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FOREWORD

Dear Authors and Esteemed Readers
It is with deep satisfaction that I write this Foreword to the Proceedings of the 2nd International Conference on the Future of Tourism (ICFT) held in Arusha, Tanzania, April 16 - 17, 2019.

ICFT continues a tradition of bringing together researchers, academics and professionals from all over the world, experts in tourism and hospitality.
The conference particularly encouraged the interaction of research students and developing academics with the more established academic community in an informal setting to present and to discuss new and current work. Their contributions helped to make the Conference as outstanding as it has been. The papers contributed the most recent scientific knowledge known in the field of Sustainability of Tourism; Domestic Tourism and SMEs Development; Tourism and Economic Development; Culture and Tourism; Innovation in Tourism; Customer Care in Tourism; Methods of Measuring Tourism; and National Tourism Policy.

In addition to the contributed papers, two invited keynote presentations were given: by Mr. Richald Rugimbana, the Executive Secretary of Tourism Confederation of Tanzania who spoke about the Issues for future tourism development with special focus of Tanzania; and Prof. Zororo Muranda, Pro-Vice Chancellor, Chinhoyi University of Technology in Zimbabwe who gave presentation on the Future of tourism: Tourism of the future.

The Conference was preceded by a tailor made training in *e-Tourism and Management of World Heritage sites*. The facilitators of training were: Prof. George Oreku, a professor of ICT from the Open University of Tanzania and Mr. Erick Kajiru, an expert of Management of UNESCO World Sites from the UNESCO Commission in Tanzania.

These Proceedings will furnish the scientists of the world with an excellent reference book. I trust also that this will be an impetus to stimulate further study and research in all these areas.

We thank all authors and participants for their contributions.

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SERVICE INNOVATION AND SMEs IN TOURISM: THE CASE OF TRAVEL AGENCIES

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Abstract

"Service innovation is not a one-company thing; rather it is a service-ecosystem affair" (Mele et al., 2014: 626). Innovations occur as a result of the interaction of some basic components of organizational capability derived from in-house research and development activities. These include managerial systems, values, norms, market and technological competencies. Innovation is best understood not as a provider concern or a customer concern but as a network issue (Mele et al., 2010; Nam and Lee, 2010, cited in Mele et al., 2014). What matters for service innovators to be successful in the long run is not only being able to successfully launch a service innovation once, but to be able to introduce and exploit service innovations repeatedly in order to stay competitive. This is a conceptual paper aimed at assessing the application of service innovation in SME tourism businesses and in particular, travel agencies. Specifically, the study aims to reveal innovation activities of travel agencies and the relationship between their innovation and operating age and between their innovation and number of personnel. The result revealed a significant relationship between operating age of travel agency and service innovation dimensions. The result also indicated a significant relationship between the number of personnel and organizational innovation dimensions

Keywords: Service innovation,   SMEs, Travel Agencies

Background information

Tourism industry structure is growing fast and it generally comprises of SMEs that are competitive but there is not enough research about how SMEs in the tourism industry innovate (Yüzbaşıoğlua et al., (2014); Meneses and Teixeira (2011). According to the literature the issue of innovation in travel agencies as SMEs in the tourism industry remains relatively immature with a divergence of opinion. Innovation has an important role in the dynamic business environment and according to Higgins (1995) cited in Yüzbaşıoğlua et al., (2014), the secret of competitive advantage is innovation. Tourism is an industry which has been subjected to many changes and transformations over a number of years. Tourism companies need creativity and innovation in order to be competitive. As the demand for tourism services become more segmented, specialized and sophisticated, companies in the tourism industry face the challenge of constantly changing their offer of services, rethinking their daily operations and procedures, improving their current organizational structure and business model,

and finding new ways to communicate and interact with customers and other stakeholders in the market.

Travel agencies exist primarily as intermediaries between suppliers of travel services, such as airlines and hotels, and customers. Unlike distributors in many industries, travel agencies do not deal with physical products but with information (Cheung and Lang, 2009). According to the literature a travel agent is defined as a person who undertakes a job for another person, who is the 'principal'. The principal in such a relationship not only sets the goals of the job, such as selling tickets, but may also control the means and manner in which the job is done. The fundamental role of a travel agency can be broadly summarized as information, distribution, reservation and services.

