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Exploring Airlines and Travel Trade Bilateral Contingencies

The Managers and Travel Trade Views

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Name of student: Anne-Marie Tremblay-Quenneville
Kennitala: 130180 – 3379
Supervisor/s: Dr R. G. Vishnu Menon

Declaration of Research Work Integrity

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

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December 29, Reykjavik	130180 3379	
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Abstract

The relationships between the airline industry and the travel trade have been exposed to unforeseen consequences of the Covid-19 pandemic. Unstable circumstances combined with rapid changes in travel conditions and restrictions have brought air travel to a virtual standstill. The decline in demand led both sides to reconsider their cooperation. In effect, for some airlines the remaining demand moved further to their direct sales channels and away from the undirect channels used by the travel trade, and for some partners it meant closing their business indefinitely. Concurrently, previous years have seen the market disturbed by distribution channels issues, primarily due to the obsolescence of the standardized distribution technology used worldwide since before the advent of the internet. Nevertheless, travel trade allies have historically proven to be crucial to small airlines businesses, such as Icelandair. In addition, along with the pandemic fluctuations, data shows that the travel trade customers are to consider in the ramp-up towards the return of higher travel rate. Taking into consideration the holistic nature of business-to-business exchanges, this paper explores the existing marketing and mutuality relations between the airline and its travel trade customers by applying the Theory of the Marketing Firm. Two studies are conducted to investigate which exchanges and non-exchanges bilateral contingencies between the firms are the most significant. The first study consisted of interviews with key managers at Icelandair to understand which strategic elements of the exchanges their marketing mix focuses on. The second study included a survey and a CBC analysis directed at travel trade professionals. The findings reveal that the service element is a cornerstone in relations and that the distributions channels are used differently by the travel trade, having mostly leisure customers than business ones. These results, among further insights, can be used by airlines to establish future marketing strategy regarding their relations with the travel trade.

Keywords: Theory of the Marketing Firm, bilateral contingencies, travel industry, airline industry

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1. Introduction

1.1 Problem Statement

All over the globe, airline's operations have been heavily impacted by the ongoing Covid-19 pandemic, a first in modern aviation by its breath, dept and length (Dube et al., 2021). Historically, the industry has been sensitive to disruptions and is seen as a vector to the transmission of diseases according to past studies made in the last decades (Dube et al., 2021; Sun et al., 2020; van Binnendijk et al., 2008). Thus, it is not surprising that the research shows that customers' confidence in air travel decreased rapidly, and that the population supported air travel restrictions early in the pandemic (Kallbekken & Sælen, 2021; Lamb et al., 2020; Shamshiripour et al., 2020). It is also expected that it would impact airlines for the years to come, mostly because airlines have proven having difficulties surviving the financial shock caused by major disruptions (Dube et al., 2021).

The slow return of massive leisure air travel and the quasi-absence of business travel is a challenge faced by every carrier on the way back to profitability, but even more for smaller actors. Amongst predictable obstacles are the ones related to distribution channels that have been aggravated in the last months. During the pandemic, consumer's purchase habits moved further online and directly on the carriers' website, affecting the indirect sales channels similarly as the trend for the whole travel industry (*Global*, 2021). This change is partially due to domestic restrictions, uncertainty and closure of brick-and-mortar travel agencies (Miklós, 2020b). However, despite the heavy trend towards the digitalization and direct e-commerce solutions, smaller legacy airlines historically relied more than bigger alliances on distributing their product via indirect sales or third-party sales provider (Bingemer, 2018; Miklós, 2020a). According to marketing theories and industry's managers, multiple factors are at play: higher marketing budgets for alliances, established loyalty programs and longtime presence in their respective markets that lead to high top-of-mind awareness and brand recognition (Kotler, 2016; Wright, 2004). Thus, the place element of the marketing mix logically becoming the strategic focus for small actors.

Parallelly, the travel trade industry is facing an increased competitiveness in distribution amongst the providers, primarily due to the obsolescence of the standardized distribution technology used worldwide since before the advent of the internet (Bingemer, 2018; Kracht & Wang, 2010; Miklós, 2020b). Without forgetting the low-cost carriers' (LCCs) disruptive entry in the markets, with their business model established on streamed-line costs, such as cutting the distributions cots by selling only through their own website (Bingemer, 2018). In effect, the standard technology in the industry, called Global Distribution Systems (GDS), allows all airlines' schedules to be displayed to travel professionals in an equitable way. However, it does not allow them to compare products properly. The extra service on board and all the ancillaries associated with it are absent from these systems. Therefore, this lag in technology combined with the menace from LCCs' entry incited the dominant players in the market to return to exclusive distribution channels, where they can test innovative technologies that have been named New Distribution Capabilities (NDC). The return to direct channel disturbing mostly the business made with third party providers (Bingemer, 2018). For instance, they use these exclusive channels (airline's websites and airline' travel agent portal) in combination with monetary incentives to move the travel trade from GDSs, and the fees associated to it.

For now, the industry is not yet regulating the usage or deployment of the NDC. One may argue that the modernization of GDSs is a wicked problem for the regulators. It will certainly allow seamless relations and benefit both consumers and airlines alike. Yet, there is a risk that the global passenger aviation market disproportionately favors the bigger players if NDC technology is not available for all the airlines in a timely manner (Bingemer, 2018). This disruption may give back an unfair competitive advantage to legacy carriers as they own bigger market shares and leave the smaller airlines behind. To the knowledge of the author, that strategy haven´t been contested legally, yet there are obvious risks to annihilate the fairness provided by GDSs for small actors like Icelandair.

Despite that tendency towards increased direct sales, travel agencies and tour operators remained important actors in the industry for a few reasons. For once, they held the power to influence the end-customer in their choice of airline and they could even generate demand (Basan et al., 2013). For some airlines, such as Icelandair, indirect sales represented roughly 50% of the total passengers carried each pre-pandemic year for the past decade (Sigurðsson, 2020). This alone should have persuaded the smaller airlines to regularly revisit its marketing mix management, including distribution and overall proposal to their third-party sales customers. Further, in the markets where bigger alliances are well known, the providers from the travel trade consistently helped the small airlines to reach audiences they would not have access to (Kracht & Wang, 2010). Thus, smaller actors historically needed to collaborate closely and entertain comprehensive relations with their trade allies to overcome their lack of exposure.

The aim of this research is to gain insight into Icelandair's relationships with its indirect retailers, and how they can best contribute to the airline's recovery and revenue growth post-pandemic. It is conducted in collaboration with Icelandair, the main carrier in Iceland. The research will examine these relationships from qualitative and quantitative perspective and draw on the Theory of the Marketing Firm (TMF) (Foxall, 1999, 2018, 2020) to uncover the main components of these exchanges and suggest optimizing outcomes for the airline. The TMF describes the marketing firm as an "organization which responds to consumer choice in ways to satisfy both customer requirements and corporate financial goals" (Foxall, 2020). In other words, a firm that is customer-focused while profitable. Further, the TMF underlines the preeminence of mutually reinforcing behaviors in the exchange between the firm and its business customers (Vella & Foxall, 2011). Therefore, this research proposes to apply the TMF to study the bilateral contingencies between the firm and its resellers with a focus on both marketing and mutuality relationships.

1.2 Research Question

This thesis seeks to answer the following research question:

How can a small airline enhance its relationships with third party providers to create and retain these customers?

To build a comprehensive response, two specific questions guide the different studies:

1. *How Icelandair manages the marketing mix and its mutuality relations with travel agents and tour operators, and should it be improved?*
2. *Which are the key elements in the marketing and non-marketing relations that the airline should focus on to appeal to-the travel trade?*

This research will contribute to the literature on the Theory of the Marketing Firm by focusing on the business-to-business (B2B) bilateral contingencies including both types of relationships: marketing (exchange) and mutuality (non-exchange). It will also contribute to managerial implications regarding enhancing the product and service offered to business customers.

1.3 Structure of the Thesis

This research includes two studies. The data was collected via interviews and surveys using respectively qualitative and quantitative analysis methods. Firstly, interviews were conducted with key actors responsible for managerial behavior. Second, deriving out Study 1's interviews, exploratory interviews, and testimony from key third party collaborators, a choice-based conjoint (CBC) analysis of the trade preferences was conducted to explore which elements of the marketing mix and relationships have the greatest impact on business relations.

Including eight chapters, the structure of the paper is as follows. The introduction presents an overview of the challenges faced by Icelandair and its travel trade collaborators these last years, with reference to the state of the research on these challenges. The second chapter consists of a succinct overview of Icelandair's history, business model and marketing strategies; with a specific interest in its third-party relationships and how its distribution channels are contributing to the revenues. The last part introduces the reasoning behind the TMF choice as at theoretical framework. The third chapter summarizes the functions of the travel trade collaborators in relation to the airline and its end-customer. Next, in chapter four, the Theory of the Marketing Firm is introduced with an explanation of how this paper will apply the bilateral contingencies framework towards the research. Then, chapters five and six present the studies. Methods, data collection, results and short discussions are included under each study. Following, chapter seven combines the discussion sections and puts forward the overall results, theoretical and managerial implications, and the study's limitations. The conclusion is the last chapter, including future research recommendation.

2. Icelandair

This section introduces Icelandair as a firm. From its historic marketing strategy, selected events are described to shed light on how enhanced relations with travel trade partners, such as tour operators, travel agencies and tourism boards are crucial for its success. It then introduces the reasoning behind the adoption of The Theory of the Marketing Firm as a framework.

2.1 History and Business Model

Icelandair is Iceland’s main carrier with an history dating back to more than 80 years. From a carrier catering to domestic passengers traveling abroad from Iceland, the “from” market, and the foreign travelers coming to Iceland, the “to” market, they moved on to be a significant player in the transatlantic travel, the “via” market. In short, the *via* business being the passengers originating either from Europe or North America crossing the Atlantic Ocean with a short stop in Iceland to change plane. Over few decades, starting in the 50s, Icelandair upscaled their transatlantic offer between North America and several European countries, which has now become their main market (*History | Icelandair Group*, 2020).

This growth was partly made possible with the standardization of the offer via the GDS in the 1990s. Legislation from both Europe and US created a level playing field by developing an unbiased way to display fares to travel agents, helping Icelandair to show up higher in the ranks with its short total elapsed time between origin and destination (Debyser & Pernice, 2021; Sigurðsson, 2020). The higher ranking providing the firm with increased visibility related to the place element of the marketing mix. Following, the technological developments of revenue management systems in the last decades helped the airline to optimize its offer and revenues (Yeoman & McMahon-Beattie, 2017).

The introduction of a free stopover combined with favorable economic circumstances lead Icelandair to grow more than threefold it’s number of international passengers between the years 2009 and 2019 (*History | Icelandair Group*, 2020). In doing so, the airline moved from being a destination carrier to a business to account for in the transatlantic market.

From the 2010s, Icelandair expressed the desire to support Iceland in becoming a year-round destination. Emphasis was put on the winter season and the sector saw steady increase in visitor's numbers for the winter months, with at least a 10-points percentage growth in the decade (Ferðamálastofa, 2021). Successful promotional campaigns initiated by the public-private Business Iceland entity, including Icelandair Group, are not strange to this success (*Inspired By Iceland*, 2021). However, the competitive landscape meant that the airline must be agile to sustain its business model.

Considered a hybrid carrier in the industry, Icelandair remains in a group of airlines that is closer to legacy carriers by many of the features of its business models (Magdalina & Bouzaima, 2021). Effectively, recent classifications and comparisons of airline business models, such as the one by Magdalina and Bouzaima (2021) or by Fageda et al. (2015) show that Icelandair does not have many characteristics of the low-cost carriers (LCC) but falls short of offering the frills associated with full-service network carriers (FSNC). The key features related to this research are some traditionally associated with FSNCs: Icelandair offers connecting flights, has more than one cabin and its fares are available to travel agents through GDSs (Fageda et al., 2015; Magdalina & Bouzaima, 2021). Nevertheless, the small size of the airline pushes it to use creativity and invest in partnerships to amplify its exposure on the marketplace.

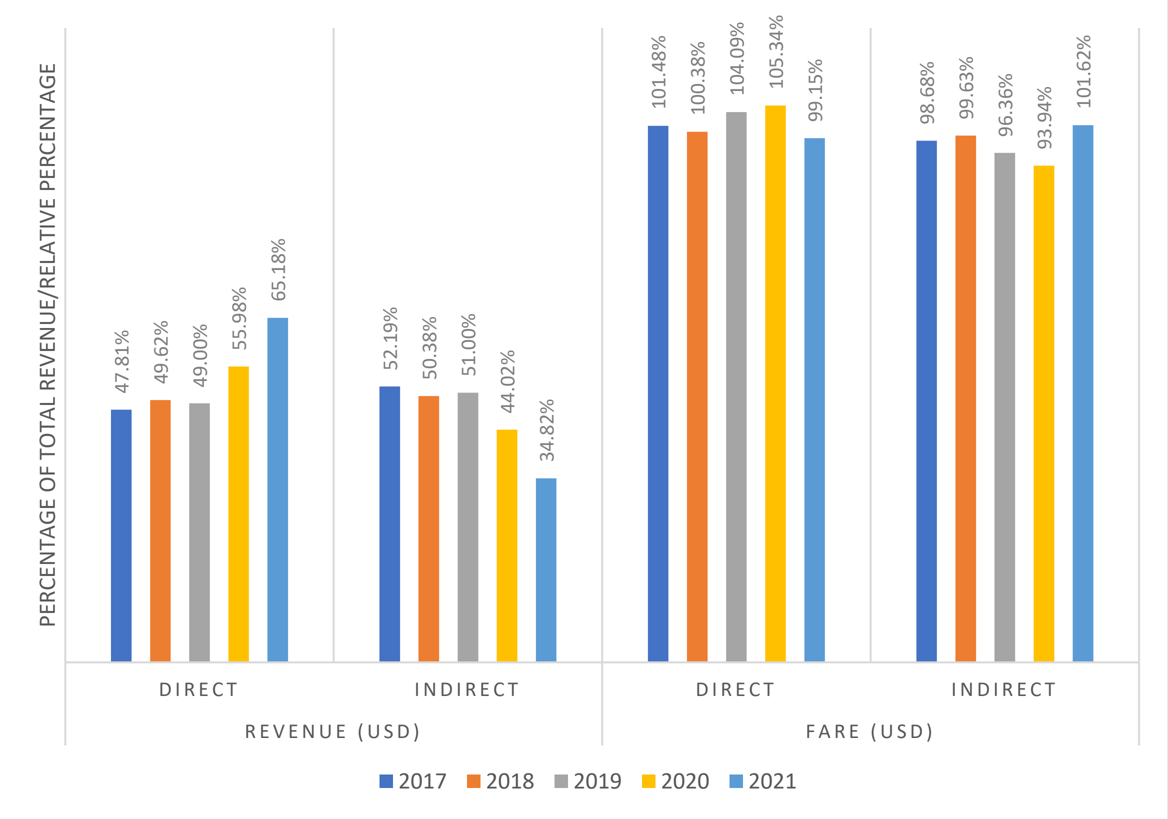
2.2 Marketing Strategies

As suggested by Kotler (Kotler, 2016, 1973) irregular demand, such as seasonal demand in tourism, is a specific situation, and dictates strategic marketing decisions, which is especially the case in transatlantic travel. Recent Icelandair's marketing strategy was built to flatten as much as possible the seasonal fluctuations to cope with irregular demand in leisure travel. Doing so would help Icelandair make the best use of its most valuable assets, their aircrafts, and sustain the hospitality sectors' infrastructure that was held by the group. Thus, in addition to marketing campaigns, Business Iceland and Icelandair invested in an online informative platform to support the travel trade to sell Iceland as a destination (*Travel Trade*, 2021). Although the overall program launched in cooperation with Business Iceland includes marketing six different sectors in Iceland, the tourism accounted for a bigger GDP share than other sectors, such as fisheries (*Statistics Iceland*, 2020).

