The perception of small and medium sized tourism accommodation providers on the impacts of the tour operators' power in Eastern Mediterranean

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Abstract

This paper examines the relationship between Small and Medium sized Tourism accommodation Enterprises and European tour operators. Leisure “packaged” mass tourism and the Mediterranean basin are the main product and geographical contexts of reference. However, potential applicability of the outcomes to other similar tourism products and areas is not excluded. Having SMTEs as focal point the study draws extensively from secondary research, while it also employs the outcomes of personal interviews of SMTEs’ owners/managers on the Greek island of Corfu. The paper portrays the current status of the co-operation between SMTEs and T.O.s by illustrating the advantages and the problems faced by SMTEs’ owners/managers when dealing with T.O.s. Finally, the study concludes by proposing actions and policies that could be incorporated in SMTEs’ strategies in order to strengthen their negotiating position against large tour operating consortiums and ameliorate their evident over-reliance on tourism intermediaries.

Keywords SMTE, Tour Operators, Mediterranean, Greece, power, dependency

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1. Small and Medium sized Tourism accommodation Enterprises (SMTEs)

In every European country small, independent and flexible accommodation establishments dominate the market, and play a vital role not only in structural terms but also in terms of contribution to national and European GDP and to tourism employment. SMTEs provide a very diverse range of tourism products and services, facilitate rapid infusion of tourism spending into local economies, while in leisure tourism they usually shoulder the distinctive function to offer a local character to the increasingly homogenised tourism packages. In total, it is estimated that more than 90 per cent of all European hotels are SMTEs and are family managed (Shaw and Williams, 1990; Go and Welch, 1991; Sheldon, 1993; Buhalis and Cooper, 1992, 1998; European Commission, 2002i). This is particularly the case in the Mediterranean basin, as a result of market characteristics (mainstream leisure tourism product offered), socio-cultural characteristics (long tradition of tourism as an industry; role and appreciation of family's rights and property; entrepreneurial population), and geographical characteristics (numerous small islands and communities; destinations' development at dissimilar stages with SMTEs pioneering development) that have all reinforced the trend towards small and family owned accommodation establishments.

In Greece, recent data gathered by the Institute for Tourism Research and Forecasting (ITEP, 2001), classified hotels according to their number of rooms and showed that SMTEs (defined as hotels with less than 100 rooms) account for 93% of the hotels in the country, while they employ one to sixty persons (Table 1).

Table 1: Classification of Greek hotels according to their size (number of rooms)

Size of hotel	No of rooms	No of hotels	% of hotels	Average employment	Maximum employment
Family hotel	1-20	3548	43	1.4	10
Small	21-50	3011	37	4.8	25
Medium	51-100	1075	13	15.0	60
Large	>100	610	7	64.0	210
Total		8244	100	8.8	210

Source: I.T.E.P. (Institute for Tourism Research and Forecasting), 2001.

Greek hotels account for a fraction of the total accommodation supply. Depending on the destination, hotels are supplemented by smaller accommodation establishments such as rooms to let, self-catering apartments, villas, bungalows, camping etc. This demonstrates a noteworthy fragmentation of the Greek accommodation sector. The E.C. defines as Small or Medium Enterprises all enterprises that occupy less than 250 employees (E.C., 2002ii). If the employment criterion is used to categorise the size of enterprises it is safe to assume that the vast majority (perhaps above 99%) of all Greek accommodation establishments could be characterised as SMTEs.

SMTEs share some distinctive characteristics and have certain strategic and functional weaknesses that handicap not only their operation and standard of services offered, but also their ability to negotiate their offer optimally. Middleton (1994) argues that planning is particularly important in the tourism industry, where demand is volatile, the product is perishable and supply demands considerable fixed investment. One of the characteristics, however, of SMTEs is indeed this lack of planning and strategic vision, with tactical and operational decisions dominating their decision-making (Olsen, 1991; Buhalis and Cooper, 1992). Even further, SMTEs are generally weakly managed and marketed, since they lack the resources on the one hand to occupy specialised personnel, on the other hand to promote themselves adequately. These weaknesses

coupled with the lack of basic business information force most SMTEs to adopt a “product oriented” than a “market oriented” approach in their tourism offer (Buhalis, 1992). By that, SMTEs become the “weakest link” within the distribution channel, and the dependency on intermediaries becomes unavoidable.

2. Distribution channels, European Tour Operators (TOs) and SMTEs

W.T.O. in 1975 suggested that “a distribution channel can be described as a given combination of intermediaries who co-operate in the sale of a product. It follows that a distribution system can be and in most instances is composed of more than one distribution channel, each of which operates parallel to or in competition with other channels”. By then many scholars have attempted to provide an adequate definition, that incorporates all the existing elements and functions of tourism distribution channels (Mill and Morrison, 1985; Middleton, 1994; Buhalis, 2001). Summarily from their definitions, tourism distribution channels could be regarded as the organised and serviced systems that undertake the responsibility to bundle tourism products together and promote them; provide information for prospective tourists; and also establish mechanisms that enable consumers to make, confirm and pay for reservations. As far as it concerns the role of intermediaries within these channels Wanhill (1998) argued “the principal role of intermediaries is to bring buyers and sellers together, either to create markets where they previously did not exist or to make existing markets work more efficiently and thereby to expand their market size”. Nowadays, tourism distribution channels increasingly develop into one of the most critical factors that determine the overall competitiveness and prosperity of tourism destinations and suppliers (Christopher, 1991; Stern, El-Ansary and Coughlan, 1996). Distribution channels often influence the behaviour of the consumer, and they effectively determine whether destinations and local suppliers can be included in the set of decision-making models of prospective consumers (W.T.O., 1975; Buhalis, 2001). Especially, in tourism the distribution element is much more important than in other trade industries. As Middleton (1994, p.201) argued “paradoxically, the inability in travel and tourism to create physical stocks of products, adds rather than reduces the importance of the distribution process. In marketing practice, creating and manipulating access for

consumers is one of the principal ways to manage demand for highly perishable products”.

2.1 Tourism distribution channels for European leisure tourism

In contemporary European leisure tourism environment, “packaged” travel is the predominant form of tourism activity (Buhalis and Laws, 2001). The unquestionable channel leaders are the large integrated travel organisations that have been formed by Northern-European tour operators (Josephides, 1994; Renshaw, 1994; O’Brien, 1996, 1998; Monopolies and Mergers Commission, 1997; Bywater, 1992, 1997, 2001; Ioannides & Debbage, 1998). These gigantic travel organisations have already achieved a remarkable vertical growth, by integrating into their core tour operating business transportation services (charter airlines) and travel retailing through the acquisition of or co-operation with major outgoing travel agency chains. In recent years TOs’ concentration approach has been expanded to destination areas as well. Large TOs merge with, acquire or develop accommodation establishments and incoming tour and coach operators. For these large consortiums the only feasible way to sustain their business and earn profits is to standardise their “packages”, follow a “high volume-low cost-low profit margin” strategy in their product offering. Hence, they compete with each other primarily on the ground of market share.

2.2 Issues emerging from concentration in the European tour operating industry for SMTEs

TOs’ accumulated forces have produced signs of oligopoly and unfair trade events in the origin markets (Monopolies and Mergers Commission, 1986, 1997; Cleverdon & Kalisch, 2000; Hudson, Hudson, Miller & Snaith, 2001, A.B.T.A., 2002), and acute oligopsonistic phenomena for the destination’s suppliers. For instance, the British market, which is one of the main generators of intra-European leisure tourism flows, experiences a marked polarisation in the tour operation industry (Bywater, 2001; Evans, 2001). Specifically, four out of 1444 fully bonded British TOs control: 53 per cent of the licensed charter flight capacity (C.A.A., 2001); more than 60 per cent of the fully

bonded licensed capacity (Evans, 2001); 40% of High-Streets' retail outlets and influence over 70% of them (A.B.T.A., 2002).

As far as it concerns the Mediterranean destinations under study, a European Commission report issued in 2000 stated “the four large integrated suppliers already sell between them, over 90% of all packages to the Balearic Islands and the Canary Islands and 80% to [most] other significant short-haul summer destinations” (E.C., 2000:15). This can be mainly attributed to the fact that large TOs, through their subsidiaries charter airlines, controlled in 1999 almost 94% of the international charter airline traffic from the UK in terms of passengers carried (C.A.A., 2000). In Greece, where the field study took place, statistics reveal that the five largest British TOs control around 70% of the British tourism flows to almost every Greek mass tourism destination (Figure 1).

