



**THE BARGAINING POWER OF THE REPUBLIC OF  
CYPRUS ACCOMMODATION PROVIDERS IN  
CONTRACTUAL AND NON-CONTRACTUAL  
NEGOTIATIONS WITH LARGE EUROPEAN TOUR  
OPERATORS**

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# ABSTRACT

The bargaining power of the Republic of Cyprus accommodation providers in contractual and non-contractual negotiations with large European tour operators

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This study examined the bargaining power of the accommodation providers (APs) of the Republic of Cyprus (ROC) when undertaking contractual and non-contractual negotiations with large European tour operators (TOs). Within a tourism and hospitality context there was an insufficient understanding regarding bargaining power, its antecedents, influencing factors and the implications for negotiation in business-to-business (B2B) buyer-supplier relationships. Bargaining power is embedded in B2B buyer-supplier exchanges, where parties engage in negotiations to exchange resources in order to achieve their organisational objectives and survive.

A qualitative inductive approach was followed and an epistemological interpretivist Grounded Theory methodology and design adopted, combining elements from two versions of Grounded Theory: evolved and classic. Qualitative primary data were collected in two stages: an exploratory stage and a main stage. The exploratory stage was undertaken to better understand the contextual characteristics of the tourism and hospitality industry in the ROC and the actors involved and guide the main stage of primary data collection. Sixteen semi-structured interviews, using a purposive convenience sampling technique, were conducted in the exploratory stage. The main primary data collection stage used purposive snowballing sampling and forty-five semi-structured interviews were conducted. Grounded Theory's techniques were employed to analyse the data.

This study has made contributions to knowledge, theory and practice. First, in terms of contributions to knowledge this study has extended the bargaining power concept within a tourism and hospitality context. As a result, it has advanced current knowledge of power relations between B2B buyers and suppliers. In addition, extending the resource-dependence perspective in the tourism and hospitality context assisted in determining dependence patterns that can influence various aspects of B2B buyer-supplier relationship, including negotiations. This study has also contributed to knowledge by advancing understanding regarding the role of

emotions in B2B buyer-supplier negotiations. Further, it has contributed to B2B pricing management knowledge by identifying that B2B pricing in tourism buyer-supplier negotiations is also influenced by culture, relative bargaining power and relational factors (emotions) and relationship constructs, and not solely by rationality and market characteristics as frequently accepted by economic models. Second, a contribution was made to theory through the development of a substantive theory combining three core categories, resources, relational factors and market characteristics, in order to fully explain the bargaining power interactions in negotiations between tourism buyers and suppliers, from the weaker party's perspective. Third, the practical contribution was made in terms of the explanation of bargaining power interactions and the implications for the contractual and non-contractual negotiations of the APs with the TOs. This knowledge can aid perceived weaker parties such as APs to take more informed decisions in negotiations as well as to better manage their relationship with the large perceived powerful TOs. These were developed into recommendations for APs, TOs and Government.

# LIST OF CONTENTS

<b>ABSTRACT .....</b>	<b>3</b>
<b>LIST OF CONTENTS .....</b>	<b>5</b>
<b>LIST OF TABLES .....</b>	<b>9</b>
<b>LIST OF FIGURES .....</b>	<b>10</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>11</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>12</b>
<b>DECLARATION.....</b>	<b>14</b>
<b>CHAPTER 1 - INTRODUCTION.....</b>	<b>15</b>
1.1. INTRODUCTION .....	15
1.2. RATIONALES FOR THE STUDY .....	18
1.2.1. <i>Introduction</i> .....	18
1.2.2. <i>Personal rationale</i> .....	19
1.2.3. <i>Academic rationale</i> .....	20
1.2.4. <i>Relevance to practice</i> .....	22
1.3. RESEARCH LOCATION: THE REPUBLIC OF CYPRUS (ROC) .....	23
1.4. RESEARCH AIM AND OBJECTIVES .....	24
1.5. RESEARCH METHODOLOGY .....	25
1.6. STRUCTURE OF THE THESIS .....	26
1.7. CONCLUSION .....	28
<b>CHAPTER 2 - LITERATURE REVIEW .....</b>	<b>29</b>
2.1. INTRODUCTION .....	29
2.2. THE BUYER-SUPPLIER EXCHANGE: NEGOTIATIONS .....	32
2.3. POWER IN A BUYER-SUPPLIER CONTEXT .....	36
2.3.1. <i>Importance of power in a buyer-supplier context</i> .....	36
2.3.2. <i>Defining power</i> .....	38
2.3.3. <i>The agency and structure debate</i> .....	42
2.4. BARGAINING POWER WITHIN A BUYER-SUPPLIER CONTEXT .....	45
2.4.1. <i>Defining bargaining power</i> .....	45
2.4.2. <i>The structural perspective</i> .....	47
2.4.3. <i>The behavioural perspective</i> .....	53
2.5. CONCLUSION .....	58

<b>CHAPTER 3 - THE TOURISM CONTEXT .....</b>	<b>61</b>
3.1. INTRODUCTION .....	61
3.2. DEFINING THE TOURISM INDUSTRY .....	64
3.3. THE TOURISM DISTRIBUTION CHANNEL .....	65
3.4. RESEARCH ON POWER WITHIN A TOURISM CONTEXT .....	68
3.5. BARGAINING POWER DYNAMICS BETWEEN TOURISM BUYERS AND SUPPLIERS: THE ROLE OF THE LARGE TOUR OPERATORS (TOS).....	70
3.5.1. <i>Challenges in the relationship between the TOs and APs</i> .....	73
3.6. CONCLUSION .....	75
<b>CHAPTER 4 – TOURISM IN THE REPUBLIC OF CYPRUS.....</b>	<b>78</b>
4.1. INTRODUCTION .....	78
4.2. AN ACCOUNT OF THE REPUBLIC OF CYPRUS.....	79
4.3. TOURISM DEVELOPMENT .....	83
4.4. ACCOMMODATION SECTOR .....	88
4.5. CONCLUSION .....	91
<b>CHAPTER 5 - RESEARCH METHODOLOGY .....</b>	<b>92</b>
5.1. INTRODUCTION .....	92
5.2. RESEARCH AIM AND OBJECTIVES .....	92
5.3. METHODOLOGY AND RESEARCH DESIGN .....	96
5.3.1. <i>Grounded Theory methodology and research design</i> .....	96
5.4. CHOICE OF RESEARCH LOCATION – THE REPUBLIC OF CYPRUS (ROC) .....	109
5.5. THE RESEARCH .....	110
5.5.1. <i>Introduction</i> .....	110
5.5.2. <i>Secondary data</i> .....	110
5.5.3. <i>Primary research</i> .....	111
5.6. SAMPLING DESIGN AND SAMPLING METHODS .....	120
5.6.1. <i>Introduction</i> .....	120
5.6.2. <i>Defining potential participants</i> .....	120
5.6.3. <i>Rationale for number of participants</i> .....	121
5.6.4. <i>Sampling technique- Purposive Snowballing</i> .....	122
5.6.5. <i>Profile of participants</i> .....	123
5.7. RATIONALE FOR THE SEMI-STRUCTURED INTERVIEW GUIDES.....	129
5.7.1. <i>Introduction</i> .....	129
5.7.2. <i>Accommodation providers' (APs) interview guide</i> .....	130
5.7.3. <i>Tourism professionals' and Government officials' interview guide</i> .....	135
5.7.4. <i>Local academics' interview guide</i> .....	138

5.8.	DATA ANALYSIS .....	140
5.8.1.	<i>Introduction</i> .....	140
5.8.2.	<i>Transcription</i> .....	142
5.8.3.	<i>Translation</i> .....	143
5.8.4.	<i>Open coding</i> .....	144
5.8.5.	<i>Axial coding</i> .....	153
5.8.6.	<i>Selective coding</i> .....	157
5.9.	EVALUATION .....	157
5.9.1.	<i>Introduction</i> .....	157
5.9.2.	<i>Credibility</i> .....	158
5.9.3.	<i>Transferability</i> .....	162
5.9.4.	<i>Dependability</i> .....	162
5.9.5.	<i>Reflexivity</i> .....	163
5.10.	RESEARCH ETHICS .....	168
5.11.	LIMITATIONS .....	169
5.12.	CONCLUSION .....	170
	<b>CHAPTER 6 - ANALYSIS AND DISCUSSION .....</b>	<b>172</b>
6.1.	INTRODUCTION .....	172
6.2.	PROPOSITIONS INDUCED FROM PRIMARY DATA ANALYSIS .....	174
6.2.1.	<i>Proposition 1: Firm-specific tangible and intangible resources determine the type of contract during contractual negotiations</i> .....	174
6.2.2.	<i>Proposition 2: Government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources</i> .....	199
6.2.3.	<i>Proposition 3: Contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs</i> .....	225
6.2.4.	<i>Proposition 4: Emotional factors influence contractual and non-contractual negotiations</i> .....	252
6.2.5.	<i>Proposition 5: Culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations</i> ...	270
6.2.6.	<i>Proposition 6: Negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales</i> .....	300
6.3.	SELECTIVE CODING .....	324
6.3.1.	<i>Introduction</i> .....	324
6.3.2.	<i>Storyline</i> .....	325

6.4. CONCLUSION .....	337
<b>CHAPTER 7 - CONCLUSION AND RECOMMENDATIONS .....</b>	<b>339</b>
7.1. INTRODUCTION .....	339
7.2. OVERVIEW AND MAIN FINDINGS .....	339
7.2.1. <i>Introduction</i> .....	339
7.2.2. <i>Main findings</i> .....	341
7.3. CONTRIBUTION OF THE STUDY .....	347
7.3.1. <i>Contribution to knowledge and implications for practice</i> .....	347
7.3.2. <i>Contribution to knowledge in the B2B buyer-supplier relationship between TOs and APs</i> .....	347
7.3.3. <i>Contribution to theory: the substantive theory</i> .....	349
7.3.4. <i>Contribution and implications for practice</i> .....	351
7.4. RECOMMENDATIONS .....	356
7.4.1. <i>Introduction</i> .....	356
7.4.2. <i>Recommendations for APs</i> .....	356
7.4.3. <i>Recommendations for TOs</i> .....	360
7.4.4. <i>Recommendations for Government officials</i> .....	361
7.5. FUTURE RESEARCH .....	363
7.6. FINAL REMARKS .....	364
7.7. REFLECTIONS ON THE RESEARCH EXPERIENCE .....	365
<b>REFERENCES .....</b>	<b>368</b>
<b>APPENDICES .....</b>	<b>415</b>
APPENDIX 1: EXAMPLES OF MEMOS .....	415
APPENDIX 2: CYPRIOT ACCOMMODATION INDUSTRY CAPACITY .....	417
APPENDIX 3: EXAMPLE OF CODES AND CONCEPTS INDUCED FROM DATA .....	418
APPENDIX 4: MEMO: SUB-CATEGORIES INDUCED FROM THE DATA .....	422
APPENDIX 5: EXAMPLE OF MEMO: REVISING PRICING CONCEPT .....	425
APPENDIX 6: PARTICIPANT INFORMATION LETTER .....	426
APPENDIX 7: FORM OF CONSENT .....	427



# LIST OF TABLES

TABLE 1: DEFINITIONS OF NEGOTIATIONS.....	34
TABLE 2: DISTRIBUTION OF TOURIST ARRIVALS BY LOCATION .....	85
TABLE 3: CYPRIOT ACCOMMODATION CAPACITY FOR 2013.....	89
TABLE 4: PROPOSITIONS INDUCED FROM THE EXPLORATORY DATA STAGE .....	114
TABLE 5: PROFILE OF PARTICIPANTS: ACCOMMODATION PROVIDERS. ....	126
TABLE 6: OPEN CODING: EXAMPLE OF CONCEPTS AND CODES.....	149
TABLE 7: SUB-CATEGORIES AND CATEGORIES INDUCED FROM THE DATA .....	153
TABLE 8: AXIAL CODING: PROPOSITIONS DEVELOPED.....	155

# LIST OF FIGURES

FIGURE 1: THE RELATIONSHIP BETWEEN TOURISM, HOSPITALITY AND TRAVEL INDUSTRIES .....	64
FIGURE 2: THE TOURISM DISTRIBUTION CHANNEL .....	66
FIGURE 3: MAP OF THE MEDITERRANEAN BASIN .....	880
FIGURE 4: MAP OF CYPRUS. ....	81
FIGURE 5: SECTION 1- ACCOMMODATION PROVIDERS' INTERVIEW GUIDE .....	131
FIGURE 6: SECTION 2-ACCOMMODATION PROVIDERS' INTERVIEW GUIDE .....	132
FIGURE 7: SECTION 3 - ACCOMMODATION PROVIDERS' INTERVIEW GUIDE.....	133
FIGURE 8: SECTION 4 - ACCOMMODATION PROVIDERS' INTERVIEW GUIDE .....	135
FIGURE 9: SECTION 5- ACCOMMODATION PROVIDERS' INTERVIEW GUIDE .....	135
FIGURE 10: SECTIONS 1 AND 2 -TOURISM PROFESSIONALS' AND GOVERNMENT OFFICIALS' INTERVIEW GUIDE .....	136
FIGURE 11: SECTIONS 3 AND 4 - TOURISM PROFESSIONALS' AND GOVERNMENT OFFICIALS' INTERVIEW GUIDE .....	137
FIGURE 12: SUPPLEMENTARY SET OF INTERVIEW QUESTIONS FOR INDIVIDUALS WITH DIRECT RELATIONSHIP WITH THE LARGE TOS. ....	138
FIGURE 13: SECTIONS 1 TO 3 - LOCAL ACADEMIC'S INTERVIEW QUESTION'S GUIDE .....	139
FIGURE 14: SECTIONS 4 TO 6 - LOCAL ACADEMIC'S INTERVIEW QUESTION'S GUIDE .....	140
FIGURE 15: EXTRACT OF A CODED INTERVIEW BY AN ACCOMMODATION PROVIDER (AP).....	147
FIGURE 16: MEMO: INTEGRATING CONCEPTS INTO SUB-CATEGORIES .....	150
FIGURE 17: OPEN CODING: CONCEPTS AND SUB-CATEGORIES INDUCED FROM DATA .....	151
FIGURE 18: OPEN CODING: CONCEPTS AND SUB-CATEGORIES INDUCED FROM DATA .....	151
FIGURE 19: EXAMPLE OF DEVELOPING SUB-CATEGORIES .....	152

## **LIST OF ABBREVIATIONS**

ABTA:	Association of British Travel Agents
ACTA:	Association of Cyprus Travel Agents
APs:	Accommodation providers
B2B:	Business-to-Business
B2C:	Business-to-Consumer
CHA:	Cyprus Hotel Association
CTO:	Cyprus Tourism Organisation
CYSTAT:	Republic of Cyprus Statistical Service
EC:	European Commission
ECC:	European Consumer's Centre
EU:	European Union
FB:	Food and beverage participant
GO:	Government official
HA:	Hotel apartments (owner/managers)
IATA:	International Air Transport Association
ICT:	Information and Communications Technology
IG:	Interviewee group of accommodation units
LA:	Local academics
ROC:	Republic of Cyprus
RP:	Recreation provider
SH:	Star hotels (owner/managers)
TA:	Travel agent
THA:	Tourism and hospitality associations participants
TOS:	Tour operators
TV:	Tourist villages (owner/managers)
UK:	United Kingdom
WTTC:	World Travel & Tourism Council

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## **DECLARATION**

I declare that no material contained in the thesis has been used in any other submission of an academic award.

# CHAPTER 1 - INTRODUCTION

## 1.1. INTRODUCTION

The buyer-supplier relationship, within a business-to-business (B2B) context entails a process of resource exchange (Ramsay 1994). The efficient and effective management of these inter-organisational relationships is important for an organisation's competitive success (Laing and Lian 2005; Crook and Combs 2007; Herbst et al. 2011; Meehan and Wright 2012). This is not suprising given the often substantial resource investments needed in many B2B buyer-supplier relationships. Hence succesful management of the relationship and the resource exchanges is critical for the organisation's competitiveness (Laing and Lian 2005; Crook and Combs 2007; Herbst et al. 2011; Meehan and Wright 2012).

In a B2B buyer-supplier relationship, that involves the exchange of resources, negotiation is an important aspect because during negotiations the parties negotiate the value appropriation (profit) for each party, shared distribution of responsibilities, anticipated benefits and costs (Dwyer et al. 1987; Ramsay 1994). In this process the parties negotiate the terms of jointly acceptable resource exchange and the distribution of consequent costs (profit) (Ramsay 1994). Thus achieving the best possible outcome during negotiations (whether contractual or not) is critical for both buyers and suppliers, particularly in the current dynamic and complex markets where organisations are under pressure to enhance their overall performance (Herbst et al. 2011).

However, stronger parties, those with a higher bargaining power, have the ability to gain a better outcome in negotiations than the weaker party (Wolfe and McGinn 2005). This is because in negotiations a party's ability to achieve the best possible outcome rests on the relative power that each party has in relation to the other (Dwyer and Walker 1981; Yan and Gray 1994; Kim et al. 2005; Crook and Combs 2007). This ability can be termed as the *bargaining power* of each party, which can be considered as the ability (or potential) of one party to influence the outcome of a negotiation process in their favour (Yan and Gray 1994; Benton and Maloni 2005; Crook and Combs 2007).

The power of one organisation over the other is determined by the level of dependence that each organisation has on the resources of the other in order to achieve their organisational objectives (Emerson 1962; Cook 1977; Pfeffer and Salancik 2003; Bacharach and Lawler 1981). That is to say, the higher the dependence of party A on party B's resources to achieve its organisational aims, the higher the power of party B in relation to party A. Within a buyer-supplier context power can be considered as (a) the relative attractiveness of the resources; and (b) the availability of those resources that the supplier and buyer have to provide to one another (Ramsay 1994). The party with the ability to control valuable resources that the other party needs has more power than the other. Therefore, a better understanding of the resource dependence patterns that exist between two parties, such as a buyer and supplier, can help the parties to understand their bargaining power in relation to each other during negotiations. Within the B2B marketing, supply chain and strategic management literature this power-dependence perspective denotes the structural sources of power between buyers and suppliers (Brass and Burkhardt 1993; Buvik and Reve 2002; Cendon and Jarvenpaa 2001; Kähkönen and Virolainen 2011; Aminoff and Taskanen 2013).

