

CUSTOMIZE THE VALUE CHAIN FOR TOURISM COMPANIES

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Abstract: *Using the value chain is to identify differences between a particular company and other competitors, as well as future opportunities for differentiation in terms of cost of products and services. The value chain of interest when the company is moving towards a strategy of domination by either low cost or by differentiation. The value network includes value chain model, adding new dimensions that highlight the relationships between firms in the value creation process. Another phenomenon that has arisen is the establishment of so-called "cluster of value networks". It is an open network formed within an industry, including networks existing value. The question is to identify the tangible and intangible value flows, internal and external networks of value, in order to apply this model for tourism firms. Customize the value chain for tourism companies is a personal contribution that will facilitate strategic cost analysis for firms in the services sector, highlighting all activities within a business and tourism links between them. Applying the value network for travel companies allow highlighting details of the mechanism by which forms the value of tourism companies through a detailed analysis of flows that contribute to creating value for the customer.*

Keywords: *value chain, value network, business strategy, cluster value networks, value creation, tangible value, intangible value*

The value chain is a tool that is used for strategic analysis of cost and aims to identify differences between a particular company and other competitors, as well as future opportunities for differentiation in terms of cost of products and services. Using the value chain (see Fig. 1) involves decomposing existing company's business activities and grouping them according to the importance they have in achieving "total value" to the company achieves its products or services (Porter, 1980). There are two groups of activities:

- Primary activities, which include internal logistics, operations, external logistics, marketing and sales, service;
- Support activities, which include human resource management, technology development, supply, infrastructure company.



Figure 1. Business value chain

The value chain is different for firms operating in different industries, but also for companies evolving in the same industry (Russu, 1999). Decomposition of the company's business in this way allows the identification of costs of each activity and their contribution to obtain the final value, i.e. the price that customers must pay for the products or services offered by the firm. Obviously, this price will be higher than the costs imposed by creating products or services. The advantages of using this tool are numerous and can be summarized as follows:

- Determining the firm's position compared with competitors in costs;
- Location of activities with a significant contribution to the achievement of the overall costs of the company;
- Identify measures to be taken to reduce costs, according to the activity that generates disadvantages in this area. Depending on the industry in which the company does business, either of the above activities is particularly important in ensuring competitive advantage. The value chain is of interest when the company is moving towards a strategy of domination by either low cost or by differentiation. In this case, you must take into account the value chain that exists for suppliers, distributors and end users, who may influence the firm's own chain studied by setting up so-called "value system". Concrete examples of this are the European tour operators TUI and Thomson Travel Group. The value contains specific value chain of suppliers, distributors and end customers. Given this, one can make the following association between these factors and the companies involved in tourism activity:
 - Suppliers: hotels, airlines, tour operators local;
 - Distribution: distribution agencies;
 - End users: travel agents.

The great European tour operators T.U.I. and Thomson Travel Group are strongly represented in all components of the value. Regarding the Romanian companies generally use this analysis tool is

limited, although there are no studies that give suggestions on why this situation (Băcanu, 2006). However, showing the author said, many accomplished entrepreneurs, guided by intuition, are doing a continuous adjustment of their list value generating activities of interest related to their product. According to the same author, the difficulties of applying the value chain would be determined by the following:

- The cost tracking within accounting;
- Difficult to collect the necessary data.

Obviously, there are negative consequences of this situation, resulting as follows:

- Many companies are in a position to be eliminated from the market;
- Much higher degree of integration of activities in Romanian firms than foreign firms that have "outsourced" already part of the activity;
- Lack of formalization tool for Romanian companies.
- In this context, we considered that is necessary to adapt this tool to analyze the specifics of tourism firms, respectively travel agencies. The agency activities through which the tourism product passes in the travel agency are presented in the following sequence:
 - Administrative actions, which include visits and meetings with tourism service providers, negotiating and concluding contracts with them;
 - Operations, meaning "assembly" or combination of tourist services in the tourism product, which includes research, development and tourism program analysis to price added to them ticketing activity, rental car (with or without driver), hiring of coaches and minibuses, end health insurance and for cars (Green Paper);
 - Promotion of the tourism product, which means participating in tourism fairs, local publicity on radio and television, updating the website of the company, publishing of advertising;
 - Sale of touristic product to customers, involving receipt of customer information on its need and offered product, preparation of contract between the travel agency and the client, i.e. the separation of client;
 - Assessing post-sale, which includes the following activities: the drafting questionnaires, conducting surveys, customer file management, monitoring of sales, management complaints from clients.