Figure 1: Market share of British tour operators in Greece 2001

Data obtained by G.N.T.O.-London Branch, (2001).

A similar pattern applies in the other major tourism generating market, namely Germany. Three major TO groups dominate the tour operating industry and the German “packaged” outbound leisure market, namely Pressaug (former TUI), REWE Touristik, Thomas Cook AG (former C&N Touristik) that control a 70% of the market (D.R.V.,

2001). Since 2000, acquisitions of British groups by large German TOs have increased the concentration in the European market even further (Bywater, 2001).

TOs' uncontested market power generates -besides the *de facto* unfavourable oligopsony situation- many negative phenomena for SMTEs such as conflicts, coercion and dependency (Ujma, 2001). The strategic and operational weaknesses of SMTEs, along with intense competition of various forms, assign vast power to the leaders of tourism distribution channels. The powerful members of the chain can take advantage of the unfavourable business environment for SMTEs to pressurise them during contractual negotiations. By doing so they aim at reducing SMTEs operational and profit margins, jeopardising at the same time their viability. Buhalis (2000) has demonstrated this role of TOs in packaging and managing tourism products often at the expense of destinations and suppliers. It should also be emphasised that for SMTEs in leisure tourism destinations, TOs represent one of the few viable alternatives –and indeed the only massive- for gaining visibility in the main generating markets and filling their capacity. Even further, in insular tourism destinations, TOs determine up to a considerable degree the accessibility options. Therefore, the geographical context of this paper, namely mass tourism Mediterranean islands, provides the ideal background for a thorough study in the relationships between SMTEs and TOs.

2.3 TOs' contribution to SMTEs, destinations and consumers

Despite the fact that the role and the business ethics of the large integrated groups of European TOs are the source of serious controversy and conflict within the tourism channel, it should be admitted that TOs contribute significantly in the tourism value system. More specifically, their involvement in the tour package lends considerable advantages by acting complementarily to the value chains of the other channel members. For instance, according to Britton (1978) hotels began marketing their rooms through operators when they realised the unprecedented benefit that no sales staff or front-end money was required, and payment was made only for what business had been produced. Also, principals have the ability to sell their perishable product in bulk, and on the one hand to transfer part of their business risk to the TO on the other hand to enhance their medium to long-term planning ability. Additionally, TOs allow the

various tourism services' suppliers to reduce their promotional expenditures, without compromising entirely their representation and visibility in the tourism generating markets. This is a major opportunity for tourism firms -especially for SMTEs- that lack the required capital and expertise to communicate their offer and attract clientele independently. Additionally, SMTEs do not have to develop and sustain a costly system to deal with all their customers' inquiries and booking details.

Yet, the most significant advantages of TOs' involvement emanate for the consumer, due to convenience and reduced product and transaction costs (Sheldon, 1986; Ioannides, 1998). In the origin markets TOs can deal with customers more efficiently, due to their common culture and language, while there are also more aware of the specific requirements and characteristics of the local consumers. At the destinations TOs also provide a sense of familiarity and security to the "user" of the service, by speaking –through their destination representatives- the language of the visitor, and by communicating a clear impression that they are aware of every aspect or detail at the destination. Additionally, they are often the "safeguards" of the quality that will be enjoyed by their client in the destination. Undoubtedly, these direct advantages for the consumer benefit indirectly the tourism suppliers and the industry itself, since they boost actual tourism demand through the facilitation of packaged travel and the "democratisation" of international travel.

Moreover, destinations as entities benefit by TOs through increased accessibility offered by charter flights; support in marketing and promotion of the destination area and increased visibility especially in the international marketplace. Additionally, TOs often enable the expansion of tourism season by stimulating tourism demand through promotions, advertisement and educational trips for the travel agents' and TOs' staff. Finally, TOs tend to oversee the entire holiday experience by providing representatives, and in many cases assess the satisfaction of their clients after their trip. Hence, they monitor the performance of the entire tourism industry and often raise issues with D.M.O.s (Destination Management Organisation) towards the improvement of the destinations quality.

Figure 2 below summarises the major advantages that TOs' involvement lends to the other channel members' value chains. Clearly, their involvement in the packaged travel

benefits SMTEs, both directly and indirectly. However, there are also numerous significant problems and conflicts that arise between these two channel members. Hence, this paper will next concentrate its interest in examining this challenging co-operation.

Figure 2: Contribution of TOs to consumers, destinations, SMTEs

<u>Consumers</u>	<ul style="list-style-type: none"> • Convenience (selling points everywhere) • Reduced price of travel • Reduced cost of transactions and arrangements • Common culture and language • Better understanding of their requirements and characteristics • Familiarity and security in the destination • Guidance and assistance at the destination • Control of the quality enjoyed by consumers
<u>Destinations</u>	<ul style="list-style-type: none"> • Increased accessibility • Support in marketing promotion • Increased international visibility/awareness for the destination areas • Extended tourism season • Introduction of issues with respect to destination's improvement
<u>SMTEs</u>	<ul style="list-style-type: none"> • No sales staff required • No front-end money for future sales • Bulk sales (of perishable goods) • Reduced business risk by transferring part of it to the T.O. • Increased ability for medium to long-term planning • Limited staff and organisation to deal with customers' bookings, inquires etc. • Reduced promotional expenditures • Increased representation/visibility in the international marketplaces • Extended business season • Monitoring of quality standards and suggestion of improvements

3. Methodology

This study is supported by thorough secondary research focusing on tourism distribution channels and the relationships and problems arising between the members of these channels. Additionally, specific attention was given to bring relevant SMTEs' literature into the discussion, and synthesise it with the above-mentioned concepts (Buhalis, 2000; Buhalis and Cooper, 1992, 1998). The study also incorporates the outcomes of an

exploratory study concerning the power of European TOs in the Mediterranean leisure tourism context and the resultant “dependency” or over reliance of tourism firms on them. SMTEs, due to their large number and importance in this geographical context, have already occupied central position in the study. As mentioned earlier in this paper, mass tourism insular destinations are those that face the most extreme reliance on tourism intermediaries. Hence, a mass tourism Mediterranean island was deemed to be an ideal destination to conduct relevant research. The exploratory nature of the research provided rich insight in the area of study and offered significant inferences, which will enable the researcher to quantify the research at the next stage. Analysis was primarily qualitative; aiming at highlighting the problems faced by destinations and tourism firms (primarily SMTEs) in their co-operation with large TOs. The research also aimed at identifying significant operational, strategic and geographical variables that influence the allocation of power in the tourism distribution channel and generate dependency on specific channel members. Some clear trends and patterns have already been identified.

The exploratory research took place on the Greek island of Corfu, during the early months of the 2002 tourism season (late March-early April). This years’ early European Eastern stimulated an relatively early international demand, while the late Orthodox Eastern did not allow domestic tourism to impact on the season’s results and trends. Most of the tourism firms of the island were open or about to open, and interviews were arranged rather comfortably. Hotel owners/managers and incoming TOs in 16 different resort areas as well as destination experts were personally interviewed, using a semi-structured questionnaire that have emerged from the in-depth secondary research. Additionally, the outcomes of the research were enhanced by conducting in-depth qualitative interviews with persons in key positions in the local tourism industry, such as the President and the Secretary of the Local Hotel Managers’ Association, the President of the Local Hoteliers’ Association, the President of the Local Federation of Accommodation Establishments (apartments, villas etc) and General Secretary of the National Federation of Accommodation Establishments, and finally the President of the Local Technical Chamber. All these interviewees besides their institutional position own or manage a tourism firm. The targeted population was all the accommodation enterprises’ owners and managers on the island. 25 Interviews were arranged keeping in mind the characteristics of the resorts, such as size; distance from international airport and consequently a very wide geographical distribution of the interviewed businesses

had been achieved (Figure 3). Additionally, the researcher arranged interviews with tourism firms of every size and category in proportion to their actual percentages on the island, in an attempt to achieve greater representation and enhanced generalisability of the outcomes. The sampling was a mixed purposeful sampling, with random sampling techniques utilised to select the interviewees in tourism firms and convenience sampling to target people in institutional positions. The supplementary interviews, which were conducted with 6 incoming TOs, and with 2 people in tourism related public sector positions, enriched significantly the perspective of the study.

