A Study of Various Alliances in Travel and Tourism - Developing a Strategic Partnership Model for Success

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ABSTRACT

All over the world companies are entering into alliances. In fact the new business mantra is to create long-term strategic partnerships and alliances. The formation of these partnerships is becoming a key component in all corporate thinking and has been talked about recently in leading business publications. The development and management of alliances is a critical strategic requirement in travel, tourism and hospitality. Through this paper, the authors discuss that most airlines, hotels and travel agents are developing partnerships within their industries to form consortiums, in order to not only fight competition but also to survive the turbulent times anticipated ahead.

KEYWORDS: Strategic Alliances, Travel and Tourism, Alliance Process, Strategic Model

INTRODUCTION

All over the world companies are entering into alliances (Crotts et al, 1995). Today, alliances are instrumental to a corporate strategy (Kotler, Bowen & Maken, 1998). Through alliances, firms can gain market dominance and global reach that are beyond the resources of one firm to create and sustain alone (Wilson, 1996). Forming alliances are natural fallout of the change that the business environment is globally facing. In fact, changes in the world economic climate have fundamentally altered not only the way products are created but also the way businesses form and thrive. There are fundamentally three strategic pillars to corporate growth: build, buy, or partner. Companies form strategic alliances to complement their own competencies and capabilities (Das & Teng, 1998). These collaborative relationships share assets and resources and risks and rewards to create greater value for their customers and for their own organizations—greater value than could be accomplished independently (Telfer, 2000). Alliances span the value chain from research and discovery to sales and service. In some cases, multiple alliances form value networks that create the competitive footprint for a company in its market. Strategic alliances serve the strategic objectives of partner firms (Doz & Hamel, 1998). Due to factors such as globalization and emerging technologies, it is increasingly difficult to obtain sustainable competitive advantage in rapidly changing markets (D’Aveni, 1994). Any one firm, by itself, often does not possess all the necessary resources and capabilities to compete effectively. Strategic alliances offer an alternative to such firms, whereby they could join forces with other firms in the pursuit of opportunities that would otherwise be beyond the firm’s current capabilities. For instance, Star Alliance is a collaboration of 17 airlines that share common services to manage costs, to capture more market share, and to provide a more pleasant customer travel experience. Forming alliances is considered as one of the most effective ways to reach the twin goals of increasing one’s ability to reach, serve, and satisfy
customers while simultaneously striving to reduce costs (Yoshino and Rangan, 1995). Strategic alliances are a critical part of the multinational business manager’s corporate armour, formulated as inter-organizational cooperative strategies to ensure the pooling of skills and resources by the alliance partners to achieve specific goals (Jolly, 2002). Historically, alliances stemmed from spontaneous cooperation between people. The development and management of alliances is a critical strategic skill in hospitality and tourism (Crotts & Wilson, 1995). Not much can happen in these sectors without multiple firms working collaboratively with one another to serve the consumer. The resultant synergies flagged off its initial popularity in tourism, in a fragmented marketplace (multiple players, unique separately governed destinations), where resources were limited (state-controlled budgets, limited means to reach a global marketplace), and the industry that was heavily regulated (Crotts et al, 1998).

TRAVEL AND TOURISM ALLIANCES: A CONCEPTUAL FRAMEWORK

A strategic alliance is when two or more businesses join together for a set period of time. The businesses, usually, are not in direct competition, but have similar products or services that are directed toward the same target audience (Dussauge, Garrette & Mitchell, 2000). It is a cooperative arrangement where each party bears a financial or commercial risk and shares in the rewards. A strategic alliance is a partnership between firms whereby resources, capabilities and core competencies are combined to pursue mutual interests (Das & Teng, 1996). The reasoning to enter into alliances by industry players is that they represent a quintessential win-win situation with a trickle – down effect to customers. The words strategic alliances, relationships, strategic partnerships, and joint ventures all describe the coming together of two firms into a deliberate association that has some synergistic strategic value (Hagedoorn, 1993). They may assume the form of

