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Developing Business Model Innovation: a Case Study of SMEs Travel Agency

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ABSTRACT

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This research aims to evaluate that how small and medium-sized enterprises (SMEs) travel agency in Taiwan build up marketplace by assessing the existing business model. Therefore, the study investigated the performance of the case study of SMEs by business model generation canvas. The qualitative method of interview was applied. Thematic analysis was used to analyse the data for interviewee group; that was, 3 respondents who worked in this case by using semi-structured interviews. The results indicated that first; the concept of business model can assist an entrepreneur to find the core value of an organization, as well as to generate innovative ideas for the business. Second, SMEs travel agency should develop marketplace in the special interest tourism (SIT) and create unique customer value proposition (CVP).

1. Introduction

The economic structure of the travel agency industry is monopolistic competition [1]. This competition environment causes SMEs to face various challenges in the market. SMEs have limited resources in the mass tourism sector. Conversely, SMEs should focus their assets on building up their market share in the niche markets. According to [2], small agencies have the advantage to be niche marketers. In order to assist the issues of SMEs in travel agency industry, this paper use practice-oriented research based on personal work experience at T travel agency in Taiwan. The approach to finding solutions is to develop a new business model for a SME travel agency in Taiwan by assessing the existing business model. The purpose of the research was to reinvent the business model by exploring the concept of business model innovation.

2. Business Model innovation

A business model is a framework to present a way of doing business, which links with the firm's performance and strategy about how to attract customers to pay for value, how to deliver value for customers and the ability to convert payments to profit [3,4]. There are four elements of a business model: firstly, it is the CVP. A firm can find out market opportunities by thinking about how to satisfy a real customer further found a way to create value for customers; this is the core function to get right in a business model. Secondly, it is the profit formula. The profit formula consists of a revenue model, cost structure, margin model and resource velocity. The setting of these should be based on the perspective of delivering the CVP and discover the variable costs and gross margins. Moreover, the plan for what resources velocity needs to reach the desired profits. Thirdly, they are the key resources that can create value for the customer, the company and the interaction of these resources. Fourthly, they are the key processes that deliver value in a way that can repeat and increase in scale. A major change will affect the others elements, a firm should design a stable system to make different elements consistent and complementary [5].

According to [6], the starting of business model innovation should be based on an understanding of the business model. Organizations can, through the use of business model, generate and canvas to identify organization sources of value creation and the links with business strategy [7]. Business model generation canvas, proposed by [6], is structured into nine building blocks: (1) customer segments, (2) value proposition, (3) channels, (4) customer relationships, (5) revenue streams, (6) key

resources, (7) key activities, (8) key partnerships and (9) cost structure. The understanding and analysis of the nine blocks provides insights of how an organization's cohesion is established with the different components. As well this analysis can create discussion about new business opportunities to further increase business innovation [7].

3. Methodology

The study applied the qualitative method to reach the aim. Qualitative research is intended to understand, describe and explain social phenomena from the inside by sing individual experiences or interactions and communications in the making [8]. T travel agency was taken as an example to conduct in-depth investigation. The interview was applied to discover T travel agency's core values further reinvent business model. According to [9], interviewing is characteristically exploratory, which can generate various angles and greater depth knowledge to approach the research questions. The data was breakdown by thematic analysis to find a path. [10] noted that thematic analysis is based on a framework as a matrix strategy for ordering and synthesising data. The design of the questions in the interview was based on the business model. Three participants engaged in the in-depth semi-constructed interview including a chairman, a general manager, and a finance director in the travel agency.

4. Results

Regarding the business model, the data was analysed thematically as shown in Table 1. Three interviewees were coded as 1, 2, 3; 1 was the chairman; 2 was the general manager; 3 was the finance director. The results of interview indicated that the core value of the existing business model of T travel agency was ecotourism travel tours, which was a unique product of T travel agency. Moreover, T travel agency provided consultation services and professional tour guide to add value features and attributes to their ecotourism travel packages. Although planning product attractions could be similar to other competitors, however, the bundle of goods and services create the value for the customer segment. Nevertheless, the disadvantage was to use TV channel to promote products due to the high cost.

Table 1: These are the questions for assessing the existing business model

Component	Questions	Participant answers	1	2	3
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Customer segments	1.	Could you tell me about who are the most important customers?	The procurement staff of government.	●		●
Value propositions	2.	What value do you deliver to the customer?	Ecotourism travel tour.	●	●	●
Channels	3.	How can you reach the customers now?	O2O and TV shopping channels.	●		●
Customer relationships	4.	Has company established relationship with customer?	By consultation service of ecotourism plan.	●	●	
Revenue streams	5.	Which department generate the most revenue accounted for the stream of overall revenues?	The packaged product of travel tour.		●	●
Key resources	6.	What key resources do company value propositions require?	-Tour guide's knowledge.- Accommodation.	●	●	●
	7.	Which key resources are most expensive?				
Key activities	8.	What key activities do company value propositions require?	-The network of attractions. -The fee for slotting TV shopping products.	●	●	●
Table 1.Con	9.	Which key activities are most expensive?				
Cost structure	10.	What are the most important costs inherent in the company?	The slotting fee for TV shopping channels.	●	●	

5. Findings

The study aimed to reinvent the business model by exploring the concept of business model innovation. According to the result, it can be concluded that, first all of, using business model framework can assist entrepreneur not only understand existing business but also find out the core value. Second, an entrepreneur can expose new business opportunity and generate innovation ideas based on the fundamental value by using business model generation canvas. Thirdly, SMEs travel agency should build its position in the SIT, which based on the core value of the existing business model to shows the differentiation between mass tourism as well as a niche market. As the in-depth study of T travel agency, which should build the segment of conservation of ecotourism to develop a related niche market in Taiwan. Conservation tourism is a fusion of ecotourism tourism as well as the fastest growing sector, which belongs to the category of SIT [11,12]. The last, according to the research result of T travel agency, SME travel agency should use limit resources focus on developing difficult imitation CVP further build up key processes and resources

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