If we are talking about a tour operator, the following activities are added:

- Development of tourism products in accordance with customer requirements and offer service providers;
- Studying tourism market.

Regarding the structure of the value chain, we identified the following correspondences between the supporting activities that primary activities, and activities in the tourism company:

a). support activities:

- Infrastructure includes secretarial and accounting;
- Human resource management includes recruitment, selection, hiring, training and staff development agency regarding work with customers, motivating them and so on; they are of particular importance because for tourism, the human factor is predominant.
- Technological development is linked to the tourism product design and design technology travel;
- Supplies include agency relationships with suppliers.

b). primary activities:

- Logistics input (or internal, such as a naming some of the authors) includes the activities of receiving, collecting and analyzing the bids received from the tourism service providers or tour operators;
- Operations include the design and preparation of the tourism product, hire cars with or without drivers, plane and bus ticket reservation, end health insurance and the Green Paper, providing tourist information. Output logistics (or external) involves gathering tourism products developed by the company (or coming from tour operators) and their distribution to partner agencies and correspondents;
- Marketing and sales means studying the local tourist market, promote products and services included in the offer and sale of the tourism product;
- After-sales services consist in evaluating post-sale, whose content we previously presented.

Using this customization value chain for tourism companies we identified the activities can be outsourced by the firm, i.e. those activities that need to be improved. The activities can be outsourced by the company whose cost disadvantage or those activities that do not contribute to the differentiation of the tourism product attributes. On the other hand, the company needs to improve its own activities that can

bring savings or activities that generate tourism product attributes perceived as unique by customers.

In my opinion, a travel company may outsource the following tasks, in order to reduce costs: the secretariat and accounting, human resource management (except for employee motivation and their integration into the company), promoting the tourism product, market research, conducting surveys (part of assessing post-sale). Among the activities that should be improved are: the design of the tourist product, "assembly" of tourist services in the tourism product, customer file management, monitoring sales and customer management. The tourism industry can be characterized as an industry subject to constant change, and due to the phenomenon of seasonality, time horizons considered are short. Due to the strong competition that exists between tourism companies need to improve the activities included in the value chain. This is justified especially since the suppliers, manufacturers, distributors and consumers rely upon one another. The value chain has proven useful in the analysis of processes and activities taking place within firms, in a period in which less than half of those working in the field of services. Applying the model to the firms in the services sector has been questioned and even criticized. However, we have shown in the previous pages that the traditional value chain model can be adapted for travel companies. Given the complexity of today's business environment, we have other factors that influence the value creation by firms. Conceived as a sequence of activities that increase the value of business, the value chain linear model no longer captures all these elements. As a result, there was another model that seeks to explain the complexity of relationships between the firm and its environment to create value and capture them as well, coming out of the initial linear framework, called "value network". Value network was built with the idea that the organization must be able to create and deliver customer value, employee value, social value and value shareholder or investor. The value network includes value chain model, adding new dimensions to highlight the relationships between firms in the value creation process. When a company purchase raw materials and turn them into finished products, this process was considered to be linear, while the process has evolved, becoming multidirectional because all the actors involved contribute to value creation. The value chain shows that competitive advantage can be obtained on the differences between value chains of companies involved. On the other hand, this model takes into account only the tangible aspects of activities- cost, revenue, profit margin, plus configuration activities- primary and support, neglecting the intangibles that can help create value and which are essential for services.

The company must be able to meet the new threats by finding new ways of creating value that go beyond the immediate opportunities and to protect from unexpected changes in its environment. Unlike the value chain, value network is a complex configuration of roles within the industry who engage in healthy relationships and value creating activities are complex relationships, interdependent and dynamic occurring between different actors. On the other hand, the value network is the value of a holistic working model used to identify relationships activities, the flow of information and performance objectives associated with different strategies. This model addresses any type of organization, industry or process involved in creating value. In the concrete situation of a company, there may be both internal networks and external networks of value. Internal networks of value focuses on key activities, processes and relationships that intersect within the firm, such as innovation, development orders, customer support and external networks include customers or recipients of the company, its brokers, shareholders/investors, and suppliers.