- a buyer-seller relationship as in the case of an association meeting planner and a conference hotel, a restaurant and a single-source wholesale supplier
- a supplier-distributor relationship as in the case of airlines and retail travel agencies
- an alliance between two or more suppliers like the United-Lufthansa-Air Canada-SAS alliance
- a joint venture between two companies like The Sabre Group and Abacus International joint venture

All of these alliances share a sufficient amount of common elements that they can be treated as a basic unit of analysis. In the current competitive environment where firms strive to become world class competitors, the motivation to partner, in one or all of these forms, is great (Domke-Damonte, 2000). In order to serve the increasing growth in tourism worldwide, emerging collaborative forms of strategy have been force to evolve. In tourism, alliances fall in the category of strategic alliances at one end of the spectrum, such as a co-branded product and code-sharing which is demanding on resources, and a time-bound tactical promotion at the other end (Buhalis, 2000). Each segment has a valid reason for an alliance, objectives being clearly etched out by the partners, benefitting customers and bringing out economic benefits to the parties. Alliances help in marketing products and services better, increasing visibility and garnering mind share (Kotler et al, 1998). The most profitable alliances are the ones that present the most attractive combination of market synergies, product complementarities and operational compatibility (March, 2000).

One of the tourism industry’s prominent responses in recent years has been to create strategic alliances, many of which are on an international scale. Strategic alliances have grown spectacularly across all tourism sectors rising from 1000 in 1989 to 7000 in 1999, as per World Tourism Organization, 2002. Since Thomas Cook packaged the first tour in 1841, hospitality and tourism enterprises have forged long term alliances with one another. The supplier-distributor relationship between airlines and retail travel agents is one such example. Long before airline deregulation, the relationship between the first airlines and
travel agencies grew organically over time in response to consumer needs and the financial and technical satisfaction by these suppliers and intermediaries working with each other (Crotts et al, 1998). The firms involved in the relationship meshed as complementary components that achieved a level of satisfaction for all firms involved. Over time these alliances evolved into a distribution system supported by the prompt payment of commissions in exchange for customers that supported and enhanced the relationship. Today, however, the need to cut costs and increase profits has led to most airlines reducing and capping commissions at levels where most travel agencies cannot sustain themselves (Czipura & Jolly, 2007). Though selling directly to the customer appears to be a sound financial strategy for airlines, one must wonder what the ultimate impact will be on the airlines who have created such adversarial conditions with travel agencies since choice is something consumers generally want more, not less, of and most will continue to prefer purchasing airline tickets through an intermediary. Great strategic advantages can be obtained by airlines which break ranks with the major airlines and seek closer cooperative relationships with retail travel agents (Kotler et al, 1998).

In the new economy, strategic alliances enable business to gain competitive advantage through access to a partner’s resources, including markets, technologies, capital and people (Gulati & Singh, 1998). Teaming up with others adds complementary resources and capabilities, enabling participants to grow and expand more quickly and efficiently. Especially fast-growing companies rely heavily on alliances to extend their technical and operational resources. In the process, they save time and boost productivity by not having to develop their own, from scratch. They are thus freed to concentrate on innovation and their core business. Many fast-growth technology companies use strategic alliances to benefit from more-established channels of distribution, marketing, or brand reputation of bigger, better-known players (Das & Teng, 1998). However, more-traditional businesses tend to enter alliances for reasons such as geographic expansion, cost reduction, manufacturing, and other supply-chain synergies. As global markets open up and competition grows, midsize companies need to be increasingly creative about how and with whom they align themselves to go to the market (Crotts & Wilson, 1995).

**Figure 1: Benefits of a Tourism Alliance**

- Leverage of the other’s brands through positive brand association
- Enter new markets and reach to a larger target audience through partner’s database - expand geographically and internationally
- Create greater value for customers
- Leverage new sources of innovation
- Gain competitive advantage by offering customers more choices
- Stretch the marketing rupees (through joint advertising and promotions)
- Increased market share, revenues and incremental revenue earned
- Enhanced image and perception of the alliance partner
- Increased share of mind space with the end customers
- Hedge and reduce risk - share risks and rewards in new ventures
- Improve speed to market
- Gain knowledge and specific expertise
- Achieve economies of scale
- Acquire required capabilities at lower cost
- Develop an industry standard

