

TECHNOLOGY AND BUSINESS PERFORMANCE: TRAVEL AGENCY CASE

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CASE DESCRIPTION

This case presents a didactic tool for students that incorporates elements of analysis and decision-making in relation to the implementation, use and management of technology. This technology is applied to the performance improvement of a virtual travel agency. The student is presented information relating to the firm's business history, key characters in decision-making, evolution and innovation factors that led to organic growth in the midst of a highly competitive environment. The case raises dilemmas for the student concerning the generation of competitive advantage strategies. Students may suggest alternative courses of action and may assume a posture of consultant to the firm. The case is recommended for business undergraduate students, requiring knowledge of management and marketing. The case can be developed in two one-hour classes and requires a presentation of results and discussion at the end of the class.

JEL: M14, M15, M31

KEYWORDS: Business Performance, Innovation, Strategy, Technology

CASE INFORMATION

In recent years the Mexican Great Day Travel Company has excelled in the national and international market in the segment of online vacation package sales. Complex processes of innovation are reflected in its growth in the market. Constant innovations in marketing tourist services occur in a context of high competition.

The paradigm shift in tourism services marketing is associated with four categories recognized by the World Tourism Organization (UNWTO), (2009). These categories are: hospitality, leisure & entertainment industry, industry of travel and transportation. Further development in the new design and marketing processes are evident in Europe and the United States. Major tourism managers and large emitters of tourist flows are involved. We note that Mexican firms inserted in global competition through innovation, propose improved ways of meeting the needs of consumers, with a clear market focus.

Great Day Travel, is a Mexican company with 29 years of experience. The company was established in 1984 in Cancun, Quintana Roo by engineer Fabián Mercado. The concept was to offer receptive travel agency services. At inception, the dominant market model was foreign owned agencies dominated by large airlines and hotel consortia. A few years later, driven by the growth in demand and available technology, global pioneers in online travel marketing appeared. The creation of this marketing channel, coupled with a strong philosophy of service to the customer, resulted in growth in sales of the firm. This growth is expected to increase each year in a sustained manner, driven by the philosophy of innovation proposed by their managers and employees.

Evolution is in client served. Great Day Travel, has more than 60 million annual visits, which come primarily from Mexico with nearly 80%, 11% in South America and 9% of the rest of the world.

The administration of Lic Juan Villareal can be credited to an strategy of international market development, which has boosted the sales of the firm and has introduced democratization of tourism in Mexico. Under Lic. Villareal administration sales and employment have grown exponentially exceeding international companies such as despegar.com, Orbitz and Travelocity.

A number of factors have contributed to Great Day Travel's growth in recent years. Diverse capacities of the firm contribute to implementation of activities focused on creating opportunities for travel and entertainment accessible to national and foreign tourists, maintaining customer loyalty, the need for strategic alliances that add value and essence of the company developed and potentiated by the DNA of innovation in his team. Great Day developed innovative capabilities that allow it to achieve a position in the international market by significantly displacing competition.

This case begins with historical information relating to the history of the travel agency, through its origin, its founders and evolution of the business and technology. The case is accompanied by a series of questions seeking to encourage reflection by the student. The third section includes teaching notes which include suggested answers to the questions.

GREAT DAY TRAVEL

Great Day Travel started in 1984. Since that time the company has implemented important changes which are noticeable in the size of the organization, the number of employees (currently hovering around the 1600), its share of the market and total sales. A review of company history is necessary to understand its evolution driven by innovative capabilities based on the idea of providing consumer quality, exceeding expectations and applying technology for the benefit of all stakeholders in the tourism process.

The firm, currently with 29 years in business, was born in the city of Cancun, Quintana Roo. They were encouraged by the tourist boom in the region. Engineer Fabián Mercado created Great Day. The idea was to offer diving courses for tourists, an interest that developed while the young engineer was taking time between the end of his studies and an intended working life linked in the chemical industry.

Without initial capital or a business plan, Mr. Mercado started a personal project named Great Day. The origin of the name is interesting. As part of a scuba diving instruction experience he surprised a couple of American tourists who wanted to visit Tulum and the surroundings, with a personalized experience. The tourists were more than satisfied with the experience. Greeting him goodbye they said "This has been the Great Day of our stay." This comment resulted in creation of the name Great Day Travel.