Parallelly, Icelandair developed in 2018 a team of dedicated service agents to support travel agent customers with their business (Personal communication, September 14, 2021). In addition, marketing efforts in trade shows via sales agents are continuously deployed to establish durable relations in different markets (Personal communications, August 26, 2021). These relations rewarded Icelandair with a reach that only travel agencies and tour operators can achieve in highly competitive markets.

Figure 1 Direct vs. Indirect Sales, Icelandair 2017-2021

Direct vs. Indirect Sales, Icelandair 2017-2021



Note. Channel percentage of total sales for each year with the fare comparison; 2021 data do not include December

Figure 1 shows to what extent Icelandair's total sales relate to their indirect offer. For the years 2017, 2018 and 2019, the share of total sales coming from indirect channels fluctuated between 50 to 52% as well as the relative value of the fares between 96% to 99%. According to Icelandair, shares of offline sales between years are fluctuating around the 50% mark since 2007 (Sigurðsson, 2020). Overall, the airline is gaining lower value from the indirect customers, due to OTAs, while it gains slightly higher value from tour operators and consolidators and even more from travel agents' sales (See Appendix A). For the years 2020 and 2021, at the hearth of the Covid-19 pandemic, the airline saw their indirect revenue decrease significantly, accounting for 44 % in 2020 and 35 % so far in 2021. Concurrently, the value of the fares sold by that channel decreased in 2020 to increase significantly by seven percentage points in 2021, due to higher fares collected by tour operators and travel agents (Appendix A). Thus far, historical data combined with that increase indicates that a strategic exit of the crisis counting upon mutual relationships with the travel trade partners could be profitable for Icelandair.

Meanwhile, the airline aims to be the most customer-focused airlines in their markets, a strategy that should include its dedicated service to the travel trade (Icelandair, 2020). Therefore, it is essential for Icelandair to fully grasp the nature of the relations they conduct with the travel trade. The Theory of the Marketing Firm provides a perfect framework to understand the travel trade behavior, their consequences, and the effects of the firms' marketing strategy. In its essence, the TMF puts the relation firm-customers at the heart of its framework, insisting on the mutual exchanges and feedback loops that make the relations sustainable (Foxall, 1999, 2018). Before introducing the TMF further, the next section gives an overview of the commercial relations between the airline and the travel trade to understand the type of marketing and mutual relationships there are between these businesses.

3. Travel Trade Collaborators

Historically, travel agents and tour operators have been the main distribution channel for airline products. Up to the mid 1990’s, travel agencies (TA) reservations represented close to 85 percent of airlines bookings (Özer & Phillips, 2012). However, the arrival of modern technologies such as internet, and of new business models the like of LCCs and on-line travel agencies (OTA), disturbed the landscape. Combined with the desire for legacy airlines to reduce the high distribution costs (commission and incentives), the disruptions lead to a rapid decrease of bookings made through traditional TA. At the same time, the multiplicity and complexity of the distribution system led to lower fares being offered across all channels (Kracht & Wang, 2010; Özer & Phillips, 2012). Despite that tendency, the travel trade continuously generated higher value bookings and is still a valuable ally for consumers and airlines alike (Kracht & Wang, 2010; Özer & Phillips, 2012).

Travel agents preeminently serve as intermediaries and advisors. They have influential effects on the customers they are building relationships with (Basan et al., 2013). Travel agencies bring customers to an airline by combining flights with other tourism supplies such as rooms, cars, and guided tours. Combination they create and book mostly using GDSs. While a tour operator (TO) organizes tours and promotes a destination by aggregating and consolidating services in packages (Basan et al., 2013; Kracht & Wang, 2010).

According to Basan et al. (2013), TA and TO are materializing an important part of the latent demand by the additional security they provide. That feeling of security comes from two main poles. On the one hand, knowledge of the product, a product that cannot be experienced beforehand by the consumer. By providing almost real-time knowledge and insiders tips concerning the journeys and destinations, they alleviate the uncertainty associated with the type of service that travel is. On the other hand, many countries protect the consumers of the travel trade via special funds and bylaws raised specifically in case of major disruption in the industry, such as bankruptcy, while this is not the case if an airline goes insolvent (Department for Business, Energy & Industrial Standard, 2021; Gilbert et al., 2019; Jourová, 2018).

Nevertheless, following the turmoil caused by the mass cancellations due to the pandemic, and some government pressure, the airline industry quickly adapted itself to an increased demand for security. Customer-centric airlines attended to that security need by foremost attending to health care concerns, and by showing flexibility. For instance, the introduction of free-of-charge changes to tickets, and of protection scheme guaranteeing the refund of the airfare and/or the issuance of travel credits in case of cancellation from the customer. However, the shortfall in revenues associated with these free protections was not sustainable for airlines. There was a tendency towards the return of cheap fares without flexibility as the pandemic fluctuated. Consequentially, the travel trade re-gaining their security edge over airlines (Finnair, 2021; Gilbertson, 2021).

Even though some airline business model entails not doing business with third parties (for instance LCCs), reducing the commission paid to these parties, or not displaying all their fares in the GDSs, it is unlikely that travel agents and tour operators will not remain important actors in the industry for the years ahead. For instance, at Icelandair, OTAs represents roughly 33% of indirect sales, which is lower than travel agents and tour operators combined at 39%, which in turn generate higher revenue per passengers than OTAs (Icelandair, 2021).

Obviously for Icelandair, their relations with the travel agents and tour operators are more than a mal necessaire. Both businesses support each other to sustain and grow their respective market. They also need to have similar views to satisfy their end-customer profitably. As one of the interviewees put it: “these are win-win-win relations”. In the next section, The Marketing Firm theory is introduced to set a framework that will be used to dive into the mechanism of these relations.

4. Theory of the Marketing Firm

Moving from purely economic approaches, such as the Nature of the Firm from Coase (1937), The Theory of the Marketing Firm (TMF) incorporates a behavioral framework and a marketing viewpoint to better describe the firm in relation to the modern markets (Foxall, 2018). Behavior considerations understood as the reinforcement or punishment experienced within relations are added to the traditional transaction/cost characterizing pure economic approaches (Foxall, 1999, 2018). In addition, the stretched competitive conditions led to develop a theory that describes the actual nature of the successful firm as being customer-oriented, thus the marketing firm (Foxall, 1999, 2018). As the markets are extremely competitive, where supply often exceeds demand, the key stakeholders of the firm are its customers, such as in the aviation industry, and the way to attract them is via marketing actions. Therefore, to create and retain a customer by serving them profitably, there is a need to understand on the one side, the consumer behavior and on the other hand, the nature and scope of the marketing and mutuality relationships that the firm engages into (Vella & Foxall, 2011). This section introduces the three-term contingency at the base of the framework, the bilateral contingency model and how it will be applied to understand the relations Icelandair engages into with its business consumers.

4.1 Consumer Behavior Analysis

Foxall's (1999, 2018) TMF framework's foundation lies on the three-terms contingency behavior model in which the responsiveness to stimuli is based on operant psychology. The intention of it being the explanation, prediction, and control of behavior. As illustrated in Figure 2, behavior can be understood in circumstances where a discriminative setting $\boldsymbol{S^D}$ stimulates a behavioral response $\boldsymbol{R}$ that generates an aversive or positive consequence $\boldsymbol{S^{R/P}}$ that explains the probability of repeating the response $\boldsymbol{R}$. $\boldsymbol{S^R}$ indicates a reinforcing stimulus and $\boldsymbol{S^P}$ a punishing stimulus.

Figure 2 The Three Term Contingency

The Three Term Contingency (Foxall, 2018)

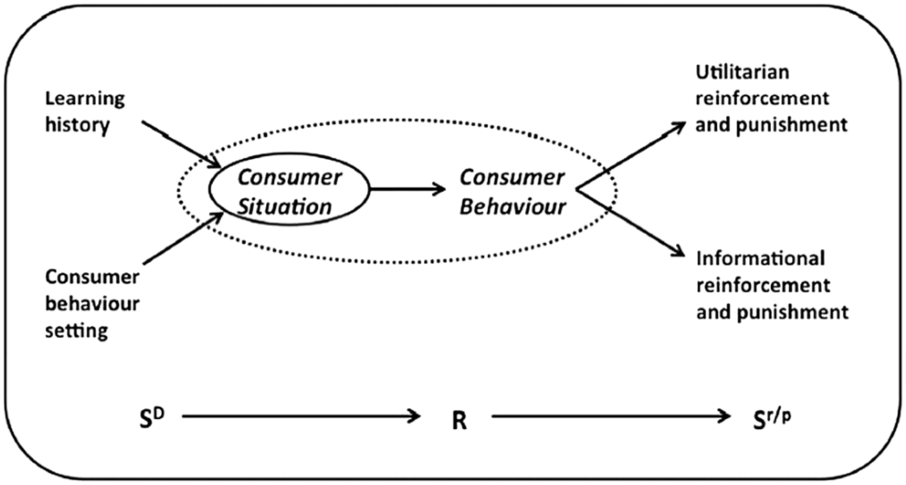
$$\boldsymbol{S^D \longrightarrow R \longrightarrow S^{R/P}}$$

The paradigm in Figure 2 is included into the Behavioral Perspective model (BPM) foreseeing and interpreting consumer behavior in each economic setting (Foxall, 2018).

The BPM shown in Figure 3 exposes the relative importance of both the learning history of the consumer and the setting in which the behavior occurs. These factors combined corresponding to the environmental influence on the consumer situation: the learning history being the pattern of reinforcement previously experienced, and the setting being the current ***S^D*** discriminative stimuli in use (Vella & Foxall, 2011). To the right, the consequences of the behavior are classified as reinforcing or punishing under two categories, utilitarian and informational. Utilitarian consequences are the ones related to owning or using a good or service while informational consequences are related to the social and/or symbolic consumption (Foxall, 2018). The marketing firm will influence the consumer's setting and the utilitarian and informational consequences via its marketing operations, as we will see further.

Figure 3 Behavioral Perspective Model

Behavioral Perspective Model (Foxall, 2018)


Learning history
Consumer behaviour setting
Consumer Situation
Consumer Behaviour
Utilitarian reinforcement and punishment
Informational reinforcement and punishment
S^D
R
$S^{r/p}$

4.2 Corporate Behavior Analysis

The firm must display effective marketing management to influence consumer behavior. For instance, by using various marketing mixes (price, product, place, promotion/communication) to impact the setting. Noteworthy, the setting can either be close or open according to the number of ways the consumer can act (Foxall, 1999). The degree of openness is controlled in part by how the marketers' influence restrains the scope of actions possible for the consumer (Foxall, 2018; Vella & Foxall, 2011). Yet, to be a marketing firm, it is not enough that the business strategically utilize control over the setting. It is crucial that the higher management engage fully in a customer-oriented strategy to guide all the employees' actions (Foxall, 2018).

Three main marketing operations and tasks identify the customer-oriented firm. First, the gathering of marketing intelligence and its analysis, to understand which segment of the market to target and how to do it in a profitable way. Usually, this consists in acquiring knowledge about customers and their behavior to build the appropriate marketing mix for each segment. Second, at the heart of the corporate behavior is the marketing strategy determined by the senior management. That is answering the fundamental questions about the business core and its desired future positioning, based on the previous analysis. Third, delivering the proper product to the right customer via marketing mix management, according to the firm’s strategy. Thus, changing the behavior setting and using utilitarian and informational reinforcement to influence the purchase (Foxall, 2018; Vella & Foxall, 2011). Although in the context of B2B relations, there is another type of exchange to consider.

As Foxall (2018) suggests, it is almost impossible to assure the success of the marketing relations without sustainable long-term association among firms. In effect, a sensible part of the intra/extra-firm exchanges happening are characterized by the fact that they do not involve economic or marketing exchanges, what Foxall calls mutuality relationships (Foxall, 2018).