Figure 3: Map of Corfu. Places and numbers of interviews

4. Findings

4.1 The destination

Corfu offers -for more than four decades- intentionally or not, the typical Mediterranean package of Sea-Sun and Sand, while it leaves many other natural/physical/cultural attractions underdeveloped and weakly promoted. It also feels heavily the intense competition with other similar destinations in the Mediterranean basin. Corfu as a destination deals with TOs of every size and type from almost all the European markets. But it depends heavily on TOs from U.K. and Germany. Additionally, Corfu receives the largest number of Britons than any other Greek destination, while the vast majority of them visit the island through a TO. Its accommodation supply is estimated to be 45,000 bed spaces in hotels of every size and category and another 120,000 to 130,000 bed spaces in other officially and unofficially operated accommodation establishments (apartments, self catering rooms, villas, bungalows, “parahoteleria”). Apparently, the accommodation supply of the island experiences a considerable fragmentation. The vast majority of firms are small and medium sized enterprises, employing less than 100 people. At the same time Corfu faces all the typical structural and organisational problems of Greek tourism that have their roots mainly in planning, marketing and management of the tourism development and product.

4.2 The impact of TOs on SMTEs

The research demonstrated that almost all the SMTEs felt that they have to co-operate with TOs in order to communicate, distribute, and finally sell their tourism product to the main European markets. The research, also, revealed that almost all SMTEs have contracts with TOs to allow them to offer a number or all of their rooms in the market. For SMTEs that have not assigned exclusivity rights to any specific TO, the average number of contracts is with 7 TOs of any size or type. The average percentage of bookings generated by TOs is almost 85%, although the corresponding percentage of turnover and profits generated by their contribution is always lower. It is interesting to note that SMTEs’ owners and managers believe that the larger the number of co-operating TOs the healthier the distribution mix and prospects of the firm, however they

would have preferred to co-operate with even less TOs as an average (6) if it is to have a smoother relationship. Additionally, they would have preferred to reduce TOs' input in bookings to 55%, and succeed in increasing the input of the other distribution options, such as local travel agencies, direct bookings through I.T., domestic tourism etc. They also observed that it would have been ideal to be able to avoid mass TOs and to augment "specialists" as much as possible, since they felt that there is a slightly better quality of co-operation with specialists in comparison with their mass counterparts. SMTEs' managers/owners also noted how beneficial would have been to be able to avoid the remarkable market dualism (U.K.-Germany) and have contracts with TOs from many different markets in order to spread the exogenous business risks caused by negative trends and irregularities in their markets. Finally, they would like to restrict the percentage of the largest co-operating mass TO to less than 30% of their capacity, since they felt that there should always be an upward limit to the firm's capacity contracted by a certain TO. Above the limit the co-operation becomes more problematic, since the TO acquires excessive power and influence over the firm's short-term decision-making and medium to long-term business prospects.

Yet, according to the interviewees in the modern leisure tourism context opportunities for alternative market strategies are limited and largely ineffective. They felt that Intra-European leisure tourism is –for the time being - "dependent" on massive tourism intermediaries, who are able to determine the fate and prosperity of destinations and suppliers based on their capacity to influence tourism tastes and demand trends. This can be mainly attributed to the fact that leisure tourists are very flexible in their decision-making and show great elasticity in their demand patterns. Therefore intermediaries can influence not only their fundamental choice of destination, but also many other successive decisions such as the choice of accommodation. Consequently, any successful efforts to avoid intermediaries and appeal directly to the consumer in the origin markets are perceived rather as "utopia" for SMTEs. Such efforts could only play a supportive role next to SMTEs' mainstream option for marketing their product internationally, namely the tour operation industry.

This approach becomes even more imperative, if it is taken into account that more than 95% of the interviewed SMTEs have initiated their co-operation with TOs from the time they started their business, hence they had limited motivation to gain familiarity and

experience on any other selling techniques. The vast majority of these SMTEs rely faithfully on TOs for their business. Moreover, a considerable 25% of these SMTEs had been assisted or urged in several ways (financially, technically, operationally, contractually, morally) by TO(s) in the development or expansion of their facilities. Therefore, they have already placed themselves in a “dependency” continuum, ranging from absolute reliance to moral obligation. Interviewees clearly demonstrated that for the vast majority of SMTEs the only pragmatic option is to keep on co-operating with TOs, identify the problems faced during their co-operation, and try to solve them in the given business context by increasing their negotiation power; improving the intra-channel relationships; and by developing patterns of mutual benefit with the other channel members. Finally, interviewees demonstrated that they would -most probably- invest in alternative marketing and distribution options only as the last resort, when no other possibilities are available.

4.2.1 Advantages of TOs’ involvement

As it has been identified by this research, SMTEs’ owners/managers acknowledge that for many years TOs were the “educators” for the SMTEs’ people. They provided the necessary guidance to the entrepreneurs to comprehend the needs and wants of the customers during their stay in the enterprise. The constant pressure by TOs for improvement in facilities and services, have driven safely many SMTEs to a remarkable and extremely marketable final product on offer. Additionally, in many cases TOs shared their expert knowledge of the market and directed or “pushed” enterprises to productive investments and mutually beneficial synergies. For instance, the development of small conference facilities or the specialisation and targeting of a niche, however, beneficial market segment are choices that very few SMTEs’ decision-makers would have taken by themselves.

Two other very significant advantages of TOs’ involvement are their eminent standards of operational efficiency and organisation that permit minimum possibilities for misunderstandings and disorder, and their financial consistency (they may not paying well, but they definitely pay). The former advantage is almost unanimously recognised by every co-operating SMTE. Interviewees added that this efficiency in organisation

helps their enterprises significantly to be more organised in their own records, and to concentrate their interest in satisfying the customer. Hence, SMTEs have the opportunity not only to avoid much “bureaucracy”, but also to improve the standards of their offer to the customer. As far as it concerns the latter advantage of TOs involvement, interviewees noted that larger TOs offer a better sense of security and consistency on financial matters. Smaller TOs may not offer the same sense of financial security and consistency, however the relationship with them is more human-based with increased personal contact and mutual appreciation and respect, something that attenuates significantly the financial concerns. The latter advantage is remarkably opposed with past researches’ outcomes (Buhalis, 2000) that presented TOs’ financial consistency (bankruptcies and payment delays) much less appreciated by owners and managers. This could be attributed to the fact that in the past financial difficulties and bankruptcies were usual phenomena in the tour operating industry every summer, something that had been spoiling heavily the image of TOs as payers. Nowadays, consolidation of the tour operating industry and “habitual” mergers and take-overs allow limited probability for any organisation to get to worrying level of financial shortage or to the final business stage of bankruptcy, without having attempted to merge (co-operate) or without being absorbed by another strong competitor.

Last but not least, is the acknowledgment by SMTEs’ owners/managers that TOs were the facilitators of the tourism growth and magnitude both on the Island and in their enterprises. It is not far from reality to argue that these intermediaries initially served as the necessary catalysts for the “chemical reaction” of tourism at the destination. Almost all the SMTEs’ customers, even the loyal repeaters that now avoid to use intermediaries, have visited sometime in the past the Island through a TO. In the modern tourism environment, however, TOs’ role has advanced further, and they now comprise essential elements, if any kind of tourism “reaction” is to take place. This evolution of TOs as essential components of the tourism activity has transformed significantly the nature of and the relationships within the tourism chain. The different and in many cases opposing nature, orientation and interest of all the key players provokes and maintains a complex system of co-operation, competition, conflict and inter-dependency between and among them. The complex and highly competitive environment of the tourism chain means that there will be some “turbulence” (Go & Pine, 1995) and, as

Schumpeter (1965) recognised many decades ago, there is no “equilibrium” in competition.

4.2.2. Problems faced by SMTEs when dealing with TOs

Many acute problems and complaints concerning the co-operation with TOs have been identified during the research. Most of the interviewees felt that TO's size -*large*, *medium* and *small*- is not a very significant factor in relation to tourism firms' level of satisfaction by the co-operation or to the observed problems. As interviewees argued market conditions and intense competition have forced TOs to adopt, more or less, the same tactics and strategies in order to survive in their markets and operate viably. The indifference of owners/managers for TO's size was much more evident in smaller and lower category accommodation establishments, while larger hotels rated the small operators clearly higher than their large/integrated counterparts. This reveals that smaller enterprises are always the weakest player in the bargaining game with every TO, hence they always experience tougher co-operation.

Tos' type, however, has a clear pattern as regards the quality of co-operation with the SMTE. *Niche* (specialised) operators enjoy a significantly better rating than their *mass* counterparts. This can be linked with the first observation concerning size. Mass TOs irrespective of their size are tougher in their co-operation, mainly due to the immensely competitive environment of the mass tourism market.