However, to fully understand the power relationship in B2B buyer-supplier context it is also important to understand how this power is exercised by the parties (the behavioural perspective) in order to achieve their desired outcomes. That is to say, the influence strategies used by the parties. Influence strategies refer to the method by which power is used and communicated by actors to influence the other party (Frazier and Rody 1991; Gelderman et al. 2008). These strategies can be employed by a party to merely coordinate with the other party or for more significant matters such as to comply with inter-firm agreements (Payan and MacFarland 2005). Both aspects need to be considered in order to fully understand the power and bargaining power interactions between the buyer and supplier in negotiations.

Within this study negotiation is considered as a process and denotes any type of discussion where buyers and suppliers converse with the aim of reaching an agreement on a certain issue of mutual interest, whether contractual or not. This is because negotiations in a buyer-supplier relationship do not solely occur during



formal contractual agreements but can also be non-contractual. This is due to the fact that throughout the buyer-supplier relationship, environmental contingencies or complexities may appear that can lead the parties to re-negotiate the formal contract, make modifications, or negotiate to solve a conflict (Iyer and Villas-Boas 1992; Ganesan 1993; Lumineau and Malhotra 2011; Mouzas and Blois 2013).

It is of great importance for organisations to understand and identify their bargaining power in relation to the other parties that they negotiate with. It is also critical to understand how this bargaining power can be utilised to aid them to achieve their desired outcomes as well as manage bargaining power asymmetries in their relationship. However, despite the importance of power and negotiations, research is still insufficient in B2B buyer-supplier literature (Herbst et al. 2011; Olsen 2011; Mouzas and Blois 2013; Olsen et al. 2014; Lacoste and Johnsen 2015). This is particularly relevant within a tourism and hospitality context where research on the B2B buyer-supplier relationship, its management, and power is still lacking (Zhang et al. 2009; Song 2012; Guo and He 2012; Ford et al. 2012; Gjerald and Lyngstad 2015).

Within the tourism field a buyer-supplier relationship that is often characterised by power asymmetry is the B2B relationship between the large European Tour Operators (TOs) acting as buyers and their suppliers such as Accommodation Providers (APs). Specifically, the large European TOs are more powerful than their suppliers such as the APs (Buhalis 2000; Bastakis et al. 2004; Medina-Muñoz et al. 2003; Alegre and Sard 2015). The power asymmetry evident often allows the TOs to dominate the relationship, and particularly negotiations, restricting the profitability of the APs and reducing their competitiveness (Falzon 2012; Bastakis et al. 2004). However, although various academics have identified the strong position of the large TOs in relation to their suppliers (Buhalis 2000; Bastakis et al. 2004; Aguiló et al. 2003; Karamustafa 2000; Medina-Muñoz and García-Falcón 2000; Medina-Muñoz et al. 2003; Falzon 2012; Alegre and Sard 2015), research is still needed to fully understand power interactions in the negotiations between tourism buyers and suppliers and the management of these B2B relationships.

This research explores the contractual and non-contractual B2B negotiations between the APs and large European TOs in the Republic of Cyprus (ROC), from the APs perspective: a relationship characterised by bargaining power asymmetry. This was done in order to contribute to the current buyer-supplier knowledge by providing an in-depth understanding and explanation of the bargaining power relationship in negotiations between businesses within a tourism context by explaining the way bargaining power and its interactions may influence the negotiations and outcomes between buyers and suppliers. This should aid weaker parties, such as APs, to improve their bargaining position and better manage their relationship with more powerful parties.

This chapter discusses the rationales for the study, specifically, the personal, academic and the study's relevance to practice. The research location is then introduced and the aim and objectives of the study are outlined. Subsequently, the methodology and research design is presented. The structure of the thesis is then set out, followed by the conclusion.

## **1.2. RATIONALES FOR THE STUDY**

### **1.2.1. Introduction**

The choice of this topic was based on personal and academic rationales as well as its relevance to practice. Firstly, the researcher had a personal interest and motivation to investigate the relative negotiating power of APs and large TOs due to her experience of working within the tourism and hospitality industry in the ROC and knowledge of the strong position of the TOs in relation to their suppliers, including the APs. Secondly, from an academic perspective, the theoretical limitations of the current B2B buyer-supplier literature, specifically within a tourism and hospitality context, are evident. Thirdly, this study could be of relevance to practice by offering important information to businesses on how to improve their bargaining position and better manage bargaining power interactions in their buyer-supplier relationships. Accordingly, the subsections below discuss in detail the personal rationale, the academic rational and the relevance of the study to practice.

### **1.2.2. Personal rationale**

Within a tourism context, the distribution channel intermediaries, specifically the large TOs, are more powerful than their counterparts in other markets given that they are the main link between supply and demand (Ujma 2001; Song et al. 2013). The strong power that the TOs have in relation to their suppliers enables them to impose their demands in terms of, for instance, operational decisions, and product and pricing agreements (Buhalis 2000; Bastakis et al. 2004; Medina-Muñoz et al. 2003; Alegre and Sard 2015). In turn, the profitability and competitiveness of the less powerful suppliers is often constrained (Buhalis 2000; Bastakis et al. 2004; Falzon 2012).

The researcher's knowledge of the unequal power of TOs and APs has arisen in three ways. Firstly, through her involvement in the accommodation unit owned and operated by her family in the ROC. Secondly, through her professional experience of working in accommodation units over a period of two years in the ROC. Thirdly, the researcher's higher education focused on the hospitality and tourism industry, which enhanced her knowledge regarding the relationship of tourism suppliers and buyers. As such she was aware of the dominant position of the large European TOs in relation to their suppliers, such as APs, and that the TOs often control many aspects of their relationship (such as operational and promotional activities). In turn suppliers, such as APs, face many challenges in their relationship with the TOs.

Her personal knowledge and experiences motivated the researcher to study this topic further to achieve a better understanding of the power interactions that occur between buyers and suppliers in the tourism industry and the way they can be managed. This understanding could aid the researcher to offer practical insights to the less powerful tourism and hospitality suppliers on two aspects. Firstly, how tourism and hospitality suppliers, who are perceived to have lower bargaining power, may increase their bargaining position in their relationship with large TOs. Secondly, how these suppliers can better manage the challenges that they face with the powerful TOs. As the researcher delved into these issues further the review of the B2B buyer-supplier literature indicated that this topic was in need of further investigation, accordingly the academic rationale is discussed below.

### **1.2.3. Academic rationale**

The relationship between the buyer and supplier has been the focus of much interest from various academics over the years within a variety of fields, such as business-to-business (B2B) marketing and management, supply chain and strategic management (Dwyer et al. 1987; Anderson et al. 1994; Dyer and Singh 1998; Cox et al. 2001; Cox 2004; Johnsen and Ford 2008; Terpend et al. 2008; Herbst et al. 2011; Aminoff and Tanskanen 2013; Lacoste and Johnsen 2015). This interest is justified given that relationships between organisations are perceived as a means for the organisations to attain benefits, accomplish their goals and survive (Wilson 1995; Hadjikhani and La Placa 2013).

However, as indicated earlier, the buyer-supplier relationship is not necessarily an equal one and power imbalance is often evident (Meehan and Wright 2012; Habib et al. 2015). Power refers to a party's ability (or potential) to alter the behaviour or actions of another party to achieve the desired goals of the organisation (Weber 1978; Emerson 1962). The power of each party influences the formation, development and maintenance of the buyer-supplier relationship as well as the relationship exchange processes, the behaviour of the parties and negotiations (Mysen et al. 2012; Kähkönen and Lintukangas 2010; Nyaga et al. 2013).

The academic rationale in terms of exploring and explaining bargaining power in the B2B buyer-supplier relationship of large TOs and APs within negotiations in the ROC was to fill the gaps in knowledge regarding the understandings of these relationships. This gap was evident in the lack of recent empirical studies that have focused on power and its implications in business relationships particularly within a buyer-supplier context, in the B2B marketing and supply chain and strategic management field (Caniëls and Gelderman 2007; Olsen 2011; Olsen et al. 2014; Lacoste and Johnsen 2015; Chicksand 2015).

In addition in the tourism and hospitality field research on power and buyer-supplier exchanges was still limited (Zhang et al. 2009; Ford et al. 2012; Song et al. 2013; Gjerald and Lyngstad 2015). Only a few studies existed at the outset of this research that explicitly focused on investigating the bargaining power of large TOs and APs. Two examples of research that had been conducted are the studies by

Ivanov et al. (2015), which examined the influence of the bargaining power of APs and intermediaries (travel agencies and TOs) on the conflict resolution strategies used by each of the parties and Guo and He (2012), which from an economic and game theory perspectives investigated the effect of bargaining power on the revenue distribution between hotels and TOs.

Other researchers have examined the challenges of conflict, control and cooperation that tourism service providers, such as APs, must tackle while considering the power asymmetry in their relationship with the TOs (Buhalis 2000a; Aguiló et al. 2003; Bastakis et al. 2004; Karamustafa 2000; Medina-Muñoz and García-Falcón 2000; Medina-Muñoz and Medina-Muñoz 2002, 2004; Medina-Muñoz et al. 2003; Andreu et al. 2010; Lee et al. 2013). For instance, Bastakis et al. (2004) investigated the impact that the large TOs power had on small and medium hotels in Greece highlighting the importance of improving the bargaining position of these hotels in relation to the TOs. The above mentioned studies provide insights regarding the impact of power on the relationship between buyers and suppliers in a tourism context, and the APs and TOs in particular.

However, the interactions that occur between the parties, and the challenges that the weaker tourism and hospitality suppliers face (such as APs), depend on the bargaining power, and thus the ability of each party to influence the other. The above mentioned studies did not explicitly explore the bargaining power concept in terms of its antecedents, how this bargaining power is exercised in the relationship, its implications on the negotiation process and outcomes to aid tourism and hospitality suppliers to manage these relationships. Furthermore, as noted in section 1.1, both contractual and non-contractual negotiations occur between suppliers and buyers. This is because the parties may need to renegotiate the formal contract and/or make changes or negotiate to resolve a disagreement that may have arisen due to environmental contingencies (Iyer and Villas-Boas 1992; Ganesan 1993; Lumineau and Malhotra 2011; Mouzas and Blois 2013). In the tourism literature limited research exists regarding the contractual relationships and activities between tourism suppliers and buyers and the management of those relationships (Zhang et al. 2009; Song 2012; Guo and He 2012; Gjerald and Lyngstad 2015) but reviewing

the literature did not reveal research into non-contractual negotiations between TOs and APs.

The above discussion indicates gaps in knowledge that restrict the full understanding by academics of the power relations and negotiations between buyers and suppliers in the service sector such as tourism and hospitality. Moreover, so far research into B2B buyer-supplier negotiations have been mainly focused on the relationship-specific factors that influence the negotiation process and outcomes (Herbst et al. 2011). There was a perceived gap therefore of a need to research the interplay of various factors, such as external structure and firm-specific, influencing the negotiations between the APs and TOs and their bargaining power, extending current understandings of B2B tourism buyer-supplier relationships.

#### **1.2.4. Relevance to practice**

An in-depth understanding of the power-dependence structure and exercise of power evident between buyers and suppliers was identified as being needed to advance knowledge in buyer-supplier research. This was particularly true within a tourism and hospitality context, which was the focus of this research. Power asymmetry is a common occurrence in tourism and frequently results in the uneven sharing of benefits between tourism parties (Song et al. 2013). However, as also stated in the above subsection, examination of the literature indicated that research on power, buyer-supplier exchanges, and the management of these relationships within a tourism context, was scarce and lacked the clear focus necessary (Zhang et al. 2009; Ford et al. 2012; Song et al. 2013; Gjerald and Lyngstad 2015) in order to entirely understand its antecedents and the implications for the relationship. Ford et al. (2012), adopted a sociological perspective of power, when discussing the asymmetric power-dependence relationship between tourism channel members. They noted that power asymmetries in the tourism distribution network might lead the weaker party having to consent to a lower share of the value for a service or product. They continued by stating that the critical importance of examining power asymmetric relationships in tourism, to gain a better understanding of its influence on the weaker organisation, that could then aid the weaker organisation in better managing these relationships. Through conducting this study in the ROC the

researcher hoped that the findings would increase understanding in three ways and, as a result, improve the bargaining power of the APs.

First, by providing the parties with perceived lower power (the APs) with the findings of this research the APs will be in a better position to improve their bargaining power during negotiations and could utilise this increased bargaining power to achieve more favourable negotiation outcomes. This study's findings will also assist APs to better manage their relationship with the large TOs.

Second, although the research was focused on the buyer-supplier relationship in the tourism and hospitality industry in the ROC, it could provide practical insights for other tourism and hospitality suppliers in mature sun-and-sea Mediterranean destinations facing power relationships characterised by perceived asymmetry.

Third, a better understanding of the power asymmetry that exists, and the implications in the relationship of tourism buyers and suppliers, could also help in enhancing the knowledge of tourism policy-makers regarding the challenges that destination suppliers face. Consequently, policy-makers can take more informed decisions when considering future tourism plans.

### **1.3. RESEARCH LOCATION: THE REPUBLIC OF CYPRUS (ROC)**

The research was undertaken in the Republic of Cyprus (ROC), an economically developed island-state in the Mediterranean with a service-based economy. The island is divided, *de facto*, into the Greek-Cypriot controlled part in the south, the ROC, and the Turkish-Cypriot controlled part in the north, the "Turkish Republic of Northern Cyprus." The ROC is an internationally recognised state, while the Turkish- Republic of Northern Cyprus is recognised only by Turkey (U.S. Department of State 2015). This research was carried out in the Republic of Cyprus and therefore only relates to the ROC. For economy of space throughout the research the words ROC, island and destination denote the Republic of Cyprus.

The ROC is an established mature mass sun-and-sea destination focusing on the packaged tourism product. However, the destination faces many challenges that restrict its competitiveness such as dependence on the sun-and-sea tourism product,

reliance on a small number of source markets, high substitutability in relation to other destinations, tired accommodation infrastructure, seasonality and oversupply of accommodation units (Boukas and Ziakas 2013; Tsangari 2012; Farmaki 2012; Karyopouli and Koutra 2012; Sharpley 2007). These challenges also contribute to its dependence on the large European TOs for its tourism industry. Consequently, this gives the European TOs a powerful position in relation to the suppliers based in the ROC, in particular the APs. The research focuses on the coastal areas of Limassol, Paphos, Larnaka, Ammochostos (which includes the areas of Ayia Napa and Protaras). This is because these areas receive the highest number of tourist arrivals and thus the majority of accommodation units are established there and all the major TOs operate in those areas. The section below outlines the research aim and objectives.

#### **1.4. RESEARCH AIM AND OBJECTIVES**

The aim of the research was:

*To provide an understanding of the influences on, and the implications of, the bargaining power of the Republic Of Cyprus (ROC) accommodation providers (APs) when undertaking contractual and non-contractual negotiations with large European tour operators (TOs).*

Three objectives were developed to address this aim:

1. To discover the sources of power of both the accommodation providers and the tour operators, from the accommodation providers' perspective, in order to determine their bargaining power within the contractual and non-contractual negotiations;
2. To investigate how bargaining power is employed within the relationship, from the accommodation providers' perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations;
3. To examine how bargaining power is exercised within the relationship, from the accommodation providers' perspective, in order to ascertain the



consequences on the contractual and non-contractual negotiation outcomes.

Meeting the above aim and objectives has enabled the researcher to generate rich insights that help in *understanding* and *explaining* the bargaining power relationship and interactions that the APs experience in their contractual and non-contractual negotiations with the large TOs.

## **1.5. RESEARCH METHODOLOGY**

This study followed a Grounded Theory methodology and design which was qualitative and discovery oriented by nature. More specifically, a Grounded Theory methodology and research design (combining elements of classic and evolved Grounded Theory) was followed in order to achieve the aim and objectives of the study (Chapter 5 section 5.3.1). This was because both evolved and classic Grounded Theory versions provided the researcher with important insights and useful guidelines on the research process. First, evolved Grounded theory and its epistemological interpretivist lens, offered insights on the role of the researcher. It allowed the researcher to exploit her own knowledge and understandings to elucidate the phenomena under investigation, while at the same time acknowledging bias, and seeking to capture the participants' meanings. Second, evolved Grounded Theory offered clarifications to aid the researcher understand the process of developing a theory, through more detailed guidelines during data collection and analysis process. Third, classic Grounded Theory emphasised the importance of allowing the data to speak for themselves. Thus, it assisted the researcher to understand the need to be flexible and open during the research process, particularly in relation to data analysis in respect of coding in a flexible and spontaneous way to focusing on what the participants were saying about the phenomena (bargaining power and negotiations).

Both primary and secondary data were collected to achieve the data needs of the study. More specifically, primary data were collected at two stages; an exploratory stage and a main stage were undertaken. Using a purposive convenience sampling technique the exploratory primary data collection and analysis stage firstly, enabled the researcher to identify and establish the roles and links of actors in

the tourism and hospitality and to better understand the ROC context. Secondly, this exploratory stage assisted the researcher to refine the research's focus based on the concerns of the participants. As a result this guided her in the main stage of primary data collection in terms of raising questions to further explore the concepts from the exploratory analysis and in terms of the choice of the types of participants. In the main primary data collection stage a purposive snowballing was the sampling technique employed to identify information-rich participants to further explore the concepts. Semi-structured interviews were utilised so as to collect rich and in-depth data on the specific issues (bargaining power and negotiations) while also offering the flexibility to uncover new issues based on the interests of each participant. Finally, the evolved Grounded Theory coding strategies (open, axial and selective) were utilised for data analysis to generate insights and explain the bargaining power relationship and interactions in negotiations of the APs with the large TOs.