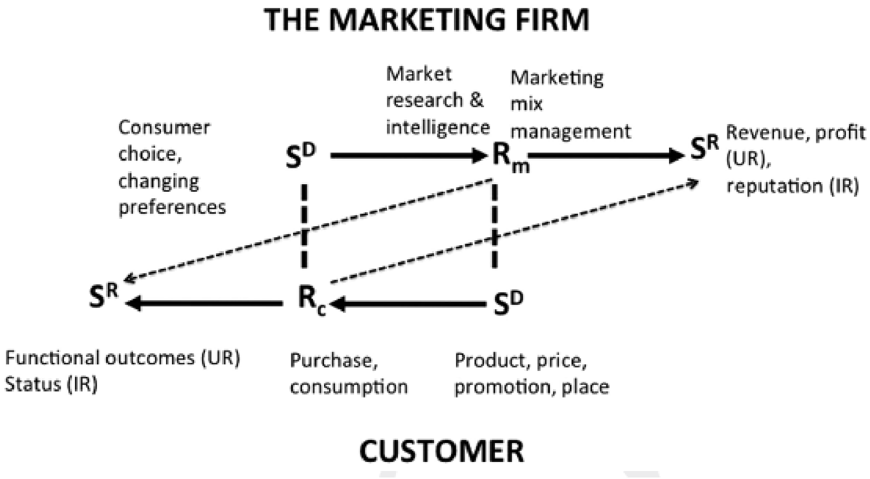
Simultaneously, the success of the marketing operations needs to be measured or at least evaluated over the traditional transaction-cost analysis dear to pure economic approaches (Foxall, 2018). The ways to measure marketing and mutuality relations are trough bilateral contingencies, that is how each parties influence each other via a series of transactions restricting the scope of the setting and using a set of utilitarian and informational reinforcement (Foxall, 2018; Vella & Foxall, 2011). The next section describes the mechanism of the bilateral contingencies in depth.

4.3 Bilateral Contingency Model

“The marketing firm is that organization which responds to consumer choice in ways that satisfy both customer requirements and corporate financial goals” (Foxall, 2018, p. 382). Foxall (2018) summarizes the context-bound situation of the firm, where consumer choice and changing preferences influence the firm's behavior S^D. Ultimately, the relationships between the marketing firm and its customers consist of exchanges conceptualized in terms of bilateral contingencies (Foxall, 1999). Figure 4 depicts the array of bilateral contingencies in the TMF (Foxall, 1999, 2018) that is used in this research to enquire into the relationships between Icelandair and its corporate customers.

Figure 4 Bilateral Contingency Model

Bilateral Contingency Model (Foxall, 2018, p.386)

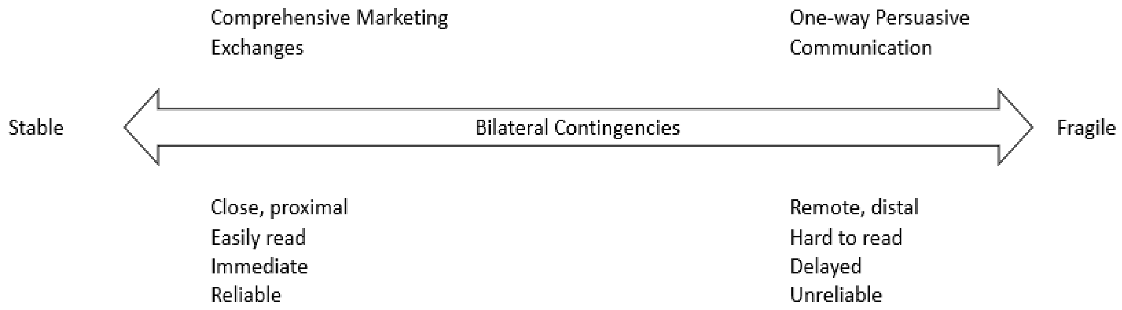

THE MARKETING FIRM
Market research & intelligence
Marketing mix management
Consumer choice, changing preferences
S^D
R_m
S^R
Revenue, profit (UR), reputation (IR)
S^R
R_c
S^D
Functional outcomes (UR)
Status (IR)
Purchase, consumption
Product, price, promotion, place
CUSTOMER

The responsibility of the firm is to implement a marketing mix that will satisfy the customer in a profitable way to the firm, accordingly to the intelligence collected. The elements of the marketing mix generated by the managerial behaviour R_m act as a discriminative stimuli S^D for the customer that browse, purchase, or consume R_c (customer's response). Behavior which in turn generates feedback to the firm in the form of discriminative stimuli S^D for planning future marketing activities. The feedback also complements the market research and intelligence activities. Most important, the customer behaviour generates profits ***UR*** and reputation ***IR*** for the firm and for her, that will decide if the consumption will be renewed or not (Foxall, 1999, 2018; Vella & Foxall, 2011).

In addition, Foxall (2018) qualifies the type of Bilateral Contingencies that can occur as either symmetrical or asymmetrical and placed them on an axis as either stable or fragile. The stability of the bilateral contingencies refers to the extent of how comprehensive and transparent the marketing mix is. For example, by using reliable and easily readable marketing mixes, the most stable the bilateral contingencies between the marketer and the customer should be (Figure 5). On the other hand, the abuse of one-way persuasive communication and hard to read strategies generate fragile bilateral contingencies.

Figure 5 Continuum of stable-fragile bilateral contingencies

Continuum of stable-fragile bilateral contingencies (Foxall, 2018, p. 393)



The above applies to relations between firms, being determined by the extent each party considers each other's behavior to create and implement their marketing mixes. The more strategic marketing plans integrate the other's behavior, the more symmetrical the contingencies are. For instance, there could be extensive exchange of marketing strategies and intelligence between the firms leading to sustained relationships (Foxall, 2018).

In sum, by using strategic marketing transactions with its customers, either other firms or end-customers, where stable bilateral contingencies are privileged, the more likely the firm is to perinate (Foxall, 2018; Vella & Foxall, 2011).

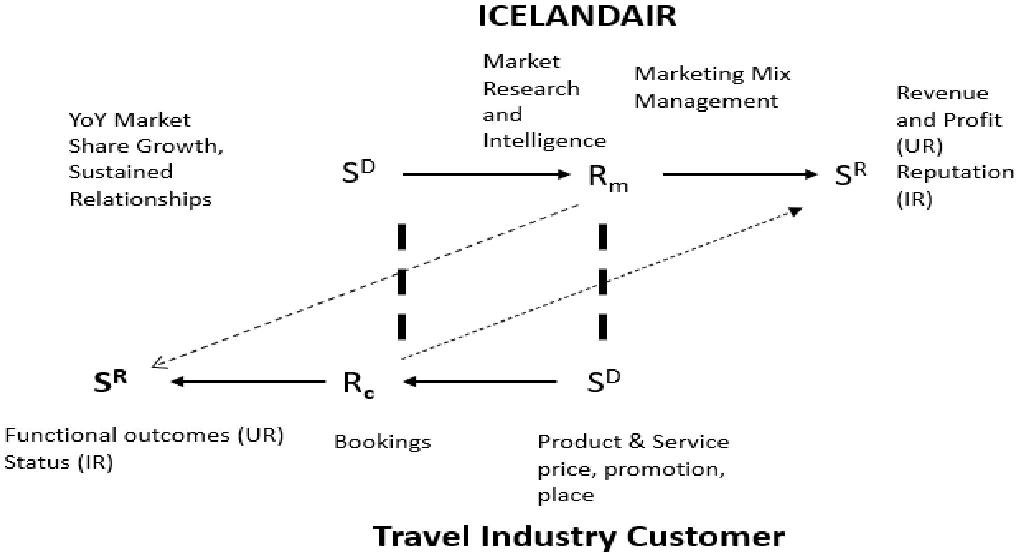
4.4 Applying the Theory of the Marketing Firm

The TMF and the Bilateral Contingency model are here adapted to understand the exchanges in the context of Icelandair's relationships with its corporate customers. Figure 6 shows the Bilateral Contingency framework applied to Icelandair and the corporate customer-firm exchanges are described below.

In this case, the consumer choice's and changing preferences are understood in terms of year-over-year growth, returning rate and sustainable relationships and serve as $\boldsymbol{S^D}$ for the firm. In turn Icelandair offers various products $\boldsymbol{R_m}$ to its travel industry customers, e.g., discounted fares on specific products, incentives, promotions, and a dedicated customer support service. These are offered via the marketing mix. The customer browses these options $\boldsymbol{S^D}$ and makes a choice $\boldsymbol{R_c}$ that has rewarding or aversive consequences for her ***UR/IR***. In the case of travel agencies and tour operator it means satisfied/dissatisfied and/or returning customers that translates in increased/decreased sales and business with the airline year over year. This feedback closes the loop and acts as discriminative stimuli S^D for the airline to adapt its marketing offer to travel partners.

Figure 6 Bilateral Contingencies Model applied to Icelandair

Bilateral Contingencies Model applied to Icelandair


ICELANDAIR
Market Research and Intelligence
Marketing Mix Management
YoY Market Share Growth, Sustained Relationships
S^D
R_m
S^R
Revenue and Profit (UR) Reputation (IR)
S^R
R_c
S^D
Functional outcomes (UR) Status (IR)
Bookings
Product & Service price, promotion, place
Travel Industry Customer

As stated previously in this research, Icelandair's travel industry customers have been a significant part of their success and played a role in its growth. To explain further how the airlines engage relationships with them, the TMF proposed by Foxall (1999) is chosen in this research. The theory provides an ideal framework to portrait the consequences of corporate consumers behaviour while giving clues to management to respond. In addition, as suggested by Foxall (2018), the symmetrical bilateral contingencies developed between the firm and its corporate customer are instrumental in building long-term relationships that are profitable for both parties, thus the importance of understanding precisely how these relationships works. At the knowledge of the author, few papers use the TMF to understand the bilateral contingencies between the firm and its customers in the airline industry, while none focuses on the B2B type relations exclusively (Sigurdsson et al., 2020; Vella & Foxall, 2011). Therefore, this research will contribute to the existing literature on the TMF through the firm-corporate consumers relations and provide the airline marketing management intelligence.

The next chapter, Study 1, examines the firm-corporate consumers marketing relations as seen from key actors at Icelandair. But before, a brief review of what is included in marketing mix management, put in the context of the air travel market, is found in the below section.

4.5 Marketing Mix Management

The marketing mix management concerns applying the corporate strategic goals. It is a holistic plan designed to meet consumers needs profitably and includes at least the “4 Ps”: product, price, promotion, and place (Foxall, 1999, 2018). The following paragraphs explain broadly what those are in the context of this research.

The *product* sold by the airline goes over a seat space on a specific route. It is in fact a constellation of services sold a-la-carte or bundled to satisfied customer’s needs, for example, the trip duration, number of stops, baggage allowance, safety aspects, comfort, etc. As it can only be appraised via experience, the marketing communication should be clear on setting expectations that reflects the actual service (Driver, 2001). That is also where a travel agent's experience or knowledge of the product can be reassuring for the customers they serve. In the context of this study the product bundle offered by the airline to the travel trade consist of course of the product the latter can sell to their end-customer, but mostly of the incentives and level of service the travel professional can expect for their sale.

The *price* aspect of the service for the end-customer concerns the class of service expected, the flexibility associated with the ticket, how far in advance it was purchased from the departure date and sometime personal characteristics such as age. Pricing is deemed complex as it fluctuates in time, it is influenced by costs and other players in the market, the type of customers on the route, and so on (Driver, 2001). For the travel trade, it includes discounted or exclusive fares, either valid all year or for a shorter promotion, sometimes instant commissions but mostly incentives on volume of sales year-over-year for bigger account as we will see in Study 1.

The *promotion* or *communication* part of the marketing mix is done via a multitude of channels and is intricately linked to the place where it occurs. The communications method varies, many audiences can be reached through many channels as types of promotion are good for a certain segment but not for others (Wright, 2004). For instance, airlines use strong brand imagery and promote their services via storytelling advertisement and sponsorships, but they need more specific campaigns to reach travel trade professionals.

The *place* aspect of the marketing mix is where communication starts. Airlines tend to use both traditional and digital channels to do reach their targeted segments and gain exposure. In this research where the travel trade professionals are the targeted consumers, digital means are used via the GDSs and online seminars, besides more traditional exposure at travel exhibitions and fairs.

Overall, the management of every element of the marketing mix makes the firm's behavior predictable for the customer (Foxall, 2018).

5. Study 1 Icelandair's Marketing Mix Management: Interviews with Keys Actors

5.1 Introduction

The main goal of this study was to gain insight into the marketing mix management and corporate strategies applied by the airline in their relations with a specific segment of the travel trade, which comprises travel agents and tour operators. The research question addressed in this section is *how Icelandair manages the marketing mix and its mutuality relations with travel agents and tour operators, and should it be improved*? Interviews were conducted to collect insiders' perspectives on the importance of the factors influencing successful relationships with the segment in question and to uncover the gaps, if any, to suggest improvements. Besides, the results of this study were used to elaborate the Study 2's questionnaire and both studies' outcome will be compared in Chapter 7.

5.2 Method

This section outlines the research design, the sample selection, and the data collection and analysis.

5.2.1 Research design

The main purpose of the study is to understand which elements of the bilateral contingencies are the most important for the participants while using indicators such as frequency and emphasis in the discourse instead of numerated scales. In those moments, the researcher becomes the main tool of analysis (Merriam, 2015). A basic qualitative design was selected, and as in most constructivist qualitative studies the focus is on the meaning the participants gave to their experiences (Merriam, 2015). Additionally, although the participants are from the same organization, their realities are ultimately context-bound. In this case, because they work in various areas and cultures in the Occident, and by the expansive latitude they have in managing the airline relations with the trade in their respective regions. Thus, the basic qualitive design was deemed the most appropriate to deal with all the ambiguity that could arise in several ways to respond to the questions in this research.

According to Daniels and Cannice (2004) interview-based research is relevant "when there is a small population of possible respondents" (p.186) which applies when the target population is a company, in this case Icelandair. Semi-structured interviews were used by the author to collect the data. The flexibility of this type of interview favors on the one hand, the usage of structured questions for the collection of the same information about each participant, such as years of experience. On the other hand, the flexibility of open-ended questions helps the research adapt the follow up questions to the interviewee's beliefs and perceptions (Merriam, 2015). Further, the interviews allow the researcher to discover underlying meaning in the data collected while creating an opportunity to open new channels and build durable rapports with the interviewee (Daniels & Cannice, 2004; Marschan-Piekkari, 2004). In this case the author was able to collect some data via a network of referrals from the original informant.