As far as it concerns TOs' nationalities, the relationships of *British* and *German* based groups with SMTEs receive the lowest ratings, with the evaluation worsening as the category and the size of the SMTE decreases. *French* TOs appear also to be rather problematic in their co-operation, while interviewees perceive *Scandinavian* and *Italian* groups to be relatively better partners. It must be noted though that the categorisation of TOs according to country of base, has become a less important determinative factor and in the near future is expected to become obsolete, since the large integrated groups operate in many different countries and markets. Despite the fact that these large groups sometimes retain different brand names for their companies and products, they predominantly operate their companies' bundles with common, centralised strategies. A

future accurate description of their nationality could be “Intra-European TOs” (Figure 4). It is safe to assume that the similar rating that the interviewees assigned to the British and German groups, could be attributed to the acquisition and concentration patterns in these two markets. Almost all large British and German TO groups, are literally under joint ownerships or even brand names (except of the British based Airtours).

The apparent concentration trends in the European TO industry have already impacted significantly on the degree and the quality of co-operation between TOs and SMTEs, and the interviewees made some very interesting remarks on that. They mentioned, that the extent of the co-operation is directly affected by concentration trends, since the merged scheme is not “buying” the same amount of rooms than the two previous groups together. Additionally, the quality of the co-operation is influenced since the large group becomes even less sensitive and impersonal, with the relationship based on strictly financial parameters. Even further the “package” of the merged group becomes more integrated with a clear inclination to leave less and less benefits to the enterprises and the host economies.

Figure 4: Concentration in the European Tour Operating industry

Intra-European Tour Operating Groups					
Mother company Subsidiaries	THE WORLD OF TUI	THOMAS COOK AG	FIRST CHOICE	AIRTOURS Plc	REWE GROUP
TOUR OPERATING (MANUFACTURERS- WHOLESALEERS)	<ul style="list-style-type: none"> TUI GERMANY TUI UK (THOMSON T.G.) TUI NETHERLANDS TUI AUSTRIA TUI FINLAND TUI SUISSE TUI IRELAND TUI POLAND AUSTRAVEL COUNTRY COTTAGES (UK & FRANCE) CHEZ NOUS CRYSTAL BLAKES COTTAGES MAGIC TRAVEL SIMPLY TRAVEL HORIZON BUDGET TRAVEL PORTLAND DIRECT SKYTURNS SOMETHING SPECIAL HOLIDAYS SPANISH HBR AIRTOURS (GER) AIR CONTI L' TUR NOUVELLES FRONTIERES TRAVEL UNIE INTERN. EX-ARKE HOLLAND INTERN. FIRST FIRST TRAVEL MANAGEMENT KRAS VTB-VAB REISEN JETAIR FRITIDSRESOR STAR TOUR ROYAL TOURS TEMA NORDPOOL (or NRT NORDPOOL) PRISMA TOURS SCAN HOLIDAY FINNMAKAT GULET TOUROPA ITV (SWITZERLAND) VOGELE IMHOLZ TRAVAK <p>AT LEAST 39 TO BRANDS</p>	<ul style="list-style-type: none"> JMC HOLIDAYS C&N GROUP NECKERMANN REISEN NECKERMANN BELGIUM ALLAIR SUNSNACKS NECKERMANN NETHERL. BROERE REISEN NECKERMANN AUSTRIA KUONI CONDOR BUCHER REISEN FISCHER REISEN TERRAMAR KREUTZER REISEN THOMAS COOK HOLIDAYS GRUPO VIAJES IBERIA SUNWORLD FLYING COLOURS SUNSET INSPIRATIONS CLUB 18-30 NEILSON STYLE ACCOLADIA TIME OFF AIR MARINE HAVAS VOYAGES (FRANCE) 	<ul style="list-style-type: none"> FIRST CHOICE HOLIDAYS UNIJET HAYES & JARVIS RAINBOW FLEXISKI MEON SUNSAIL CROWN BLUE LINE SUNQUEST EXODUS BARCELO TRAVEL TEN TOUR NAZAR TAURUS 	<ul style="list-style-type: none"> MY TRAVEL BRIDGE TRAVEL GROUP CRESTA HOLIDAYS DIRECT HOLIDAYS PANORAMA TRADEWINDS EUROSITES JETSET MANOS LEGER SUNWAY TRAVEL SCANDINAVIAN LEISURE GROUP VING SAGA ALWAYS TJAEREBORG SPIES FROSCH TOURISTIK INTERN. (FTI) CA FERNTOURISTIK FROSCH TOURISTIK LAL SPRACHREISEN CLUB VALTUR SPORT-SCHECK REISEN SUNAIR (Belgium-previous brand) TRIVSELRESOR MERLIN VACATION EXPRESS SUNTIPS SUNQUEST TRAVEL SERVICES INTERN. 	<ul style="list-style-type: none"> LTU TURISTIK MEIER'S WELTREISEN MARLBORO REISEN SMILE & FLY ITS REISEN ITS AUSTRIA ATLAS REISEN DERTOUR ADAC-REISEN JAHN TJAEREBORG MEIER'S

TRANSPORTATION (CHARTER AIRLINES ETC.)	<ul style="list-style-type: none"> • BRITANNIA • BLUE SCANDINAVIA • HAPAG LLOYD • HAPAG LLOYD (CRUISE) • TUI (CRUISE) AT LEAST 68 PLANES	<ul style="list-style-type: none"> • JMC AIRLINES • FLYING COLOURS • AIRWORLD • CALEDONIAN • CONDOR 	<ul style="list-style-type: none"> • AIR 2000 	<ul style="list-style-type: none"> • AIRTOURS INTERN. • FROSCH TOURISTIK INTERN. <ul style="list-style-type: none"> • FLY FTI • PREMIAIR • AIR BELGIUM • CARNIVAL CRUISES • COSTA CROCIERE 	<ul style="list-style-type: none"> • LTU LUFFTRANSPORT UNTERNEHMEN
TRAVEL AGENCIES (RETAILING & INCOMING)	<ul style="list-style-type: none"> • LUNN POLY • HAPAG LLOYD • CALLERS-PEGASUS • SIBBALD • TRAVEL HOUSE ETC • TEAM LINCOLN • AUSTRAVEL • MCR FLIGHTS • PREFERRED AGENTS • TRAVEL UNIE INTERN. <ul style="list-style-type: none"> • (ex) ARKE REISEN • HOLLAND INTERN. • FIRST • FIRST TRAVEL MANAGEMENT • KRAS • VTB-VAB REISEN • JETAIR • BELGIUM INTERN. • TUI AUSTRIA • TUI SPAIN • ULTRAMAR • DR. DEGENER • GULET TOUROPA • WINGE • PRISMA TOURS • SCAN HOLIDAY AT LEAST 3,628 TA IN 7 COUNTR. AT LEAST 18 INCOMING TO NETWORKS	<ul style="list-style-type: none"> • THOMAS COOK • NECKERMANN REISENBURO <ul style="list-style-type: none"> • NECKERMANN BELGIUM <ul style="list-style-type: none"> • ALLAIR • SUNSNACKS • NECKERMANN NETHERL. <ul style="list-style-type: none"> • BROERE REISEN • NECKERMANN AUSTRIA <ul style="list-style-type: none"> • KUONI • BROERE REISENBURO <ul style="list-style-type: none"> • BROERE NETHERL. • BROERE AUSTRIA • KARSTADT • QUELLE • PEACH • CARLSON WORLDCHOICE • ARTAC WORLDCHOICE • HAVAS VOYAGES (FRANCE) • EURO-LLOYD • GRUPO VIAJES IBERIA • LUFTHANSA CITY CENTRE <ul style="list-style-type: none"> • LUFTHANSA C.C. (ITALY) • LUFTHANSA C.C. (AUSTRIA) 	<ul style="list-style-type: none"> • TRAVEL CHOICE • LEISURE INTERN. • TRAVEL CARE • BAKERS DOLPHIN • INTRATRAVEL • FERRY CHOICE • HOLIDAY HYPERMARKETS • HOLIDAY EXPRESS • HAVE TRAVEL 	<ul style="list-style-type: none"> • GOING PLACES • TRAVELWORLD • GLOBAL TRAVEL GROUP • FROSCH TOURISTIK INTERN. <ul style="list-style-type: none"> • FLUGBORSE • ALLKAUF • FTI FERIEWELT • 5 V FLUG • RECOMMENDED AGENTS • VING • TRAVEL SERVICES INTERN. 	<ul style="list-style-type: none"> • DER- DEUTSCHES REISENBURO • ATLAS REISEN
DESTINATION	<ul style="list-style-type: none"> • RIU • IBEROTEL • GRECOTEL • CLUB ROBINSON • DORFHOTELS • BLUE VILLAGE AT LEAST 187 HOTELS	<ul style="list-style-type: none"> • IBEROSTAR • CLUB ALDIANA • PARADIANA 		<ul style="list-style-type: none"> • HOTETUR • BELLEVUE 	<ul style="list-style-type: none"> • CLUB CALIMERA
PASSENGERS	AROUND 13 MILLION PASSENGERS PER YEAR				