The situation in India was not different. Most tourism policies in India were grounded in socio-political leanings and macro-economic connotations with development restricted by the license-permit Raj. A tourism policy came into the picture as late as 1982, and a National Action Plan for Tourism, ten years later. An isolationist approach to tourism by the government, a crippling paucity of funds to fuel growth, and an absence of infrastructure
kept demand to the minimal (Verma, 2003). This somewhat bleak and regulated landscape drove strategic alliances to the forefront, with partners leveraging benefits of access to additional resources and a strong brand to increase network. This was primarily outward, be it airlines through code-sharing or hotels through marketing and franchise agreements, and later through tactical alliances. The opening of the economy stimulated tourism, which was growing till then in spurts and gasps. Today, the world’s eyes are focused on India, and rightly so. The World Travel and Tourism Council (WTTC) projection of travel and tourism growth for 2006-2015 in India is a staggering annualized rate of 8.6 per cent. A Strategic Alliance brings in several returns to the parties involved. The benefits of an Alliance have been summed up by the authors in Figure 1.

**KEY STRATEGIC ALLIANCES IN THE TRAVEL AND TOURISM INDUSTRY**

**Airlines**

Alliances are powerful dynamic forces in the global airline business (MIT, 2006). Expansion of markets and regional economic growth are driving demand for new and expanded air services. These alliances are based on mutually agreed benefits, derived from enhanced shared revenues and lowered costs through common use of resources. The traditional business model of network airlines appears to be unable to support sustained profitability under any but the most favourable economic conditions (Fyall et al, 2000). Airlines must find new competitive advantages and outsource non-core services as they rework the framework of their operations (EDS, 2006). The industry is at a turning point, in the midst of a major industry restructuring that could very well lead to the liquidation and/or consolidation of several major network carriers above and beyond the bankruptcies that have already been announced (Money, 2000). The airlines that remain will face the challenges of having to make significant changes to both their revenue and cost structures. In addition, governments and regulators will almost certainly continue to play a major role in shaping the future of the airline industry and each nation’s air transportation system. When the regulations for international air-traffic began to weaken, the key players of the industry began to move together. As pointed out by Jurgen Weber, one of the founders of Star Alliance and at the time CEO of Deutsche Lufthansa AG: “In the mid nineties we realized that liberalization would push globalization and make aviation a key industry in the emerging economic environment. . . . Strategic alliances are an appropriate reply by the airlines to a market changed by liberalisation and globalisation in air travel” (Weber, 2001 in MIT, 2006). Four major alliances emerged. Star Alliance is the largest, with a 23.6 percent market share, followed by SkyTeam with 20.7 percent and OneWorld with 13.5 percent (IATA, 2005a). Wings, a fourth alliance was initially proposed by the US carriers Northwest Airlines and Continental Airlines with the European flag carriers KLM Royal Dutch Airlines of the Netherlands and Italy’s Alitalia. However, it folded in 2004. The three main alliances – OneWorld, SkyTeam and Star Alliance account for eighty percent of world airline capacity as measured in available seat kilometers and include 19 of the world’s 20 largest airlines. Airlines are forging alliances to extend their networks, reduce operational costs, create alternate revenue streams, leverage brand value and build loyalty. Figure 2 gives the details of the airline alliances.

There are several benefits to customers when two or more airlines join their hands together. These include

- **Wider route network**
- **Convenient travel**
- **More support employees**
- **Increased privileges**
- **Frequent Flyer Programme benefits**
- **Seamless customer service**
- Lounge Access
- Smoother Transfers
- Endorsement waiver

Figure 2: Global Airline Alliances

<table>
<thead>
<tr>
<th>Details</th>
<th>One World</th>
<th>Sky Team</th>
<th>Star Alliance</th>
</tr>
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<td>149</td>
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<td>Destinations</td>
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<td>728</td>
<td>842</td>
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<td>14,615</td>
<td>15,500</td>
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<td>Passengers (in millions)</td>
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<td>Fleet</td>
<td>2,161</td>
<td>2,018</td>
<td>2,800</td>
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Source: Outsource 2 APAC, November 2007