## **1.6. STRUCTURE OF THE THESIS**

Chapter 1 introduces the current study to the reader. First, the personal, academic and practical rationales are discussed in order to explain the focus of the research and what it might offer in terms of contribution to knowledge. Second, the research location, namely the ROC, is presented. Third, the research aim and objectives are provided. Finally, the main elements of the research approach are explained.

Chapter 2 reviews current scholarly work regarding the bargaining power concept and the buyer-supplier exchange and relationships, in order to offer a clearer understanding of the key phenomena under investigation. The chapter is divided into three key sections. The first section reviews the literature on the B2B buyer-supplier exchange focusing on negotiations, in order to define and clarify the characteristics and interactions of the buyer-supplier negotiations. In the second section the focus turns to the concept of power, particularly, the nature of power and its sources in order to offer a comprehensive understanding of power and its antecedents within a B2B buyer-supplier context. In the third section, the bargaining power concept is examined emphasising the sources of power and the exercise of bargaining power within a buyer-supplier context.

Chapter 3 discusses the tourism industry in order to aid the reader's understanding of the industry context of the study. Specifically, a detailed examination of the tourism industry is presented regarding its characteristics and their possible implications for the bargaining power of the tourism buyers (TOs) and suppliers (APs). The chapter also discusses the characteristics of the relationship between the APs and TOs to offer a more detailed understanding of the contextual influences on the negotiations.

Chapter 4 discusses, in detail, the location of the research, the ROC, in order to provide a clearer understanding of the setting that surrounds the phenomena under study. Firstly, an overview of the economic, political and socio-cultural aspects of the Republic is presented. This is followed by a discussion regarding tourism development and the tourism product highlighting the challenges the ROC, tourism on the island generally and hospitality suppliers specifically face and how these factors contribute to the power of the large TOs. The characteristics of the accommodation sector in the ROC are also discussed.

Chapter 5 discusses and explains decisions taken regarding the research methodology and design. The chapter explains the methodology and design adopted that combined elements of two Grounded Theory versions, evolved and classic. The data collection process and sampling design utilised, as well as the rationale for the semi-structured interview questions' guide, are examined. Further, the chapter examines in detail the data analysis process followed. This is followed by the evaluation of the study, the ethical considerations and lastly limitations.

Chapter 6 analyses and critically discusses the key findings induced from the coding strategies of Grounded Theory. Specifically, there is a critical discussion of the six propositions developed under the three categories from the open and axial coding. The propositions together provide a detailed understanding and explanation of the bargaining power relationship of the APs with the TOs in contractual and non-contractual negotiations. In this chapter additional literature to that already reviewed in Chapter 2, 3 and 4 is utilised in order to better support the findings and to critically examine the issues. This is because the exploratory and inductive nature of Grounded Theory can lead to the identification of new themes that were not taken into account before data collection, thus directing the researcher to developing

theory. Lastly, the storyline is presented that narrates all the key relationships and phenomena identified in the analysis process, leading to the theory developed. This study developed a substantive theory since it offers an explanation of a situation within a certain area; specifically, it fully explains the bargaining power relationship and interactions of B2B buyers and suppliers in contractual and non-contractual negotiations within a tourism and hospitality context.

In Chapter 7 the conclusion and implications of the major research findings are discussed. The study's contributions to current knowledge and implications for practice are discussed. In turn, recommendations for tourism and hospitality practice are offered. Finally, avenues for future research are set out and final remarks are made.

## **1.7. CONCLUSION**

This thesis explores the bargaining power relationship of the APs with the European large TOs in contractual and non-contractual negotiations, from the APs perspective, in one destination: the ROC. The following chapter reviews existing literature to critically examine the B2B buyer-supplier exchange relationship, particularly negotiations and the bargaining power concept in order to aid the researcher to address the aim and objectives of the study.

## CHAPTER 2 - LITERATURE REVIEW

### 2.1. INTRODUCTION

The study of business-to-business (B2B) buyer-supplier relationships has received considerable attention from a number of scholars (Ford 1984; Dwyer et al. 1987; Anderson et al. 1994; Dyer and Singh 1998; Cox et al. 2001; Cox 2004; Johnsen and Ford 2008; Terpend et al. 2008; Herbst et al. 2011; Lacoste and Johnsen 2015). This is due to the increased importance of issues of efficiency in organisational processes, value creation, and the significant investments needed in many buyer-supplier relationships that render the successful management of inter-organisational relationships critical to an organisation's competitiveness (Liang and Lian 2005; Crook and Combs 2007; Herbst et al. 2011; Meehan and Wright 2012). Hence, buyer-supplier research is highly fragmented because it is a topic of shared interest in B2B marketing and management, purchasing, supply chain and strategic management literature (Olsen and Ellram 1997; Ross et al. 2009; Kähkönen and Virolainen 2011; Aminoff and Tanskanen 2013). Research from the above mentioned academic fields is utilised, since they offer important insights which help us to understand the complex bargaining power dynamics evident in the buyer-supplier exchange under investigation.

This chapter reviews existing literature regarding the concept of power, bargaining power and negotiations within the buyer-supplier context. This literature was consulted prior to the primary data collection stage and utilised as a guide to address the aim and objectives. This was because, according to Grounded Theory strategy, a brief literature review can enhance the researcher's theoretical sensitivity<sup>1</sup> and can stimulate questions during the first stages of data collection (Corbin and Strauss 2008) (Chapter 5, section 5.3.1). Further, for novice researchers, it is important to understand what is already known to avoid generating existing knowledge (Heath 2006). Therefore, this literature review helped the researcher in three ways. First, to better understand the concepts being studied. Second, to

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<sup>1</sup> Theoretical sensitivity refers to the researcher being sensitive to the data in order to understand the subtle nuances of meaning in the data and grasp the relationships between concepts (Strauss and Corbin 1998; Kelle 2007).

establish what was already known. Third, to increase the researcher's theoretical sensitivity and to establish the theoretical basis to guide the initial data collection stages, without preventing the data from telling its own story. However, due to the inductive nature of Grounded Theory new themes often arise that are not taken into account before the data collection. Consequently, additional literature is reviewed and utilised in Chapter 6 to analyse and explain the primary findings.

With the above in mind, the study aimed to provide an understanding of the influences on, and the implications of, the bargaining power of the Republic Of Cyprus (ROC) accommodation providers (APs), acting as the suppliers, when undertaking contractual and non-contractual negotiations with large European tour operators (TOs), acting as buyers. This was important to understand, since parties which are perceived to be powerful often achieve the best possible outcome in negotiations and frequently ignore the interests of the perceived lower power parties (Wolfe and McGinn 2005). Hence, an in-depth understanding of the bargaining power dynamics and negotiations occurring between buyers and suppliers can advance current knowledge of the power interactions that arise. Further, it can aid the parties that are perceived to be less powerful, such as APs, and increase their bargaining position in relation to perceived powerful parties, such as TOs.

Since bargaining power was investigated within a negotiation context, literature on the buyer-supplier exchange is examined in section 2.2. This is done to define and explain the negotiation process where the bargaining power interactions occur. This sets out the context of bargaining power dynamics and helps to address the aim and three objectives of the study (Chapter 5, section 5.2). Objective 1 seeks to discover the sources of power of the accommodation providers and the tour operators in order to determine their bargaining power within the contractual and non-contractual negotiations. Objective 2 investigates the way bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations. Objective 3 examines the way the bargaining power is exercised within the relationship, from the APs perspective, in order to ascertain the consequences on the contractual and non-contractual negotiation outcomes.

However, to examine the bargaining power of the parties and address the study's aim and objectives, it is important to firstly understand the concept of power. Therefore, section 2.3 reviews the power relations literature within a buyer-supplier context to better understand its influence of power in the buyer-supplier exchange. This discussion also sets the scene for examining the concept of power, focusing on its antecedents, definition and aspects to be considered when investigating bargaining power and its interactions between the APs and TOs. As such, the literature indicates the importance of exploring both the structural and behavioural (use of) perspectives of power in order to fully understand bargaining power interactions and their implications for negotiations.

In section 2.4 the concept of bargaining power within a buyer-supplier context adopted in this thesis is defined, and the theoretical perspectives taken to investigate the structural sources and behavioural aspects of bargaining power are discussed. The resource-dependence and power-dependence perspectives are explained, highlighting the various sources of power identified within the buyer-supplier literature. This aids determination of the relative bargaining power of the parties, thus directly addressing Objective 1<sup>2</sup>, which sets out to identify the sources of power of the APs and TOs. Section 2.4 also discusses the behavioural aspect. This discussion focuses on the theoretical perspective taken into account to examine the exercise of bargaining power within a buyer-supplier context. As such, it addresses Objective 2<sup>3</sup>, which investigates the exercise of bargaining power in order to identify the influence strategies adopted by the APs and TOs.

All the literature reviewed in this chapter also makes it possible to tackle Objective 3<sup>4</sup>, which focuses on investigating how the use of bargaining power influences negotiation outcomes. As noted earlier, when using Grounded Theory,

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<sup>2</sup> Due to the Grounded Theory strategy, in Chapter 6 additional literature is utilised to better support the findings. Hence, to address Objective 1, literature on exchange partner selection within the business-to-business (B2B) marketing, supply chain and strategic management field is also utilised.

<sup>3</sup> Taking into account the Grounded Theory approach taken in this study, to fully address Objective 2, supplementary literature is utilised in Chapter 6. Specifically, additional literature on B2B relationship marketing management, supply chain management, contract theory, influence strategies in B2B marketing management, and emotions literature drawing from organisational behaviour, negotiations and B2B marketing management is utilised.

<sup>4</sup> Bearing in mind the Grounded Theory strategy adopted, in Chapter 6, the additional literature employed to critically analyse the findings and fully address Objective 3 considers pricing research in B2B marketing management and strategic management within a buyer-supplier context.

researchers can perform a brief literature review to guide initial primary data collection and enhance their theoretical sensitivity. The author deemed that developing a prior understanding of the bargaining power concept and buyer-supplier negotiations helped in two ways. First, it enabled her to raise questions for initial data collection. Second, it increased her theoretical sensitivity, allowing her to understand the relevance and pertinence of the participant's statements, and of incidents observed in theoretical terms in order to fully explain the phenomena investigated, whilst also allowing her the freedom to follow the data and avoid forcing preconceived ideas on the data. This enabled her to explore the implications of bargaining power dynamics on the negotiation outcomes between the APs and TOs with an open mind.

Furthermore, the literature reviewed helped to ascertain gaps in the literature. It was found that research is needed to fully understand the buyer-supplier negotiations in terms of the challenges the parties face, strategies utilised and how the contracts are expressed and enforced (Herbst et al. 2011; Mouzas and Blois 2013; Thomas et al. 2013). It was also observed that insufficient recent empirical studies existed that explicitly investigated power and the implications of power asymmetry within a buyer-supplier context (Levina and Orlikowski 2009; Caniëls and Gelderman 2007; Olsen 2011; Lacoste and Johnsen 2015). These gaps should be addressed to gain new insights into the implications of asymmetric bargaining power in buyer-supplier negotiations, and as a result expand current knowledge.

## **2.2. THE BUYER-SUPPLIER EXCHANGE: NEGOTIATIONS**

A relationship between a buyer and supplier centres around a process of resource exchange, where organisations possess or control resources but also have external needs (Ramsay 1994). Organisations enter relationships with supply chain partners with the goals of gaining access to the external resources needed, mitigating transactional costs and increasing their performance (Wang and Xiang 2007; Mandják et al. 2012; Nyaga et al. 2013). Therefore, exchange relationships between organisations are considered to be a means for organisations to obtain benefits, achieve their goals and survive (Wilson 1995; Hadjikhani and La Placa 2013).

An exchange between two organisations is evident when “[...] resources are



transferred from one party to the other in return for resources controlled by the other party” (Blois 2002, p.524). Using a purchasing lens, Ramsay (1994) explained that the process of resource exchange indicates the beginning of the buyer-supplier relationship. He continued to explain the exchange process as follows: suppliers need to gain money through sales revenue, while buyers need to attain products that they cannot currently provide themselves. In turn the buyer organisation converts its needs into purchase specifications that are employed in order to assess the product offered by the supplier.

Once a satisfactory pairing is found between the buyer’s specifications and the supplier’s product offering then the supplier’s external resource need (money) becomes a desire to sell to that specific buyer (buyer selection) and the buyer’s external resource need (product) becomes a desire to buy from the specific supplier (supplier selection). In order to satisfy their shared desires a bargaining process occurs between the buyer and supplier where the parties negotiate the conditions of mutually agreeable exchanges of resources and the allocation of subsequent costs (profit) (Ramsay 1994). Therefore, suppliers and buyers engage in negotiations in order to satisfy their external resource needs and gain benefits through establishing a contractual relationship.

Negotiations between buyers and suppliers is a major concern given that they determine the level of value appropriation (profit) for each party, and influence the costs incurred by the organisation and the expected benefits from the relationship (Cox 2001; Ramsay 2004; Srivastava and Chakravarti 2009). This is particularly important in the current complex environment where organisations are under extreme pressure to gain the best possible outcomes in each of their buyer-supplier exchanges (negotiation) (Herbst et al. 2011).

Inter-organisational negotiations have been defined by various scholars (for example Zartman 1974; Ramsay 1994; Rinehart and Closs 1991; Gulbro and Herbig 1995; Mintu-Wimsatt and Calantone 1996; Herbst et al. 2011; Thomas et al. 2013). Table 1 below provides definitions that have been developed by scholars to define negotiations in a business context. The first column gives the name of the author and year of publication and the second column the definition.

Author(s)/Year	Definition
Zartman (1974)	“[...] negotiation may be called the process of combining divergent view-points to reach a common agreement.” (p.386)
Thompson (1990)	“[N]egotiation is the process whereby individuals attempt to settle what each shall give and take or perform and receive in a transaction between them.” (p.516)
Rinehart and Closs (1991)	“[...] the process leading to a mutually acceptable agreement between two or more parties on some course of action.” (p.123)
Gulbro and Herbig (1995)	“[N]egotiation is the process by which at least two parties try to reach an agreement on matters of mutual interest.” (p.19)
Mintu-Wimsatt and Calantone (1996)	A process where buyers and suppliers endeavour to merge conflicting interests and reach an agreement.
Ramsay (2004)	“[N]egotiation is an information processing activity involving the manipulation of data from a variety of different sources.” (p.223)
Herbst et al. (2011)	[Business] negotiations are “[...] single interaction episodes” where the conditions for the exchange are negotiated between the partners (p.967).
Thomas et al. (2013)	Negotiation “[...] a single interaction between parties where exchange conditions are determined.” (p.97).
Powell Thomas (2013)	“[A] buyer-supplier negotiation is defined as a process by which two or more parties representing different organisations interact to make a joint decision on some course of action.” (p.33).

**Table 1: Definitions of negotiations. (developed by the author).**

Three common aspects arise from the definitions reviewed in the Table 1, namely: (a), negotiation is a process that occurs between two or more parties (such as buyer and supplier); (b), the parties engaged in negotiations have divergent views; and (c) the negotiations between the buyers and suppliers do not solely refer to reaching an agreement in terms of the formal contract. In other words, buyers and suppliers enter the process of negotiation with each other because they are interested in cooperating with, and accessing the resources of, the other party (Ramsay 1994). However, more often than not, buyers and suppliers have conflicting interests, given that each party must endeavour to satisfy the demands and expectations of their respective organisations (Clopton 1984; Powell Thomas 2013). Hence, during negotiations the diverse views of the parties must converge to reach a mutually acceptable agreement.

Further, negotiations between the buyers and suppliers can occur for various reasons and throughout their relationship and not only to establish a formal contract (Powell-Thomas 2013). For instance, due to environmental contingencies or difficulties that may arise, parties may renegotiate the contract, make adjustments, or negotiate to resolve conflict (Iyer and Villas-Boas 2003; Ganesan 1993; Lumineau and Malhotra 2011; Mouzas and Blois 2013). Within this thesis this type of negotiation is termed a non-contractual negotiation. This is because these negotiations are informal and occur outside the formal contractual negotiations that take place to establish the contract. Non-contractual exchanges and interactions are also important to understand given that relationship behaviour and outcomes do not only occur via actions described in the contracts (Aminoff and Tanskanen 2013). Hence, contractual (formal) and non-contractual (informal) forms of negotiation are inevitably evident between suppliers and buyers. Consequently, negotiation within this study refers to:

*a process where buyers and suppliers converse to combine their differing views, with the aim of reaching an agreement on a certain issue of mutual interest, whether contractual or not.*

The negotiation process that occurs leads to a negotiation outcome which refers to a certain point in the negotiation process where the supplier and buyer reach some form of agreement regarding the issue(s) discussed (Rinehart and Page 1992). The agreement is “[...] the product” of the negotiation process (Thompson 1990, p.516). This outcome could, for instance, denote an agreement or a disagreement regarding the purchasing contract, the mutual decision on price, the volume of sales, the delivery date, the discounts and guarantees or the decision on a future joint action (Cox 2001; Atkin and Rinehart 2006; Herbst et al. 2011; Powell-Thomas 2013). The issues discussed and agreed upon during the contractual and non-contractual negotiations between the buyers and suppliers determine the value distribution (profit), expected benefits, and costs of the exchange relationship (Cox 2001; Crook and Combs 2007; Srivastava and Chakravarti 2009).