The evolution of incorporation in the business of transportation was an important evolution. In those years connectivity to the destination was dependent on air transport. Nautical monopoly and scarce availability of inland transportation occurred and were controlled in those days by a few tour operators, DMC (Destination Management Company). The offering of transportation was limited, and represented a big opportunity. The founder created a concept of private transportation by limousine from the airport to any hotel or destination in the region. They offered tours in Cancun with two units only. At this time, (1984-1985) the socio-economic level of tourists who were visiting the destination was high. Visitors were characterized by being from the United States, mainly the East Coast and Canada. They were also characterized by high levels of education. Within a few months, the luxury shuttle fleet grew to 7 units and specialized according to the needs of customers.

A couple years after starting, and already concentrated in the tourist business, the company ventured into hotel administration. This was done by signing a deal with GD Real Hotels, which operated 40 condominiums.

In 1997, and after years of accumulating experience and relationships in the tourism industry, the company acquired the hotel Costa Real. This hotel emphasized service to the customer. The hotel generated networks of cooperation in the tourism industry that produce an occupancy rate of the hosting Centre above 90% and maintained this occupation rate in subsequent years.. This occupancy rate was the highest in the area. The hotel pioneered the operation model called all inclusive. This model considers the comfort of the guest and provides an experience free of complex decisions, focusing on total hedonism.

The success of the GD Group continues with the opening of another hotel, this one in Playa del Carmen, Quintana Roo, called Porto Real. This second hotel used the same model of operation. Next the company opened a hotel in Cancun. The company opened a new hotel development, which is called Royal Caribbean. The facilities opened at the beginning of 1998 and was operated only five years. After five years it was sold to the Spaniard Riu hotels.

The accelerated growth of the Riviera Maya, particularly the city of Playa del Carmen generated interest of the Group. They proposed operation of a hotel based on the concept of all-inclusive luxury to cater to a more sophisticated market segment, predominantly European, who did not have similar offerings in the vicinity. At the same time, through a leasing program, the company began operating another center of lodging in Playa del Carmen, called Real del Carmen. They obtained a contract of operation for ten years, during which Great Day aimed to diversify in terms of the business model to provide offerings to budget-oriented travelers. Great Day, through its Great Resorts division, operated 5 hotels with Grand Touring categories, five-star and four-star including 1721 Hotel rooms in total.

Ground transportation, hotel operation and DMC and online travel agencies are part of the activities of Great Day Travel. The operation the travel agency online migrated from a travel agency working with tour operator wholesalers. The company worked with great capability in negotiations with suppliers of tourist services and great customer focus. This was accompanied by a marketing channel design based on international trends and marketing approach.

If you want to explore travel possibilities both domestically and abroad and are used to the internet, chances are that consulting any Western search engine leads you to the Great Day Travel page. This occurs from a strategy of positioning in search engines known as SEO (Search Engine Optimization) that it has been instrumental in the evolution of the firm over time.

Being pioneers in marketing tourism through internet services, involved dealing with multiple problems. There was resistance of services suppliers associated with the business. As an example, the company developed a sales portal for online airfare, lodging, rental car and entertainment destinations including tours to the nearby attractions. This was most innovative in 1993. But, there were no conditions to make payments securely through banks, which could not engage online commerce.

To activate channel marketing in line with security, the engineering market is given the task of directing an investigation that articulate the perceptions of customers in terms of security of transactions on the internet. They were assigned the job of offering a dynamic and secure portal that would work as a promotional and commercial tool. The tool would provide an absolute guarantee of safety in terms of the management of user information.

The company was able to locate, at the University of California in Los Angeles (UCLA), data encryption software allowing it to carry out commercial transactions with the highest standards of quality. The program was purchased for 17,000 US dollar and since then remains in operation controlled entirely by the firm.

As time passed technology took on an increasingly important role in Great Day, creating an internal area responsible for the research and development of processes associated with the technologies of information, expert systems, connectivity and systems that would permanently mark the direction of the firm. Technology matured with the concept called internally "3 T: technology, tariff and traffic." This concept implies a buttress business model in cutting-edge technology generated at home to make its website visible and visited, competitive discounted rates generated on the basis of bargaining power, volume purchasing and traffic. This strategy was reinforced with advertising by mass media in recent years.