5.2.2 Sample Selection

A nonprobability purposive sample was established to gain the most insights into marketing mix management (Merriam, 2015). As mentioned above, the snowball effect characterizes this purposive sample. Using the criterion experience in relations with the travel trade and oversight of strategic decisions, middle managers were targeted. Middle managers are also seen as connecting leaders (Jaser, 2021). In addition, as suggested by Macdonald and Hellgren (2004), middle and junior managers are to be preferred as top managers when the purpose of the research concerns specific subjects since they usually possess more detailed knowledge and insight. Furthermore, middle manager's strategic sensemaking and practical influence upwards and downwards is not to neglect when studying change and strategies implementation (Heyden et al., 2017; Rouleau & Balogun, 2011). In effect, middle managers are further seen as strategist as the research regarding implementing strategies now expands beyond top management (Jansen Van Rensburg et al., 2014). In that regard, as the TMF underlines the importance of generating the right marketing mix through strategic decisions, middle managers have been interviewed for this research.

5.2.3 Participants

As mentioned above, the participants were chosen purposefully. The participants share the same or similar management title and responsibilities. The targeted managers are responsible for deciding and applying the marketing strategies in their respective regions while following broader network strategies. The sample size is four, which represents 80% of the managers in the same position at Icelandair. Due to respect for their privacy, the participants will not be named, therefore a letter has been assigned in place of their names.

Before each interview, the participants received an email briefly stating the purpose of the research and the type of questions that could be asked. After the first interview, an estimate of the duration of the interview was also sent to future participants. Table 1 gives an overview of the participants; in the order they were interviewed. The experience years refers to their overall tourism years of experience, not as managers.

Table 1 Overview of the participants

Overview of the participants

Interview	Gender	Experience	Nationality	Residence
A	Male	7	Icelandic	United States
B	Male	21	British	Great Britain
C	Female	30	Icelandic	Iceland
D	Male	22	German	Germany

5.2.4 Data Collection

The interviews took place between August 26 and October 8, 2021, in English. They were conducted online, using the application Teams, due partly to Covid-related restrictions and partly to geographical limitations between the author and the participants. All the interviews were recorded with both audio and video. The recordings were then transcribed verbatim by the author for data analysis purposes. Noteworthy, a pilot interview was conducted beforehand with a colleague and that procedure allowed the author to adapt the interview. The testing led to narrow down the scope of the questionnaire and gain confidence in using probing questions. A frame can be found in Appendix B.

5.2.5 Setting and Observation

The setting was the author's home office space and for the interviewee some were at home and some at their office. Most of the interviews took place during working days hours. There were no disruptions during any of the interviews, each during approximately 30 minutes. All participants were amicable and showed cordiality towards the author. For each interview, observations were made on the tone of voice, pause words, and other non-verbal behaviors. Overall, the participants showed passion and have compelling opinions about the subjects discussed.

5.2.6 Coding

The elaboration of the coding was done with both the bilateral contingencies, as found in The Marketing Firm Theory, and the *Continuum of stable-fragile* bilateral contingencies in mind (Foxall, 2018). The main themes are related to the objectives of this research and underline the importance of the various elements of the marketing mix via utilitarian and informational reinforcement and the mutuality or non-exchange relationships for the participants. The coding was elaborated and improved during the collection of the data with the research question in mind. The process included both inductive and comparative analysis, where coding was refined in going over the transcripts numerous times (Merriam, 2015). Further interpretation and finding are discussed in the next section.

Table 2 Overview of the themes and subthemes

Overview of the themes and subthemes

Theme	Subthemes			
Marketing Mix	Product & Service	Price	Communication	Place
Marketing Intelligence				
Utilitarian and Informational Reinforcement	Revenue	Reputation		
Mutuality/Relationships	Communication	Human factor		

5.3 Findings and Discussion

To begin, the findings are divided between the themes to answer the research question. The themes are closely related to the bilateral contingencies as found in the TMF and an additional theme is related to mutuality exchanges. Overall, they represent broadly the range of marketing and mutuality exchanges happening in the B2B relationship (Vella & Foxall, 2011). The last part concerns the sub-question regarding what can be done to improve relations and finally a discussion.

5.3.1 Results

Marketing Mix

The Marketing Mix theme revealed four foreseeable subthemes: product and service, price, place (distribution) and promotion/communication corresponding to the tactical details of the marketing strategy (Kotler, 2016). Most of the subthemes in this category are mentioned by the participants, although with different emphasis.

Product and Service

Of Icelandair's product and service to the travel trade, the service offered is the most consistently recurring theme for the participants. All interviewees underlined the importance of personalized, fast, and quality service to the travel trade. "*Service is part of the strategy because it contributes to relationship and loyalty building"* (Participant A). Before 2018, no specific support was proposed to smaller agents causing delays and provided the firm with negative informational reinforcement *"they would just call the call center and maybe wait for an hour or two"* (Participant C). That year, Participant C developed and implemented the dedicated service as part of their management role. Afterwards, NPS-type surveys were sent to the trade and positive feedback was collected. Although it is well known that maintaining a sales and service force dedicated to agents is costly, there is a strong belief that the human factor and the personalized service is an advantage for Icelandair. An advantage that cannot always be measured, but certainly felt by the participants, for instance when one manager declared: *"We win business over big carriers because of our service"* (Participant B).

As for the product, participants expanded their thoughts on it when linked to other strategies such as upsell enforcement, listing the elements of the air product by itself including ancillaries. Participant A and B mentioned the USP [unique selling proposition] and other product details that their team uses, while Participant C and D limited their observation on the service side. Participant A shared a known positive utilitarian reinforcement for the firm. Usually, the travel agents´ customers seek after a value-added product, for example the Saga class product, which leads to a higher yield. There is an incentive here for the firm to better inform the trade about the various products, specifically the value-added ones. Which turns the attention to a service or product directed to the travel trade that is not attended enough according to three of the four participants: education about the products.

One participant mentioned the existence of a travel agent portal that is not well known and would benefit from an upgrade. This was mentioned in two contexts. First, because this could alleviate a lot of undue requests to the support team. As told by Participant C *"we* *receive a lot of questions and demand* [from the customers] *that should be actioned by the travel agents themselves."* Second, it is known that the competition offers online agent portals where the agents can create bookings. Not having the same standard is perceived by the participant as a negative point for Icelandair. Simultaneously, this product's knowledge is intimately related to its communication or promotion as we will see later below.

Place (Distribution)

Selling of special travel trade fares happens via the GDSs and rarely with the assistance of a sales representative. Participant A resumes the firm's position: "*TA and TO are an important part of our distribution strategy."* Although he speaks for his region, this is a shared position by the respondents. Without entering in the mechanism of making these fares accessible to the correct audience via the Global Distribution Systems (GDSs), missed opportunities were identified by Participant C: *"We should have an agent portal where agents can sell services." "If we had a portal where you can book yourself, we could upsell.*" In sum, the participants understand that GDSs systems, the main place to sell their products, have flaws that hinder the airline capacity to differentiate the products and sell unbundled services (Bingemer, 2018).

Some participants mentioned being aware of the competition and worried. For them distributing the product and making sure it is easy for the trade to book it is crucial: "*If you make their life complicated, they will go to another carrier"* (Participant B). Participant B quotes here an example of negative utilitarian reinforcement that can deter the bilateral contingencies. Indeed, if the travel agents encounter problems while booking, their behavior risks to be affected negatively by that experience and the behavior not repeated.

Communication

Communication about the product itself and communication related to promotion are important hurdles for the participants. Being a *"small airline in a big pond"* (Participant B) most interviewees shared the need to sustainably expose the brand and the product as a key pilar in their strategy. For instance, visibility at trade events is important: "*We show up at trade shows, conferences, and other events to increase brand awareness, route network and product* [knowledge]" (Participant A). Managers also talked about the organization of "*fam trips or educational"* trips. Familiarization trips are a customary practice in the travel industry. These trips for the travel trade are organized by product suppliers, countries or even tourism board to promote a destination. They target a specific audience that is seen as important to disseminate the knowledge about a destination or influence the choice of a product (Singh Kaurav & Sharma, 2017). For the managers, that practice is a staple to communicate their offer, as it involves experiencing the product.

Participant D was passionate about sharing the opportunity he sees in developing business with the travel trade in his market. He observed that branding the airline as the expert in the destination could have a major influence on sales. He reported an anecdote that happened to him recently to support that statement along with highlighting the need for educating people in the industry:

> *"I had a meeting today and a colleague [of the travel industry] was thinking to go, with the little one, I think two years old, to Lapland. She was thinking out loud, maybe it is too cold for them? And I said have you thought about going to Iceland? It is three and a half hours flight away. And she said I did not know. People just don't know how quick of a flight we are, people don't know the temperature is mild, they don't know. It is also our task to educate the destination to them and then have the multi players effect and them to bring their customers to our flights".*

This example stresses the shared challenges faced by the managers to promote their product efficiently and broadly. Although they do not all agree that promoting the destination is without pitfalls:

> *"We need to make sure they are selling Icelandair, not Iceland as a destination, actually there is no guarantee that it ends up in Icelandair sales. It could be that passengers (...) choose EasyJet. So, this is not good investment for us in terms of marketing and sales."* (Participant B)

To escape the situation where promotion was not focused enough on their product, Icelandair enhanced the collaboration with its trade partners. For example, Participant A told: *"We provide them with creative and material that can help promote us."* With a similar objective, the firm changed its reward scheme over the years, as the price subtheme reveals.

Price and Incentives

This subtheme regroups the special pricing to the travel trade and the incentives associated with selling the airline products. Arguably being the heaviest attribute of the marketing mix, price sensitivity varies among the travel trade actors. Participant A sums it this way: *"TA and TO don't have the same price sensitivity."* Participant D traces a clear difference between the types of businesses. According to him, bigger accounts, mostly tour operators, will request service level agreements that include an incentive from the first ticket sold, mostly based on their capability to sell volume. Whereas smaller agencies, such as Iceland specialist, will ask for a greater support and service from the airline. Despite that, they might send ad-hoc requests for favors such as a discounted ticket in case of media trips, for example.

A recurrent preoccupation of the interviewees resides in finding ways to counter price sensitivity to avoid loss of market share across extremely competitive markets. As the industry did in the last decade, Icelandair moved away from the commission scheme (Bingemer, 2018; Özer & Phillips, 2012). Given that offering instant money returns to their partner did not prevent them switching to competition, a strategic decision was made to increase loyalty. Participant A and B describe it on these terms:

> "(…) *we offer them competitive or exclusive rates or incentives based on increased revenue year-on-year, so it is for them to drive the sale. They drive the sales; we reward them at the end of the year with a kickback scheme based on incremental revenues."* (Participant B)
>
> *"When we sat up with these accounts, we make sure that they work on their toes for selling us and we are making sure that we can help them grow their sales. We set up monthly calls with them where we share sales reports; we monitor the market shares."* (Participant A).

Overall, the managers' preferred way to maintain close relationships in the future is driven by a loyalty scheme, close communication, and monitoring the status of the revenues generated for each firm.

Marketing Intelligence

Surely, the marketing intelligence theme is not prominent in the conversations with the interviewees, yet worth mentioning for a few points. Firstly, it substantiates decisions affecting the whole organization's strategy. Second, for its importance in elaborating the marketing mix. Finally, in giving an edge to the firm in a competitive environment (Foxall, 2018). The participants touched upon two poles: intra-organizational usage and tactical usage of the intelligence.

At the organizational level, Participant D, with a lot of experience and knowledge about the industry, from both size of the aisle, expressed a desire to improve intra-firm alignment: *"the feeling we and the teams have is the trade is left behind."* In summary, that manager finds that the spending and communications are focused on the end-customers, the B2C. Besides, this manager mentioned the leading position of the indirect channels in his market, thus the reason to cater to their needs and for creating clearly defined strategies to increase sales via those channels.

On the tactical side, most managers mentioned in one form or another that they would like to react quickly to price changes in the market or when they get intelligence from their trade partners. They spend considerable amount of time building lasting relationships and when they need to use their social capital to get "insiders'" information, they want to make sure it has its worth. Similarly, Participant A, B and D gave examples of near-missed opportunities where they associate the cause with a lack of intra-firm alignment or at least unclear policies or processes. One participant explained that he followed the official channels, and due to lack of responsiveness and time constraint, ended up using discretionary spending to react. In his opinion, this should not have to be that way if clearer processes were defined.

Utilitarian and Informational Reinforcement

Keeping in mind that the utilitarian consequences (UR) are the ones related to owning or using a good or service while informational consequences (IR) are related to the social and/or symbolic consumption, some cases alluded to by the participants can be sorted. (Foxall, 2018). UR and IR can be either negative or positive, shaping consumers' response and the probability they repeat the consumption. During the interview, the participants gave good examples of both positive and negative UR and IR. Therefore, this short section captures UR and IR experience in return of marketing mixes implementation or action taken.

Two subthemes uncovered are reputation (IR) and revenue (UR) cues. On the revenue side, managers mentioned that they regularly survey the share of sales from these channels. For some substantial accounts, they would share sales results in monthly calls. The data available can be sorted down precisely to each agency. Managers are aware of their relative importance to the total revenues and their market share evolution year-over-year (positive UR) which act as levers to incite them to take care of this segment. Besides, the results are used to establish rewards amounts for the trade partners (positive UR).

This quote, from Participant B, "*Approachable, are known in the market, we are working with the trade* [compared to LCCs]" clearly expose that repeating the behaviour, that is sustaining lasting business relationships with the trade, is rewarding, being a positive IR. Moreover, they sometime get gratuitous intelligence about the competition from their trade partners. Participant B mentioned being warned by the trade that a new competitor was trying to establish communications channels with them. The source reassured the manager about their intention. This kind of exchange surely acts as a positive UR to pursue the relation.