The travel agency industry depends upon commissions for a majority of its revenue to the extent that a decline in commission will require the industry to change the means in which revenue is generated (Siebenaler & Groves, 2002). Travel agencies have been the primary instrument for airlines business in the past. Travel agents need to coordinate and work with the airlines into the e-commerce movement through an adaptation/adjustment period (Falkenstein, 1997; French, 1997, cited in (Siebenaler & Groves, 2002). The industry has been the primary instrument for airlines business. There has been a tendency of some travel agencies slowing down business with particular airlines due to reduction in commissions. The airlines may not have noticed the decline because the Internet has been growing at such a high rate of speed. Internet users have adjusted to the e-commerce and usually make their own reservations (Flowers, 2000; Sturkin, 1998; Transue, 1998) cited in (Siebenaler & Groves, 2002). The Internet has caused a significant reduction in airline ticket sales hence causing travel agencies to change. In addition travel agencies have reduced commissions paid to airlines thus causing more changes. Time is the essential element to study the strategies on a short-term basis.

The data indicated that the number of travel agencies currently "going out" of business is significant, but it also indicated that the rate of "going out" of business has slowed significantly (Dorsey, 1998; Durbin, 1999) cited in (Siebenaler & Groves, 2002). Four categories of travel agencies have been identified in the literature along with their adaptation styles including the independent operator of a small travel agency with very limited resources, the normal agency with 2 or 3 agents which does a substantial business, the larger agency that is high-tech and high touch and depends on automation and the Web to some extent (innovators) and finally agencies that are Web based with very little automation otherwise and who were technologically adaptable and saw opportunity in the Web. The study examines how agencies have adapted and prospered through this transitional period.

Internal innovation barriers in tourism enterprises are associated with small sizes of enterprises in the industry coupled with high personnel turnover, insufficient IT competencies and resources, low innovation and knowledge management culture and weak change management (Janoszka and Kopera, 2014). The study provided evidence that most of the surveyed SMEs do not suffer from lack of new ideas but experience complex problems that hinder effective translations of ideas into comprehensive innovations. In addition, there is inability to protect innovations against competitors due to inconsistencies in selecting, implementing and operating protection modes.

The reduction of airline ticket sales commissions by United Airlines in 1995 created stress upon travel agencies in the United States leading to continuous reduction of commission and caps upon commission (Focus, 1995a; Durbin, 1999; Compart, 1999; Durbin, 2000; cited in Siebenaler and David (2012). This resulted to instability in the travel agencies leading to some of them ceasing business operations, reducing their number of employees or even reducing their traditional businesses slowly. Rapid technological changes and fierce competition within the tourism industry force online travel agencies to increase their understanding of customers' expectations, needs, and wants (Kee et al., 2010). E-service quality is an important avenue by which travel distribution businesses can differentiate themselves from their competitors.

Literature review
Innovation has been defined differently by various authors. Schumpeter (1934) defined innovation as a new way of doing things or unique combination of the factors of production. Innovation has been considered as a product/service, idea, process or practice that is perceived as new by customers and potential customers (Rogers, 1983). According to Hjalager (2010), innovations are further developments of inventions or bright creative ideas for making them into useful products or services. Innovation creates wealth through either creating new wealth producing resources. Service innovation can be defined as a new or considerably changed service concept, client interaction channel, service delivery system or technological concept that individually, but most likely in combination, leads to one or more renewed service functions that are new to the firm and do change the service/good offered on the market and do require structurally new technological, human or organizational capabilities of the service organization.

Service innovation is a multi dimensional concept comprising of new service concept, new customer interaction, new value system/business partners, new revenue model, new organizational or technological service delivery system (Hertog et al, 2010). The first dimension service concept describes the value that is created by the service provider in collaboration with the customer. The innovation is often a new idea of how to organize a solution to a problem or a

need of a customer. The second dimension is the new customer interaction and the role customers play in the creation of value. The interaction process between the provider and the client is an important source of innovation. The third dimension is the new value system or set of new business partners/actors involved in jointly co-producing a service innovation. New services – thus creating and appropriating value – are increasingly realised through combinations of service functions provided by a coalition of providers, both parties in the value chain. Innovations would not become as successful or even exist. The fourth dimension is related to new revenue models. Many new service ideas fail as the distribution of costs and revenues do not match. The fifth dimension concerns the "new delivery system: personnel, organization culture. This dimension pinpoints the observation that ICT has enabled numerous service innovations ranging from electronic government and e-health, to advanced multi-channel management, customization of services, introduction of self service concepts and virtual project teams.