With technology as the axis of growth and a central strategy, the firm migrates its business model from a traditional responsive agency to an online agency. The concept of "Integrated tourist service" was developed. This concept aimed at comprehensive care of the client via a tourist content integration platform, proposing solutions to the traveler and best rates available to choose between multiple airlines Hotels and tourist services. It highlights the design of a booking engine which is internally referred to as MATRIX, and which is the result of the collaboration of experts in designing systems with collaborators in areas of marketing, finance, customer service and management.

Great Day Travel relations with strategic business partners is enhanced by the style of the firm established. The win-win style, gave operators and travel agencies a platform for integration of services, multiple channels of marketing, advertising and promotion, a multichannel marketing tool and most importantly, with the credibility and support of customers, well-known actors and authorities from the sector.

Since the beginning of formal operations of Great Day Travel, partnerships and business relationships have been a priority for development and growth. The company first established trade relations with hotel operators and airlines, subsequently changing its business model and breaking out as a wholesaler. They engaged in relationships with travel agencies not only in Mexico but in other countries in the region.

As growth accelerated in operations, the company established agreements to promote destinations beginning with Puebla, Mexico. The process involved establishing a marketing strategy for the destination supported by a strong campaign in media, partnerships with airlines, hotels and local tour operators. This involved increasing use of the B2B strategy called e-travelolution.

The strategy of activation of destinations or collaborative integration (co'ops as commonly known in the tourism industry) included, in addition to Puebla, the destinations of Cancun, Cozumel, Mazatlan, Veracruz and other domestic destinations. This allowed the company to anticipate demand in 2010 from and to South America from countries like Brazil, Chile, Argentina and Colombia due to improved exchange rate or proximity of event such as World Cup, Gold Cup and Olympic Games to be held in Brazil in the year 2014, 2015 and 2016, respectively.

The South American market is very attractive. The Mexican Caribbean generates large flows to their destinations. But, the market was attended by local firms such as HotelDo. Great Day Travel set a commercial approach to operate with them and ends bought the company together with the Clickhotels brand. With a dominant presence in Brazil, Argentina and Chile, this represented the best chance of entry into the South American market. The incorporation immediately added a wide range of hotel, near 6,000 hotels in all Latin America, new airlines and local operators established in the Southern Cone.

This opportunity for expansion in the South American market implied a move in their technology, knowledge and experience to new offices in Sao Paulo and Buenos Aires, injecting Great Day philosophy attached personnel.

Partnerships with local governments motivates new relations with the federal Governments, in this case with the Ministry of tourism of Mexico, (SECTUR) where from the year 2011, Great Day operates its portal www.visitmexico.com, articulating the same strategy of partnership and marketing of destinations. Since its origins, Great Day Travel places emphasis on the use of marketing tools to support the business processes of the firm. It incorporates new forms to communicate with its clients and the general public. It launched a new nation-wide repositioning campaign and new forms of payment. These new campaigns seek to build the company customer base.

To operate the campaign, he hired digital agency CROSSMEDIA, who proposed cartoons, creating memorable characters, messages using multi-segment strategy, with a focus on payment facilities. The campaign used TV, magazines on board, press, and banners on web sites such as MSN, Google, Tripadvisor, daily national circulation, social networks and outdoor advertising. Customer satisfaction is a priority for the company, so it implemented systems of monitoring, 24 hours, customer service channels. This occurred by operating 24 hours to assist in the processes of purchase of online travel, chat or via e-mail, and intelligence system markets to underpin decision-making based on always-current market information. Research and development of new services works hand with customer needs, market trends and the potential of the firm to combine products and services, innovative and customizable, by the strategy called dynamic packaging. This strategy allowed the customer the possibility of combinations and changes it considered necessary in relation to flights, hotels, ground transportation or tours.

As already mentioned, Good Day was the first to offer credit card payments via the Internet. But they have expanded their forms of payment in response to the needs of customers by introducing the ability to pay with two credit cards. They also introduced a system of payments, which is to collect a partial payment in cash and part by one credit card. Cash payments via convenience stores were also introduced. After a detailed study of risks, it the system was tested and a program called CrediGreatDay was approved. In this system, once the credit history of a client was evaluated, the firm gives the financing.