In India too, some of the nation’s largest airlines joined hands with one another, in a move to stay competitive. Jet Airways and Sahara, Kingfisher Airlines and Air Deccan, and Air India and Indian Airlines have all formed strategic partnerships to gain an edge in the market. In fact it has become a common practice by airlines to form alliances in order to use the operating assets (e.g., airline crews, baggage handlers, airplanes, docking gates, etc.) of other airlines to gain access to markets while avoiding large capital outlays. When partners in an airline alliance specifically agree to use each other’s designator codes to distribute their air service in the market, the industry calls these agreements code-sharing alliances. Such relationships involve at least two airlines where one of the airlines either directly buys a certain number of seats or is allowed to sell, under its own name, seats on the partner’s airline, the airline that actually flies the airplane. Marketing agreements, franchises and equity transfers are the other forms of alliances that have been formed by the airlines. Some have entered into cross-border alliances to improve profitability through synergy benefits. The authors give a compilation of some of the gains through the Air India and Indian Strategic Alliance in Figure 3.

Figure 3: Airline gains through the Air India-Indian Strategic Alliance

- Combined turnover of around Rs. 15,000 crores
- Create an entity with a fleet of around 120 aircraft - Enter the list of top 30 airlines globally and break into the top 10 in Asia
- Better connectivity and improved services: operating to more destinations than any other airline in the Indian market.
- Cut down the operating cost by 10-20 per cent with more efficient use of all resources
- Consolidation of the airline ground-handling market thus making them the single largest market player apart from increasing the profits
- The economies of scale in procurement of materials like fuel, insurance, consumable goods, catering etc would increase the profits
- Ward off competition due to rationalization of routes, sharing of ticketing and booking offices, lounge areas, surrender of duplicate spaces, optimum utilization of hangars, parking bays and slots - efficient use of capacity, facilities, infrastructure; better yields due to dominant market share in India; acquisition of ready pool resources of trained manpower; integrating aircraft schedules, corporate facilities
- The theoretical benefits of merging both balance sheets, a common fleet, GHA (ground handling agents), the FFP (frequent flyer programme)
- Identify operating costs arising from duplication of functions and greatly reduce staff and establishment costs
- MRO (maintenance, repair, overhaul), sales, ticketing, marketing, etc, use up about 60 per cent of an airlines’ manpower, and synergies can be brought about in several common work areas through the alliance
The Indian Government would succeed in creating an internationally competitive carrier with the alliance of Air India and Indian to create a single, strong and big national carrier—the primary objective of which is to provide muscle to the public-sector carriers to take on private and international airlines. Apart from alliances within themselves, airlines are also tying up with other organizations to not only get ancillary revenue but also a better distribution cost model giving lower cost and free branding. Innovative arrangements include alliances with oil companies for fuelling (SpiceJet-IOC), maintenance support (SpiceJet-KLM), anti-poaching (Air Deccan-Kingfisher Airlines), co-branded credit/debit cards (Indian-ABN Amro), information and communications services provider (Indian and Reliance Infocomm) and retail (Air Deccan and Café Coffee Day). The Industry also has several co-branded cards like Indian-American Express Credit Card, Kingfisher Airlines–ICICI Bank, SpiceJet–SBI and Air Deccan–ICICI Bank. The commonality of co-branded airline cards varies with certain value offers and advantages like percentile saving on fares, revolving credit, complimentary upgrade vouchers, frequent flyer miles, privilege check-in, complimentary airport lounge access, excess baggage allowance, better returns and strong brand image for both partners (Navigator, 2007).