4.3 Analysing the problematic co-operation

Theoretical analysis of the relationships between SMTEs and TOs and previous relevant research (Buhalis, 2000) have highlighted the main areas of potential problematic co-operation. These specific attributes of the co-operation with TOs were given to interviewees, asking to rate them in a Likert scale ranging from “very satisfied” to “very unsatisfied”. Interviewees demonstrated clearly that, as an average, they are rather satisfied with the financial consistency and the operational efficiency and organisation of T.O.s, hence these two attributes could be perceived as advantages of their co-operation. However, interviewees ranked the other attributes of the co-operation poorly. According to SMTEs’ owners/managers their main problems when dealing with TOs could be identified in the broad areas presented in Figure 5 with order of significance. Interviewees were also asked to support their ranking with relevant arguments, something that formed the base for the forthcoming analysis of the problematic areas.

Figure 5: SMTEs’ problematic areas in their co-operation with TOs

Loyalty of TOs / commitment
Price and profit margins
Negotiations / contracts
Contractual consistency
Quality demands/ quality of customers
Understanding/respect of TOs to the firm and its needs
(human) Relationship with the people of the firm

4.3.1 Loyalty and commitment of TOs

The most important concern of SMTEs owners and managers is the anxiety that they experience in their co-operation with TOs, especially the large ones. The low level of TOs’ commitment to destination areas and the weak loyalty that they usually show to their business partners causes this obvious insecurity. As the interviewees felt, both destinations in the Mediterranean basin and SMTEs in these destinations have been developed primarily as undifferentiated 4S products and hence are highly substitutable in market terms. This is reinforced by the intention and ability of TOs to control, up to a considerable degree the image and the promotion of destinations and tourism firms in the international market. Large TOs avoid any kind of diversity, and they prefer to

operate under the umbrella of uniformity and standardisation, and to promote what is determined by their own branding rather than the specific characteristics of destinations and their firms. By promoting basic and mainstream features of the destinations and the firms, and ignoring any other attractions and additional characteristics, TOs succeed in making places and enterprises even more vulnerable to the threat of substitution from a competitor. This is particularly a concern of mass-market resorts -like the one under study- where the long reliance on TOs' clientele has led to the commodification of the resort product by intermediaries (Laws and Cooper, 1998). SMTEs experience the threat of substitutability more intensely than the larger destination suppliers. Unfortunately, according to SMTEs' owners/managers, the most straightforward way to react to this threat is to try to comply fully with the demands of the current co-operating TOs.

4.3.2 Price/profit margins and contractual negotiations

The two next most important –and indeed fundamental and interlinked- problems faced by SMTEs are the constant pressure for lower prices and the toughness and “coerciveness” of negotiations. The pressure is primarily evident in the negotiations and renegotiations prior to the signing of the season's contracts and in the usual requests for special/promotional offers later in the season. Interviewees perceived the price they are currently “forced” to accept from TOs, to be at least 35 percentage points depreciated relative to the given standard of services they offer. It is descriptive that many SMTEs offer the same rate (especially in allotment contracts) for third consecutive tourism season, while owners/managers of SMTEs expect and argue for an absolutely necessary annual increase of one or two percentage points above the real inflation of the destination country (mode). Interviewees noted that this accumulated underpayment puts service providers under immense pressure. Many interviewees sharply remarked that price is the most critical factor for TOs, since they have to finance price wars and unreasonable discounting in the High Street, as well as to survive cutting-throat competition in their marketplaces.

Various coercive techniques have been identified through research, although rarely officially verified, which are used by TOs to pressurise SMTEs aiming at reducing the room rates. Buhalis (2000) has identified 10 methods frequently used by TO to

negotiate prices down. The vast power of TOs coupled with the lack or inefficiency of alternative distribution options, assigns them great advantages during negotiations, and allows them not only to force SMTEs to accept the prices they offer, but also to manipulate a considerable part of the bargaining framework, in which the negotiations will take place. SMTEs are the more vulnerable objects of every coercion, fallacious information, and financial speculation since they lack both information intelligence and resources of every nature to oppose these organised pressures. As they have no viable alternative distribution and marketing mechanism, many SMTEs' interviewees felt "locked" in the existing system and powerless to move forward.

Furthermore, endless negotiating and price pressure allows limited opportunities to SMTEs to achieve substantial profitability and return on investment. Many interviewees claimed that the financial state of affairs for SMTEs is much more dramatic than officially reported, if it is taken into account that many SMTEs are based on unpaid labour from family members. This correspondingly affects the lack financial ability to invest in service improvement; additions or renovations to the facilities and superstructure. Difficult market conditions also cause alienation of the managers/owners from occupation and ownership respectively and subsequent reluctance to invest in staff's (including themselves) development and training.

4.3.3 Contractual consistency

Homocentric to the problems of pricing and negotiations are the complaints that arose with respect to the contractual consistency. Usually, low coverage of contracts is a deliberate procrastination or the impact of previous over-contracting used by TOs to pressurise SMTEs and achieve their commercial interests. Hence, level of coverage of allotment contracts is a major point of tension between SMTEs and TOs. Of course, there are cases where low coverage of a signed contract could be attributed to exogenous negative evolutions or to irrationally optimistic estimations of future demand by TOs' executives. However, even in these cases complaints are arisen with respect to the very delayed notification of the suppliers, as well as to the usage of the situation to renegotiate prices. Furthermore, interviewees remarked that although contractual

inconsistency has no real ratification for TOs, the inability of SMTEs to comply with one of the contract's conditions –such as in overbooking- is usually followed by severe direct and indirect penalties. Many interviewees admitted straightforwardly that the lack of actual co-operation with TOs and information sharing in booking patterns push many SMTEs to unnecessary over-bookings with dramatic consequences for both SMTEs and TOs depending on the circumstances. Linked to the above are the complaints reported from SMTEs about a number of complicated and hard to notice terms and conditions at the end of the contracts. These terms and conditions, usually described as “small print” have formed the basis for the development of a “legal action industry” in the origin countries from both customers and TOs.

The establishment of specialised legal offices in the main tourism generating markets, that encourage consumers to take legal actions, is a threatening aspect for SMTEs. They fear that, according to the new European Court of Justice directives and case laws, they would have to shoulder half of the liability and penalty, even in cases of misleading information by TOs' brochures. If it taken into account that E.C.J. has recently approved tourists' claims not only for vacation's cost remuneration but also for loss of vacation time and suffering damages, it is not far from reality to assume that this would potentially trigger the appearance of a market segment that will prefer to pursue free vacations, plus some pocket money. SMTEs' owners/managers argued that the appearance of such a “legal action industry” would be very damaging even in the case of unfounded and easily proved cases, since it will be financially overwhelming for them to employee permanent legal representation, something that may force many SMTEs out of business.

4.3.4 Quality demanded and quality “supplied”

The majority of TOs usually demands maximum service and quality standards with the minimum contract price. This is evident by conventional wisdom and adequately illustrated and supported by previous research. This leads tourism firms to a vicious cycle of declining quality and depreciated prices, which impacts mostly SMTEs. Unlike larger hotels and hotel chains, SMTEs lack the resources and the marketing expertise to orchestrate and finance a potential exit plan from the spiral.

During recent years, however, an additional worrying trend has been imported by large TOs. Interviewees noted that larger operators are less concerned with quality in comparison with the past. They are unilaterally focused on the reduction of prices, sometimes even at the expense of the quality that their customer will enjoy. Several interviewees revealed that when they complained about their high operational costs and asked for a slight increase of the room rate, they were actively encouraged by large TOs to reduce cost by disconnecting air-condition facilities from the rooms, by reducing frequency and quality of cleaning services or by reducing frequency of swimming pool's maintenance (cleaning, chemicals, water recycling etc). As a result many planned or existing improvements and additions to the properties have been cancelled or withdrawn, not only due to lack of available funds, but also after the pressure from TOs. Additionally, it is a repulsive factor for the owners who intend to enhance their product's quality, since they know that they will never be financially rewarded or even better appreciated by their main business partners. Hence, it is clearly manifested that intense competition among large TOs has already forced them to direct demand or imposition of lower quality standards. Characteristically, some interviewees noted that larger TOs are not any more very concerned with their customers' real satisfaction from vacation, but mostly with ensuring their customer's safety and covering the basic description of their brochure, in order to avoid future legal action from customers. U.K.'s Consumers' Association biennial TO survey, where larger operators consistently underperform, confirms this trend (latest January 2001).