Obviously, in any relations there is a learning curve and not every initiative by the sales force has been successful. Participant A mentioned a patent example of a negative UR when he said: "*We participated in different events where few leads or no lead were generated at all.*" They responded by adjusting their behavior and avoided a certain type of corporate events.

Non-Marketing or Mutuality Relationships

The TMF framework implies that human relationships and emotional consequences have significant importance in B2B transaction analysis, what Foxall calls "mutuality relationships" in intra-firm exchanges (Foxall, 2018; Vella & Foxall, 2011). The difference in these relations essentially relies on the fact that they do not involve economic or marketing exchanges (Foxall, 2018). The participants' discourse distinctly shows that they think so too:

> *"It is 80% personality and just 20% product." "We have good and very long relations with the trade and our different accounts." "The ultimate goal is to have a trustworthy relationship." "They* [the travel agents] *value a lot having a contact person that they know and trust in the firm."*

The value/ mechanism of maintaining good relationships is expressed in diverse ways by the participants. Two main subthemes attest to the quality of the relations, that is the communications and the human factor.

Communication between the firms is a crucial factor in determining the quality of business relations. Managers spoke in terms of quantity and quality of the collaborations in their interviews. For instance, Participants A, B and D mentioned regular calls with their partners, at least monthly. Keeping the communication line open seems to be a key point for all the managers, especially because they all speak with pride of their service team dedicated to travel agents. Likewise, Participant B sums a key strategy relying on the quality of the collaborations: "*We align our marketing and sales actions with those of the trade*." From insights they provide, they think it is essential to plan expenditures in advance and align the various seasonal promotions to increase the synergy between the businesses. As for the managers, instead of relying on ad-hoc actions, this way of doing things increases efficiency and the likelihood of gaining market share.

Similarly, the managers all named interpersonal qualities that are underlying the success of exchanges and literally expressed the necessity of the keeping the "human touch" to ensure the perennity and edge of the business model. This point of view is also shared by the trade as we will see in the next study.

Improvements Suggested

The managers were asked their opinion on improvement and how they see the trade relations evolving in the future. The responses touched various aspects of the business, however all insisted on keeping these relations rich in human interactions and on improving communication channels.

Mutuality relationships are powerful tools in this B2B context. Every participant mentioned the necessity to show flexibility and empathy. In addition, cooperating closely and maintaining cordial communication are essential. Besides, marketing relations involving exchanges are not to be ignored: “[We need to] *Look at their needs more holistically because our distribution system is complicated”* (Participant A). When saying this, Participants A highlights the need to improve tools and processes to respond adequately when issues arise.

Other key suggestions reside in the capacity to cater to numerous small agents in improving the diffusion of knowledge about the product. Participant C was preoccupied with home-based agents [self-employed] and agents employed by Online Travel Agencies (OTAs). The solution for that manager resides in the travel agent portal becoming as close as possible to a one-stop self-service tool. Whereas Participant D suggests increasing out of the beaten track activities, that is bonifying the offer to the travel trade, to stay ahead of the competition. That manager was not as preoccupied as others about the ability of their team to handle the service and requests.

5.3.2 Discussion

This discussion section is brief and summarizes the key points of the findings. A longer discussion section will be part of a later chapter to compare findings in this study and Study 2.

One significant outcome underlined by some participants resides in Icelandair’s capability to maintain the competition at bay and retain its market share by having strong relations with the trade. Participant B is convinced that the carriers that have been supportive of the trade will come out better of the pandemic-related crisis. Consequently, it is not surprising to find that throughout Icelandair markets, the marketing mix addressed to its travel trade partner emphasis is put on the service. Similarly, the firm seems to have reacted promptly to its business customers' changing needs in this time of crisis, reacting to the feedback it gets from them.

Although the distribution seems to be the most significant challenge, one may think that the business relations between the airlines and the trade were moving further online, even towards automation. Yet since the pandemic, according to the participants, the magnitude of personalized interactions via the service platforms increased. Parallelly, the need to possess performant distributions and communications tools is not to neglect. This being necessary to find the balance between creating and retaining a customer while remaining profitable (Vella & Foxall, 2011). For example, the participants underline the need to reach further and educate the trade about the product, specifically smaller agencies that do not entertain personal communications with the firm. However, doing it can be very costly for the firm if it relies solely on human interactions, thus the suggestion made by a manager to find complementary automation.

What remains unclear is to understand to which extent travel agents express the need for personalized service and mutuality exchanges in comparison to other factors comprised in the marketing mix. Therefore, the next study asked travel trade professionals about the marketing and non-marketing relations they have with the airline and what they expect from it.

6. Study 2 Travel Trade Preferences

6.1 Introduction

In the context of the massive disruption brough up by the Covid-19 pandemic, the purpose of this study is to answer the research question: *Which are the key elements in the marketing and non-marketing relations that airlines should focus on to appeal to the travel trade?* The participants in study 1 seemed to have a good sense of what these elements would be, but some uncertainty remains regarding the future of the distribution channels and the personalization of the service offering. Thus, a survey including a choice-based conjoint analysis design was elaborated. The main topic is the marketing mix with focus on the distribution channels; supplementary questions targeting the non-marketing relations were added as a secondary focus. The author then coded the data using SPSS statistic software to analyze the data using descriptive statistics and independent samples t-test.

6.2 Choice-Based Conjoint Analysis

Marketers are using conjoint analysis to gather insight on consumer preferences as well to predict the success of a particular product or service design (Hooley, 1999). This type of analysis is also used in research in various fields such as transportation or psychology (Halme & Kallio, 2011; Hooley, 1999). The preference-measurement tool decomposes the product or service in a certain number of characteristics, named attributes. These attributes are then defined in several levels (Green & Srinivasan, 1990; Hooley, 1999; Orme, 2002). Overall, the conjoint analysis basically assumes that the consumers considering a choice will put a value or utility on each attributes' level (Orme, 2002). That value will be uncovered by analysis of the part worth utilities or number given to each level following the completion of a choice-based conjoint (CBC) questionnaire (Hooley, 1999). The CBC asks the participants to make a choice amongst hypothetical scenarios where the attributes' levels are mix-and-matched randomly, placing them momentarily in a position where trade-offs are to be made. The choices made in these circumstances will reveal the real importance of each level and attributes. The aggregation of the utility scores will help the researcher to rank the true importance of the attributes and the levels for the respondents (Hooley, 1999; Orme, 2002). These rankings should help the author determine the importance of the elements identified in study 1 and the consequences of the travel trade partners' preferences in relation to the TMF elements.

6.3 Method

6.3.1 Attributes and levels

To identify appropriate attributes and levels for the CBC, various sources were used. As suggested in the conjoint analysis research body, the challenge in designing a CBC resides in selecting the proper attributes and number of levels that fit with the customers preferences and are not overwhelming in their scope (Green & Srinivasan, 1978). In addition to the interviews conducted in Study 1, other Icelandair product and customers specialists were consulted as well as secondary documentation. Moreover, an interview with a key player from the travel trade that manages relations with airlines for various brands (tours and specialty travel agents) gave valuable insights to the author.

Noteworthy, although participants mentioned the human qualities essential in maintaining cordial professional relationships, no attribute was designed with that specific objective as the participants in this study do not necessarily have privileged relations with a singular employee of the firm. The service attribute was then designed to include several types of service platform and an open-ended question added to the questionnaire. Table 3 summarizes the attributes and levels which will be described in detail below.

Table 3 Attributes and levels for the conjoint analysis survey

Attributes and levels for the conjoint analysis survey

Attribute name	Attribute description	Levels

Service	Introduces the types of service support the travel trade may expect	Online chat support Email support Phone support No dedicated
Incentives	Shows motivation to select the airline as a provider	Exclusive Price Incentive Scheme Rewarding Volume of Sales Commission on each sale Shared Marketing Costs
Distribution	Introduces the types of distribution for the product	GDSs Airline´s Travel Portal Airline´s Website Airline´s Sales Representative
Product	Introduces the type of cabins in the aircraft	Economy Cabin only Economy and Premium Cabins only Economy, Premium and Business Cabins

Attribute 1: Service

According to the participants in Study 1, the service to the travel trade often happens as an after-sale service or support. A certain percentage of the business customers would reach the airline to obtain support for the purpose of solving a problem related to the issuance or change of tickets and/or ancillaries’ services. Icelandair products are, has many airlines products, complicated to manage due to all the regulatory conditions attached to it, which can make the life of small and big travel agents complicated. Therefore, the levels chosen were degrees of support to the travel trade professional: (a) online chat support; (b) email support; (c) phone support; (d) no dedicated support. Although Icelandair is currently offering both email and phone support dedicated to the travel trade, airlines services differ in their combination of support or even not offering dedicated support for the travel trade at all. For instance, the LCCs being known not to have support for the travel trade professionals. This attribute also has its importance from a management perspective, specifically when weighing the costs of keeping a heavily human resource-driven service versus automation of such services.

Attribute 2: Incentives

In the competitive landscape of B2B relations, the attribute level incentive expresses the variable "price" of the marketing mix. The type of incentives offered by the airlines to their travel partners directly influence the scale of the remuneration they get, hence motivation to purchase the airline products. Together with the service fees they charge to their end-customers, the partners can bonify their profits if they are part of a commercial agreement giving them incentive remuneration. These advantages have different attraction power regarding the type of business conducted by the participants, yet the levels were chosen to include the context of long-term associations. Further, in B2B markets the positioning should be based on rational criteria (Wright, 2004). Thus, the incentives chosen are part of the positioning the firm adopts in its market. The levels are (a) exclusive price: (b) incentive scheme regarding volume of sales; (c) commission on each sale; and (d) shared marketing costs.

Attribute 3: Distribution/Place

As seen in Study 1, the distribution mode, or the place the travel partners are acquiring the product or service from the airlines is core to any marketing mix, and it has been crucial part of Icelandair's growth in the last century. Above website and travel agent portals, the GDSs are the most valuable tool, measured in sales volume, to bring their product to their travel trade partners. GDSs are also costly, and airlines want to know through which ones they reach their business partners, but also the ones they prefer. Additional questions regarding the GDS brand was added to the survey. Yet, for Icelandair to notice if the travel trade is moving away from GDSs, the levels chosen for the distribution attribute were (a) GDSs; (b) Airline´s Travel Portal; (c) Airline´s Website; (d) Airline´s Travel Representative.

Attribute 4: Product

The attribute product consists of the type of cabins in the aircraft. This attribute was chosen mostly from insights collected by the author, the trends seen recently in transatlantic travel as well in aircraft innovations. Firstly, there has been a halt to business travel since the beginning of the Covid-19 pandemic and most forecasts include a decline of demand for many years to come (Caputo et al., 2021; Patel, 2021). Second, as airlines need to decide on a fleet strategy plan well ahead for production planning amongst other reasons, knowing the market trends is unvaluable. For instance, numerous European corporations have internal guidelines that do not allow their middle managers to book a business class seat aside from premium economy. Thirdly, the new narrow body aircraft generation allows airlines to fly further for less fuel consumption making appealing for more airlines to operate on a model like Icelandair´s (Grimme et al., 2021). Consequently, as the narrow bodies are still quite smaller than a wide body, pushing airlines to maximize the number of seats in each aircraft. Nevertheless, a global tendency to luxury spending (Van Dam & Long, 2021) could find some managers to think that the like product of business class is not obsolete yet. Thus, the level for this attribute were (a) Economy Cabin; (b) Economy and Premium Cabin; (c) Economy, Premium and Business Cabin.

In addition to the CBC, ranking questions addressed the distribution methods. Another question focused on the views of the participants on the future of relations, asking them to rank a few aspects on a Likert scale. Finally, an open-ended question focused on actual relations.

6.3.2 Participants and sample

The survey and CBC tasks were sent electronically to collect the data from a total of 908 participants. The participants were targeted through a newsletter sent to an email list owned by Icelandair. The email database was built from the team North America’s industry contacts that have consented to received marketing communication from the airline. The participants had the opportunity to click a link in the newsletter directing them to the survey. At any given time, the participants could opt out of the survey, still an incentive (possibility to enter a draw) was proposed to facilitate a higher response rate.

Various theories justify the reasoning behind the heuristics leading to decide to participate in surveys (Dillman, 2000; Groves, 2006; Groves & Peytcheva, 2008; Han et al., 2009). Ranging from social exchange theory to the concept of commitment, most of the theories developed to understand response rate to surveys are trying to explain the reward/cost dilemma faced by the respondents (Han et al., 2009). Han et al. (2009) suggests that tangible or intangible incentives are not often mentioned as a reason to justify the response rate or participation. Despite that, research concerning survey best practices offers different views regarding incentives (Laguilles et al., 2011). Thus, the decision to propose a prize was taken in the context of maximizing the perceived reward/cost ratio for the participants (Han et al., 2009; Laguilles et al., 2011). The risk of diluting the quality of the response was perceived as low by the author as the sample was targeted. In practice, the closing text of the survey contained a code word that the participants could send to the author to enter the draw sponsored by Icelandair.

The sample was adjusted to exclude the incomplete surveys. The link was sent via Icelandair's North America travel trade contacts mailing list; thus, the expected residence countries were limited. Table 4 shows that the vast majority of respondent 81% were living in the USA, and 18% in Canada. The gender divide is unbalanced between female, 76.9% and males 22.4%. Most of the participants are sitting between 55-64 of age with the mean (5.71) and median (6) respectively in categories 45-54 and 55-64 years old. This is consistent with existing statistics in the USA, where there is majority of women in the travel trade industry with 79% of all travel agents and a median age of 53 (U.S. Bureau of Labor Statistics, 2021). On the point of the type of travel taken by their customers, leisure-type travel is the most common answer; 70.7% of the participants stating that the leisure segment was their core business, 20.3% including both leisure and business clientele and 9% having mostly business customers.