Further, negotiation interactions between buyers and suppliers can have an impact in terms of the future of the relationship (Ganesan 1993; Powell-Thomas 2013; Thomas et al. 2013). For instance, Thomas et al. (2013) identified that when suppliers and buyers adopt a more competitive negotiation approach (winning at the

expense of the other party), the communication quality and intention to share knowledge is reduced, particularly in highly interdependent relationships. This is because, in relationships where the parties are equally dependent on each other and expect mutual benefits, a competitive approach can be perceived as damaging to the expectation that these benefits will be achieved, thus restricting the intention to share knowledge (Thomas et al. 2013). Hence, buyer-supplier negotiations can influence a relationship beyond the economic outcome of price and volume of sales, increasing their importance for buyers and suppliers.

Despite the importance of contractual and non-contractual negotiations, and the interactions between buyers and suppliers, empirical research exploring these phenomena is still needed within a buyer-supplier context (Ford et al. 2010; Herbst et al. 2011; Mouzas and Blois 2013; Thomas et al. 2013). More specifically, Herbst et al. (2011) reviewed 45 years' worth of marketing studies that addressed buyer-supplier negotiations and concluded that research was still needed to identify the challenges that parties face and to examine the strategies and tactics used within the negotiation process. Furthermore, an examination of the nature of the contractual and non-contractual relationship between parties may offer new insights into the manifestations of formal agreements (Mouzas and Blois 2013). This could lead to an understanding of the factors that may influence contractual decisions, and how contracts are expressed and enforced in power asymmetric relationships, expanding current knowledge on buyer-supplier negotiations. The section below discusses in detail the antecedents of the concept of power within the buyer-supplier relationship.

## **2.3. POWER IN A BUYER-SUPPLIER CONTEXT**

### **2.3.1. Importance of power in a buyer-supplier context**

A critical factor that influences B2B relationships, and the outcomes of various transactions, is the relative power of the parties involved (Cox 2001, 2007). Power is central to understanding distribution channel and supply chain relationships in general and the buyer-supplier relationship in particular (El-Ansary and Stern 1972; Dwyer and Walker 1981; Hingley 2005; Mysen et al. 2012; Lacoste and Johnsen 2015). This is because the power that each party has will impact on the formation, development, and preservation of relationships between suppliers and

buyers (Kähkönen and Lintukangas 2010). For instance, the power of each party influences the supplier's and buyer's willingness to collaborate, the level of commitment to the relationship, satisfaction of the parties, conflict, and relationship exchange processes and behaviour (Wilkinson 1981; Zhao et al. 2008; Benton and Maloni 2005; Kähkönen and Lintukangas 2010; Nyaga et al. 2013). Specifically in a negotiation process an important aspect of gaining the best possible outcome is an organisation's (or party's) relative power in terms of the other party (Dwyer and Walker 1981; Yan and Gray 1994; Wolfe and McGinn 2005; Kim et al. 2005; Crook and Combs 2007).

Notwithstanding the significance of power, and its implications in B2B relationships, the study of power in buyer-supplier relationships has been mainly addressed as a side issue in the recent B2B marketing, purchasing and supply chain, and strategic management literature (Hingley 2005; Levina and Orlikowski 2009; Caniëls and Gelderman 2007; Olsen 2011; Lacoste and Johnsen 2015). This could be attributed to the misconception that power and power asymmetry is associated with negative implications for inter-organisational relationships, for example preventing the building of close relationships and causing conflict (Hingley 2005; Olsen et al. 2014; Nyaga et al. 2013). As a result the study of power has been diminished in favour of other relationship aspects at play such as trust and commitment (Olsen et al. 2014).

Hence, recent empirical studies that explicitly examined the concept of power and its implications in a B2B relationship (buyer-supplier for example) are inadequate (Caniëls and Gelderman 2007; Olsen 2011; Olsen et al. 2014; Lacoste and Johnsen 2015). As Hingley (2005, p.562) argued "[P]ower is ever present" and exists side-by-side with other relationship aspects such as trust and commitment. Therefore, power is a major influencing factor within a buyer-supplier relationship and its investigation is worthwhile to enhance scholarly knowledge of buyer-supplier exchanges. This is even more important in relationships where the power asymmetry that exists may leave the weaker party at a disadvantage in its exchanges with the stronger party. As such it is critical to understand the nature and implications of the power structure between buyers and suppliers (Nyaga et al. 2013).

To fully understand the bargaining power interactions that occur in buyer-supplier negotiations it is important to understand what is meant by power and its antecedents. Hence, the section below discusses the debates that exist regarding the nature of power to elucidate the phenomena. Due to the importance of power as a construct its literature is vast and dispersed across various fields, therefore, the aim is not to give a full overview<sup>5</sup> of the perceptions of power, but rather to examine the key ideas relevant to this study.

### **2.3.2. Defining power**

The notion of power has been contested by many researchers over the years (Wrong 1979; Pfeffer 1981; Dahl 1957; Emerson 1962; Lukes 2005). Power has, for example, been perceived as a property or attribute possessed by persons, groups or bigger social structures, or as a guide in explaining an active or inter-active action or relation between individual people or groups (Wrong 2009; Dahl 1957; Weber 1978; Haugaard 2002; Clegg 1979; Lukes 2005). Consequently, due to the various opinions regarding the utility of power as a concept, and its antecedents, there is no universally accepted definition of power in the literature (Wrong 1979; Gaski 1984; Mitchell et al. 1997; Meehan and Wright 2012). Authors such as Minogue (1959), James (1964) and Partridge (1963, p.107), therefore agree that power, as a concept or phenomenon “[...] is too amorphous, sprawling or chameleon-like ever to be amenable to exact identification”.

However, Hawley (1963) highlighted that all relationships and moments of interaction that take place between actors can be explained through the concept of power and the use of power. This is because in all social relationships or interactions, control and influence over each other’s behaviour is reciprocal (Hawley 1963). Thus, regardless of the discipline of a researcher, power will probably be taken into account in any systematic investigation which endeavours to examine the dynamics of social reality such as the relationship between a buyer and a supplier (Rogers 1974; Stannack 1996).

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<sup>5</sup> Full overviews of the issues and interpretations of power as a concept have been produced by a number of authors, see for example Haugaard (2002) or Wrong (1979).

A major debate regarding the nature of power centres upon whether power is possessed or exercised (Avelino 2011; Brass and Burkhardt 1993). For instance, Foucault (1982, p.788) argued that power “[...] is a way in which certain actions modify others”, thus, “[...] power exists only when it is put into action”; or in other words, power can only be real when it is exercised on others. Other scholars view power as a possession. Parsons (1967), for instance, claimed that power is possessed by one person or group, and hence perceives power as a capacity to secure and direct others towards collective ends. Similarly, Hobbes (2010) perceived power as an individual’s means of creating some future good.

However, as Avelino (2011, p.57) pointed out, regardless of whether an individual believes that power is exercised or possessed, the question that lingers is “[...] what is exercised”. In particular, is power an ability ‘to’ act to accomplish an aim or is power a social relationship where one actor exercises power ‘over’ another actor? Wrong (1979, p.1) claimed that in the English dictionary the word ‘power’ is synonymous with “[...] capacity, skill, or talent”. Such usage denotes the “[...] capacity to engage” in specific types of performance, in other words the ability to create an effect on the outside world “[...] the power to act itself” (Wrong 1979, p.1).

This view has been criticized for neglecting the relational aspect of power, or the hierarchical attribute of power, in that power is “[...] exercised over someone” (Giddens 1968, p.264; Emerson 1962). Moreover, Dahl (1957, p.203), highlighting the relational aspect, argued that simply stating that one actor has power over another is not precise or revealing. Using as an example the President and Congress, he maintained that stating that the “[...] President has (some) power over the Congress” may be more accurate but is not helpful. He continued by asserting that “[...] the source, domain or base of the President’s power over Congress” will offer a more comprehensive view. This is because, the source of the power is inactive or inert, and therefore, it has to be used in some way in order to change the behaviour of others. Such a view reveals another contested issue regarding the nature of power: that is, whether power only exists when it is exercised, or whether it is possible for an individual to be thought of as powerful before that power is actually exercised.

Some scholars have argued that the capacity to complete acts of control and the actual completion of these acts are different (Wrong 1979; Bacharach and Lawler 1981; Rogers 1974). Power is, more often than not, believed to be the ability of an actor to influence others. However, Rogers (1974) stated that having an ability to influence implies that an individual might, or might not, use this power to influence the other party. Therefore, having an ability to influence does not signify social action. Still, the capacity of an actor to alter the behaviour of others is an important social occurrence. As Wrong (1979) argued, when power is considered as a capacity or ability it refers to the actual capacity (possession) that is dormant in the actor himself, even when it is not exercised to create an actual change in the behaviour of other actors. This is because individuals may, and often will, assess each other's capacities in order to orientate their behaviour based on those assessments (Rogers 1974). In particular, the perceived capacity of an actor to influence can influence behaviour, even though the exercise of power is not evident. Therefore, based on the above arguments, the possession of power and the exercise of power could be distinct notions, since the capacity or possession of power by an individual could alter the behaviour of others.

Emerson (1972, p.391), however, maintained that "[...] to have a power advantage is to use it", thus making no distinction within the two. This is in support of Barnes (1988), who claimed that power should be thought of as both, a potential or capacity which may be utilised or not, and as 'possessed' by an actor. He continued, stating that power exists in the social setting (context) and external to its possessor (Barnes 1988). Additionally, to perceive power only as a possession is to run the risk of over emphasising the power of the power-holder and to ignore the fact that power is first and foremost a relation between actors (Wrong 1979). The possession of power as well as the exercise of power are inherent within a social context and are only evident within a relationship (Avelino 2011). Therefore, 'power to' act and 'power over' others can both be viewed as capacities possessed and exercised within the boundaries of a relationship.

Hence, like Weber (1978, p.53), this thesis perceives power ("*Macht*") as:

*"[T]he probability that one actor in a social relationship will be in a position to carry out his will despite resistance, regardless of the basis on which this probability rests."*



In other words, power is the potential or ability of an actor to achieve his/her desired outcomes, despite resistance by the other actor, and regardless of the basis of power. Weber's definition of power has been extremely influential and a number of concepts are founded on his perspective (Emerson 1962; Ramsay 1994; Stannack 1996; Belaya and Hanf 2009). Emerson (1962) utilised Weber's definition of power and highlighted that power is the potential or ability of one party to influence the other party's behaviour to achieve his/her desired outcomes. Therefore, power is considered to be the ability (or capacity or potential) to alter the behaviour of someone, that is relationally constituted (Emerson 1962).

According to Haugaard (2002, p.21), power is a "[...] family resemblance concept". That is to say, the meaning of power changes depending on its context and there is not one definition of power that can sum up all its usage. Therefore, the meaning changes depending on the local interpretation that pertains to each context (Haugaard 2010). In particular, each researcher produces or adopts local usage that reflects his/her specific aim or traditions.

Within the B2B marketing channel literature, El-Ansary and Stern (1972, p.47) defined power as "[...] the ability to control and influence the decision variables [...] of another channel member", while Hunt and Nevin (1974, p.186) referred to power as "[...] the ability of one individual or group to control or influence the behavior of another." Gaski (1984, p.10) defined power as "[...] the ability to cause someone to do something he/she would not have done otherwise." It is evident from the above that power is thought to be the ability to influence the actions of another to achieve one's objectives (El-Ansary and Stern 1972). The definition by El-Ansary and Stern (1972) is the most commonly adopted in studies within the B2B marketing channel literature (Dwyer and Walker 1981; Gaski 1984; Belaya and Hanf 2009; Hopkinson and Blois 2014). As Gaski (1984, p.12) stated, the study by El-Ansary and Stern (1972) was "[...] the genesis of channel power theory". Although most of the studies above focused on channel relationships, for instance the manufacturer/distributors/customer channel, due to the fact that power is evident in all social relationships, such studies may be applicable to other types of business relationship, such as that between supplier and buyer (Gaski and Nevin 1985; Lacoste and Johnsen 2015).

Consequently, and in accordance with the literature so far discussed, the current study defines power as:

*the ability (or potential or capacity) of a party to alter the actions and/or behaviour of another party to achieve its desired goals.*

As Meehan and Wright (2012) argued, power as the potential to influence is embedded in all buyer-supplier relationships. Having defined the concept of power, attention now turns to another main debate in power theory – the source of power.

### **2.3.3. The agency and structure debate**

Another key debate in the study of power is the distinction between agency and structure, or what is termed in the inter-organisational literature as the distinction between the behavioural sources of power and the structural sources of power (Brass and Burkhardt 1993; Cendon and Jarvenpaa 2001). The question here is whether power mainly falls on the agent side or on the structure side (Avelino 2011). In particular, the agent side is seen as enabling individuals to make a change and the structure side is seen as predetermining and constraining the choices of individuals. Haugaard (2002) has highlighted that, within this discussion, power and structural constraint are conceived as two conflicting points placed on a continuous spectrum. Haugaard (2002, p.38) noted:

*“[...] at one end of the spectrum social relations are contingent [...] whereas at the other they are determined [...] at the contingent end there is power (A could have acted differently) and, at the determined end, there is structure (A had no possibility of acting differently).”*

That is to say, at one end social relations are dependent on the choices that the actor makes whereas at the other end of the spectrum social relations are predetermined by the social structure that exists. Thus, if power is determined by the agent one can achieve objectives that might not have occurred otherwise. For instance, Dowding (1996) claimed that power should be viewed as the ability of a single agent to achieve changes that fulfil his/her own interests. On the other hand, Foucault (1980, p.98) perceived power as a non-subjective phenomenon that is exercised by the existent structures and through individuals, highlighting that actors are the “[...] vehicles of power”.

Specifically, Foucault (1995,p.200) using a prison cell as an example, argued that individuals are “[...] the object[s] of information, never a subject in

communication”, since the individual is seen but is being prevented from communicating with the other individuals. Therefore, Foucault (1995, p.202) claimed that critical mechanisms “automitise” and “disindividualise” power, and a material structure can be employed to manifest a power relation regardless of the individual who exercises it. Hence, any person can be thought of as being in a powerful position, since as per Foucault, structure can be thought of as constraining the options of an individual.

Giddens (1984) contested this view within his theory of structuration. In that theory he claimed that both agency and structure are factors that trigger social relations, and power is a critical factor. In particular, the structure is what enables interaction between actors, but also it constrains it through its rules, laws, resources and social norms; and at the same time agency (actor) also reproduces the social structure, through his/her knowledge of social life. Thus both structure and agency are enabling and constraining factors of power. As such Giddens (1984) views power as the ability of human agent(s) to use these structures to accomplish their aims. Cendon and Jarvenpaa (2001) argued that Gidden’s structuration theory enables the integration of social structure and human action. Therefore, power is exercised both through an individual’s behaviour and actions and also through resources, which are perceived as structural components.

Conversely, Clegg (1993), perceived power as a circular process that flows through three specific circuits. Specifically, he developed his multi-level framework of circuits of power, where power is presented as a highly complex interaction of episodic power, dispositional power and systemic power. Episodic power denotes the exercise of power in relation to agency which can shift through circuits; that is, understanding the event. Dispositional power refers to the rules of the game at the organisational level, such as rules of practice and shared meaning. Lastly, systemic power refers to the structures of domination at the societal level, where changes and new organisational forms can be developed. He argued that real events of power are understood in the first episodic circuit, since agency owns resources which can be used through various means to create the desired outcome. Understanding the situation where this event has taken place with its constraints and advantages occurs in the second (dispositional power) and third circuits (systemic power). Clegg (1993, p.211) noted that the dispositional and systemic level circuits are the “field of force”

in which the episodic agency notion of power is understood. With this framework, Clegg (1993), like other scholars (Pfeffer 1981; Astley and Sachdeva 1984; Haugaard 2002; Avelino 2011) stressed the importance of context in the theory of power.

Therefore, perceiving power as a family-resemblance concept, that is context-specific, the notion that only a single correct use exists is disregarded (Haugaard 2010). From the above discussion the current study accepts this context specific factor to power. That is to say that, although events of power are enabled by the individual's choices, the rules of the game and the systemic structure that surround the event are critical to understanding the power interactions between actors. Here the word actors does not denote individuals per se, but also organisations.

Within the B2B marketing, supply chain and strategic management literature the agency and structure debate has been distinguished through the examination of structural (or macro) and the individual's behaviour (micro) perspectives (Brass and Burkhardt 1993; Buvik and Reve 2002; Cendon and Jarvenpaa 2001; Kähkönen and Virolainen 2011; Aminoff and Taskanen 2013). Structural sources of power refer to the characteristics of a social system instead of the specific attributes of behaviour of an individual (Brass and Burkhardt 1993). Within a supplier-buyer context structural sources of power derive from organisational structures, including resources, interconnections among actors and organisational positions within the industry, denoting the relative power between actors (Cendon and Jarvenpaa 2001; Kähkönen and Virolainen 2011; Cuevas et al. 2015). From a micro-perspective, power is expected to derive from the actions of people and the exercise of power in terms of influence strategies and tactics (Cendon and Jarvenpaa 2001; Kähkönen and Virolainen 2011). Influence strategies denote the means by which power is used by individuals to influence the other party (Frazier and Rody 1991; Gelderman et al. 2008).

Brass and Burkhardt (1993, p.443) argued that the structural and behavioural perspectives of power must not be viewed as two distinct approaches but as "[...] simultaneously complementary processes" to fully explain the power interactions between parties. This is because, while a person's choices and characteristics enable

him/her to gain power, the structure (rules of the game, institutional norms, policies and resources) constrains an individual's exercise of power (ability to influence the behaviour of others). Therefore, both the behavioural and structural levels must be taken into account in order to fully understand the relative bargaining power and interactions between the buyer and supplier. The following section focuses on the bargaining power concept.

