organize their holidays themselves, thus bypassing the agencies' services. How can you sell your products and services? How do they reach the customer and motivate him to buy? Some agencies resort to discounts often criticized by the market, others associate their products with the image of personalities, bloggers or vloggers, aiming to sell in a demanding and highly competitive market. Firms are also paying attention to how the production process can be more efficient. Often, a lot of information is needed in order to make a tourist product. They are working with different suppliers, whose seriousness is very important. Furthermore, air fares are extremely volatile. The faster the production process, the more the product can be sold at a more attractive price. The offer of travel agencies can also be a consequence of the request expressly launched by the client. In this situation as well, it is important to be operative, to respond appropriately to the demand, but also to understand the needs correctly.

Marketing innovation is a concern for Romanian travel agencies, seeking new methods and promotional tools. Over 87% of respondents agreed and completely agreed with this item. Conscious of the role of customer loyalty, employees are concerned about this, always looking for new ways (figure no. 1).

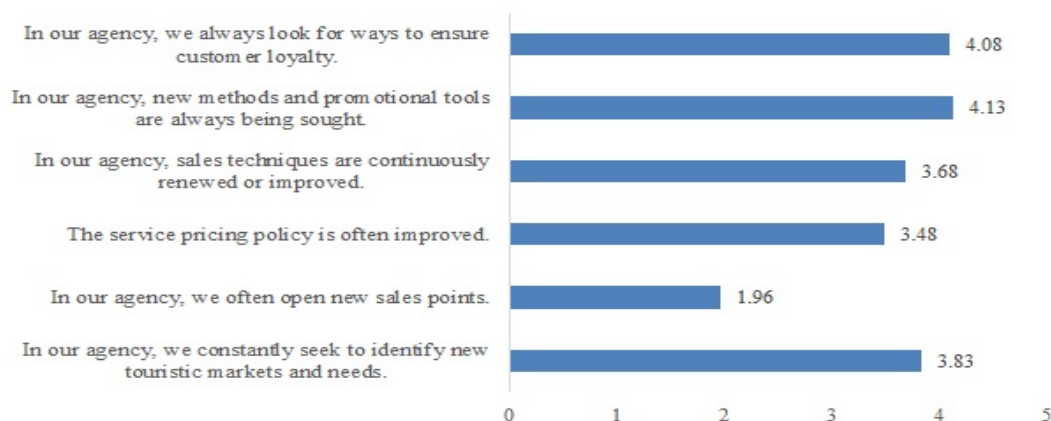


Fig. no. 1 Behaviour regarding marketing innovation

A score of 3.83 determined for the option of identifying new touristic markets and needs reflects firms' interest to develop, to find niche offerings, as well as demand. The Romanian travel agencies market is dominated by a few big players and many small and very small players. In this context, it is understandable the score of 1.96 related to the opening of new sales points. This marketing innovation tool is not seen as feasible by firms, with only 11% of them agreeing to it, while other 14% were „undecided”. Opening a new office involves costs related to space rent, current expenses, and wage costs etc., decision makers preferring another use for the money.

In terms of managerial innovation, the four proposed assumptions have roughly the same score (figure 2).

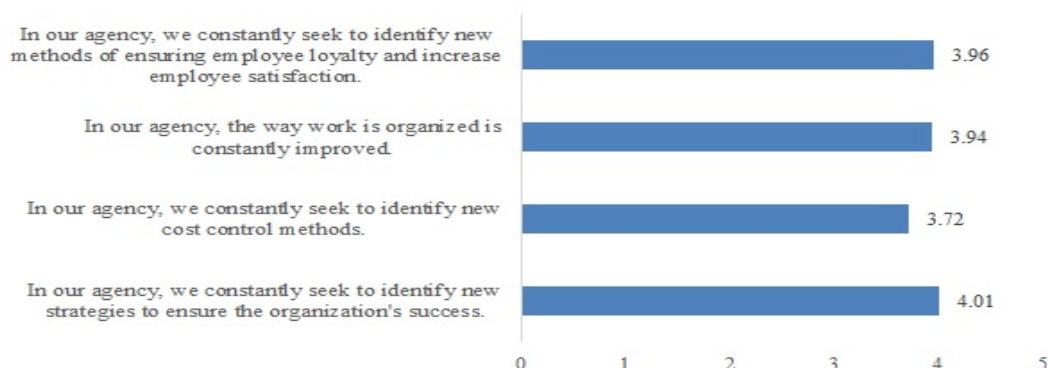


Fig. no. 2. Behaviour regarding managerial innovation

Managers are naturally concerned about the company's success, looking for strategies to achieve performance indicators. Special interest is also given to employees. In an industry where man cannot be replaced entirely by machines, employees are the ones to make the difference. On their promptness, seriousness and smile (whether physically or detached from an e-mail), often depends the success of tourism businesses. Managers cannot neglect this aspect. That is why innovation at this level is also reflected in issues related to loyalty or improvement of work organization.

The last type of innovation proposed in the research is related to organizational innovation. For this there were registered the lowest scores. Thus, the interest in joining associations, alliances or collaborative structures in the tourism industry is still moderate. An even lower score (2.1) is obtained by the item „our company wants to be a franchisor”. Of course, while talking about small businesses, this is not necessarily a priority.

Regarding objective no. 3, it may be argued that in agencies there is an interest for new ideas, an increased one for 55% of the respondents and a moderate one for 35%. Thus, travel agencies can be included in the category of firms that are concerned about novelty, setting the grounds for a culture for innovation.

This research has clarified important aspects related to the innovation phenomenon in Romanian travel agencies, contributing to the development of a relatively scarce literature on this niche. However, the authors are aware of its limitations: despite the complex approach of sending the message to all agencies in Romania, the number of respondents is considered to be rather small. Thus, for future research, it will be attempted to increase it, while attempting to respect the proportion of reselling agencies (intermediary) and tour-operators (organizers).

Conclusions

Different authors have discussed various factors as the driving forces for innovation in small and medium-sized enterprises in the tourism industry, arguing that the key factors for innovation are (1) entrepreneurial characteristics, (2) networking, (3) technological development and (4) the environment. The main objective of this article was to highlight the innovation-related behaviour of Romanian travel agencies. Following a comprehensive research, addressed to all travel agencies in the country, an outline of the innovative actions conducted by companies in the tourism sector has been highlighted. Although travel agencies declare in almost three quarters of the cases that they set organizational goals related to the implementation of innovations, the research has highlighted the fact that in this business sector, innovation is still not considered an activity that makes a substantial difference from the competitive advantage point of view. In particular, travel agencies in Romania are investing efforts in developing new products and services that offer more benefits to customers, their attention being drawn especially towards marketing innovations (mainly identifying new methods of promotion and improvement of customer loyalty). Equally, travel agencies are least investing in the development of organizational innovations, despite the fact that this activity sector requires the creation of a network of strong partners and collaborators. Innovation research for the tourism industry needs to be further developed. In the long run, the growth of the tourism sector will continue to be strong as long as investments and development take place in an open and sustainable manner. The tourism industry can achieve more by adopting travel growth policies that bring fair benefits by stimulating business innovation. In this way, not only can we expect the sector to support over 380 million jobs by 2027 (WTTC, 2017), but it will continue to increase its economic contribution.

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