In the case of services, particularly due to the considerable role of customer interaction and the intangibility characteristic, a bias towards technological innovations is even more inadequate. Also, compared to manufacturing, services are less standardized, usually not focused on products, and less centralized. All these factors have made an adequate description of service innovation more hazardous than in the traditional innovation literature, while at the same time not less relevant.

Innovation in services is characterized by some factors including the role of human resources where innovation knowledge is very much embodied in people and in their skills (Meneses and Teixeira, 2011). However, the mechanisms to measure their innovative behaviour are limited. There has been lack of interest in the study of service industry and in particularly of innovation in services, due to the fact that service was regarded as a "Traditional" and delayed area, without technological progress or any creativity (Gallouj and Weinstein, 1997; Howells, 2007, cited in Meneses and Teixeira, 2011).

Yüzbaşıoğlua et al., (2014) found a significant relationship between operating age of travel agency and service innovation dimensions. According to the literature the more the operating age of travel agency the more the number of service innovation activities. A significant relationship between number of personnel and organizational innovation dimension was also observed together with the fact that travel agencies as one of the SMEs in the tourism industry involve service innovation than innovation of processes.

Siebenaler and David (2012) identified four categories of travel agencies as well as their adaptation styles including independent operator for the small travel agency with limited resources (Entrepreneurship), the normal travel

agency that had a substantial business with more than two or three agents employed (Traditional travel agents), the larger agency that was high-tech, high-touch, and depended upon automation and the Web to some extent (Technological innovators) and the individuals who were Web based, with very little automation and had responded completely to the Web 100% (Web Manager). According to the literature, the travel agencies were technologically adaptable and had seen the Web opportunity in advance, then quickly moved forward to respond to the stress from the travel airlines. These individuals may also have little or no travel experience and were simply exploring a business opportunity.

Mele et al., (2014) considered three main different research traditions to innovation including goods-dominant (G-D) logic, the resource-based approach and service-dominant (S-D) logic in order to identify which tradition is more suitable to frame current innovation. According to the literature, innovation is no longer regarded as an extraordinary event, instead, it is understood as a process that is not simply linear but also continuous, systemic and based on complex interactions between actors, activities and heterogeneous resources. In line with this thinking, scholars argue that innovation is best understood not as a provider concern or a customer concern but as a network issue (Mele et al., 2010; Nam and Lee, 2010) cited in Mele et al., 2014). Actors as the customer, the supplier and other stakeholders form a network of interacting relationships that generates value through the sharing and integrating of resources. The network conceptualization changes the model of innovation that positions the supplier as the innovator and the customer as the user (or the stimulus) of innovation (Mele et al., 2014:625). Varis, and Littunen (2010) found that different external sources of information, such as fairs, exhibitions, media, and internet which in principle are freely accessible to anyone, are positively associated with the introduction of novel product innovations in firms.

Methodology
This research is based on literature review. Articles were sought in Journal databases with the following words alone or in combination: Innovation, service innovation, tourism, tourism SMEs, travel agencies. These were initially used individually and then in combination with the other words to search for studies worldwide. The combination of "service innovation and travel agencies" was also used to get knowledge about studies using these key words. The databases used were mainly Emerald, Taylor and Francis, JSTOR, Sciencedirect.com, Google Scholar and Elservier. Many articles were found about service innovation and tourism SMEs in general and quite a number of them were found to address service innovation and tourism SMEs in the hotel and restaurant industry. A few studies were found studying the phenomenon of service innovation in tourism SMEs in relation to travel agencies and these were mainly

done in developed countries. Many studies were found about service innovation but only a few were linking to travel agencies.

Manual content analysis was used to examine the content and concepts in the articles that contained the three concepts: "service innovation", "tourism SMEs and travel agencies. Conceptual analysis was carried out whereby concepts were chosen for examination and the analysis involved quantifying and tallying their presence and frequency of occurrence. Research questions were identified and texts were coded into manageable content categories. Data were then analyzed and conclusions drawn from them. Relational analysis was also carried out to establish meaningful relationship between concepts.