## **2.4. BARGAINING POWER WITHIN A BUYER-SUPPLIER CONTEXT**

### **2.4.1. Defining bargaining power**

As stated in sections 2.2 and 2.3.1, research is still needed to understand power interactions that occur between buyers and suppliers during their negotiations. Following the examination of power debates, establishing its definition and sources of power, attention now turns to the bargaining power construct which is the focus of this thesis. Negotiations between organisations arise because communication is possible in a situation where the parties have an interest in cooperating in order to reach a commonly beneficial arrangement or agreement (Dwyer and Walker 1981). Within these negotiations, the parties engage in a bargaining process which they pursue to gain favourable outcomes and improve the terms and conditions of their transaction, namely, reorganising their shared distribution of responsibilities, benefits and costs (Dwyer et al. 1987; Benton and Maloni 2005; Crook and Combs 2007). The negotiation process is an area of great importance where one organisation must deal with another organisation's power (Dwyer and Walker 1981). The power that one party has in relation to the other is critical to the ability of a party to achieve the best possible outcome during negotiations (Dwyer and Walker 1981; Yan and Gray 1994; Wolfe and McGinn 2005; Kim et al. 2005; Crook and Combs 2007). In this thesis this power (ability) is termed 'bargaining power'.

Buvik and Reve (2002, p.263) argued that within a buyer-supplier relationship bargaining power can be defined as the ability of a party "[...] to influence the terms and conditions of contracts." Similarly, Argyres and Porter-Liebeskind (1999, p.55) noted that bargaining power in a buyer-supplier relationship

is the ability of one party “[...] to influence the terms and conditions of that contract or subsequent contracts in its own favour.” From a purchasing and supply management perspective Stannack (1996, p.51) distinguished purchasing power as referring to “[...] the capacity to achieve a successful negotiated contractual outcome on behalf of an organisation.” The above definitions from buyer-supplier studies emphasises the importance of bargaining power in relation to the contractual agreement.

However, as noted in section 2.2, the current study investigates both the contractual and non-contractual negotiations that occur between the buyer and supplier. This is because buyers and suppliers do not only negotiate to agree on a formal contract. Buyers and suppliers also negotiate to deal with environmental contingencies or difficulties that may arise leading to non-contractual negotiations that also influence the expected benefits and costs (financial or otherwise) of the parties involved. Thus, to fully understand the negotiation interactions that arise, both types of negotiations must be considered. Therefore, since the aim is to explore both contractual and non-contractual negotiations the emphasis of the above definitions on contractual negotiations restricts the researcher from examining non-contractual negotiations.

Hence, following on from the above examination of power, that was broadly defined as the ability/potential to influence someone to do something that he/she would not otherwise do to achieve his/her objectives (Emerson 1962; Pfeffer 1981; Lawler and Bacharach 1987), bargaining power can be thought of as the ability to influence the outcome of a negotiation process (Yan and Gray 1994; Benton and Maloni 2005; Crook and Combs 2007). The ability to influence the outcome of the negotiation process derives from the ability of one party to influence the other party’s decision in its favour. Accordingly, bargaining power is:

*the ability of a party to influence the outcome of a negotiation process in their favour, whether with regards to the contract or not.*

Other scholars have labelled this ‘bargaining strength’, ‘bargaining ability’, or ‘negotiation power’ (Schelling 1956; Grennan 2014; Dobrijevic et al. 2011). The above conceptualisation of bargaining power enables the examination of both the contractual and non-contractual interactions between the parties.

Bargaining power also has a relational dimension, where power is explored based on the relative power that one party has over another to achieve its desired goals (Wolfe and McGinn 2005). The bargaining power concept encompasses all aspects of bargaining between parties and offers an integrative approach to considering the context, process and outcomes of the negotiation process (Bacharach and Lawler 1981; Yan and Gray 1994). It enables the investigation of the sources, or bases,<sup>6</sup> of bargaining power for each party as well as understanding the internal and external context of the relationship. It allows also the examination of the way this bargaining power is exercised by the actors in the form of strategies to gain compliance and explicate the outcomes of the negotiation process.

In the subsections that follow the discussion focuses on explaining the theoretical perspectives taken to examine the bargaining power interactions between the buyer and supplier under investigation. Firstly, existing literature regarding the structural aspect of bargaining power within a buyer-supplier context is reviewed to help determine the sources of power during negotiations. Secondly, attention turns to the behavioural perspective and how the parties may use their bargaining power to influence negotiation outcomes.

#### **2.4.2. The structural perspective**

The structural aspect of power focuses on examining the sources of power available to the parties based on the structure that surrounds their relationship (Cendon and Jarvenpaa 2001; Kähkönen and Virolainen 2011; Cuevas et al. 2015). The resources that each party has can be considered as the important sources of power (Ramsay 1994; Cendon and Jarvenpaa 2001; Pfeffer and Salancik 2003; Kähkönen and Virolainen 2011) that determine their bargaining power. Therefore, the resources a party owns are the foundations of its power.

Bearing in mind that organisations can be perceived as a bundle of resources then organisations can possess various tangible and intangible resources (Wernerfelt 1984; Barney 1991). Intangible resources include intellectual property rights,

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<sup>6</sup> In the attempt to achieve a more operationalised focus on power, power 'bases' have also been labelled 'kinds' (Etzioni 1961), 'types' (Olsen 1978), and 'sources' (Bacharach and Lawler 1980; Pfeffer, 1981).

reputation, employees' knowledge and organisational structure (Hall 1992; Villalonga 2004; Allee 2008). For instance, Meehan and Wright (2012) investigated the origins of power within a buyer-supplier relationship and identified that knowledge of individuals and reputation of the organisation are important sources of power that influence negotiation outcomes between the parties. Tangible resources are the physical and financial assets of the firm. Money, for example, is a major resource which is owned by the buyer, and is thus an important source of power (Ramsay 1994; Villalonga 2004; Allee 2008).

The resources that organisations have aid them to “[...] produce efficiently and/or effectively a market offering that has value” for another organisation (Hunt and Morgan 1995, p.6). However, some of the resources that an organisation owns may be considered more valuable than others to other organisations in order to realise their organisational objectives. Therefore, the power of one organisation is determined by the value the other attaches to the resources that it commands, whatever they may be (Emerson 1962). The organisation that controls desirable, valued, unique resources has a higher power base and thus bargaining power (Kähkönen and Virolainen 2011). Understanding the resources that increase and reduce the relative bargaining power of buyers and suppliers within the particular exchange can enable the parties to better interpret the context (Cox 2001) and regulate their behaviour accordingly to improve their bargaining power.

Resource-dependence theory is perceived as a structural theory of power (Bacharach and Lawler 1981; Brass and Burkhardt 1993; Cendon and Jarvenpaa 2001), and dependence is directly linked with power (Emerson 1962; Bacharach and Lawler 1981; El-Ansery and Stern 1972; Pfeffer and Salancik 2003). According to power-dependence theory, the ability a party has to influence another stems from its power, or to put it another way, from the dependencies that one party has on the resources of another (Emerson 1962; Cook 1977).

Gaski (1984) argued that channel member dependence and sources of power in distribution channels are conceptually inextricable. This is because, in line with resource-dependence theory, organisations consist of external and internal coalitions of exchange relationships within an uncertain environment and depend on other organisations for their survival (Pfeffer and Salancik 2003). Thus, cooperative



agreements between organisations can be seen as safeguarding the organisation in a volatile environment (Crook and Combs 2007).

The fact that power is perceived as the control of resources and dependence, places attention on the factors that lead to the power of an organisation (Kirkbride and Durcan 1987; Belaya and Hanf 2009). For these reasons, it is particularly helpful to examine buyer-supplier relationships because it enables the researcher to identify the resources and motivations of each party within the relationship and the value that they attach to the exchange.

The seminal work of Emerson (1962) on power-dependence has been influential in operationalising power within the B2B marketing management and supply chain management literature (Dwyer and Walker 1981; Ramsay 1994; 1996; Hingley 2005; Payan and McFarland 2005; Meehan and Wright 2012; Lacoste and Johnsen 2015). Emerson (1962, p.32) referred to power in terms of the dependence that each party has on the other's resources, or in a broader sense, the "[...] things that [each party] values". Emerson specified two dimensions of dependence, motivational investment and availability of alternatives. Specifically, he noted the dependence of party A on party B is determined by: (a) party A's motivational investment in objectives arbitrated by party B; and (b) by the availability of alternatives in achieving these objectives of party A externally to a relationship with party B. Therefore, the level of dependence between the two parties is determined by the criticality of the resources, or the stakes in the relationship, and alternatives for accessing those resources needed to achieve their organisational objectives (Pfeffer and Salancik 2003).

Ramsay (1994, p.129) utilised Emerson's dependence dimensions in a buyer-supplier situation. He argued that dependence is: (a) the "[...] *relative attractiveness of the resources*"; and (b) the "[...] *availability* of the resources that the buyer and supplier have to offer each other" in order to achieve their organisational objectives. In other words, anything that raises a buyer's need to buy from a certain supplier or that decreases the buyer's supplier freedom (alternatives) intensifies the buyer's dependence on the supplier and vice versa, consequently increasing the bargaining power of the supplier and decreasing the bargaining power of the buyer and vice versa (Ramsay 1994). For instance, the attractiveness of the resources can be

influenced by the volume of sales and purchases that the parties represent for each other (Ramsay 1994; Kähkönen and Virolainen 2011). That is to say, the higher the volume of purchases for which a buyer is responsible from the total sales of the supplier, the higher the dependence of the buyer on that supplier. Thus, the volume of sales and purchases is an important source of power. Availability refers to the alternative options that each party has for accessing those resources from other sources (Ramsay 1994). For example, the dependence of a buyer on a supplier increases when there is a small number of suppliers from which to access critical resources.

The dependence between the parties may vary in degree for each exchange relationship given that asymmetric dependence may exist. This asymmetric dependence creates an imbalance in the relationship where the less dependent party has a structural power advantage (Molm et al. 1999). This asymmetric dependence denotes the relative power of each party. Relative power refers to the dependence of party A compared to the dependence of party B on the relationship. That is, if A is dependent on B more than B is dependent on A, then B has power over A (Bacharach and Lawler 1981). Relative power indicates the imbalance in power between the two parties and can be perceived as the dissimilarity in value that buyers and suppliers assign to the exchange (Caniëls and Gelderman 2005). This relative power determines the bargaining power or power advantage of one party over the other (Anderson and Narus 1990; Mysen et al. 2012). As a result, relative power governs the degree to which an organisation has influence over its exchange partner, or, it can be influenced by its exchange partner. Hence, the current study focuses on the relative power between the parties, examining how the relative bargaining power of each party influences the contractual and non-contractual negotiations.

Within a buyer-supplier context, various sources of bargaining power have been identified as well as structural factors that can influence the relative dependence, and thus relative power, between the parties (Porter 1980; Buvik and Reve 2002; Caniëls and Gelderman 2007; Kähkönen and Virolainen 2011; Meehan and Wright 2012). For instance, a firm's market power is considered to be an important source of power that increases the bargaining power of a party (Kähkönen and Virolainen 2011; Meehan and Wright 2012). In his seminal work, Porter (1980)

examined competitive forces within an industry and identified five forces that can influence an organisation's competitive advantage, namely: (a) the current condition of competitive market rivalry; (b) the scope for new market entrants; (c) the threat of substitutes; (d) the buyer's bargaining power; and (e) the supplier's bargaining power. These factors are believed to be important influences in enhancing or restricting the bargaining power of buyers and suppliers (Cox 2001).

Porter (1980) argued that when an industry is highly concentrated or dominated by one or a small number of organisations then the relative power of those firms increases and it is relatively stable enabling those organisations to force discipline on to their partners. For example, in a highly concentrated market characterised by an oligopoly, where only a small number of buyers exist, each with a large share of the market, buyers have high bargaining power given that the suppliers have a small number of alternative buyers to whom to sell their product or services (Ferrer 2013; Ramsay 1994). Further, if the threat of new entrants in the supplier's market is low the bargaining power of the supplier increases and the cost of substituting the supplier also rises, strengthening the dependence of the buyer on the supplier (Buvik and Reve 2002). Therefore, structural conditions, such as the competitive forces (Meehan and Wright 2012) that surround the relationship between the supplier and buyer, play an important part in constraining or enabling their bargaining power during negotiations.

From a transaction cost economics approach, the costs associated with switching partners are a critical source of power (Heide and John 1992). Heide and John (1992) integrated power-dependence theory and transaction cost economics theory and argued that dependence between the exchange partners develops from investments in specific assets that the partners make in the relationship. Transaction specific investments often occur between the parties with the purpose of adding value or to economise (Buvik and Reve 2002). For instance, the buyer may adapt its production processes based on the needs of a specific supplier which can lead to high dependence of the buyer on the specific supplier. Accordingly, Buvik and Reve (2002) referred to the dependence of a buyer on a supplier as determined by the difficulties and costs entailed in replacing the specific supplier; and the supplier's dependence is defined as the costs and difficulties entailed in replacing the specific

buyer. Porter (1980) also identified the impact of the costs incurred by a partner in switching as influencing the bargaining power of suppliers and buyers.

The characteristics of the product offered by the supplier also play an important role in power dynamics and can be seen as an important source of power (Porter 1980; Caniëls and Gelderland 2007; Lacoste and Johnsen 2015). For instance, if a supplier has a differentiated<sup>7</sup> product then the supplier's bargaining power increases in relation to the buyer, since there are limited alternatives for the buyer to access this product, thus the supplier is protected against competition (Porter 1980). Further, Caniëls and Gelderland (2007) investigated the power dynamics between a manufacturer and distributor based on the type of product that is exchanged in the relationship. They observed that strategic products leave the supplier in a position of power. Often strategic products can only be accessed from one supplier and can thus be considered a high supply risk for the buyer.

The power of an organisation has also been examined in terms of the size of the organisation (assessed in terms of the number of employees or turnover) (Bates and Slack 1998; Kähkönen and Virolainen 2011). Bates and Slack (1998) argued that the balance of power changes from the buyer to the supplier, first, when the buyer is of a smaller size than the supplier, and second, when the financial gains constitute only a small share of its turnover but a large share of the buyer's costs. Therefore, the size of an organisation can be a vital factor given that a large organisation (in terms of number of employees and turnover) can have very high turnover in comparison to a smaller one. Thus the smaller organisation can be highly dependent on the economic resources of the larger organisation (Kähkönen and Virolainen 2011; Meehan and Wright 2012). This being the case, the larger organisation can have a higher bargaining power in comparison to the smaller organisation.

Further, other structural aspects such as government regulations can influence the power dynamics between the buyer and supplier and offer power

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<sup>7</sup> A product can be perceived as differentiated if any noteworthy element exists that separates the product of one seller from another and the result favours one variety of the product over the other (Becerra et al. 2013).

advantage to a firm (Cox 2001). Sanderson (2001) argued that government can play an important role in the power dynamics between a buyer and supplier and can result in creating or sustaining the power advantage of one party over another. He stated that an organisation may be the sole buyer of a good or service in a specific geographical market due to the fact that it has been granted exclusivity rights in a specific sector that necessitates a specialised product. Hence, government can also restrict or augment the power advantage of the buyer and supplier.

The above discussion has examined the structural perspective of bargaining power. Specifically, it has highlighted the importance of relative dependence between the parties and reviewed the various sources of power of organisations that establish their relative bargaining power. These factors can constrain or enable bargaining power both in contractual and non-contractual agreements. However, to fully understand how bargaining power influences negotiations, one must also investigate the behavioural aspect (how this power is used and communicated). The section below addresses this point.

#### **2.4.3. The behavioural perspective**

The behavioural perspective examines an individual's behaviour. In the distribution channels literature the behavioural perspective and the use of power has been extensively examined through power-base theory (the exercise of bases of power) (French and Raven 1959) and influence strategies (Frazier and Summers 1984). The social psychologists French and Raven (1959) focused on interpersonal power; that is, on the bases that permit an individual (the power source) to acquire power over another (the power target). As French and Raven (1959, p.151) claimed "[...] our theory [...] is limited to the influence on the person P produced by a social agent O". Although French and Raven (1959) acknowledged that many possible bases of power may exist, they defined five bases of power which they deem to be especially common and important, namely: reward, coercive, expert, referent and legitimacy. Reward refers to the capacity of the source to arbitrate dividends whereas coercion refers to punishment, for instance demanding cost reductions. Referent denotes the perception that an organisation holds, while expertise highlights the knowledge or information that is important to another organisation.

Lastly, legitimate power, that entails both the intrinsic and legal forms, supposes that the target of this power deems that the source has a right to influence him or her.

These power bases were later applied to the inter-organisational context of distribution channels and have been central to the distribution channels literature ever since (Meehan and Wright 2012; Hopkinson and Blois 2014). Later, a dichotomization of the different power sources was attempted, such as mediated (coercion, legitimacy and reward) and non-mediated (expert and referent) and coercive (coercion) and non-coercive (legitimacy, expert, referent, reward) (Hunt and Nevin 1974; Brown et al. 1995; Maloni and Benton 2000; Handley and Benton 2012).

Frazier and Summers' (1984) typology on the other hand identifies six influence strategies: information exchange, recommendations, requests, promises, threats, and legalistic pleas (these influence strategies are discussed below). Influence strategies are the "[...] means of communication available to a firm's personnel" in their efforts to influence other channel members (Frazier and Rody 1991, p.52). Influence strategies denote the method by which power is used and communicated by individuals to influence the other party (Frazier and Rody 1991; Gelderman et al. 2008; Belaya and Hanf 2009). These strategies can also be distinguished as coercive or non-coercive (Frazier and Rody 1991; Payan and McFarland 2005; Gelderman et al. 2008).

Hence, both typologies acknowledge the use of coercive and non-coercive means for a party A to influence a party B. Belaya and Hanf (2009) reviewed the power literature within the supply chain and distribution channels domain and concluded that there is some similarity in the way power base theory and influence strategies have been conceptualised in the literature. Hopkinson and Blois (2014) argued that the two streams of research have integrated over the years which can be partly ascribed to overlapping vocabulary. For instance, Leonidou (2005) adopted vocabulary from the power base typology and influence strategy research to examine industrial buyers' influence strategies during buying situations. He labelled influence strategies as reward influence strategies, informational influence strategies, coercive influence strategies, legalistic influence strategies, and referent influence strategies.