Hotels

Hotels traditionally looked at alliances to leverage a brand name. Examples of this include Holiday Inn franchises, Dadi Howard Johnson marketing franchises, Taj Hotels and Shilla Hotels of Korea, ITC-Welcome Group and Sheraton Corporation. Each homegrown player strengthened its reach across borders, primed to capture a slice of the high spend market—primarily through the franchise route. Choice Hotel India franchises Quality Inn and Comfort Inn brands across India with benefits of a chain affiliation accruing to partners, leveraging the brand’s international reservations and optimizing their yields. Today, when it is difficult to create a brand and establishing an identity, a strategic brand partnership has found its roots within this segment, a popular recourse by many realtors foraying into the hotel business. Some of the strategies adopted by hotels include

- **Franchise agreements** - Retaining ownership while receiving a chain advantage
- **Marketing Alliances** - Cross-promotional purposes—joint marketing activities like trade shows, sales events, culinary promotions, sales leads, mutual benefits for loyalty members
- **Representations** - Represent and market the brand internationally

The marketing alliances with the Intercontinental Hotel Group have increased the occupancy rates and F&B revenues of Bharat Hotels. Hyatt International developed a strategic marketing partnership with Porsche that encompasses a range of joint marketing activities, whereby creating an inspirational value to customers, and invariably, a brand connect and loyalty.

**Ministry of Tourism and State Tourism Boards**

The Ministry of Tourism (MoT) and the State Tourism Boards (STB) have played a critical role as facilitators and promulgators of tourism avenues, leading indirectly to alliances to attract inbound and domestic travelers. The MoT envisaged integrated development of tourism circuits—the Buddhist circuit, Tea tourism circuit, Punjab circuit, Golden Triangle and pilgrimage centre circuits. MoT has agreements with several countries—2007 was declared as Japan-India Tourism Year. Various state tourism boards are forging alliances with Rajasthan, Kerala and Goa leading the way. The Kerala Tourism Development Corporation has entered into a strategic partnership with the India Tourism Development Corporation for joint promotion and development of tourism and associated facilities in the country. Both will market the existing package tours of both the organizations and develop new packages to promote and market Kerala to domestic and overseas tourists, along with marketing their hotel chains. Kerala has also tied up with IBP for joint development and promotion of tourism, aligning with the Indian and the railways. This shows the way to other states how to leverage traffic both nationally and internationally.
National Tourist Offices (NTO)
Playing a vital role in the area of alliances are the NTOs of various countries. Alliances pool in resources to target a larger audience, which is a necessity of NTOs, as they have limited resources and reach, relying on the partner’s marketing expertise. Carefully tailored packages, designed at throwaway prices with multiple destinations offer the best deals for the traveler. This endeavour is a joint effort by tour operators, airlines, hotels and travel agents. Golf tourism, medical tourism, deep-sea diving are some niche segments that are being targeted.

Cruise Liners
Cruise holidays as a vacation option is gaining popularity in India. Now many Indians are travelling to various exotic locales around the world on cruising holidays. To tap the demand of increasing cruise vacationers, many cruise liners have come to India to start cruise tours to various places in India. In the past Indians had to fly to Europe or to South East Asian countries to board a cruise liner. But now various cruise tour start from India. Mumbai is fast coming up as a major centre for cruise liners. Tourists can opt to cruise down to Goa, Kerala or Lakshadweep Islands from Mumbai. Ocean Cruises, SuperStar Libra and Star Cruises are some of the cruise liners who are tying up with various tour operators to enhance the holiday experience of domestic travelers.

Travel Agents and Tour Operators
Perhaps the biggest players in driving alliances are the brick and mortar agents dotting the Indian tourism landscape. Kuoni India’s Business Travel activity has been re-launched as HRG SITA India effective from January 2007. HRG, with whom a strategic alliance has been formed, is a global giant in the business travel segment. Today, Kuoni India is active across virtually every travel segment and operates a number of highly successful brands in India as also controls strategic markets around the world. InterGlobe Enterprises Limited and Air Travel Enterprises (ATE) signed up for a strategic business in February 2008. This commercial agreement encompasses the various businesses of InterGlobe and enables ATE for co-branded promotional activities with the group. Further InterGlobe Technology Quotient (ITQ), the National Distributor of Galileo in India, is now the exclusive provider of travel distribution and technology for Air Travel Enterprises India. Through the Galileo core systems, ATE can easily access content for over 450 airlines, 52 low cost carriers, 23 car rental companies and 70,000 hotel properties worldwide. Also with the new guidelines making all carriers e-ticketable, Galileo has spearheaded this revolution being the pioneer in this field, 64 carriers now being e-ticketable on the GDS. All ATE users will now be able to access Galileo’s wide array of products and solutions through Galileo Desktop 2.0, the latest offering from the GDS and subsequently service their customers with more choices. Moreover with this collaboration ATE can now make use of Galileo Flight Integrator (GFI), a platform aggregating low cost carrier content; E-tracker, a web-based solution; Low Fare Shopping Tool (LFST), an enhanced shopping tool; Galileo Leisure, an online retail booking system offering leisure travel content; ITQ-Financial-the back-office accounting and reporting software. Galileo has recently launched ViewTrip, a website to view, print and e-mail the travel itinerary, electronic ticket receipt and electronic expense receipt on-line anytime.