Network value takes into account both the value of tangible and intangible value flows propagated within and outside the company. All exchanges of goods, services and income are considered to be "tangible value". And the knowledge and benefits are "intangible value". Intangible knowledge exchanges include strategic information, planning knowledge, technical knowledge, collaboration and policy development firm. In the category of intangible benefits shall provide support to specific subjects or increase the prestige obtained by affiliation (as a member) in an organization. Relationships established in this model are considered to be some interactions that have a double meaning of value creation: in a sense they realize the value and the other way is providing value. The result is the emergence of a set of connections that are in continual change, change relationships within the network, and the interactions and flows related to value creation. In conclusion, the value network is a model, and a method that allows analyzing multiple processes interrelated and converging, which are too complex for traditional methods known (value chain and value added). Switching from model value chain to value network model requires some changes. Thus, identifying customer needs is replaced by identifying activities that deliver value to customers, which is more important from a strategic perspective. In this context, the company must acquire so-called logic of value creation that firms need to move out of the products and to focus on their customers. Company gets herself a "support system" (compared to "support activities" in the value chain), and the client becomes a goal in itself the most important asset of the

company. Networking involves reconfiguring the value chain value, whose purpose is to increase the uniqueness of the activities carried out. Being a complicated and complex, this reconfiguration requires a long period of time, which may affect the company's market situation. Furthermore, the reconfiguration of value chain reconfiguration to past business, replacing "activities reconfigured"- distribution processes, the "levels reconfigured"- offers organizations or mental images.

In a business environment that in a rapidly changing factors that determine the value found them in a continuous change. The result of this dynamic evolution is the phenomenon of "value migration". Prepared by A. Slywotzky in 1996, the concept is defined as changing forces that create value. According to the author mentioned, there are three situations migration value: between industries, between companies and between companies of the same business. The value migration has three stages: absorption value derived from other companies, followed by the stable value (characterized by achieving a competitive equilibrium, expressed by stable market shares and profit margins constant) and impairment losses (identified by reduced margins profit, market share and decrease waste of resources).

Another phenomenon that has arisen is the establishment of so-called "cluster of value networks". It is an open network formed within an industry, including networks existing value. The objective of introducing this concept is to shape and catalyze a community of experts, entrepreneurs, enterprise users and network professionals' value to support value creation.

Ability of firms to create value is a concern for the management of a company, because it cannot be determined using financial indicators and evaluation assets as is done routinely. Setting current and future capacity to create value for each company can be made only by means of value analysis. This is a key competence for a successful enterprise, which allows better organization of the interactions between the actors involved, solving operational problems and strengthen links between the firm create value and its strategic partners. Strong relationships support value creation efforts at operational, tactical and strategic business success. I believe that adapting the model to the value network services, especially tourism, is justified by the fact that, by its very definition, the service provided must bring value to the client. In other words, once arrived at destination, tourists have to get something: relax, rest, new knowledge, improving health, etc.

If a company works in the field of obtaining goods, value networks arise in research, development, design, production, marketing and sales, supply, distribution, and organizational culture. Value is

created through the exchange of these entities (called "nodes" of the network) and relations between individuals (or groups of individuals) who fulfill certain roles. A simple model of network value highlights the main elements contributing to the creation of value for a given firm. The question is to identify the tangible and intangible value flows, internal and external networks of value, in order to apply this model for tourism firms. Achieving value network with two flows above involves several steps. Assessments that will be needed to improve the financial and organizational performance of the company, but also to find new opportunities for value creation. If we have a travel agency, we can identify the following participants prior to doing value: department of tourism, ticketing department, marketing department, tour-operators, travel service providers, tourists, and government. Presentation of contractual (or statutory) among participants led to exchanges of tangible value chart preparation as a result of traditional business transactions. Simultaneously with these transactions, the highlight intangible exchanges of knowledge, benefits and support that build relationships. Although ignored customary business practices, these informal exchanges are visible through value network analysis, represented in the diagram for intangible exchanges. Analysis of exchange value represented in the two partial diagrams show that there is no interruption of flow or a "bottleneck" of the setting of the tourism product (Curta, 2013). Detailing the impact analysis to achieve value, it appears that information about tourism products leading to increased marketing costs and the expansion of knowledge about the company's offer beneficiary. Discussing the level of prices charged involves meetings between representatives of departments and suppliers, takes time and requires business knowledge. Identify customer requirements involves receiving messages from them in various ways, information processing costs, increasing knowledge about tourists. Making reservations by tourists is similar to receiving orders, which requires processing costs, as well as validation tourism products market. The payment of interest means getting a financial success and enhancing the company's image in the market.