Table 4 Demographic profile of CBC survey participants

Demographic profile of CBC survey participants

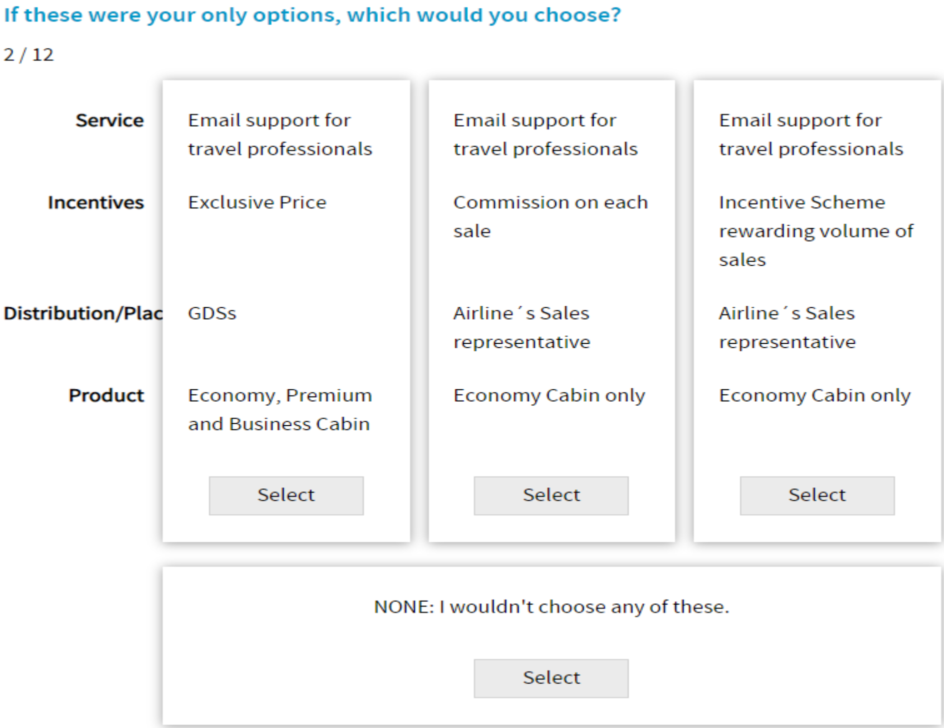
Variable	*n*	Percentage of total
Gender		
Female	698	76.9%
Male	203	22.4%
Non-binary/Other	1	0.1%
Do not wish to answer	6	0.7%
Age		
18-24	3	0%
25-34	47	5%
35-44	95	10%
45-54	189	21%
55-64	316	35%
65 and older	246	27%
Do not wish to answer	12	1%
Country of residence		
USA	737	81%
Canada	159	18%
UK	1	0%
Other countries in Europe	2	0%
Other	9	1%
Customer type		
Mostly leisure	642	70.7%
Mostly business	82	9.0%
Both types	184	20.3%

6.3.3 Measures

The CBC experiment was created using Sawtooth's survey creation software Discovery which contains features for producing and analyzing surveys. Ahead of launch the survey was tested on a dozen individuals within Icelandair having a knowledge of the industry terms. Minor adjustments were made to the survey, which was tested again. The questionnaire was split into parts. The first one consisting of demographic or background questions, followed by stated preference regarding distribution. Then the CBC questions and tasks, *n=12,* and finally questions related to the quality and future of relations between the airlines and the travel trade. Figure 7 shows an example of CBC's tasks.

Figure 7 Sample from the CBC tasks

Sample from the CBC tasks



If these were your only options, which would you choose?

2 / 12

Service	Email support for travel professionals	Email support for travel professionals	Email support for travel professionals
Incentives	Exclusive Price	Commission on each sale	Incentive Scheme rewarding volume of sales
Distribution/Plac	GDSs	Airline´s Sales representative	Airline´s Sales representative
Product	Economy, Premium and Business Cabin	Economy Cabin only	Economy Cabin only

NONE: I wouldn't choose any of these.

The CBC tasks invariably included three options to choose from and a NONE option. Each option shows four attributes and one level for each of them.

6.3.4 Procedure

Participants entered the survey by clicking a link in the email they received. An initial email was sent and a reminder 6 days later. The survey's subject and objective, that is to investigate the exchanges between the travel trade and the airlines, were stated in the opening text. Mentioned was made that the survey remains anonymous and that it should not take more than 10 minutes to complete. The importance of trying to answer all questions was underlined, although it was possible to skip the one open-ended question. Finally, no debrief was made.

6.4 Results and Discussion

In this section the overall results of the survey and its specific CBC part are revealed and discussed briefly. Further discussion comparing the two studies within the frame of the TMF can be found in the next chapter.

6.4.1 CBC results

To analyze the CBC results, a Hierarchical Bayes (HB) estimation was used to calculate each attribute and level's utility score. Findings in Study 1 indicated that the marketing and mutuality relations between the firm and its business customers are intricate and multifaceted, thus the CBC scenarios are supported by these findings. Table 6 shows the average attributes importance, standard deviation, and the confidence interval, on both the lower and upper ends.

Table 5 Attribute importance, standard error, and confidence intervals

Attribute importance, standard error, and confidence intervals

Attribute name	Attribute importance	Standard Error	Lower 95% CI	Upper 95% CI
Service	31.28%	0.40%	30.50%	32.07%
Incentives	25.32%	0.39%	24.55%	26.09%
Distribution	19.16%	0.36%	18.45%	19.87%
Product	24.24%	0.40%	23.45%	25.03%

The participants in Study 1 clearly insisted on the service component of the business relations, thus that attribute should have a high importance, which we can effectively see in Table 6. Unsurprisingly, the relative importance of incentives and product are closely related; the former being a key positive utilitarian reinforcement in the bilateral contingencies between the firms and of course source of revenue. As for the product, it is closely related to the desire to satisfy the end-customer needs, which brings a positive reputation or informational reinforcement to the travel agent and the firm. Also, in line with study one, the distribution type has its importance, but is none the less relegated in last place. This is somewhat not unexpected as we saw that GDS are the most used technology regardless of their inherent flaws. Next, the software rated the levels within their attribute.

Table 6 shows the average utility scores for each marketing relation elements comprised in the CBC and the *None* option, which are discussed individually below.

Table 6 Conjoint average utilities for each attribute's levels

Conjoint average utilities for each attribute's levels

Attribute	Level	Utility	Standard Error
Service	No dedicated service for travel professionals	-70.60	1.18
	Email support for travel professionals	20.42	0.92
	Phone support for travel professionals	37.16	1.03
	Online chat support for travel professionals	13.02	0.97
Incentives	Exclusive Price	12.47	0.99
	Incentive Scheme rewarding volume of sales	-11.35	1.03
	Commission on each sale	39.35	1.11
	Shared marketing costs	-40.46	1.13
Distribution	GDSs	12.51	1.50
	Airline´s Travel Portal	-1.68	0.96
	Airline´s Website	-8.37	0.96
	Airline´s Sales representative	-2.47	0.95
Product	Economy Cabin only	-48.71	1.01
	Economy and Premium Cabin only	7.25	0.70
	Economy, Premium and Business Cabin	41.47	0.97
None Option		17.16	2.56

Service

The level with the highest utility score within the service attribute is the phone support for travel professionals with 37.16, followed by the email support 20.42, and chat support, 13.02, respectively. The level *no dedicated support for travel professionals* has the lowest utility score within the attribute, at -70.60. As the difference with any type of support and no support is great, this suggests that serious dissatisfaction can occur if no support is offered. Besides, the difference between the other levels suggests that the respondents' preferences lean towards more personalized support, which they feel they can get via a phone conversation and is consistent with findings from Study 1.

Incentives

Incentive scheme rewarding volume of sale, -11.35, and shared marketing costs, -40.46, had the lowest utility score within this attribute related to the price element of the marketing mix. The level with the highest utility score within the incentives attribute is the commission on each sale at 39.25 followed by exclusive prices at 12.45. Although the participants in study one explained to the author that their business model transitioned to rewards related to the volume of sale, the preference for instant reward could be justified by the sample demographics from the CBC. In effect, the scale of the business of the respondents, which they were not asked to reveal, could exclude them from volume-related commercial agreements. It is also a practice that was likely common at the beginning of a professional career for most of the respondents. A similar reasoning can be applied to shared marketing costs, the less preferred level. Logically, smaller businesses or home-based agents may express less attraction towards that type of reward strategy.

Distribution

The GDSs had the highest utility score in the distribution attribute, 12.51. The airline's travel portal, -1.68, the airline's sales representative, -2.47, and airline's website options. -8.37, were deemed less attractive in that respective order. This result seems to indicate that the advantages of the GDSs are accepted as better than any alternative option available on the market now. Further, the difference between the levels in this attribute is not very extreme, suggesting that the participants experience less additional utility from one distribution mode to the other.

Product

The aircraft combining economy, premium and business cabin, utility score 41.47, was the level with the highest utility score within the product attribute. At the discharge of the participants, the absence of a luxury or first-class option may have influenced these results more than expected by the author. Furthermore, during the research project, insight regarding European business travelers facing restriction to book business class seats for intra-continental was collected. That reality does not seem to be present in the market situation experienced by the participants. Yet, the results indicate a clear preference for more than only an economy product in the aircraft. The option of economy only, -48.71, was the less preferred by the participants. The level economy and premium cabin only got a utility of score 7.25.

None

In this study the *None* option represents the respondent's choice when none of the options presented in the CBC scenario attract them.

6.4.2 Distribution mode questions

Before executing the CBC, the participants were asked to indicate the distribution mode they engage with when booking flights for their customers, and in the following questions, to rank the rationale behind it. The following addresses the distribution mode preference first. Multiple answers were accepted in this case and most participants indicated using more than one distribution mode. Descriptive statistics are used for references in this sub-section.

6.4.2.1 Descriptive Statistics

Table 7 shows the distribution preferences amongst the participants. The highest share went to Sabre GDS with 38% of respondents indicating using it, followed by the carrier's website and the carrier's travel agent portal, with 28% and 27% respectively. Amadeus GDS comes in fourth place with 20% of the participants using it, followed by Travelport and Apollo GDSs. Overall, one of the GDSs (Sabre, Apollo, Travelport, Amadeus or other GDSs) was selected by 92.2% percent of the participants answering that question.

The results show a surprising amount of travel agents (28%) using the carrier's website. In effect, outside of the possibility to purchase discounted tickets for their direct customers, airlines websites are not tailored to the travel trade industry. Noteworthy that the practice in the leisure travel industry is to purchase in advance the travel and to ticket (pay the fare to

Table 7 Utilization of distribution modes- Percentage of participants

Utilization of distribution modes- Percentage of participants

Variable	TA Portal	Carrier’s Website	Sabre GDS	Amadeus GDS	Travelport GDS	Apollo GDS	Galileo GDS	Other GDS
Gender								
Man	26.6%	27.2%	47.3%	26.1%	10.9%	13.6%	2.7%	11.4%
Woman	27%	28%	36%	18%	15%	12%	4%	12%
Non-binary/Other			100%					
DNW answer	16.7%	16.7%	33.3%	16.7%	16.7%	16.7%		16.7%
Total	**27.1%**	**28.0%**	**38.2%**	**20.0%**	**14.2%**	**12.2%**	**4.0%**	**11.7%**
Country of residence								
USA	25.0%	28.8%	37.1%	20.7%	15.9%	12.0%	3.2%	11.5%
Canada	37.8%	26.4%	43.2%	12.2%	6.8%	13.5%	8.1%	13.5%
Other	11.1%	11.1%	55.6%	77.8%	11.1%	11.1%		
Customer type								
Mostly Leisure	32.3%	31.3%	31.9%	17.5%	12.1%	10.6%	3.4%	14.3%
Mostly Business	7.8%	6.5%	64.9%	9.1%	20.8%	22.1%	3.9%	
Both Types	17.9%	26.6%	48.0%	33.5%	18.5%	13.3%	6.4%	8.1%
Age								
25-34	31.0%	21.4%	45.2%	47.6%	9.5%	11.9%	4.8%	7.1%
35-44	28.0%	26.8%	40.2%	26.8%	14.6%	7.3%	3.7%	8.5%
45-54	26.9%	24.6%	44.0%	27.4%	13.7%	13.7%	2.9%	7.4%
55-64	24.9%	27.3%	35.7%	14.5%	17.8%	16.2%	6.1%	15.8%
65 and older	29.5%	34.2%	35.0%	14.5%	10.7%	8.1%	2.6%	11.5%

Table 8 Customer type and distribution mode usage

Customer type and distribution mode usage

		Non-Users	Users	Chi-Square Tests X^2	df	*P*
		Website		20.700	2	<.001
Customer Type	Leisure	68.81%	31.19%			
	Business	93.42%	6.58%			
	Leisure + Business	74.12%	25.88%			
		Sabre		41.967	2	<.001
Customer Type	Leisure	67.97%	32.03%			
	Business	34.21%	65.79%			
	Leisure + Business	51.18%	48.82%			
		TA Portal		30.312	2	<.001
Customer Type	Leisure	67.97%	32.03%			
	Business	92.11%	7.89%			
	Leisure + Business	82.94%	17.06%			

the airline) up to 30 days (about 4 and a half weeks) before departure. On the websites, ticketing is instant, meaning no leverage for travel agents to get their purchase refunded if their customers cancel or modify their travel plans. Although, as learned in Study 1, many home-based travel agents need product knowledge that is exclusively accessible on the websites, yet hardly justifying the purchase of the flights. Another justification resides in the introduction of ancillary services such as baggage, chargeable seats, or meals. The agents are then in need of consulting the carriers' website or travel agent portal to know more about these services or products and even book them, as most not being available in the GDS yet. The next sections investigate further into this hypothesis.

Interestingly, there is a significant percentage difference in distribution mode usage between the travel agents having mostly business customers and the ones having mostly leisure customers. The trend shows the later using almost equally a range of distribution modes, with Sabre (32%), the websites (31%) and trave portal (32%), being the most used, while the former having a clear majority user of the Sabre GDS, at 65%. For the participants indicating having a mix of these customer types, Sabre is the preferred choice, although they also indicated using other modes such as the carrier's website, with 26% of them doing so.