Cox and Kings worked with Maison de la France to promote Chamonix and Mont Blanc, a route preferred by many travelers. Carlson Wagonlit Travel - India, is a joint venture between Carlson Wagonlit Travel and AFL Limited effected on 1st April 2000. The travel division of AFL Limited - Indtravels was set up in 1948, it was one of the first travel agencies to be granted IATA certification. Today known as Carlson Wagonlit Travel - India it is a fully automated, technology driven, travel Management Company with a specific focus on delivering world-class global travel management solutions. Carlson is also entering into franchise business in an effort to partner with key industry players for racing ahead with competition. American Express has a TSN (Travel Services Network in India) network
where it has tied up several travel agencies located across India, in order to strengthen its brand image. Uniglobe Travel International, Inc. is the world’s largest single-brand travel franchise company with over 1000 locations in 30 countries. Operating under a well-recognized brand name, Uniglobe travel agencies specialize in providing travel services to small and mid-sized corporate accounts and to leisure travelers. Uniglobe Travel International awarded the Master Franchise in 2001 to the V.K. Modi Group for the South Asia Region covering India, Nepal, Sri Lanka, Bangladesh, Bhutan, and Maldives, to operate under the brand name Uniglobe Travel (South Asia). The Uniglobe system is committed to making the travel-buying experience a positive one by offering uncompromising dedication to customer service and value-added products and services. Each Uniglobe travel agency franchise is independently owned and operated, enabling it to more closely identify and work with the community it serves. Uniglobe agencies are able to provide services for clients based anywhere else and in India through the Uniglobe franchise network to meet the needs of both local and international business and leisure travelers. The working model of the Franchise system of Uniglobe is illustrated in Figure 4.

**Figure 4: Uni Globe Franchise Model**

DEVELOPING THE ALLIANCE PROCESS IN TRAVEL AND TOURISM

Reasonably well-supported models have been developed on successful buyer-seller alliances (Dwyer, Schurr & Oh, 1987; Heide & George, 1990; Morgan & Hunt, 1994; Crotts & Wilson, 1995; Wilson, 1996). Although they vary in specific details, they all use similar constructs that influence the success or failure in a relationship. Johanson, Lars & Nazeem’s (1991) definition of a relationship is useful in that it applies the elements of these conceptual models. A strategic alliance is defined as an inter-organizational relationship where the partners make substantial investments in time, effort and resources in developing long-term collaborative effort and common orientation towards meeting individual and mutual goals (Johanson et al, 1991). Strategic Alliances offer tourism business organizations the flexibility they need to deal with globalization, increased consolidation of economic power, the high cost of keeping up with constantly changing technologies and a highly competitive business environment. Participants in the strategic alliance are able to share resources and risks in a highly cost-efficient manner, thereby combining their strengths and enhancing their ability to achieve economies of scale. An
ideal alliance process as per the authors understanding involves meticulous planning and strategic thinking. The Alliance Process in Tourism as proposed by the authors is explained in Figure 5.