Similarly, Gaski (1984), and Gaski and Nevin (1985), made no distinction between the influence strategies typology and the bases (or sources) of power noting that they are not conceptually distinct but merely an issue of vocabulary. Benton and Maloni (2005, p.4) also used the power bases theory as set out by French and Raven, noting that they “[...] involve influence strategies that the source (buyer) specifically administers to the target (seller)”, thus making no distinction between the two. Other scholars who made no distinction between these two approaches are Hunt and Nevin (1974), Brown et al. (1995), Maloni and Benton (2000), and Handley and Benton (2012).

In contrast, other scholars make a distinction between the two typologies (for instance Kale 1986; Frazier and Summers 1986; Boyle et al. 1992; Farrell and Schroder 1999; Sahadev 2005; Chang and Lin 2008). Venkatesh et al. (1995) and Farrell and Schroder (1999) argued that bases of power refer to the characteristics of a person, such as expertise and referent, that give an individual the ability to influence others and based on those characteristics influence strategies are chosen. Equally, Belaya and Hanf (2009) maintained that influence strategies represent the ‘means’ or ‘instruments’ of an individual to influence another, whereas the bases of power represent where power is derived from. For instance, an individual may be perceived as having coercive power and use this power to threaten or make legalistic pleas in order to influence the other party. Therefore, the bases of power typology is “[...] attributional in nature rather than behavioural” (Meehan and Wright 2012, p.671). That is to say that it indicates information regarding the reasons why individuals (or subordinates) comply and not necessarily how the individuals behave or act. Nevertheless, a rational connection exists between the two streams, the sources and strategies of power use, which can be considered as complementary (Hopkinson and Blois 2014).

This study acknowledges the complementarity between the two approaches and the fact that the bases of power typology has been applied to examine influence strategies between firms. However, the current study emphasises how the parties use and exercise their bargaining power thus seeking to examine the behaviour and actions of the parties to achieve their organisational objectives. Consequently, the influence strategies typology is more suited to examining the use of bargaining power in a buyer-supplier context. Furthermore, the relevance and suitability of the

influence strategy typology in explaining the exercise of bargaining power was also evident in the primary data collected. Specifically, the above discussed issues were considered prior to the primary data collection. This is because, as noted in section 2.1, taking into account the Grounded Theory approach, a brief literature review was conducted to help the researcher to understand the phenomena under investigation and increase her theoretical sensitivity. This sensitised the researcher to the data enabling her to better understand the relevance and significance of the participant's statements (codes) in explaining the phenomena under study (Chapter 5, sections 5.3.1.5). During the analysis process the data further guided the researcher towards the influence strategies typology, revealing its pertinence to explain the behavioural aspect (exercise) of bargaining power.

As noted above, influence strategies<sup>8</sup> refer to the communication of the bargaining power of party A to party B in an effort to sway and alter the behaviour of party B based on the interests of party A (Wilkinson and Kipnis 1978; Frazier and Summers 1984; Gaski and Nevin 1985). These strategies can be utilised by a party A to merely coordinate with a party B or for more important issues such as compliance with inter-organisational initiatives (Payan and McFarland 2005). In an attempt to identify and categorise examples of behavioural tactics employed to exercise power between organisations, Kipnis and Wilkinson (1978) specified a comprehensive typology identifying twenty influencing strategies. They distinguished between (a) weak strategies, such as use of reputation, (b) request compliance, be cooperative/act nice, and offer benefits, and (c) strong strategies for instance demand compliance such as dictating terms, applying group pressure, and deceit. However, a more parsimonious and well accepted typology of verbal use of power is offered by Frazier and Summers (1984) (Frazier and Rody 1991; Boyle et al. 1992; Hopkinson and Blois 2014).

Frazier and Summers (1984) argued that two influence approaches can be adopted by a party (source) in their attempt to modify the behaviour of another party

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<sup>8</sup> It must be noted that the literature regarding influence strategies was consulted in more detail after the data collection, as stipulated by Grounded Theory (Chapter 5, section 5.3.1). However, in section 2.4.2 that examines the structural aspect (sources of power) a more detailed discussion is offered regarding the various sources of power identified in the literature. Therefore, for issues of consistency this section offers more details on the influence strategies typology.



(target) in distribution channel relationships. First, by changing “[...] the perceptions of the target in terms of the inherent desirability of the intended behaviour” (Frazier and Summers 1984, p.44). In other words, the source attempts to indirectly modify the perception of the target to view the intended behaviour as in its own best interest. For instance, a recommendation strategy refers to the source highlighting the specific action needed for the target to attain the desired outcomes (Frazier and Summers 1984). That is to say, if the target follows the source’s recommendations then the target may avoid negative consequences or attain positive outcomes such as increased profitability (Frazier and Summers 1984). Information exchange refers to the strategy where the source firm (influencer) supplies information to the target on general issues and procedures without requesting or stating any specific action to the target firm. The source attempts to alter the general perception of the target to achieve the desirable outcome.

Second, influence strategies may seek direct influence without altering the behaviour of the target. For instance, a situation may arise where the source needs to attain quick or immediate compliance from the target, or a source may be required to act in a way that is not intrinsically linked to the target’s best interest, thus direct influence strategies may be adopted to achieve compliance. For example, threats are the source informing the target that failing to comply will result in negative sanctions (Frazier and Summers 1984) while requests are where the source simply states the required action from the target without indicating or explicitly implying any particular consequences for the target’s compliance or non-compliance (Frazier and Summers 1984). Promises, as an influence strategy, involve the source promising to provide a particular reward contingent on the target’s compliance with a suggested action; thus the consequences of compliance are directly stated to the target (Frazier and Summers 1984). Legalistic pleas on the other hand refer to strategies where the source invokes the formal contract between the parties and requires the target to take certain action (Frazier and Summers 1984). The source may, for example, impose a penalty for not following the agreement.

These strategies can also be coercive (for example, threats) or non-coercive (recommendations) (Frazier and Rody 1991; Payan and McFarland 2005; Gelderman et al. 2008). Non-coercive strategies seek to alter the perception of the target, whereas coercive influence strategies seek immediate and direct modification

of the behaviour based on source-controlled rewards and punishments which can be either explicitly or implicitly implied by the source (Payan and McFarland 2005; Brown et al. 2009). The dependence structure between the parties, the bargaining power symmetry, and level of cooperation are considered to be important antecedents to the type of influence strategy adopted and its effectiveness, namely the compliance of the target (Frazier and Rody 1991; Payan and McFarland 2005). Frazier and Rody (1991) investigated the use of influence strategies between suppliers and distributors and found that the weaker party avoided adopting coercive strategies towards a stronger party, in order to sustain their relationship and reduce the potential for retaliation.

Therefore, bargaining power patterns between the parties influence the type of influence strategy adopted. Furthermore, the context of a buyer-supplier relationship plays a critical role in the contractual and non-contractual negotiations between two parties (Meehan and Wright 2012). Thus perhaps not all influence strategies apply or other influence strategies may be evident. The discussion above aimed to provide the reader with a better understanding of how power may be exercised within a supplier-buyer context rather than adopting a rigid framework for the study.

## **2.5. CONCLUSION**

This chapter has examined current literature regarding the key phenomena under investigation, namely the buyer-supplier exchange and negotiations and the bargaining power construct to aid in addressing the study's aim and objectives. This literature was reviewed before the data collection stage, as advocated by the Grounded Theory approach (Chapter 5, section 5.3.1) and its purpose was threefold. First, to help the researcher better grasp the phenomena under investigation in terms of issues that needed to be considered in the exploration. Second, to determine what was already known, thus preventing the researcher from developing already existing knowledge. Third, to ascertain the theoretical perspectives that could be used firstly as a guide in the early stages of the primary data collection and secondly to enhance the researcher's theoretical sensitivity to the data. This should provide a better basis for understanding the relevance of the data in explaining the phenomena under study. Further, Grounded Theory frequently leads to new themes that were not

considered before data collection. Hence, additional literature is employed in Chapter 6 to analyse and support the primary findings.

Current literature on the buyer-supplier exchange, and particularly negotiations, has been discussed to define and explain the content that surrounds the bargaining power interactions that occur between APs and TOs. Thus this review has contributed to the achievement of the aim and objectives of the study as follows.

First, Objective 1 seeks to discover the sources of power of the APs (suppliers) and the TOs (buyers), from the APs perspective, in order to determine their bargaining power within the contractual and non-contractual negotiations. Objective 2 investigates the way bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations. Finally, Objective 3 relates to the way bargaining power is exercised within the relationship, from the APs perspective, in order to ascertain the consequences on the contractual and non-contractual negotiation outcomes.

To investigate the bargaining power dynamics between the buyers and suppliers it was vital to understand the concept of power. Hence, power was defined within a buyer-supplier context, emphasising its antecedents and dimensions to take into account to aid in investigating the bargaining power. This review highlighted that both the structural and behavioural (use of power) perspectives of power must be considered to understand and explore the bargaining power interactions and outcomes of negotiations, thus helping to address the study's aim and three objectives.

This was followed by a discussion on the concept of bargaining power within a buyer-supplier context, focusing upon its definition and the theoretical perspectives adopted to examine its structural and behavioural aspects. Resource-dependence and power-dependence were discussed and various sources of buyer-supplier power were examined in order to better explain the structural aspect of power. This helped in meeting Objective 1. The behavioural aspect of bargaining power was also explained, highlighting issues to be borne in mind when looking at the exercise of bargaining power between APs and TOs. This helped to address Objective 2.

The literature reviewed also helped to address Objective 3. This was because understanding the concept of bargaining power and buyer-supplier negotiations helped to stimulate questions for initial data collection. Further, the researcher's theoretical sensitivity also increased, enabling her to grasp the relevance of the primary data, whilst at the same time freeing her to follow the data and allow it to tell its own story. Moreover, it was observed that there is insufficient research to help understand negotiations between buyers and suppliers and that empirical studies which explicitly examine power and its influence in a buyer-supplier relationship are still needed. These gaps should be filled to generate new insights and expand current knowledge regarding the bargaining power and implications of asymmetric bargaining power in negotiations between buyers and suppliers.

The next chapter examines the tourism industry, the study's industrial context. This is done to provide a clearer understanding of the industrial context that envelops the relationship of the APs and TOs and could impact their bargaining power interactions and contractual and non-contractual negotiations.

## **CHAPTER 3 - THE TOURISM CONTEXT**

### **3.1. INTRODUCTION**

Tourism is a multifaceted service industry incorporating various activities, services and industries as well as generating regions (consumer origin countries) and destinations (host regions), that focus on serving the travellers' needs and wants and ultimately produce the tourism product and provide a travel experience (Goeldner and Ritchie 2009; McCabe 2009; Cooper 2005). Due to its complexity, tourism entails numerous goods and services that are offered by the hospitality industry (such as accommodation and restaurants) as well as the travel industry (such as transportation) (Pizam 2009). The tourism industry includes various actors such as transportation providers, accommodation providers (APs), entertainment providers and intermediaries such as tour operators (TOs) (Buhalis 2000; McCabe 2009). Through the tourism distribution channel, which is a system linking various organisations, these tourism providers are able to sell, deliver or confirm travel arrangements to the buyer (Goeldner and Ritchie 2009).

The channel actors (such as transportation providers, APs and TOs) are highly dependent on each other in the delivery of the tourism product to the travellers and in attaining their business objectives (Yilmaz and Bititci 2006). They engage in numerous types of relationship to provide the tourism product, including ad hoc informal relationships, and short-term or long-term formal contractual agreements (Buhalis 2000; Zhang et al. 2009; Franco and Pereira 2013). Taking into account the significance of efficiency in organisational processes and value creation, and the often substantial investment needed in buyer-supplier relationships, managing these relationships is vital to an organisation's competitive advantage (Herbst et al. 2011; Meehan and Wright 2012). However, the literature reviewed indicated that research in tourism regarding the contractual relationships and activities between buyers and suppliers and the management of these relationships is insufficient (Zhang et al. 2009; Song 2012; Guo and He 2012; Gjerald and Lyngstad 2015). The lack of in-depth understanding of the buyer-supplier relationships, and their management, within a tourism context is important because power asymmetry is a common occurrence in tourism and can lead to the unequal distribution of

benefits between tourism actors (Song et al. 2013; Ford et al. 2012). The current study focused on exploring and providing an understanding of the influences on, and the implications of, the bargaining power of the APs (suppliers) when undertaking contractual and non-contractual negotiations with large European TOs (buyers). Hence, the study will advance current knowledge regarding power relations and negotiations between these buyers and suppliers in the tourism and hospitality industry.

To achieve the above, current tourism, hospitality and travel literature was reviewed in order to clarify the context in which APs and TOs operate. As with Chapter 2, this literature was reviewed before the primary data collection stage for three reasons. First, to gain a clearer understanding of the tourism industry and how its buyer-supplier relationships may influence bargaining power interactions and negotiations. Second, as stipulated by Grounded Theory (Chapter 5, section 5.3.1), the literature was utilised to enhance the theoretical sensitivity of the researcher and to raise questions for use in initial data collection, while also allowing the data to tell its own story. Third, to establish the existing knowledge regarding the buyer-supplier negotiations and bargaining power dynamics. The exploratory and inductive nature of Grounded Theory (Chapter 5, section 5.3.1) often results in the emergence of themes that had not been considered prior to data collection. Hence, in Chapter 6 additional literature is employed to analyse and fully explain the primary findings.

In this chapter, section 3.2 defines the tourism industry, offering a clear understanding of this multifaceted industry. This helps to address the aim of the study and its three objectives (Chapter 5, section 5.2). Objective 1 sets out to discover the sources of power of both APs and TOs, from the APs perspective in order to determine their bargaining power within the contractual and non-contractual negotiations. Objective 2 investigates how bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiation. Objective 3 examines how bargaining power is exercised within the relationship, from the accommodation providers' perspective, in order to ascertain the consequences on the contractual and non-contractual negotiation outcomes.

Section 3.3 explains the tourism distribution channel, highlighting its attributes, links, and the roles of the various providers of the tourism product. This is important since buyer-supplier relationships and interactions can be influenced by the external structure that surrounds their relationship (Romero and Tajeda 2011; Song et al. 2013). It helps to fulfil Objective 1,<sup>9</sup> which investigates the sources of bargaining power of the APs and TOs, to determine their bargaining power. Subsequently, section 3.4 examines how the power concept has been studied within a tourism and hospitality context, focusing on the buyer-supplier relationship and specifically the APs and TOs. This is done to further enhance the researcher's knowledge regarding the implications of power, and to ascertain gaps in the literature.

Section 3.5 discusses the bargaining power dynamics between tourism suppliers and buyers, emphasising the role of the large TOs as a powerful actor and their relationship with the APs. This helps to address all three objectives of the study as it sets the scene for the bargaining power interactions that occur between the APs and TOs during negotiations. In order to better understand relationship-specific issues and the negotiation context of the parties, the section also discusses the AP and TO negotiations and the challenges that may arise and lead to the exercise of bargaining power. This helps to tackle Objectives 2<sup>10</sup> and 3<sup>11</sup>, which both investigate the use of bargaining power, determining the influence strategies adopted by the parties in negotiations, and how bargaining power can influence negotiation outcomes. Section 3.6 concludes the chapter.

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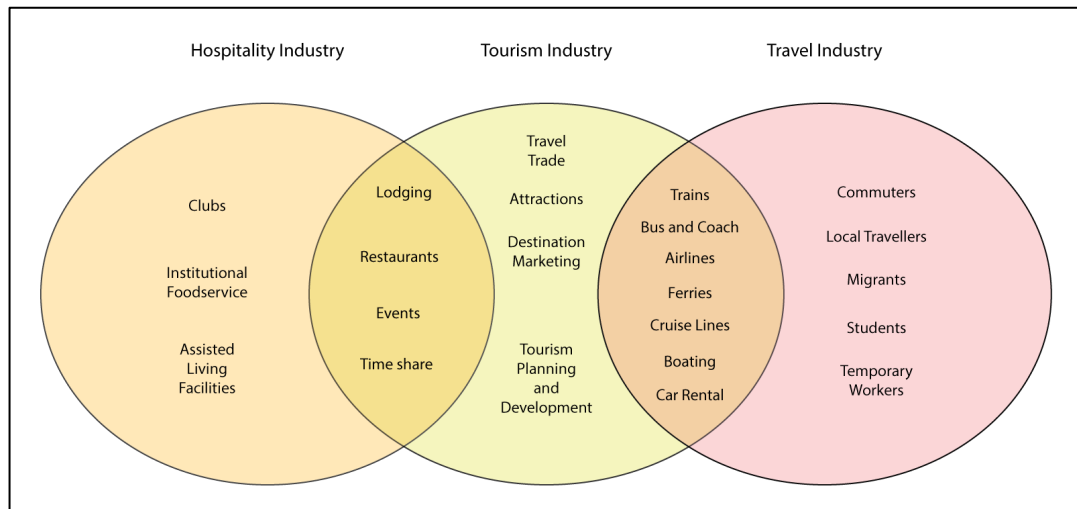
<sup>9</sup> Due to the Grounded Theory approach additional literature is utilised in Chapter 6 to support the findings. To address Objective 1 supplementary literature relating to tourism policy, destination management and competitiveness as well as literature on buyer-supplier contracts and exchange partner selection in the tourism and hospitality field is employed.

<sup>10</sup> Due to the use of Grounded Theory strategy, additional literature is cited in Chapter 6 to help address Objective 2. More specifically, this literature deals with buyer-supplier relationship management and emotions literature in the B2B tourism and hospitality field.