Using SPSS, whether having mostly leisure customers or business or both customers influence the choice distribution modes Sabre and Website was explored. According to the results in Table 8, there is a statistically significant different usage of Website, Sabre, and Travel Trade Portal amongst the segments. To get a deeper understanding of these results, participants were subsequently asked to rank the most important reasons for using a specific distribution method.

Questions were asked to the participants to rank the two most important reasons why they used either a GDS, a TA portal or a website to purchase plane tickets. The choice list was: (a) access to excusive fares, (b) multiple airline views, (c) detailed product description; (d) possibility to purchase ancillaries, (e) standard in my practice, and (f) personalized offer. In this section the GDSs were regrouped as one option, to facilitate and simplify the questionnaire and for they offer similar characteristics and available data. The first and second choice were determined by adding the rationale rank first and second for each distribution mode. For instance, the reason *multiple airline view* to use GDSs is the first choice as being ranked the most in first and second place by the respondent in that category.

Table 9 Preferred rationale to utilize distribution mode

Preferred rationale to utilize distribution mode

	GDS	Travel agent Portal	Website
1st Choice Leisure	Multiple airline view **55.47%**	Access to exclusive fares **44.38%**	Detailed product description **38.98%**
1st Choice Business	Multiple airline view **67.86%**	Access to exclusive fares **30.95%**	Possibility to purchase ancillaries **39.29%**
1st Choice Leisure + Business	Multiple airline view **59.36%**	Access to exclusive fares **42.78%**	Access to exclusive fares **33.16%**
2nd Choice Leisure	Access to exclusive fares **37.29%**	Detailed product description **28.35%**	Access to exclusive fares **33.59%**
2nd Choice Business	Standard in my Practice **58.33%**	Possibility to purchase ancillaries **29.76%**	Detailed product description **28.57%**
2nd Choice Leisure + Business	Access to exclusive fares **37.43%**	Multiple airline view **24.06%**	Detailed product description **29.95%**

The results in Table 9 support that the main justification to use a GDS is the same for each segment. The groups ranking first the convenience of being able to compare airlines in the same tool and ranking second the *access to exclusive fares* or *standard in my practice* for the business segment. *Access to exclusive fares* is a dominant reason to prefer the distribution mode Travel Agent Portal. As for the website, the segments are divided although *detailed product description* is mentioned first or second by all groups. The difference between segments resides in the fact that the *business* group ranked the option *Possibility to purchase ancillaries* higher than any other group.

These results are consistent with the fact that there is no distribution mode, although costly for the firm, that responds holistically to the travel trade's needs. As underlined by Study 1's managers, an approach mixing the distribution should be favorized, alike balancing the marketing and mutuality relations the firms engage in.

6.4.3 Open-ended question results

The last question of the survey asked the participants if they had positive or negative comments to make about exchanges with the airlines. Many (*n=552*) participants left a remark, from few words to short paragraphs. The subjects evoked all aspects of marketing relations, and some expressed themselves on mutuality exchanges. The sense to give to relationships or partnership was frequently discussed, mostly in a negative and sometime nostalgic way. Overall, most participants commented on the support they receive or not from airlines, about incentives and distribution. The following give an overview of the trends identified in the comments.

Dedicated support

Over 100 participants mentioned the word support in their response. The emphasis was on how essential a need dedicated support is for them. Proper phone support in case of complex bookings and/or emergencies is deemed a crucial service to elicit trust and bringing in business. Facilitating tools such as a user-friendly agent portal to speed up the booking process can also trigger loyalty. This corroborates the CBC findings, where support is a high-rated attribute.

Several respondents wrote that no support makes their job harder. Consequently, when support is available, accessibility and response-time are key aspects, points also uncovered in Study 1. Thus, some expressed frustrations at low level of support e.g., long wait time, experienced since the pandemic crisis.

Incentives

Just under 100 participants mentioned the word commission in their comments and over 30 specifically the word price. This is consequent with the CBC findings, where the incentives attribute ranked second. Commissions are understandably a sensitive subject for the respondents, historically being a part of their total remuneration. The comments say that commission is positive, and no commission is negative and does not entice booking. Therefore, as in the service aspect, a lot of participants expressed their frustration regarding the general disappearance of commissions. A small number of participants (*n= 5)* mentioned marketing related issues and without a common tread, thus classed anecdotal by the author.

Distribution

GDSs-related comments were left by 52 respondents and less about website (*n*=35) or travel portal (*n*=23). This is consequent with the fact that they are tools used by most respondents. The responses content usually combined GDS and support-related comments. Interestingly, several people mentioned the GDS shortfalls and shared that they use website and travel portal to complement the offer. Notably, only one comment was negative about travel agent portals.

Relationships

The sense to give to relations and the interpretation of it varies amongst the respondent. Most are taking a large understanding of the word, including personal contacts, human relations, or dedicated phone support like this comment left:

> *"There are such wide ranging aspects to airline relationships with the agency. Some Airlines do what they can to deter agency bookings; no support, better retail offers, no compensation, & difficulty making changes. We naturally favour airlines that support the agent community in return & that have friendly & flexible policies for our clients. A travel agent booking portal is favourable."*

While others take a more restrictive view, like this respondent: “I am a midsize agency owner, and I do not have a relationship with any airlines currently”. Few respondents described having lasting personal relationships with airlines or their representative. This is unsurprising to the author, as most respondents likely own small businesses and do not have the opportunity to engage in contractual relations year over year with a particular airline.

At least a dozen participants, indicating being in the industry for many decades, miss the times when commissions existed, and sales representatives would visit them. Parallelly, a few participants’ comments are more bitter, complaining of the non-existence of relationships and not feeling that they are treated as valued partners.

> *“I miss the sales reps with whom one could share concerns. Person to person contact is very important. Positive aspects? I cannot think of any. Negative aspects? Again, I miss the human relationships - the reps who would extol the wonderful features of their airlines. That doesn't exist anymore.”*

In summary, regardless of their size, most travel partners value the human connection that characterizes mutuality relationships and durable B2B exchanges.

Like the results concerning the evolution of relations, it is not astonishing that many do not see the personalization aspects of the relations evolving positively in the future. In the next section, analysis is performed to see if there is difference in views between some segments in the sample.

6.4.4 Evolution of relations

After the CBC exercise, Likert-scale type questions were asked to the participant to measure their attitude towards the future development of the relations they have with airlines. This was asked to compare the participant’s attitude toward the suggestions made by the subjects of Study 1 when they were asked how they see these relations evolving.

Likert-scale questions are questions where the respondent needs to rate on a scale to which extent they agree/disagree about a statement. In this instance, a five points scale was proposed, 1=Much less, 2= Less, 3= Neutral, 4=More, 5=Much More. Although some authors argue that the validity and reliability of the results are optimal when the scale used has between four to seven categories, the results from these questions are to interpret with caution, as the ordinal scale does not necessarily imply an equal interval between the options on the scale (Bryman & Bell, 2015; Jebb et al., 2021; Lozano et al., 2008; Simms et al., 2019). For this reason, when measuring central tendency to analyze the data, the mode (most frequent value in the distribution) and the median values (mid-point in the distribution) are here taken into consideration with the mean to discuss the results of the questions as shown in Table 10.

Table 10 Likert-scale questions results

Likert-scale questions results

	How do you think these aspects of your relations with airlines will evolve in the near future?			
	Automation	Personalization	Simplicity	Complexity
Mode	4	4	4	3
Median	4	3	3	3
Mean	3.97	3.09	3.10	3.36

Note. 1=Much less, 2= Less, 3= Neutral, 4=More, 5=Much More

At the questions *How do you think these aspects of your relations with airlines will evolve in the near future? Automation* is the only aspect the largest share of participants sees increasing. For *Personalization and Simplicity,* the mode is 4, *more,* while the median's score is 3, the neutral stance, meaning that although the most common answer is *more,* 50% of the respondents score 3 or under. Arguably, the participants seem cautious in their optimism concerning these two aspects, which is supported by the *complexity aspect.* For *complexity,* the neutral stance is preferred. As per the comments in the open-ended questions (below) and the information gathered by the author, this is not surprising. Following the numerous introductions of products, fare families, ancillaries and including the usage of "dated" technology, one may conclude that complexity cannot be worse than the last decade but that there is no reason either to forecast any decrease in the pace of change introduced by airlines.

Even though the distance in the Likert-Scale is not necessarily even, the author assumed statistical reliability for the five-point scale used in this survey to be able to compare segments in the following section (Jebb et al., 2021; Wakita et al., 2012).

6.4.5 Segmentation and segmentation results

From the CBC three segments were identified amongst the sample. The first segment, and the most important, includes travel agents selling mainly leisure travel. The number of participants in this segment is 737 or 71 percent of the sample. The second segment in importance is the one consisting of travel agents selling both leisure and business, with 184 respondents or 20 percent of the sample. Finally, the third segment contains the ones selling mostly business travel with 82 or 9 percent of the sample. Because of their difference in GDS usage, the leisure and business segments are used in this section to compare the participant's attitude towards the future of service relations.

6.4.5.1 Independent-sample T-test

An Independent sample t-test were performed to compare the mean score for two different segments groups, leisure, and business trips focused participants. Table 11 Cohen's effect size results indicate that the difference is large between the groups, $d > 0.08$, for all aspects of the future relations.

Table 11 Mean, standard deviations and effect size of customer type to attitudes towards the future

Mean, standard deviations and effect size of customer type to attitudes towards the future

	Automation		Personalization		Simplicity		Complexification	
Customer Type	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Leisure	3.95	0.85	3.02	1.25	3.03	1.18	3.33	1.04
Business	4.01	0.73	3.31	1.06	3.32	1.12	3.30	1.01
Size effect (d)	.083		1.23		1.17		1.04	

This detection hints that there is a behavioral difference for how the two groups perceive the evolution of the relationships on the aspects of automation, personalization, simplicity, and complexity. Yet, there is only statistical significance for personalization, $t\,(718) = -1.968$, $p< 0.049$, and simplicity, $t\,(720) = -2.097$, $p< 0.036$. Consequently, the results are to be read carefully and suggest that there effectively only a behavioral difference between the criteria personalization and simplicity, with the business segment believe slightly more in a possible improvement regarding these facets of the relations they entertain with airlines. Overall, both leisure (M=3.95) and business (M=4.01) travel trade professionals believe that automation will be more present in the future and do not feel like there will be significant change regarding personalization, simplicity, and complexity of the relations.

As stated earlier, travel agents in the USA identify for the most part as women (U.S. Bureau of Labor Statistics, 2021). What is interesting in the sample is that it is consisted at

76.9% of woman. Therefore, Table 10 compares the respondent's gender identity and the type of customers they serve to uncover if trends diverge for these segments.

Table 12 Customer Type- percentage for each gender (n)

Customer Type- percentage for each gender (n)

	Leisure	Business	Leisure+ Business
Man	66% (134)	7.4% (15)	26.6 % (54)
Woman	72.1% (503)	9.5 % (66)	18.5 % (129)

Note: $\chi^2 = 6.667$ $p<0.036$

The results show that there is a statistical significance between gender, independent variable, and type of customers the participants attend to, the dependent variable. The null hypothesis H_0 considered the gender having the same behavior, and H_1 the two segments not behaving the same. If $p<0.05$ H_0 is rejected, which is the case here since $p<0.036$. A larger proportion of women indicated targeting mostly leisure (72.1%) or mostly business customers (9.5%) than men (66% and 7.4% respectively). A larger proportion of men, 26.6%, indicated helping a mix of leisure and business customers, compared to 18.5% of women.

To supplement the results, a second independent t-test was performed, this time comparing gender male and female on their attitude towards the future.

Table 13 Mean, standard deviations, and effect size of gender towards attitudes to the future

Mean, standard deviations and effect size of gender towards attitudes to the future

	Automation		Personalization		Simplicity		Complexification	
Gender	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Man	4.05	0.84	3.15	1.32	3.10	1.18	3.39	1.08
Woman	3.95	0.83	3.07	1.21	3.10	1.18	3.35	1.01
Size effect (d)	.833		1.24		1.18		1.03	

Here again the size effect is large for each category, yet statistical significance solely for personalization, t (892) = 0.827, $p<$ 0.006. For this segment, the null hypothesis H_0 considered the gender having the same behavior, and H_1 the two segments not behaving the same. The H_0 is rejected only for one aspect, thus gender influences exclusively the attitude towards the personalization of the relations.

6.5 Discussion

This section resumes the findings in Study 2 which aim was to answer *Which are the key elements in the marketing and non-marketing relations that airlines should focus on to appeal to the travel trade?* and the next chapter will compare further the two studies.

The above results underlines the preoccupations of the travel trade professionals regarding the importance of the elements of the marketing mix and the mutuality relationships. The CBC tasks uncovered that the highest ranked attribute is the service element of the relations. The incentives, product and place elements followed in that order. Interestingly, the participants emphasis in their comments was put on the service and the human factor of the exchanges they have with airlines, blurring the line between having a profitable marketing exchange and being respected as valuable partners. This need of human touch being exactly what counts upon mutuality exchanges and characterizing most B2B relationships.

Finally, concerning the place and the distribution method, significant difference were found between the segments serving leisure, business, or a mix of both. The majority of the sample serving leisure customers, and using a mix of distribution methods to meet their needs.

In summary, the travel trade is indicating to the airline that the service aspect of the relation should be at the center of a marketing strategy addressed to them.

7. General Discussion

This chapter compare and discuss the findings of Study 1 and Study 2 using the TMF lens to investigate the bilateral contingencies to answer the research question *How can a small airline enhance its relationships with third party providers to create and retain these customers?* Theoretical implications and managerial implications are specified later in this section, followed by each study's limitations. Finally, the conclusion summarizes the findings and suggests further research.

