Towards a Typology of Retail Cybermediation in Tourism Markets

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Abstract

Cybermediaries are organisations that bring customers and suppliers of tourism and travel products together on the Internet. They bridge the structural gap between highly complex tourism submarkets and customers facing various types of decision problems. Customers find a large variety of different cybermediary websites assisting them in composing a holiday or booking a flight ticket or a hotel room. The aim of this paper is the identification of different types of business models of retail cybermediaries in tourism markets and their value propositions for customers. A conceptual framework is developed which describes the position of cybermediaries in the cloud between complex supply-side market structures and a segmented demand-side. Furthermore, an analysis of 30 cybermediary websites has been conducted, the results of which point to three types of cybermediary business models.

Keywords: intermediation, cybermediaries, value proposition, typology, tourism markets.

1 Introduction

Intermediaries in markets are phenomena that have been researched from different angles. With the introduction and diffusion of electronic linkages among market participants (suppliers, intermediaries, customers), the traditional ways of doing business changed: The added value of intermediaries was questioned as direct interactions between suppliers of products and services and the customers or buyers became more and more feasible with increased electronic linkage. Broad predictions for disintermediation were made and the role of connecting suppliers and buyers was attributed to electronic markets (Bakos, 1991; Benjamin & Wigand, 1995; Malone, Yates, & Benjamin, 1987).

Sarkar et al. (1995) rebut these predictions by showing with a simple model that an intermediated transaction can incur lower transaction costs than a direct one (between supplier and buyer). This is enabled by new kinds of intermediaries which implement innovative, ICT-based business models. Sarkar et al. call them cybermediaries (Sarkar, Butler, & Steinfield, 1995). Subsequent studies have focused on the question what type of value cybermediaries create for different market participants by fulfilling certain roles with regard to market transactions and exchange relationships (cf. Bailey & Bakos, 1997; Giaglis, Klein, & O’Keefe, 2002; Rensmann & Klein, 2011).

The markets for tourism products were among the first markets that were heavily affected by these changes. Cybermediaries in particular discovered the potential of e-marketing and online sales as innovative means of bringing together suppliers and customers of tourism services. The main drivers for these shifts were changing customer expectations (more individualistic style of travelling, penetration of the Internet into homes) and an increasing competition between the different market
players. The changes resulted in a highly dynamic market environment with many new players employing innovative business models. At the same time, a market consolidation took place, pushing traditional travel agents out of the market or forcing them to adapt their way of doing business (E-business W@tch, 2006). After years of on-going change, what we see today is a large variety of cybermediary websites that address various travel needs of tourists and business travellers, next to traditional travel agents, which cater less internet-savvy customers and provide high service levels (Buhalís, 2003; Mayr & Zins, 2009).

The variety of cybermediary business models makes it difficult to develop an understanding of the way cybermediaries create value for customers in tourism markets. Obviously there are various types of retail cybermediaries which address different customer travel needs. Up to now, little work exists that systematically describes different types of cybermediary business models in tourism markets and their respective value propositions towards customers. Existing work about cybermediaries in the tourism industry rather focuses on cases of disintermediation and successful reintermediation (Garkavenko, Bremner, & Milne, 2003; Novak & Schwabe, 2009). In order to be able to evaluate different value propositions, a thorough and systematic understanding of different types of existing retail cybermediary business models and their value propositions to customers is a prerequisite. This leads to two research questions which are addressed in this paper, namely (1) what are different types of cybermediaries in tourism markets? And (2) how do the different types create value for customers, i.e., what is their value proposition?

The goal of this paper therefore is to identify types of retail cybermediaries in the tourism market and to describe their unique value propositions. This contributes to a better understanding of the value creation of retail cybermediaries that operate in the diverse markets for tourism and travel products. A conceptual framework is developed which describes the position of cybermediaries in-between the supply-side and the demand-side of the tourism market. The analysis of 30 different cybermediary websites points to distinct ways of value creation and thus different value propositions that are provided by different types of business models.

Section 2 describes the research approach and methodological background for this study in more detail. Section 3 introduces the conceptual framework. In section 4 the empirically derived types are described and illustrated with examples. Section 5 discusses the types and their value propositions. In section 5 a conclusion is given and the limitations of the paper are briefly explained along with some ideas for future research.

2 Research Approach

For the purpose of identifying types of retail cybermediaries and their distinct value propositions to customers, the business model concept is used as a theoretical lens. The value proposition is an inherent part of every business model, as it “gives an overall view of a company’s bundle of products and services” (Osterwalder, Pigneur, & Tucci, 2005). The value proposition describes exactly how the business or company creates increased economic utility for its customers and generates profits