Figure 5: The Tourism Alliance Process

| Initialization: Laying Down Rationale for Tourism Alliance |
| Assessment: Conducting internal audit of the Organization |
| Association: Choosing the Alliance Partner |
| Process: Working out the Tourism Alliance |
| Continuation: Creating a sustainable Tourism Alliance |

Proposed by the authors, 2009

**Step I- Initialization (Laying Down Rationale for Tourism Alliance)**
This involves assessing the degree to which partnering can play a role in helping the firm obtain strategic advantage in the marketplace. Strategic advantage is derived from a partnership where a joint action can achieve something the customer will value at a reduced risk for all firms involved. Technological innovations, increased service and market coverage at fewer costs appear to be the reasons why many travel and tourism firms agree to partner. However, partnering is often a competitive response because others in the industry are gaining strategic advantages through their own partnerships and the other firms feel compelled to counter with alliances of their own.

**Step II- Assessment (Conducting internal audit of the Organization)**
To be a good partner one must be ready to partner. Being a good partner often requires a cultural change in an organization and its people. This question requires that a firm perform an internal audit of its own ability to be a good partner. Reputation, performance capabilities, win-win orientation and the ability to create and sustain trust is central to attracting the right partner. Often we find firms that have a difficult time working collaboratively within their own organization, let alone with an outside firm. Individuals need to understand why external alliances are important, how to support the external relationship, and be evaluated and rewarded accordingly.

**Step III- Association (Choosing the Alliance Partner)**
The first step in selecting a partner is to select the areas like impact on profits, market penetration, market coverage and technological innovations where a potential partner will have a positive impact on one’s business. Each firm must develop its own set of measures with which to define and assess the potential value of a partner. Low cultural fit, lack of trust and poor communication can all be impediments to achieving a successful relationship. While assessing a potential partner’s ability to lower the firm’s operating risk, one should consider measures like consistent high quality, reliable performance and trust in the other firm not to act opportunistically.

**Step IV- Process (Working out the Tourism Alliance)**
The tourism alliance is an inter-organizational relationship where the partners make substantial investments in time, effort and resources in developing long-term collaborative effort and common orientation towards meeting individual and mutual goals. The success
or failure of a strategic alliance depends on reputation, performance capabilities, goal compatibility, trust, strategic advantage, investments, communication, cooperation and social bonding. These are variables that must be successfully communicated or evoked in order to attract and retain the interest of a prospective partner in a joint alliance.

**Step V- Continuation (Creating a sustainable Tourism Alliance)**

Great opportunities exist for firms that form strong synergistic alliances to grow and flourish. At the same time there is great danger if the relationship fails as a firm can lose competitive position as well as a great deal of money. The danger in alliances as perceived by business persons seems to be the fear of becoming overly dependent upon the partner and a fear of opportunity loss because one partner may not provide an innovation in the future that another firm can. Firms also have a major concern about sharing data which can create power imbalances that can be used against them in future negotiations. There is also a fear of losing the ability to act independently as they become more intricately meshed in a partnership. Many of these fears can be justified if a firm has not carefully developed their partnering skills outlined previously. Though the future is unclear, we can be sure that alliances and strategic partnering will be in the future for the travel and tourism industry.

To meet the future, firms should develop programs for partnering that will facilitate the necessary cultural and operating changes necessary to build successful and durable alliances and partnerships.

Today, alliances are instrumental to a corporate strategy, but most are not entered into nor maintained with careful thought. Many reflect a ready-fire-aim approach to relationship development where firms create alliances to meet strategic goals without implementing the appropriate mechanisms to assure relationship survival. In addition, there may be instances of short-term power imbalances where one firm exerts power over another that undermines trust and threatens the dissolution of the alliance. To achieve world class competitive levels a firm must increase its effectiveness to reach, serve and satisfy its target markets, while at the same time lower costs. Leading firms have found that one cannot achieve the twin goals by going-it-alone. Large conglomerates seldom are sustainable over time. Through alliances, firms can gain market dominance and global reach that are beyond the resources of one firm to create and sustain alone.