7.1 Overall findings

Overall, the research question is answered by combining the results from the two studies and dedicated service for the trade stands out as a crucial point in the relations. Study 1 participants' experience and the preferences and opinions expressed by the respondents in

Study 2 complement each other on the facets to prioritize towards improving their relationships. Participants in Study 1 gave valuable insights on the sensitive points of the marketing mix necessary to create and retain their business customers. They identified where they sensed that the offer could be strengthened to sustain the bilateral contingencies in the relations. Likewise, participants in Study 2 expressed their choice in regards of these components, being either the marketing mix or non-marketing relations. Whereas ranking the marketing mix elements or the mutuality aspects of the relations was not the goal, service stands out as the stumbling point. This section identifies the key UR and IR experienced by the parties during marketing and mutuality exchanges and explains the conclusions deducted from the results.

Starting with the marketing mix and the direct bilateral contingencies ensuing, the four main aspects of it, product /service, price, distribution/ place, and promotion/ communication, were investigated with the goal to identify the relations' crucial bilateral contingencies.

Firstly, regarding the product offered to travel partners, the service component is the main concern for both parties. The Study 1 highlighted that the travel trade includes segments with diverse price sensitivity, yet when they need assistance, they all want personal contact to solve their issue promptly (*UR, IR*). Service is the highest ranked attribute in Study 2's CBC survey, above incentives. Additionally, most comments from the participants regarded the service's facets, be it the human touch, its mode, or its accessibility with some making the association with loyalty. Equally, the managers interviewed placed the service and the human relations associated with it at the heart of their preoccupations (*UR, IR*). They frequently return to the service element even when speaking about price or communications. In summary, the positive reinforcement given by good service has cascading effects resulting in positive utilitarian and informational reinforcement for both parties. The satisfied travel trade professional will maintain business with the airline that helps them solve issues for their end-customer, gaining further reinforcement from that relation.

Following, the price/incentives element clearly sustain positive or negative utilitarian reinforcement in the bilateral contingency framework. Managers want to grow their turnover and are helping their trade partner doing so by repeating successful strategies that yield positive feedback, be it exclusive prices, incentives or providing marketing creatives. Study 1 acknowledges that anterior market context made the firm move from instant commissions to commercial agreements signed with partners having substantial sales volume (*UR*). Icelandair changed its business process to avoid spending time and money with partners that will not be loyal (*UR*). According to the participants of Study 1, this process generated equity amongst the valuable trade partners and created a lever for loyalty. Nevertheless, it left the smaller actors disillusioned, as the comments and results of Study 2 revealed (*negative UR*). Incentives were the second highest attribute in the CBC and commissions the preferred utility under that attribute. Noticeably, *exclusive prices* score was further from *commissions* than the former was to *Incentive Scheme Rewarding Volume of Sales.* This suggests that it might be worth for the airline to investigate if exclusive fares and commissions could counterbalance each other. For instance, comparing sales when the fares are not as reduced, but a commission is in place. Similarly, some conclusions arise from the fact that *shared marketing costs* was the level with the lowest score in this attribute, and that only anecdotal comments were made about it in Study 2. Generally, this is not an option to test with smaller customers.

The distribution aspect of the relation is the lowest ranked attribute by the participants in Study 2, yet the managers interviewed understand it is a meaningful part of their global offer to the travel trade along with a tool for service. It also triggered a lot of comments from the travel trade in the open-ended question, being an object of utilitarian reinforcement. First, for a small airline like Icelandair, being visible in GDSs beside the big alliances is unvaluable. Even if the GDSs are not quite the perfect tool, they serve the purpose to expose Icelandair's brand in markets where it does not have recognition (*UR*). With 92% of the respondents to the Study 2 survey declaring using one of the GDSs, the firm must continue to invest in that distribution mode (*UR*). Parallelly, one manager believes that upgrading the TA portal could be a great complement to help reach the travel trade and could reduce the service load. That impression is partially supported by the results of Study 2 and the actual state of the market. Even if most travel trade partners prefer using GDSs, since they offer multiple airlines views, the utilization rate of travel agent portals and airlines' website is significant, with 27 to 28% of respondents using them to book tickets. They use these alternative distribution methods to find exclusive fares, but also because they want detailed product description, which is not yet available in GDSs.

Thus, the manager's perception about improving the direct offer via a travel agent portal is to develop. Related consideration to account for, as suggested by the segmentation results of Study 2, is that the segment *travel agent with mostly business customers* is extensively purchasing trips via GDSs. Thus, the development of a travel portal should primarily target the leisure segment-focused agents.

Finally, the findings in Study 1 suggest that mutuality relationships are developed with substantial customers, yet not to neglect when planning interactions with smaller ones. In effect, managers recognized that they entertain deeper connections with significant partners while encouraging quality dedicated service. One of them encapsulated the groups' thinking with that sentence: "*It is 80% personality and just 20% product*". Still, the participants in Study 2 were numerous to comment that they too appreciate the human factors of mutuality relations, even though being pessimistic. Significantly, most participants do not think that there will be any improvement in the aspect *personalization* in their future collaboration with airlines. The business segment believes slightly more in the possibility of improvement regarding *personalization* and *simplicity* elements of the relations they entertain with airlines, yet their answers lie in the interval of the neutral stance.

An additional factor in favor of cultivating mutuality relations, is the fact that there is a finite number of travel trade partners and Iceland's specialists in most markets. For instance, the US Bureau of Labor Statistic predicts a slower job lookout pace than average for travel agents within the decade (2021). One may argue that this fact forecasts an increase in direct sales thus less need to rely on third-party sales. On the contrary, the literature sees limited customer pool (that is the business customers in this case) as a justification for the airline to lean towards symmetrical relations, where each firm's take into consideration the other's behavior to create synergies in their respective marketing mix implementation (Foxall, 2018). Further, the findings support sustainable B2B relations to reach the end-customer at lower marketing costs.

Overall, and as seen in the theoretical section, stable bilateral contingencies are the key to engaging in sustainable symmetrical relationships. Hence, to improve the outcome of the actions they undertake, the market managers could ask themselves if the attributes of their marketing mixes are the ones that the travel trade focuses on, and as seen in Figure 5, "close/proximal, easily read, immediate, and reliable" (Foxall, 2018, p.393). These evaluation criteria characterizing comprehensive and thriving marketing exchanges.

Having discussed the results, the next sections will address their theoretical and managerial implications.

7.2 Theoretical implications

This research contributed knowledge to the airline industry on which attributes and mutuality elements of the B2B relations the airlines should consider in the process of creating and retaining their travel trade customers. The mix-method research methodology allows the paper to contribute to the identification of the contingencies characterizing the firm's behavior and the customers' behavior. It also reported on the positive and negative informational and utilitarian reinforcements present in the B2B relations.

In addition, the research extended the scarce literature on the Theory of the Marketing Firm in the context of B2B relationships (Vella & Foxall, 2011, 2013). In effect the TMF bilateral contingencies gave this research the holistic framework necessary to analyze complex relations and should evoke future research on firm-firm relationships using the TMF.

7.3 Managerial implications

Whether the findings will have managerial implications as a lot to do with the overall service strategy (Gallo, 2016). Interestingly, the findings raised the question of knowing if a better distribution portfolio would reduce the costs of direct service. This research certainly provided groundwork for maintaining, if not improving the strategy behind dedicated service and might involve exploring further the digitalization of that service via the travel agent portal. Ultimately being ahead of the curve in developing NDCs in the agent portal to customize the offer (Bingemer, 2018).

A few years before the pandemic Bingemer (2018) wrote about the experts foreseeing that the airlines will be less reliable on GDSs to distribute their fares in the near future. The latest tendencies in the market could have been a turning point, with customers moving further onto direct channels. Although direct sales and increased customization to serve customers sound like evidence for the airlines, the playing field is not even with airlines still relying heavily on third parties generated revenues. In effect, airlines do not enjoy the same capabilities to deploy New Distribution Capability (NDC) to overcome the shortfalls of the GDSs' legacy issues (Belobaba, 2019; Bingemer, 2018). Yet, as we saw in this research, the travel trade, GDSs main users, does not seem to be ready to give up the advantages of that traditional system. Tendency that could mitigate the negative effects in the short time for Icelandair. While GDSs are on the race to improve their capabilities, the technology is not satisfying. Therefore, for Icelandair considering investing in complementary distribution tools, such a travel agent portal, could prevent adverse consequences of the inequalities foreseen in the deployment of NDC by the GDSs.

7.4 Limitations Study 1

For both public health and geographical reasons, the interviews were conducted via electronic modes. Although video feed was recorded and the interviews played again multiple times, observation bias is possible as less feedback is perceptible from the interviewee (Marschan-Piekkari, 2004). Another limitation resides in the interview process itself. By elaborating semi-structured interviews, the author experienced less control over the homogeneity of the topics discussed by the participants.

7.5 Limitations Study 2

There are few ways to confirm that the people surveyed answer honestly to all the questions, however research shows that most respondents have significant self-motivation to execute the tasks sincerely (Han et al., 2009). The CBC tasks demanded focus and some participants may not have understood the purpose behind repeating what looks like the same thing twelve times. Finally, the questions were not limited to the participant's experience with Icelandair, thus cautious interpretation of the implications was needed.

7.6 Future Research

Future research should extend the work on CBC analysis. The findings indicate that there might be a way to mitigate the costs related to incentives and further investigation is needed to support that. Airlines might be interested in actionable insights such as which percentage of commission could alleviate the costs of discounts, for instance. Besides, the research provided groundwork to study further the effects of distribution modes adoption in relation to the after-sale service needs.

8. Conclusion

In conclusion, the author feels necessary to underline that the participants are bound by an unprecedent pandemic context for the past 20 months at the time of data gathering. Noticeably, external factors are at play, and those should be included in further research. Both the airline and the travel trade being deeply affected by revenue loss and shifting consumers' habits. Taking into consideration that their business partners have been almost absent of the market for that period, some participants in Study 1 acknowledged that this will have an impact on the relations, while others put the focus on evolving from a point that existed beforehand. On the one hand, worrying of keeping contact and showing support to their traditional allies, and on the other hand, thinking about future product development to create and retain business customers. As for the trade partners, worries about access to service and support are ubiquitous.

Regardless of the current uncertainty in the markets, enough data was gathered to paint a nuanced portrait. In short, the biggest risk for small actors like Icelandair is twofold. Being unable to retain a customer/damage the relationships with the travel agents if they do not offer dedicated support. On the other hand, they are unable to create these customers if their products are not visible because of the lack of exposure in the markets. Therefore, the global results demonstrate the necessity to maintain comprehensive relationships with the travel trade.

In summary, this research has contributed knowledge to the airline industry on which attributes and mutuality elements of the B2B relations the airlines should consider in the process of creating and retaining their travel trade customers. It also extended the scarce literature on the Theory of the Marketing Firm in the context of B2B relationships and should evoke future research on firm-firm relationships using the TMF bilateral contingencies framework.

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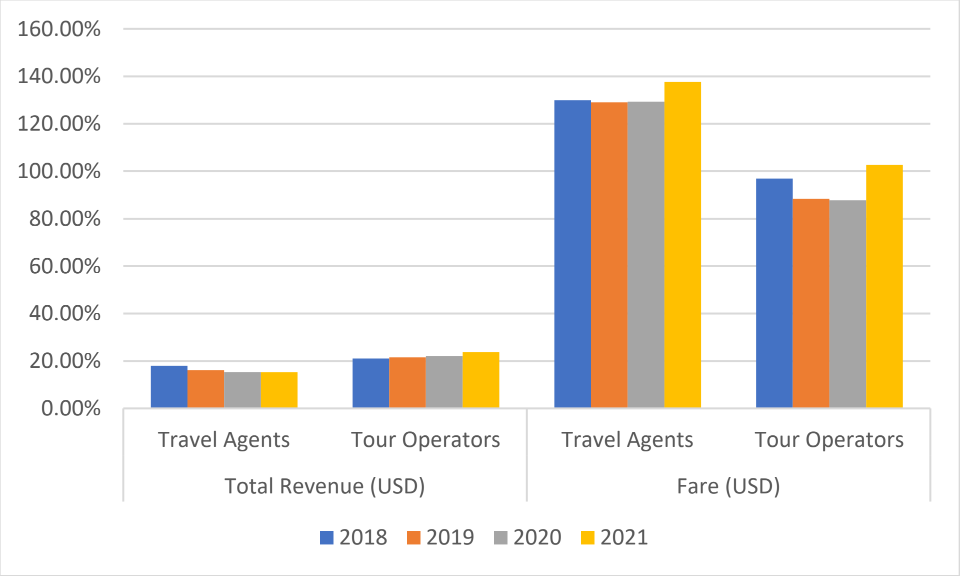
Appendix A

Figure 1A

Travel Agents and Tour Operators Contribution



Note. Travel agents and Tour Operators contribution to total revenue (left) and fare average compared to other sales channels (right).

Appendix B

Interview Guide for Icelandair´s Managers

I. **Opening**

[Describe study and why it is important]

I would like to ask you about a rather specific part of your work, that is the relations with the travel trade. I have some questions prepared, but I would like this interview to feel like a discussion, thus do not hesitate to add any comments that you feel will help my understanding of the concepts we will discuss.

II. **Questions and reference subjects**

a. *As a matter of introduction can you let me know since when you are at Icelandair (or related experience in the trade) and how long you have been in your role now?* (Demographics)

b. *How is the sales and marketing experience with the travel trade from the management point of view?* (Exchange and non-exchange relations)

c. *Is there a specific branding or marketing plan for that audience?* (Probing question if not answered in open-ended question, to uncover IR and UR exchanges and marketing plan strategies and intelligence)

d. *What are T.A. and T.O.'s main concerns and demands? For example, on service and products?* (IR and UR exchanges, marketing plan, non-exchange relations)

e. *Do you think there are differences between what they ask for and what their customers ask for?* (Perceptions, market research and intelligence)

f. *You mention having good relations with the accounts. Do you think this is the same feedback from travel agencies and travel operators?* (IR and UR exchanges, non-exchange relations, market research and intelligence)

g. *To your opinion, is there something that can be improved in the process/relationship between the businesses. How do you see them evolve in the future, where do you see them going?* (IR and UR exchanges, non-exchange relations; technology involvement)