Findings and discussion
The innovation activities revealed by the study were categorized into four dimensions including marketing innovation, process innovation, product/service innovation and organization innovation (Yüzbaşıoğlua et al., 2014); Results revealed a significant relationship between operating age of a travel agency and service innovation dimensions implying that the more the operating age of travel agency, the more the number of service innovations due to new trends that emerge in the market. The results also indicated a significant relationship between the number of personnel and organizational innovation dimensions implying that an increase in the number of personnel in travel agency implies an increase in organizational service innovation activities.

Siebenaler and David (2012) observed that the travel industry has been one of the slowest to adapt/adjust to change. Adaptations that have occurred have been related to automation, sales techniques, and the Web (Poling, 2000, cited in Siebenaler and David, 2012). According to the literature the success of the travel agents was directly proportional to their ability to use these elements and construct new businesses to serve the traveler in the age of e-commerce. Basing on the analysis and the types of methodologies, adaptation/adjustment strategies that have been developed and used by agencies, the industry need the ability to adjust to change quickly, and to respond to new audiences through e-commerce. The idea proposed by the study is one of leadership and strategic planning to see how travel is going to be developed in the future and how to provide a quality service and product.

Travel agencies need to coordinate and work with the airlines into the e-commerce movement through an adaptation/adjustment period. There have been responses by travel agencies to reduction in commissions by the slowing down of business with particular airlines. The airlines may not have noticed because the Internet has been growing at such a rate of speed. Internet users have adjusted to the e-commerce and usually make their own reservations (Flowers, 2000; Sturkin, 1998; Transue, 1998, cited in Siebenaler and David (2012).

Mele et al., 2014 contend that S-D logic is helpful in providing a new conceptualization of innovation that moves beyond the mainstream view: from "product and services" to "service and value", from "buyer-seller dyads" to "ecosystem relationships", and from "closed/linear process" to "open/co-created process". These new categories provide a fresh framing of innovation, as service innovation/value innovation. The findings revealed a framework for innovation builds on the comparison of the three research approaches where the G-D logic, when analysed in terms of new product development and new service development, positions innovation as an output (a new good or service) of a business's internal processes, with the firm as the main actor. The resource-based approach establishes the drivers of innovation as knowledge, capabilities and relationships, but the firm is still the main innovator. S-D logic addresses "open" innovation processes in which all actors in the network can mobilize and integrate their resources to become value co-innovators. The findings revealed S-D logic as a more suitable research tradition to frame current innovation because this logic offers a cross-cutting and broader approach to innovation in comparison to the G-D logic and to the resource-based approach.

Studies conducted by Varis and Littunen (2010) indicated that different information sources associated with the introduction of innovations in firms vary according to the type of innovation in question. Similarly the growth of firms was positively associated with the creation of innovations. Of the types of innovation studied, new product, process and market innovations were positively associated with firms' growth while organizational innovations were not. Regarding profitability the findings were in line with much previous evidence suggesting that, at least in the short-run, profitability and innovation are not positively associated.

In contradiction with several previous studies, the competences of the entrepreneur or those internal to the firm were not found to be important contributors in the process of innovation. In contrast to the suggestion by the regional systems of innovation literature, different regional support organizations were not classified as important sources of information or partners in collaboration with the entrepreneurs.

Lee et al., (2010) identified six dimensions of e-service quality as perceived by online customers in Hongkong, including, Website functionality, Information Quality and Content, Responsiveness and Fulfillment, Safety and Security, Appearance and Presentation, and Customer Relationship.

Conclusion and recommendations
The studies conducted in travel agencies highlighted the relationship between operating age of travel agencies, number of personnel, organizational and service innovation in some countries in the developed world. The findings may

not necessarily apply in other parts of the world. Future researches can be directed to travel agencies in other countries for the generalizability of the findings. For entrepreneurs, perhaps the most significant implication arising from the study is the need to concentrate on the internal factors and operations of the firm. The results indicate that entrepreneurs do not consider the different internal factors in their firms (competencies and know-how of the entrepreneur and his staff, personnel initiatives, personnel training, organized and spontaneous communication between units and individuals in the firm) as important sources of innovation-related ideas and information, more effort should be devoted to improving firms' internal competencies and to removing potential barriers for internal knowledge gathering, sharing.

Directions for future studies
Very few studies have been done in this area of service innovation in relation to tourism SMEs and travel agencies in particular and this serves as an avenue for future studies. Of the few studies conducted, none has been done in Tanzania. A replica study can be conducted using the same research instrument as applied to executives of travel agencies in Tanzania

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