**DEVELOPING A STRATEGIC ALLIANCE BUSINESS MODEL FOR TRAVEL AND TOURISM**

Based on the discussion above and the review of literature, the authors propose a business model with respect to strategic alliances for the travel, tourism and hospitality industry in India. The idea behind the model is to arrive at a strategy for gaining competitive advantage. The model illustrates the variables that are of significance while working out the alliance - the core capabilities of the partner, leadership in the organizations, capital investment, legal procedures involved and detailing out the control to be exercised by either of the organizations (Lather & Vikas, 2008). The Strategic Alliance Business Model (Figure 6) tries to incorporate the critical aspects which need to be considered before forming alliances. In this model, the key considerations while working out the alliance are:

**Corporate management** – It implies strategic leadership to guide the entire process with real vested interest of the CEOs of the organizations forming the alliance. Each of them hopes to gain strategically from the relationship, whether it is through joint ownership or co-management. They need to clearly identify, recognize and share the risks and benefits for the involved parties. The Mission Statement of the Alliance needs to be succinctly stated to remove any ambiguity. The organizational leadership must act as a guiding force to transition into a successful combined entity.

**Financial management** - Mechanisms need to be put in place for managing and reporting on the shared investments and costs of the work. The capital investment needs to be taken care of. The whole business model needs to be developed in such a way that there
are increased returns for both the parties. All the commercial terms need to be decided in the pre-alliance stage.

*Figure 6: Strategic Alliance Business Model*

**Project management** - Scope and scale of projects has to be carried out in collaboration by the parties. A planned interaction leading to greater depth and intensity of knowledge exchange and actions is required. Responsibilities need to be clearly stated so that all technical details are taken care of, there is resource optimization and nothing goes amiss. The legalities need to be worked out as well to clarify the stake of control.

**Communiqué** – It refers to communications management. A common language to describe the relationship needs to be clearly stated. Protocols for managing delivery of knowledge products and services of the alliance have to be set. Communication ensures transparency. Employees should not be kept in the dark about the alliance. They often hear about the tie-ups on a less than timely basis, through the press or through the corporate grapevine. This leads to a distorted or misrepresented picture of the alliance’s ramifications and to counterproductive activities by employees, who may be anxious about possible job losses.

**Staff management** – Many alliances fail to reap benefits due to inadequate attention to human resources. Since the organizational work culture and HR practices in both the
organizations are different, it is a Herculean task to ensure that the alliance meets with success. The employees of both the organizations need to be sensitively managed. An effective incentive and reward system needs to be implemented for the staff. To make the alliance work, the management needs to ensure that alliance activities are a priority among all employees in both the parties.

**Results management** – No alliance is successful if there is no monitoring. The process begins with ensuring a common understanding and ownership of the alliance’s objectives, followed by introducing a control mechanism, and planning and monitoring the full range of projects and actions to determine whether outcomes from the alliance activities have broader reach and impact. Also, there are various stakeholders involved in the alliance process. The alliance is worked out by taking care of the customers, both potential and existing clients. Then the various suppliers, who are involved in the process as service providers, need to work out the dynamics of the partnership. The involved parties also must keep the competitors in mind while strategizing about the alliance. A firm’s relative position within its industry determines whether a firm’s profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. The alliance must be set out to ensure that it is sustainable. The terms and conditions also need to be worked out in case the parties decide to hire consultants for creating a seamless alliance. The alliance is a result of a careful planning where organizations have to focus on the financial, economic and people aspects of the deal. The model above tries to incorporate all the facets of the partnership, thus providing stability to the concerned parties, and create a positive environment for change by decreasing the level of uncertainty. The model is an attempt to foster realistic expectations for the future of the alliance.

**CONCLUSION**

The paper indicates that alliances are particularly relevant to tourism because they call on the resources of many different groups to meet a client’s needs. While the travel industry evolves into the next decade, it would be the visibility of a brand and its penetration into the marketplace that will force more and more organizations to forge alliances. Working together is essential, for no single service provider can single-handedly welcome clients and integrate the development of a tourist destination. This model is a holistic picture of how alliances need to be carried out in the industry to be successful. Before an alliance takes place, a well-developed methodology and a proactive strategy for managing such a move needs to be in place so that it has the maximum chance of success. The leadership and the management of the organizations involved need to ensure the smooth functioning of the pre and post alliance procedures so that the benefits achieved by the synergies are not lost and does not incur more costs than anticipated.

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