This trend not only pushes SMTEs further into the vicious cycle of "declining quality-depreciated price", but also affects and spoils the travel experience and the satisfaction levels of their customers. Better prices are occasionally conveyed to the customer, something that boosts the demand in the short-term, and benefits both TOs and SMTEs. However, the gradual degradation of service and quality is always transferred to the customer with damaging effects in the long run, primarily for SMTEs, since TO have the advantage to move on another destination or firm. After some consecutive tourism seasons within this spiral SMTEs and entire resort areas found themselves in a difficult to reverse position. This is evident in resorts such as Kavos, Benitses and Ipsos in Corfu, where on the one hand this trend spoiled heavily their image and reputation, on the other hand it decreased the "quality" of customers in terms of income; interests;

respect to the people, the host places and the properties. It is very revealing the remark of many industry professionals that Corfu appeals simultaneously to low and high income customers with very diverse range of status and interests, while it experiences an observable loss of middle income customers in comparison with past years. That means that on the relatively small and homogenous island of Corfu some resorts and businesses have rescued their image and reputation offering a high quality tourism product for demanding clients, while some others have been trapped in the vicious cycle described above losing the largest by any measure target market along with their capacities to reverse the negative situation. Destination experts of the island argued that such worrying trends put the positive impacts of the entire tourism industry under question and deter locals from further investment in both the micro (enterprise) and macro (resort, destination, island) level.

4.3.5 Relationship with partners, understanding and respect to their needs

As far as it concerns the human relationships of TOs with the suppliers, and the understanding and respect they show to the needs of places, SMTEs and the people in them, the rating was again rather worrying. SMTEs' owners/managers rated very poorly their personal and professional relationships with the people that represent large TOs. Both product and contract managers have been characterised as being impersonal in their contacts and unresponsive –many times even disrespectful- to the needs and the characteristics of destinations and tourism firms, especially to the more vulnerable smaller size firms. Scale economies have driven large TOs to recruit and train a team of product and contract experts that are responsible for examining and deciding market action for vast destination areas and massive numbers of individual properties. Those professionals do not have any special knowledge of the destination, its environmental, social and economical conditions and background and treat people and places as commodities. Additionally, contract managers have tough financial targets to meet, and their own remuneration depends on their effectiveness. Most of the SMTEs owners and managers recalled nostalgically the situation before some years when a familiarisation trip, a warm dinner and a sincere dialogue had been always preceded any final agreement or disagreement, and noted that the apathy and the “coldness” of the current

negotiations are actually even more disappointing features than the low or “frozen” prices.

The same complaints arose with respect to the incoming operators at the destinations and the TOs’ representatives. The human-based relationship with the incoming operator is extremely important for SMTEs that lack detailed budgetary plan, alternative sources of finance and the ability to monitor the market trends by own means. However, many large TOs have established their own incoming agencies that operate in strict accordance to their parent companies’ strategies and tactics. Again, the absence of the local incoming agent that could be more perceptive in financial matters; contact personally the industry people; provide up-to-dated information and consultation as regards market and booking trends; assist morally or financially in difficult tourism seasons is more than apparent by the SMTEs owners/managers. Interviewees claimed that in many organisations both transfer representatives and incoming agencies’ personnel is being rotated periodically between destinations in order to avoid the development of personal friendships and bonds with the place and the people. Finally, in contrast with the past, TOs’ incoming agencies recruit unqualified and inadequately trained transfer representatives. Young people somewhere between 18 and 25 are usually given the opportunity to make free vacations by representing a TO. Lack of qualifications and training, young of age, and inexperience to handle difficult situations leads them to a very unprofessional attitude against other tourism professionals and sometimes even against customers. In addition, representatives are usually underpaid and need to sell excursions and other activities to supplement their income, often resulting to “aggressive” tactics. Representatives however are not only the first impression that a customer gets upon his/her arrival, but also the psychological link between the origin and the destination place and culture. An impolite, “overpushing” or “authoritarian” representative at the airport can “produce” under certain circumstances a coach full of offensive and irritable tourists. These negative features in conjunction with poor or absolute ignorance about the destination are in many cases responsible for spoiling the vacation of a customer or the co-operation with an hotelier.

5. Discussion: Can SMTEs avoid some of these problems?

It is evident from the analysis that a large number of the problems faced by SMTEs on the Mediterranean Islands can be attributed to the uncontested power of the tour operating industry. The size, the established oligopolistic and oligopsonistic situation in the origins and the destinations respectively, and the lack of a detailed legal framework and “punishment” strategies are all factors that sustain an uncontested power advantage for the larger travel organisations in the European leisure market. This enables them to sustain a favourable position in negotiations and pressurise SMTEs’ owners/managers financially, operationally and psychologically. Game Theory is the area of the Economics that deals with the bargaining processes and patterns in every industry and market. By drawing some basics from Game Theory, an initial framework could be developed to incorporate the areas that could potentially offer significant competitive advantages to one or another member of the bargaining process. The bargaining process between SMTEs and TOs is sequential, since it always includes a series of proposals, counterproposals, negotiations and renegotiations. Additionally, it can be described as a game of asymmetric information, since the two players do not share the same information, with one of them enjoying significantly better insight and private information relevant to the bargaining. Utilising power, timing, information and position considerations one could argue for the TOs’ favourable position in a bargaining game with asymmetric information, as illustrated in Figure 6:

Figure 6: A “bargaining game” with asymmetric information: TOs’ position

<p style="text-align: center;"><u>Powerful player of the game</u></p> <ul style="list-style-type: none"> • Size • Oligopolistic behaviour in the origin markets • Oligopsonistic state for destinations and tourism firms • Lack or avoidance of any “punishment” strategies
<p style="text-align: center;"><u>“Patient” player of the game</u></p> <ul style="list-style-type: none"> • Ability to take advantage of the very important factor “timing of bargaining”, by: <ol style="list-style-type: none"> 1. Negotiating contracts during low occupancy period and thus capitalising on the poor results of the firm and the anxiety of the owners/managers. 2. Over-contracting intentionally, waiting until clear signs of low coverage of these contracts and start renegotiating prices and special offers. 3. Rushing next year’s contractual negotiations and withholding information about current booking patterns, when the current year has signs for strong demand. 4. Delaying next year’s contractual negotiations when the current year is expected to hold low demand in order to push tourism firms to offer special discounts and last minute offers to reverse the worrying trends
<p style="text-align: center;"><u>Player of the game with private information</u></p> <ul style="list-style-type: none"> • TOs’ pivotal position in the tourism distribution channel, assigns them the ability to receive more information from the market than tourism suppliers, with many clear advantages for them, such as: <ol style="list-style-type: none"> 1. Clear indications of booking trends (used for the above mentioned timing of bargaining) 2. Customer satisfaction surveys (misquoting or manipulating the results to ask for further price reductions) 3. Cultivation of a “fake” competition between resorts and enterprises (taking advantage of the confidentiality closures in contracts to deliberately quote misleading information, and thus inducing price reductions) 4. Encouragement of an unlawful “price fixing” game (taking advantage of both the confidentiality closures in the contracts with hoteliers and the “unofficial” agreements between other TOs not to interfere in each others’ relationships with local firms). 5. Concealment of booking position of a tourism firm. This private information coupled with the very short release period that does not allow adequate time to hoteliers to sell/ reallocate any unwanted accommodation force them to accept further reductions to attract last minute customers. This technique is usually combined with the above mentioned intentional over contracting.
<p style="text-align: center;"><u>Player of the game with favourable market position</u></p> <ul style="list-style-type: none"> • TOs’ pivotal position in the tourism distribution channel, assigns them ability to communicate more information to the market than tourism suppliers, with many clear advantages for them, such as: <ol style="list-style-type: none"> 1. “Switch-selling” by directing customers to certain properties and resorts in which TOs have own interests or more beneficial contracts. 2. Misleading customers and repulse them from choosing certain properties and resorts by quoting fallacious overbookings situations and unfounded risks and problems, in order to put in practice in a latter stage the renegotiation technique with hoteliers. Dramatic consequences to the “repeaters” customer segment. 3. Exploit of any negative news concerning the destinations and launch well-projected alleged crises. TOs many times exaggerate, reproduce and tactically communicate the effects of negative events on bookings, in order to ask or demand price reduction or special offers. 4. Alter the image of destinations, resorts and properties to fit their own specifications instead of promoting reality and local intentions and targets. This is damaging in both ways. On the one hand local firms and places fail to project their desired image and to achieve their own targets; on the other hand many times tourism firms and places face unfair demands and expectations by incorrectly informed customers. 5. Control up to a decisive degree the intensity of promotional efforts, the representation and the market visibility of tourism firms and resorts, something that allows TOs to maintain their negotiation advantages (i.e. they could choose to reject high demand for one year and restrain optimistic demand trends in order to enjoy better contracts for 2-3 seasons ahead or they could under promote certain tourism firms to renegotiate price reductions and special offers).