Partial payments are offered from 3 to 18 months interest-free. To address the traditional market, 120 kiosks were installed in malls nationwide for reservations and travel sale, offering between 9 and 18 months to pay credit. This modality has grown 8% offer another payment alternative. Great Day Travel has been designated a Best Place to Work and ESR, because they are committed to internal customers. Interestingly, the use of print media within their offices is not permitted.

QUESTIONS

1. After the review of historical performance, and a careful analysis of the evolution of the company, consider the administrative decisions used in Great Day Travel to respond to an identifiable pattern.
2. Are there signs of professionalization of management in Great Day Travel from the appointment of the CEO? Justify your answer.
3. Virtual travel agency being a technological platform is the choice for generating technology in house. An alternative is to research and buy an external platform. What recommendation would you propose as an external consultant to the senior management of Great Day Travel to generate a sustainable competitive advantage?

4. Emphasis for the security of electronic transactions has generated confidence in customers. Discuss Strategic proposals which could allow Great Day Travel to communicate the security and functionality of your engine MATRIX?
5. Based on the history of partnerships undertaken so far, would you recommend strategic actions for the internationalization of the firm in the next few years?
6. Provides a final recommendation to the directors of the company from the perspective of an external consultant.

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TEACHING NOTES

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GENERAL COMMENTS

This case is intended to generate reflection on the importance of decision making in an organization governed by the innovation and which plays in a highly competitive sector and global. The information presented has been supplemented with data favoring a framework of qualitative and quantitative analysis within the team, seeking to generate discussion and consensus on the proposals of business strategies. Students have the freedom to make proposals provided they present a justification and it is derived from an analysis and discussion.

QUESTIONS

Question 1: After the review of historical performance, and a careful analysis of the evolution of the company, consider the administrative decisions used in Great Day Travel to respond to an identifiable pattern.

Solution 1: Although there are efforts identified to professionalize the operation of the company from its origins, scientific administration is important until the transfer of the leadership from the founding CEO. Order and control in internal processes and construction of an administrative support structure would result in organizational strengthening. Management by objectives, internal entrepreneurship and leadership are influences in the management of this company from Peter Drucker.

Question 1: Are there signs of professionalization of management in Great Day Travel from the appointment of the CEO? Justify your answer.

Solution 2: One candidate is to divide the initial basic functions of the company. On one hand establishing formal relations to institutionalize the entrepreneurship and creative capacity of its founder, Mr. Fabian is desirable. The recommendation is to market using his vision for the future to promote growth in market share and generation of new products. On the other hand the administration of the company is professional-oriented on performance management by objectives and the strengthening organizational capabilities needed to shore up management and control.

Question 3: Virtual travel agency being a technological platform is the choice for generating technology in house. An alternative is to research and buy an external platform. What recommendation would you propose as an external consultant to the senior management of Great Day Travel to generate a sustainable competitive advantage?

Solution 3: An cost-benefit analysis might be applied to the issue. Because of changing markets and sensitive information, it is recommended to keep the agility of manufacturing at home through a department of research, development and innovation that generates the virtual travel agency operation support systems. This allows rapid adjustments, maintaining the system flexibility to ensure the security of transactions and makes it possible to be able to offer technology services to other companies and governments with the knowledge generated.

Question 4: Emphasis for the security of electronic transactions has generated confidence in customers. Discuss Strategic proposals which could allow Great Day Travel to communicate the security and functionality of your engine MATRIX?

Solution 4: Communication will be oriented to position engine as highly efficient and secure through a campaign of recommendations from satisfied customers. Social networks and portals that document customer satisfaction are recommended. The company should seek legitimacy for the satisfaction of clients and seek to certify them externally.

Question 5: Based on the history of partnerships undertaken so far, would you recommend strategic actions for the internationalization of the firm in the next few years?

Solution 5: Students might recommended the mergers and acquisitions of local companies, empowering them with the knowledge, experience and technology of Great Day Travel and giving them internal and external customer service philosophies. Additionally negotiate with suppliers of tourism services to generate sustainable competitive advantages in the long run.

Question 6: Provide a final recommendation to the directors of the company from the perspective of an external consultant.

Solution 6: Students might recommend consolidation and maturity of the previous business model to international expansion, mainly to Europe. They might recommend developing emerging markets of tourism through the model of business GDT.

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