<sup>11</sup> Due to the use of Grounded Theory strategy, in Chapter 6 supplementary literature is employed to support the findings and address Objective 3. In particular, this literature deals with pricing in B2B marketing management and strategic management, within a tourism and hospitality context, and with revenue management.

### 3.2. DEFINING THE TOURISM INDUSTRY

Goeldner and Ritchie (2009, p.6) noted that tourism refers to the “[...] processes, activities, and outcomes” resulting from the relationships and interactions among travellers, tourism suppliers (principals), destination governments, destination communities and the surrounding environments that play a part in “[...] attracting and hosting” visitors. Therefore, tourism is a highly complex industry and encompasses an amalgamation of activities, services, industries and host regions (destinations) that aim to serve the needs and wants of travellers and ultimately create the tourism product and deliver a travel experience (Goeldner and Ritchie 2009; Cooper 2005).



**Figure 1: The relationship between tourism, hospitality and travel industries. (amended from Pizam 2009, p.183).**

Pizam (2009) highlighted that the complexity of the tourism industry may be confusing for researchers who need to distinguish between the travel, tourism and hospitality industries. He argued that the industries are interconnected but also distinct. Figure 1, below illustrates the interrelationships between the three. Tourism encompasses various goods and services that are provided by hospitality businesses, but these businesses also serve non-tourists (such as locals) (Pizam 2009). Equally, whilst the travel industry transports tourists, its services can also be used by non-tourists, thus it is partly used for tourism purposes.

Thus, the tourism industry is broad, emphasising the notion of a tourism system. This system encompasses generating regions (consumers' country of



origin), destinations, elements of the tourism service sector (principals/suppliers) such as transportation services, accommodation providers, visitor attractions, and entertainment facilities, as well as intermediaries such as TOs (wholesalers) who package and combine these elements to offer an organised itinerary (Buhalis 2000; McCabe 2009). In other words, the term tourism industry incorporates all providers of traveller and traveller related services.

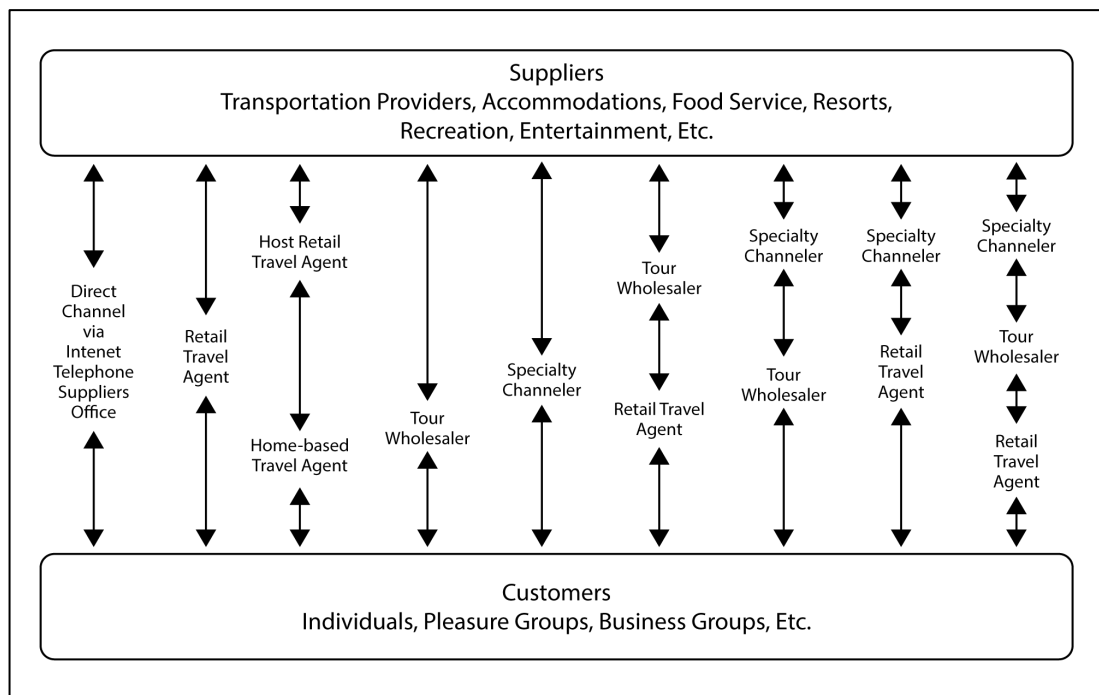
Due to the complex nature of tourism a debate exists whether tourism should be perceived as one large industry, or whether it should be referred to as multiple tourism industries (Leiper 2008; Song 2012). Leiper (2008) claimed that the use of the generic term 'tourism industry' is misleading, and that various small and large tourism industries exist (such as airlines, travel agencies and hotels), intersecting in many areas and with different organisations that directly but only partially support tourism. Hence, for this reason these components should not be regarded as part of one industry. Although the researcher acknowledges that various industries contribute to the tourism product the study uses the term tourism industry, as it is commonly adopted by both researchers and practitioners within the tourism field (Higgins-Desbiolles 2006; Zhang et al. 2009; Song 2012).

For these reasons, the multifaceted nature of the tourism industry and the tourism product buyer-supplier relationships are obscure (Ujma 2001). The section below examines the tourism distribution channel in terms of its characteristics and dynamics in order to better understand the context of the buyer-supplier relationship, given that this influences the interactions of the parties.

### **3.3. THE TOURISM DISTRIBUTION CHANNEL**

A tourism distribution channel is an operating structure, a system of numerous mixtures of organisations, through which a provider of tourism products sells, delivers or confirms travel arrangements to the buyer (Goeldner and Ritchie 2009). The main function of the channel is information and travel arrangements, essentially bringing together consumers and suppliers rather than a physical product (Buhalis 2000; Goeldner and Ritchie 2009). The tourism distribution channel can include various channel members such as suppliers (for example accommodation and transportation providers), intermediaries (for example travel agents and TOs)

and destination management organisations who can offer information to tourists (Buhalis 2000). As can be seen in Figure 2, various organisations or structures of distribution channel exist. Consumers can purchase numerous elements, either directly from the tourism providers linked by online search engines, or through intermediaries such as TOs, travel agents or ‘speciality channelers’ (such as meetings and conventions planners or hotel representatives) (Ujma 2001). There are boundless alternatives of the tourism distribution channel based on the specific industry structure and external environment (Buhalis 2000).



**Figure 2: The tourism distribution channel. (Goeldner and Ritchie 2009, p.183).**

In addition, the impact of information technology and the arrival of the world wide web has had a tremendous impact on the structure of the channel, offering countless choices for the consumer and resulting in a highly complex industry structure (Buhalis and Law 2008; Kracht and Wang 2010). The advent of the world wide web has intensified competition amongst channel members to win the customer, leading them to compete, merge or form cooperative agreements (partnerships) in order to survive (Kracht and Wang 2010).

Hence, in the tourism industry the various channel actors are highly dependent on each other in order to provide the tourism product that consumers seek and achieve their organisational objectives (Yilmaz and Bititci 2006). This can be

attributed to the intangibility and perishability of the tourism product, which distinguishes the tourism industry from the manufacturing sector (Yilmaz and Bititci 2006; Bull 2006; Zhang et al. 2009). The tourism product is intangible, that is to say it cannot be physically seen or touched before an individual purchases it, and it is considered to be a service that is perishable, thus it cannot be stored. Therefore, the tourism industry is also information-intensive, meaning it is highly dependent on the presentation and understanding of the products offered (Ujma 2001; Zhang et al. 2009).

Song (2012) identified three more distinguishing attributes of the tourism industry: it is a coordination-intensive industry; it has high demand uncertainty; and it has complex dynamics. Tourism is a coordination-intensive industry given that various products and services are bundled together to create the final product. Furthermore, high demand uncertainty is frequent which can be influenced by economic factors (low or high disposable income), seasonality, advertising and crisis events (Andriotis 2005; Wang 2009; Song 2012; Chen and Yeh 2012). Therefore, tourism is a dynamic industry and the strong competition between service providers further intensifies its complexity. Hence, in order to offer a tourism product which will reach the end consumer, channel members (such as tourism suppliers and intermediaries) enter into relationships to meet particular demand or offer services needed by consumers (Buhalis 2000). These can take the form of ad hoc informal relationships to satisfy specific demands, partial integration of business processes, short-term formal contractual agreements, or long-term formal contractual agreements with joint risks and rewards (Buhalis 2000; Zhang et al. 2009; Franco and Pereira 2013).

These industry-specific characteristics influence the buyer-supplier relationships in general and negotiations in particular. For instance, Romero and Tajeda (2011) found that in Spain, due to high demand uncertainty, TOs (buyers) and APs (suppliers) often needed to renegotiate the conditions agreed in the formal contract such as price. The perishability and demand uncertainty of the product makes it difficult for tourism actors to balance supply and demand (Zhang et al. 2009), and as such often leads to non-contractual negotiations between suppliers and buyers.

Although various studies have examined the relationships between tourism channel members, buyer-supplier research within a tourism context is insufficient and lacks a clear focus (Zhang et al. 2009; Guo and He 2012). This is mainly due to the fact that the majority of tourism research focuses on the exchange between business and consumer, rather than B2B (Jensen 2009; Hung et al. 2010; Guo et al. 2013; Ling et al. 2014; Gjerald and Lyngstad 2015). Specifically, the investigation of the contractual relationships and cooperation activities between tourism providers is considered to be an under-researched area within a tourism context and the management of these relationships is a topic in need of further exploration (Zhang et al. 2009; Song 2012; Guo and He 2012; Gjerald and Lyngstad 2015). Considering the importance of successfully managing inter-organisational relationships for the competitive success of an organisation the examination of the buyer-supplier relationship in a tourism context is important. This is because power asymmetry between tourism actors is a usual phenomenon and can result in uneven sharing of benefits between the tourism actors during negotiations (Song et al. 2013; Ford et al. 2012). The section below reviews the concept of power as currently studied by tourism and hospitality scholars.

### **3.4. RESEARCH ON POWER WITHIN A TOURISM CONTEXT**

Although within the manufacturing sector the impacts of buyer-supplier power interactions and relationships have received attention from scholars, within a tourism context this is still considered a peripheral matter in need of further exploration (Zhang et al. 2009; Christodoulidou et al. 2010; Hall 2010; Beritelli and Laesser 2011; Ford et al. 2012; Berne et al. 2012). The study of power within the tourism literature focuses extensively on the destination level, in particular, the power relations among various tourism stakeholders and their impact on policy-making and community planning (for example Reed 1997; Hall 2003; Nyaupane and Timothy 2010; Bramwell and Meyer 2007; Marzano and Scott 2009; Wearing et al. 2010; Beritelli and Laesser 2011; Hazra et al. 2014).

However, research on power within the tourism distribution channel, and buyer-supplier exchanges in particular, is still insufficient to fully understand its influence on relationship interactions (Ford et al. 2012; Song et al. 2013), although exceptions do exist (see Guo and He 2012; Berne et al. 2012; Ivanov et al. 2015).

Berne et al. (2012), for example, investigated how information and communication technology influences the power balance between the members in a tourism distribution channel. They identified that both market structure and channel structure play a critical role in determining the power balance between the parties, with market structure acting as an antecedent of power relations. From an economic perspective market power and competitive forces and their impact on tourism providers' operations is examined by other authors (Aguiló et al. 2003; Papatheodorou 2006; Koutoulas 2006).

Moreover, Ford et al. (2012) adopting a sociological perspective, discussed the asymmetric power–dependence relationship between tourism channel members. They noted that the weaker power party is at a disadvantage in terms of the share of value that it receives from the tourism network and recommended strategies (criticality and value of the firm-specific resources) to weaker organisations to better manage their asymmetric power relationships and increase value appropriation from the relationship. They highlighted the importance of examining power asymmetries within a tourism context to offer recommendations regarding strategies that weaker actors can adopt in order to manage these asymmetries.

Within the tourism literature the market power of the large TOs has been identified by a number of researchers over the years (Buhalis 2000; Medina-Muñoz et al. 2003; Ioannides and Daughtrey Petridou 2006; Karyopouli and Koutra 2012; Falzon 2012; Alegre and Sard 2015). However, there are only a few studies that have explicitly examine the issues of power and bargaining power between buyers and suppliers within a tourism context in general and between TOs and APs in particular. Ivanov et al. (2015), for instance, investigated conflict between accommodation providers and intermediaries (travel agencies and TOs) in Bulgaria focusing on the influence of the bargaining power of each party in conflict resolution strategies. Guo and He (2012) used game theory to examine the cooperative relationship between hotels and TOs and identified the impact of bargaining power in determining the revenue gained by each party.

Furthermore, other studies have focused on conflict, control, cooperation and the challenges that tourism providers, such as APs, face due to power asymmetries in their relationship with the TOs (Buhalis 2000; Aguiló et al. 2003; Bastakis et al.

2004; Karamustafa 2000; Medina-Muñoz and García-Falcón 2000; Medina-Muñoz and Medina-Muñoz 2002, 2004; Medina-Muñoz et al. 2003; Andreu et al. 2010; Lee et al. 2013). For instance, Medina-Muñoz et al. (2003) investigated the control large German and UK TOs exerted in their relationship with APs in sun-and-sea destinations focusing on the degree of control, mechanisms used, aspects of control and the ways in which control was exerted. They found that while some TOs exercised low control others exercised strong control particularly over contract issues, through both indirect non-coercive strategies and direct coercive strategies. Lee et al. (2013), using one study case, explored the relationship between online travel agents and hotels and noted that the stronger bargaining power of the online travel agents in relation to the hotels decreased their ability to gain more favourable contracts.

Bastakis et al. (2004) examined the impact of large TOs on small and medium tourism enterprises in Greece, identifying the advantages and challenges of the TOs power. Aguiló et al. (2003) found that the market power of large TOs enables them to obtain low prices from APs in the Balearic Islands. Although the above studies offer insights into the impact of power on the relationship between tourism buyers and suppliers they do not explicitly focus on the bargaining power interactions between the parties and the influence of bargaining power on the negotiation processes and outcomes. Therefore, given the importance of better understanding bargaining power interactions between buyers and suppliers and the management of these asymmetric relationships, the section below discusses bargaining power dynamics that are evident within a buyer-supplier context.

### **3.5. BARGAINING POWER DYNAMICS BETWEEN TOURISM BUYERS AND SUPPLIERS: THE ROLE OF THE LARGE TOUR OPERATORS (TOS)**

In the tourism distribution channel, intermediaries are the key link between the customer and supplier (Buhalis 2000; Ujma 2001). As a result, the intermediaries, namely the TOs, have more power to influence, control and arrange demand levels, than their equivalents in other markets (Buhalis 2000; Ujma 2001; Song et al. 2013). The main function of the TOs is to combine various travel

services into a single product (package) and sell this at a single price thus operating as wholesalers (Fyall and Wanhill 2008; Čavlek 2006). In contrast, the majority of travel agents operate as retailers and as a result do not bear the risk of unsold capacity (Fyall and Wanhill 2008). The travel services that the TO combines typically include transportation such as airline seats, and accommodation such as hotels, however other services may also be included, such as guided tours and leisure activities (Fyall and Wanhill 2008).

Although traditionally the TOs marketed and sold their product through the travel agents, currently the TOs act both as wholesalers and travel agents marketing their aggregated product directly to the consumer under their own brand names; for example, Thomas Cook (Fyall and Wanhill 2008). Therefore, TOs distribute their packaged product either to the consumer directly (direct sale or the Internet) or through a middleman, the travel agent, who sells the package for an agreed commission (Chand and Katou 2012). The TO industry encompasses a number of TOs which vary in size and market specialisation given that not all products can be standardised; some TOs, for instance, specialise in nature tourism (Grosspietsch 2006; Vanhove 2011). However, the current study focuses on the large European TOs. These TOs focus on mass market, achieving economies of scale, offer a standardised product, large volumes, and attain maximum return of investment (Falzon 2012; Alegre and Sard 2015).

These large TOs have enormous market power within the European tourism market in general and the Mediterranean area in particular. Their market power primarily stems from the oligopolistic nature of the European TO market. Specifically, since the 1990s a consolidation trend has been observed in the TO industry with a number of TOs adopting an aggressive merger and acquisition strategy establishing transnational conglomerates (Koutoulas 2006; Papatheodorou 2006). For instance, in 2007, two TOs, TUI and First Choice, merged to create TUI Travel (Nelson 2007). At the same time key European TOs, such as TUI Travel, vertically integrated and now operate other tourism services such as travel agencies, airlines and accommodation units (Theuvsen 2004; Koutoulas 2006).

Vertical integration can provide economies of scale, enable control of the product and increase profitability (Bottomley Renshaw 1994; Bastakis et al. 2004).

Hence, this vertical integration enabled the TOs to attain market share and maximise their profit (Bastakis et al. 2004). These actions created an oligopolistic European TO market with a small number of sellers controlling the largest market share (Davies and Downward 2007; Alegre and Sard 2015). TUI and Thomas Cook are the two principal TOs in Europe and they have a combined market share of more than 50% in key markets such as the UK, Scandinavia and Germany (FVW 2014).

This oligopolistic structure has created a competitive and aggressive market, where the TOs have become the dominant organization within the tourism distribution system. Therefore, a number of researchers have identified the dominance and powerful position of the large TOs in relation to their suppliers (Aguiló et al. 2003; Medina-Muñoz et al. 2003; Buhalis 2000; Bastakis et al. 2004; Karyopouli and Koutra 2012; Tveteraas et al. 2014). Budeanu (2009) and Sigala (2008) have stated that the large European TOs are vital in promoting sustainable supply chain management within the tourism channel. These authors claimed that despite the lack of regulation on sustainable practices the powerful position of the large TOs (deriving from market power) enables them to influence attitudes and practices of various suppliers across the tourism chain. Consequently, the large TOs have the necessary power to influence their various suppliers on numerous aspects of their relationship.