The analysis shows that value creation is necessary to perform material costs for producing and sending them advertising material, distribution costs and costs arising from the use of booking systems. To add value, increase or extend the value it is necessary to use personal contacts for conveying information, email, web pages, and the "green line" communication. Information about tourist destinations has turned into tourist product information to the client. A more recent trend is network reconfiguration based on three value streams and not two

flows, as before (Allee, 2000). The three flows arising from trade detail that creates tangible value, respectively intangible in the company. Thus, there is a stream consisting of goods, services and income, another flow of knowledge and a final format consists of intangible benefits flow (see Fig. 2).

All three streams are of equal importance in building the value network. Each of these shifts is supported by a particular mechanism, which allows the transaction. The flow of goods, services and income is the traditional flow that occurs in the value chain and covers all transactions involving contracting, drafting bills, honoring reservations made, sending invitations to tender or payment.

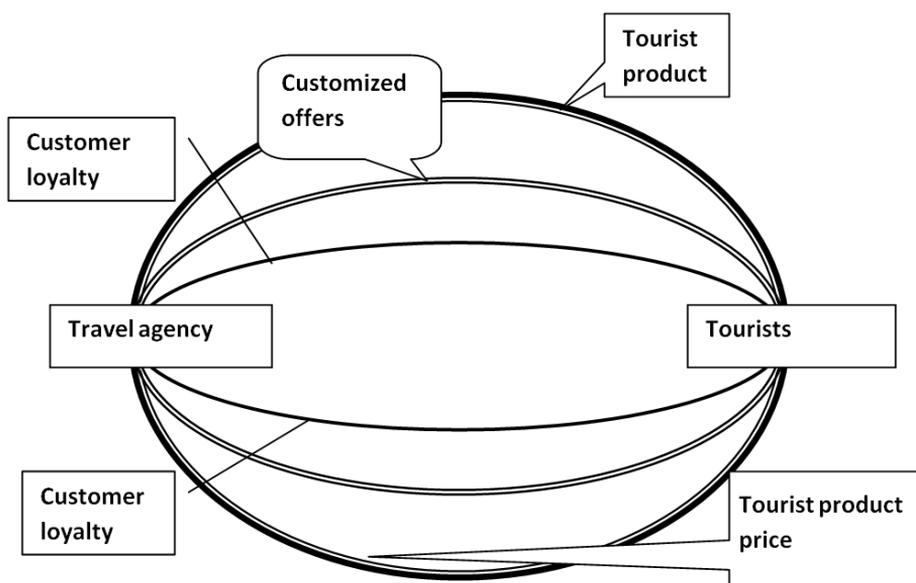


Figure 2. Reconfiguring the value network for business travel (simplified scheme)

All of this flow also includes the information about tourism a product that generate income or who is supposed to be a part of customer service. The flow of knowledge exchanges include strategic information, planning knowledge, know-how, etc, supporting tourism product and its value chain, as shown above. Flow intangible benefits include exchange of value that go beyond the actual service is not highlighted by economic and financial indicators commonly used, such as customer loyalty, improve company image, etc.

If we are talking about Romanian tourism companies, the problem is more complex than it seems at first glance. In the absence of value network managers can not figure out what is currently happening with

the company, where exactly can achieve more value and what is needed to get the maximum benefit value in the business they manage. On the other hand, they have not realized yet that their goal is to provide customer value and that there are mechanisms that enable the creation and deployment of value exchange value. As a result, they are not interested to obtain customer loyalty and enhance the image of any company.

Conclusions

Customize the value chain for tourism companies is a personal contribution that will facilitate strategic cost analysis for firms in the services sector, highlighting all activities within a business and tourism links between them. The ultimate goal is to understand the behavior of costs and identify possible sources of differentiation from other competitors. Applying the value network for travel companies allow highlighting details of the mechanism by which forms the value of tourism companies through a detailed analysis of flows that contribute to creating value for the customer. I tried to adapt these tools of strategic management from concrete situations that meet the stringent needs of business enterprises, but also the lack of time that they need to use them practically. I am convinced that their application in practice will lead to finding the most appropriate solutions to the problems facing our tourism firms and their managers have to face in their work.

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