Many of the points that explain TOs' favourable position have already been clearly illustrated and adequately supported during the analysis of the co-operation. However, a couple of distinctive examples that have been identified during the research could be used to support even further the arguments. Firstly, almost all the interviewees reported cases of long repeating customers that contacted them to apologise for not coming this year, since they had been informed by the local TO's agency that the nice family-run hotel was fully booked. Needless to say that in all cases the firm's room vacancy was ranging from empty to hardly full. This revelation is very frustrating for an owner because, not only his/her enterprise will not fill its vacant rooms, but also he/she will lose a repeat customer. Also, in the 2002 tourism season interviewees reported four cases of TOs' price cut campaigns. They were based on dissemination of negative booking patterns by TOs due to negative events. The alleged booking crises were of diverse magnitude –depending on the social penetration of the event- and drove almost every firm's contracts (existing and future) to the (re) negotiation tables, on a different basis. After the signing of the new contracts, the real booking patterns are usually “sarcastically” revealed. Also, the interviewees mentioned characteristically the overplayed consequences of the September 11th terrorist attack. SMTEs were pushed to renegotiate their contracts, and after it became clear that there had been no real decrease of demand for summer vacations, they collectively asked to revalidate their previous contracts. Some TOs approved the SMTEs' demand, however, the large and integrated organisations declined the proposal, by claiming that they have to spread their own financial winter-market damage. Many owners and managers expressed plausible observations, such as: *“why should a small family-managed enterprise shoulder part of the business risk of a globalised and constantly expanding organisation”* and *“why, have we never taken an unexpected bonus after signing our contracts, following a thriving season for TOs in winter resorts”*.

Realistically, SMTE lack expertise, resources and tools to act independently and influence significantly the allocation of power in the tourism distribution channel. Large TOs increasingly have the ability to interfere in the global competition patterns and rotate the demand of entire destination areas, as in the case of “structural seasonality destination cycle”(Buhalis, 2000: 126). Since large TOs have the power to influence to a considerable degree the booking patterns and trends between Mediterranean Islands, it is safe to assume that they could really “dictate” the booking

trends between SMTE-A and nearby SMTE-B on the same island. It is an optimistic facet, however, that at least the acuteness of almost all these problems (except of the human relationships and the quality of the co-operation) is directly related with the qualitative characteristics of each SMTE and its decision makers. Several relevant patterns have been identified during the research as illustrated in Table 2.

Table 2: SMTEs and dependency on TOs: Negative correlated variables

SMTEs dependency on TOs is negatively correlated with:	
<i>Category of the property</i>	<ul style="list-style-type: none"> • Higher category
<i>Size of the property</i>	<ul style="list-style-type: none"> • Higher size
<i>Strong educational background of owner/manager</i>	<ul style="list-style-type: none"> • Higher education • Tourism specific studies • Tourism specific training and courses
<i>Healthy distribution mix</i>	<ul style="list-style-type: none"> • Large number of contracted TOs • Sensible ratio of allotment/commitment contracts • Significant contribution of specialised TOs • Small but solid percentage of direct bookings
<i>Healthy and diverse clientele mix</i>	<ul style="list-style-type: none"> • Many compatible nationalities • Many macroeconomically independent markets • Significant role of domestic tourists • Large percentage of repeaters
<i>Certain Operational features</i>	<ul style="list-style-type: none"> • Low seasonality of operation
<i>Certain Property features</i>	<ul style="list-style-type: none"> • Age of property and facilities • Short period from last renovation • Self-funded construction or expansion
<i>Certain Location factors</i>	<ul style="list-style-type: none"> • Proximity to international airport • No overcapacity problem

All these factors appear to contribute significantly towards the amelioration of the problems faced when dealing with TOs. SMTEs should aim in improving as much as possible these qualitative characteristics in order to strengthen not only their bargaining power, but also their competitiveness. The few SMTEs that have succeeded in manoeuvring the above-mentioned factors for their benefit are already in a position to plan their own strategies. Additionally, they clearly enjoy a much better co-operation with intermediaries. These tourism firms should serve as guides to improvement for other SMTEs.

The business environment is a solidly established and highly unfavourable for small players. Some inherent negative features of mass tourism are widespread and deeply rooted in the structures of the modern world and society, hence impossible to be confronted from within the firm's boundaries. Therefore, if SMTEs want to respond to

the negotiating advantages of tourism distributors and influence the *status quo* within the channel, they should act all together, and capitalise on their advantages.

5.1 SMTEs and TOs: The step ahead.

Having as focal point SMTEs, this paper has concentrated its interest so far in examining the advantages of and the problems faced by them when involving TOs. The final part will briefly present suggested counterbalancing actions and policies that have emerged from the interviews with the industry people, and which should be incorporated in SMTEs' strategies.

Many interviewees suggested that a starting point for SMTEs to confront the unfavourable situation is to capitalise on their inherent strengths. Although small size is usually associated with limited resources, expertise and power, it can also provide significant competitive advantages as far as entrepreneurship, flexibility and specialisation is concerned. When hosting people, the small size is undoubtedly an advantage. Firms should try to protect and infuse in every aspect of their operations the warm and friendly atmosphere and service that they are able to offer. Courtesy and honesty may not improve significantly the relationships with intermediaries, but they definitely produce satisfied customers and valuable repeaters. These two segments of customers are a very valuable starting point for SMTEs. Additionally, they should pursue a constant increase of their quality standards, despite the "dimotivation" by large TOs. Another key to success is the development of a healthier distribution and clientele mix, even at the expense of short-term profitability. The co-operation with more TOs is a definite advantage for firms that want to ameliorate their reliance on certain channel members. It is wise to set both maximum and minimum limits concerning the percentage of the rooms that will be given to each "wholesaler". By contracting significant percentage of the firm's capacity to only one TO, SMTEs put themselves further in the dependency channel. They should also pursue to maximise their direct selling by investing on the one hand in the opportunities given by modern Information Technology; on the other hand to the positive "word of mouth" and repeated clientele that is generated by satisfied customers. Very promising is also the enhancement of the co-operation with smaller niche TOs. This could be achieved mainly by SMTEs that can

specialise their offer. It would might not offer much better profits due to the higher cost of specialisation, but it would definitely optimise the average number of co-operating TOs and the quality of the overall relationship with them. Additionally, a “tailored made” product gives to the SMTE increased opportunities to develop a solid base of loyal clientele, since it increases the firm’s ability to satisfy customers’ needs and decreases the substitutability of the firm. Also, it is evident that SMTEs should avoid exclusivity contracts, and apply a balanced use between commitment/allotment contracts. As interviewees noted, both exclusivity and commitment contracts seem to be the first step towards management contracts or acquisition in a future stage. They not only weaken any possibility of the firm to improve its position, but also spoil the market conditions for other SMTEs in the same destination. Of course there are sometimes certain parameters that push SMTEs to sign such agreements, such as in extremely difficult tourism seasons or in destinations with extremely acute overcapacity problem. Even then it should be kept a balance between commitment and allotment contracts. Finally, SMTEs depending on their size should try to attract as many nationalities as possible. This will allow them to split the risk of potential origin market recession by co-operating with macro-economically independent markets. In these cases, however, SMTEs’ owners/managers should also keep in mind that not all the nationalities have harmonic coexistence or compatible tastes in terms of facilities, catering, animation etc.

Modern business trends promote concentration and strategic co-operation as the main determinants of the future structure of almost all the industries. Tourism is not an exception to this rule. It is almost inevitable for SMTEs to avoid their partaking in concentration trends, either as small firms’ consortia or as parts of a large travel organisation in the future. Operationally, small size is a drawback; hence SMTEs should explore every opportunity they have to develop their own scale and scope economies. There are very few SMTEs that could potentially act independently and achieve a considerable improvement in the balance of power. Even for these firms, however, potential collaboration with other partners has only to offer. Although all interviewees appreciated the potential benefits of collaboration, they attributed the failure of similar previous attempts to the inappropriate idiosyncrasy among the owners and the managers of small firms.

SMTEs’ strategic options to collaboration could have at least three dimensions:

1. Economies of scope, through:

- Neighbouring SMTEs' collaboration to improve their facilities and enhance their services on offer. This is an extremely viable option for low category neighbouring enterprises, that could pull resources to develop a shared facility i.e. swimming pool, sport facilities etc.

2. Economies of scope and scale, through:

- Vertical SMTEs' Networks that could take the form of SMTEs' independent business consortia with regional basis, which could pull together forces.

For instance, private SMTEs in a given destination/resort/locality, that their specific operations act complementarily (Corfu Island, City of Corfu etc) could collaborate to promote the resort or the destination. They could also establish patterns of mutual co-operation in order to maximise the impacts of the tourism package to the host economy.

- Horizontal SMTEs' Networks that could take the form of SMTEs' independent business consortia with sectoral basis, which could pull together forces.

For instance, private SMTEs of the same sector, irrespective of the firms' location (i.e. Greek spa tourism SMTEs, SMTEs with disabled-friendly facilities, SMTEs of the same category etc.) could collaborate to form a hotel-chain, or to order their supplies collectively.

There are significant benefits from such collaboration, such as co-operative management and marketing of enterprises at resort and sector level. SMTEs could take advantage of economies of scale and scope in supplies, maintenance, contracts and marketing. A consortium of SMTEs could more easily develop a common brand name and take some control of the projected image of the brand. In addition, they will have increased ability to utilise effectively Information and Communication Technologies to market and distribute their product. The main weakness of this attempt is the need for harmonisation of standards and processes among the collaborating enterprises, especially in the quality of the product offered. At a later stage the development of this collaborative attempt to a chain of hotels or apartments is not unfeasible. This again could be pursued by accommodation establishments of the same destination or by accommodation establishments with similar offer. Besides the previously mentioned economies there are additional advantages accruing from such an attempt: centralised

and coordinated marketing and management and enhanced negotiation power due to larger number of rooms and representation in more resorts, hence more beneficial agreements.

3. Enhancement of collaboration between SMTEs and their National and Regional representing bodies and associations.

The former ways of collaboration could bring together firms with similar problems and strategic options. The latter –is more massive and impersonal- but it is definitely much more efficient in shouldering tasks difficult to be performed by private sector businesses (such as: comprehensive information intelligence), and more adequate for lobbying and putting pressure on the State or on larger organisations. Potential efforts by representing bodies could include (Figure 7):

Figure 7: SMTEs' National/Regional representing bodies and associations. Their potential areas of success

<p>Break the isolation of SMTEs from market evolutions and trends</p> <ul style="list-style-type: none"> • Information intelligence on market trends, booking patterns • Gathering accurate statistics and detailed databases • Conducting valuable market research that could help associations to provide guidelines to their firms concerning markets and segments with optimistic prospects to be targeted • Analyse the current supply, and provide recommendations and advice on future planning of tourist investments, by constructing capacity maps for their firms (location, sizes, categories, profitability per room, return on investment per room, seasonality etc)
<p>Establishing guidelines in SMTEs' pricing policies</p> <ul style="list-style-type: none"> • Suggesting minimum price limits for both allotment and commitment contracts • Develop collective yield management systems • Initiate programmes of central negotiations with TOs
<p>Facilitate promotion and distribution of destinations/resorts</p> <ul style="list-style-type: none"> • It is impossible for an association to promote all its SMTEs, however it could promote areas and sectors • Develop internet portals • Develop RRSs (Regional Reservation Systems) • Provide basic I.T. training and support to the SMTEs • Develop links with central web portals and reservation systems
<p>Facilitating the marketing attempts of SMTEs</p> <ul style="list-style-type: none"> • Develop common promotional platform for the destination to provide guidance to the independent promotional efforts of SMTEs. SMTEs may not have large promotional budgets but they are definitely numerous. Their independent and unorganised promotional efforts are a "shot to nothing", but if their co-ordinated under similar messages and slogans, they could result to much better market awareness and image of the destination/resort • Enhance direct link with customers by developing direct marketing techniques for specific destinations or resorts (direct mail to consumers is a viable option in certain geographical and sectoral contexts) • Promote and develop frequent/loyal costumers programmes and clubs
<p>Enhancing the accessibility options</p> <ul style="list-style-type: none"> • Put pressure for the establishment of a small but stable network with main tourism generating markets and neighbouring to the destinations countries • Explore the synergies with low-frill airlines and independent travel agencies in origin markets
<p>Establish common legal representation</p> <ul style="list-style-type: none"> • Legal representation offices at the origin countries to shoulder in bulk the numerous cases of SMTEs' demands and losses. Especially, the numerous small cases are perceived to be expensive and some times unprofitable for individual firms, since the court process takes place at the origin countries, and the expenses do not allow owners to pursue them • Put pressure to terminate the one-sided legal coverage in contractual agreements with T.O.s by pursuing imposition of penalties to financially or contractually inconsistent TOs
<p>Put pressure for regulation of the market</p> <ul style="list-style-type: none"> • Put pressure on TOs • Negotiate the regular (per week, fortnight month) provision of booking position to SMTEs by TOs
<p>Put pressure to the State to support SMTEs.</p> <ul style="list-style-type: none"> • Training programmes and courses • Financial support for the development/expansion/renovation of SMTEs facilities • Legal support • Introduction of regulative guidelines by the State to E.C. • Incentives and developmental laws focusing on the improvement of SMTEs' tourism offering • Normal distribution of paid leaves for public sector employees, who represent a very considerable (more than 30%) of total employment in the country. This segment is the real "blood-donor" of Greek SMTEs, and distribution of their free time to the shoulder months of the peak season could benefit significantly SMTEs through increased occupancy and decreased seasonal patterns
<p>Provide guidelines for accommodation supply</p> <ul style="list-style-type: none"> • Promote co-operative efforts between SMTEs • Exploring opportunities to initiate collaboration with private sources of finance, to provide assistance to SMTEs' owners that develop or expand their tourism firm. • Explore opportunities for SMTEs' financial assistance in order to avoid assistance from TOs • Provide incentives and guidelines to tackle fragmentation when it is damaging to the overall quality of the destination/resort. For example they can provide appropriate financial and technical support and guidance

<p>to SMTEs to transform their tourism offer (i.e. transformation of three self-catering apartments to a luxurious villa)</p> <ul style="list-style-type: none"> • Depending on the demand trends revealed by market research they could promote transformation of supply to adapt to the needs (transformation of independent rooms to let to self-catering apartments)
<p>Enhance quality and relationships within the tourism distribution channel</p> <ul style="list-style-type: none"> • Set standards, organise training and familiarisation programmes for the TOs' representatives. • Support the role of local incoming TO

6. Conclusion

Notwithstanding the fact that both the national and the international business environment are not ideal for SMTEs, some simple and necessary steps could influence significantly the balance of power to their favour. This specific approach acknowledges firstly that the strategic weaknesses of SMTEs cannot be attributed entirely on state's omissions inefficiencies and secondly that the unfavourable market situation for SMTEs is solely created by TOs' interests. The first acknowledgement is in accordance with the existing European fully liberalised economic system that reinforces the trends toward less state's intervention and more self-regulation of the free markets, motivating the private sector businesses to influence, be influenced and finally adapt themselves to the fast-moving business environment. The second statement acknowledges that both SMTEs and TOs are "profit maximisers". Since TOs are private sector businesses that operate in this fully liberalised economic system of capitalism and have as primary target to operate with optimum profits of every nature, is perfectly rational for them to take as much advantage as possible of inadequately prepared businesses and "amateurish" strategic planning, marketing and management. Therefore, tourism firms irrespective of their size can confront the unfavourable situation by reconsidering their strategic vision and taking certain steps -first and foremost- towards the alleviation of their weaknesses. This is the most reliable way to strengthen their negotiating position against tourism intermediaries, enhance their tourism offer's marketing and distribution portfolio and achieve a considerable level of gradual "independency".

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