The TOs cooperate with various suppliers, such as transportation companies and leisure providers, in order to create their tourism packages, however a critical element of the TO's package is the accommodation. The accommodation is believed to be a strategic product for the TOs, and is also their largest supplier group (Medina-Muñoz and Medina-Muñoz 2002; Budeanu 2009). This is because it is a product of considerable value to the TO's success since it can influence consumer satisfaction levels and can define the cost of the total package offered (Medina-Muñoz and Medina-Muñoz 2002; Yang et al. 2009).

The term 'accommodation sector' refers to all the establishments that provide tourists with accommodation (or lodgings) (Barron 2005). However, some types of accommodation also offer food and beverages (hotels, bed & breakfast establishments, guesthouses, hotel apartments, and tourist villages), while others offer self-catering accommodation (tourist apartments and cottages) (Barron 2005).



Regardless of its type, the accommodation is a key product for the TOs success and for this reason the TOs seek to influence and control the APs to achieve their organisational objectives. Hence, contractual and non-contractual negotiations are ever present. A major reason why TOs exercise their power over APs is to maintain their competitiveness by reducing their prices and the APs profit margins, and seeking profit and market share maximisation for themselves (Medina-Muñoz et al. 2003; Falzon 2012; Alegre and Sard 2015). This is because consumers have a particular budget allocated for their holidays and channel members are in direct competition with their partners to achieve a larger share (Buhalis 2000). On the other hand, APs attempt to balance the volume of tourists they receive with the average room rates to achieve a satisfactory return on investment (Buhalis 2000; Medina-Muñoz and Medina-Muñoz 2000; Medina-Muñoz et al. 2003). Against this background the APs and TOs interact and negotiate contractual and non-contractual issues that may arise.

### **3.5.1. Challenges in the relationship between the TOs and APs**

Although various issues and conflicts may arise between the APs and TOs, contracted price and release periods are typical challenges during contractual negotiations (Buhalis 2000; Bastakis et al. 2004; Ivanov et al. 2015). On the other hand, issues such as the provision of booking details, fulfilment of contracted room allocation and overbookings can lead to non-contractual negotiations between the parties. Such issues cause the parties to use their bargaining power in order to attain their objectives.

Within the tourism industry, pricing plays a critical role in adjusting the supply of the product to demand (tourists) and expected demand plays a critical role in the marketed price for services (Cirer-Costa 2013). Tourism organisations must combine both long-term and short-term pricing strategies (Narangajavana et al. 2014; Alegre and Sard 2015). Long-term pricing strategies are based on the anticipated production and demand conditions, while short-term pricing is related to issues regarding segmentation, promotional offers and demand fluctuation (Narangajavana et al. 2014; Alegre and Sard 2015). Therefore, a fluctuation in prices is observed for APs and TOs based on the season (high or low) and booking levels (Cirer-Costa 2013).

Consequently, it is not surprising that a key concern for APs and TOs is the issue of price (Buhalis 2000; Myung et al. 2009; Alegre and Sard 2015). Bastakis et al. (2004) investigated the relationship between large TOs and small-and-medium APs and identify that, due to the oligopolistic TO market and the limited alternative distribution options for the APs, the TOs have a high bargaining power. Bastakis et al. continued to note that the high bargaining power of the TOs enables them to put pressure on the APs and negotiate more favourable prices. This is particularly relevant in sun-and-sea destinations where APs are highly reliant on TOs for the distribution of their product (Karamustafa 2000; Andriotis 2003).

The agreed release period is another challenge to the relationship between APs and TOs (Bastakis et al. 2004). The release period regulates when the TOs should unblock or release to the APs any rooms from their room allocation that are left unsold. APs and TOs have contrasting interests in this situation due to the fact that a longer release period for the APs permits them more time to sell these rooms through other distribution channels, such as online (Ivanov et al. 2015). In contrast, the TOs favour shorter release periods in order to capitalise on the longer time period and generate sales. The higher bargaining power of the TOs and the competition between the APs may result in short release periods at the AP's expense (Ivanov et al. 2015).

Closely related to the release period is the coverage of the contract, that is the difference between the actual bookings that the APs receive in comparison to the room allocation agreed during contractual negotiations (Buhalis 2000; Andriotis 2003; Ivanov et al. 2015). Andriotis (2003) examined the challenges that APs face in their relationship with TOs in Crete, Greece. He noted that, despite the TOs contracting a certain number of rooms during formal contractual agreements, they did not fulfil this allocation resulting in a number of rooms left empty. Since the accommodation product, similar to other tourism products, is intangible and perishable, an empty room is lost revenue for the APs (Cirrera-Costa 2013). In order to avoid loss of revenue APs sign agreements for a higher total number of rooms than their available capacity which, if managed incorrectly, can lead to overbookings (Ivanov et al. 2015).

Overbookings are another challenge that arises between the APs and TOs (Buhalis 2000). Overbooking is commonly adopted within the accommodation sector to protect the unit from lost revenue (Hung et al. 2010; Todorov and Zhechev 2010; Ivanov and Zhechev 2012). It is founded on the supposition that guests who have a reservation will not arrive at the accommodation unit (also referred to as ‘no show’), while other guests may cancel or alter their booking at the last minute and some may leave earlier than expected (Ivanov and Zhechev 2012). If this is managed correctly then the overbooked rooms should be equivalent to the number of cancelled bookings or no shows, otherwise the APs must book their guests into another accommodation unit. Todorov and Zhechev (2010) examined the impact of overbookings of accommodation units, particularly in hotels, and found that incorrect management can have negative impacts, such as lost revenue and decreased customer loyalty.

Numerous issues may lead to negotiations between the APs and TOs and the above section has examined the common issues and interactions that occur in their relationship. This provides the reader with a better understanding of the dyadic relationship under investigation. These issues and interactions typically stimulate the exercise of bargaining power between the two parties in their effort to achieve their organisational objectives.

### **3.6. CONCLUSION**

Existing literature regarding the tourism industry has been reviewed to offer a better understanding of the industry context that surrounds the AP and TO relationship that can influence their bargaining power and interactions during negotiations. As advocated by Grounded Theory, the literature was examined prior to data collection to stimulate questions for the data collection stage, whilst also conferring the freedom to follow the data. Additionally, the literature helped to augment the researcher’s theoretical sensitivity enabling her to grasp the relevance and suitability of the data in theoretical terms to explain the phenomena under study. Further, this literature enabled the researcher to ascertain current knowledge regarding bargaining power and negotiations of APs and TOs within a tourism, travel and hospitality context. However, as noted earlier (section 3.1) due to the

inductive nature of Grounded Theory, in Chapter 6 additional literature is used to analyse and discuss the study's primary findings.

In this chapter the tourism industry has been defined and its structure and attributes have been explained in order to set out the context of the buyer-supplier relationship under investigation, namely that of APs and TOs. The tourism industry is a service industry characterised by an intangible and perishable product since the tourism product (the travel experience) cannot be seen or touched prior to purchase and cannot be stored. It is also an information and coordination intensive industry given that various actors must coordinate to deliver the travel experience. Further, high demand uncertainty is ever present since demand can be influenced by economic factors (for instance disposable income), crisis events and seasonality. Due to the complexity of the industry and its characteristics, the actors in the tourism distribution channel (such as APs, transportation providers and TOs) and specifically buyers and suppliers, are highly dependent on each other to provide the tourism product to the consumer and fulfil their organisational aims.

Tourism is a highly dynamic, multifaceted and competitive industry and its characteristics can influence the interactions between the tourism providers. For instance, high demand uncertainty often leads to price renegotiations between the tourism buyers and suppliers. Understanding the tourism industry, and the tourism distribution channel, and the characteristics, links and roles of the various providers helped the researcher to address the aim and all three objectives. More specifically, Objective 1 seeks to discover the sources of power of both the APs and TOs in order to determine the bargaining power within the contractual and non-contractual negotiations. Objective 2 investigates how bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations. Objective 3 examines how bargaining power is exercised to ascertain the consequences on the on the contractual and non-contractual negotiation outcomes.

Furthermore, tourism, travel and hospitality literature on buyer-supplier power and bargaining power was reviewed in this chapter to increase the researcher's understanding of the implications of power and ascertain the current state of research on these phenomena within a tourism context. It is evident that

buyer-supplier research in tourism is perceived as being insufficient and in need of further exploration, particularly in terms of investigations on bargaining power and negotiations. Additionally, the bargaining power and the role of the large TOs in their relationship with the APs was discussed. This was done to identify the context-specific factors that may influence the contractual and non-contractual negotiations of the parties and to set the scene by explaining the bargaining power interactions arising in the negotiations between APs and TOs. Lastly, the AP and TO relationship was examined regarding the challenges that may arise and may result in the use of bargaining power and negotiations, whether contractual or not. This knowledge provides a clearer understanding on the relationship context that may stimulate the use of bargaining power and negotiations. Thus, this examination helps in addressing Objectives 2 and 3. Having provided an understanding of the tourism industry context and how it may influence the bargaining power and negotiations of the APs with the TOs, the chapter below examines the tourism context of the Republic of Cyprus (ROC) to aid the enhance the reader's understanding of the relationship of the APs and TOs in the ROC.

# **CHAPTER 4 – TOURISM IN THE REPUBLIC OF CYPRUS**

## **4.1. INTRODUCTION**

In this chapter the research location is discussed to enable the reader to better understand the context of the relationships between the accommodation providers (APs) and the tour operators (TOs) in the Republic of Cyprus (ROC) as well as the factors that may influence their bargaining power interactions. Cyprus is divided into two parts: the southern-part, controlled by the Greek-Cypriots and the northern-part, controlled by the Turkish-Cypriots (U.S. Department of State 2015). This chapter only refers to the southern-part of Cyprus which was the research location. The southern-part is internationally recognised as the Republic of Cyprus (ROC) (U.S. Department of State 2015; European Commission 2016; United Nations 2015).

The ROC is an economically developed mature sun-and-sea destination and tourism plays a significant role in its economic growth (European Commission 2015a; Boukas and Ziakas 2013). Utilising its beaches and favourable climate it has experienced tremendous tourism growth becoming a popular mass packaged sun-and-sea destination (European Commission 2015b; Ioannides 2001). However, the emphasis on promoting the mass packaged sun-and-sea product, the reliance on a small number of source markets and the issues of flight accessibility have resulted in a destination dependent on large TOs for its survival (CTO 2011; Karyopouli and Koutra 2012; Farmaki 2012; Boukas and Ziakas 2013). Hence, the TOs play a dominant role in the tourism and hospitality industry and are powerful in relation to destination suppliers, namely APs.

The accommodation sector is characterised by medium-and-large size units with the vast majority located in the coastal areas of Larnaka, Limassol, Paphos, Ayia Napa and Protaras (Ransley 2012; Tsangari 2012; CTO 2014b). This concentration is due to the destination's focus on promoting the sun-and-sea product. The sector is perceived to be relatively successful, playing an important role in the destination's economy (Ransley 2012; Tsangari 2012; European Commission 2016). Despite this success, however, APs (owner/managers)

experience many challenges, such as oversupply of units and tired accommodation, which reduces their competitiveness in the tourism market (Tsangari 2012; Farmaki 2012; Sharpley 2007). Additionally, the powerful role of the TOs more often than not allows them to govern the relationship with the APs (Sharpley 2007). This makes it difficult for APs to manage the relationship with TOs, specifically during negotiations. Therefore, the ROC provides rich data for examining the contractual and non-contractual negotiations characterised by asymmetric bargaining power between the large TOs and APs.

Accordingly, an account of the ROC is presented below discussing the economic, political and sociocultural aspects to gain a better understanding of the research location. This is followed by a discussion highlighting the development of the ROC as an important sun-and-sea destination, as well as the challenges that it faces in the competitive tourism market and the potential influence on the power relations of the APs and large TOs. This is because these issues influence the tourism and hospitality industry in the ROC as well as the actions of the actors involved. Subsequently, a discussion on the accommodation sector and its characteristics is presented in order to elucidate specific factors that may influence the relationship between APs and TOs.

## **4.2. AN ACCOUNT OF THE REPUBLIC OF CYPRUS**

Cyprus as a whole is the third largest island in the Mediterranean basin, but ROC is only the southern-part. As indicated in Figure 3 below, it is situated in the eastern Mediterranean, at the crossroads of three continents, Europe, Asia and Africa.

Cyprus has been divided *de facto*, between the Greek-Cypriots and Turkish-Cypriots, since 1974. In 1960 the island, as a whole, gained independence from Britain<sup>12</sup> under treaties guaranteed by Greece, Turkey and Britain (Mallinson 2005). Despite its newly acquired independent status, political unrest was evident and tensions between the two communities were high (Bryant and Papadakis 2012). This

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<sup>12</sup> The term Britain is used to refer to the United Kingdom of Great Britain and Northern Ireland (UK) Government, as it is officially recognised. This is because this is the term adopted by the authors cited (Mallinson 2005; Bryant and Papadakis 2012).

was partly because, while the minority Turkish-speaking Cypriots was seeking the partition of Cyprus, the majority Greek-speaking Cypriots sought the union of Cyprus with Greece (Bryant and Papadakis 2012).<sup>13</sup>



**Figure 3: Map of the Mediterranean basin. (amended from Geographic Guide 2015).**

In 1974, there was a coup against the President by Greek-Cypriot right-wing extremists, supported by Greece’s military dictatorship which also sought the union of Cyprus with Greece<sup>14</sup> (Bryant and Papadakis 2012; Mallinson 2005). This coup gave Turkey’s military forces an opportunity to invade, claiming it was within their rights to protect Turkish-Cypriots (Bryant and Papadakis 2012; Mallinson 2005). This resulted in the partition between Greek-Cypriots and Turkish-Cypriots, as illustrated in Figure 4 below (following page) which shows that the southern two-thirds of the island (in white) are controlled by Greek-Cypriots, namely the Republic of Cyprus, whilst the northern one-third (in yellow) is occupied and controlled by the Turkish-Cypriot administration, namely the “Turkish Republic of Northern

<sup>13</sup> Britain also played a role in increasing tensions between the communities because it encouraged the Cypriot President’s decision to modify the unworkable constitution initially agreed between the communities and the guarantor powers (Mallinson 2005).

<sup>14</sup> Although the Greek-Cypriot leadership moved away from seeking union with Greece, a small group of Greek-Cypriot right wing extremists continued to demand this (Bryant and Papadakis 2012).



Cyprus”<sup>15</sup>. However, this self-declared “state” is internationally recognised only by Turkey (U.S. Department of State 2015).



**Figure 4: Map of Cyprus. (Nations Online Project 2016).**

The ROC is an independent microstate and has been a member of the European Union (EU) since 2004, and of the Commonwealth since 1961. It has a Presidential government structure, with the President being elected by popular vote for a five-year term. Greek and Turkish are the two official languages of the ROC but English is also widely spoken.

The ROC is often characterised as “[...] a Mediterranean island with a European mentality” (Ransley 2012, p.28; Broome 2004). This could be partly because it was a British colony, thus Britain has to a great extent formed the current public administration and processes (Dimitratos et al. 2011; Broome 2004). Further, the ROC receives over two million tourists annually, the vast majority from European countries (such as UK and Germany) (Broome 2004). These factors intensify the influence of a Westernised lifestyle and way of thinking (Broome

<sup>15</sup> The quotation marks are used to denote the fact that this administration is not internationally recognised by any country except Turkey.

2004).

The ROC is an economically developed state that has a small and dynamic service-based economy (financial, banking, tourism and education) (Republic of Cyprus 2012; Charalambous 2014). In 2014, the service sector constituted 87% of the Gross Domestic Product (GDP), the secondary sector (manufacturing, construction, electricity) accounted for 11%, and the primary sector (agriculture) 2% of GDP (World Bank 2015). The key characteristics of the economy are its small internal market, small size of the majority of businesses and its “open nature” (Republic of Cyprus 2012, p.3). The Government’s main responsibility is to provide support to the private sector and moderate the markets in order to maintain economic stability and a promising business environment (Republic of Cyprus 2012).

Since 1974, the political climate has been stable, and volatility is very low in comparison to the majority of other EU countries (Ioannides and Holcomb 2001; Charalambous 2014). Between 1974 and 2011, the ROC experienced steady economic growth contributing to job creation, enhancing residents’ standard of living, and leading to low unemployment rates, and low rates of social exclusion and poverty (Ioannides 2011; Charalambous 2014). In 2011, however, the global economic crisis hit the ROC and the economy began to underperform (Charalambous 2014). This was because it lost credibility with the credit-rating agencies, partly due to the financial exposure of the ROC banks to the Greek economy (Charalambous 2014). The Greek financial crisis was a result of inaccurate debt and deficit figures which downgraded Greece’s credit rating to the lowest in the Eurozone (Melvin 2015; Niculescu 2011). Nevertheless, the economy of the ROC is now stabilising (European Commission 2015a). In 2014, the real GDP decreased by 2.4%, which is lower than the 5.4% contraction observed in 2013 (European Commission 2015a). As a result, the microeconomic forecast for the ROC also demonstrates signs of stabilisation (European Commission 2015a).

The ROC is an independent island-state that significantly relies on the success of its service sector, such as tourism, in order to contribute to its economic stability. Having described the economic, sociocultural and political issues of the ROC, attention now turns on tourism and its development in the ROC.

### 4.3. TOURISM DEVELOPMENT

The service sector, particularly tourism, is a key economic driver for the ROC (European Commission 2015a). In 2014, the latest data from the World Travel & Tourism Council (WTTC) showed that the total<sup>16</sup> contribution of travel and tourism to the GDP of the ROC was 21.3% and was expected to increase by 5.5% in 2015 (WTTC 2015). Tourism is also a major employment provider, contributing 22.6% to total employment in 2014 (WTTC 2015). Furthermore, export profits from international tourists and tourism related merchandise are valued at 29.6% of total exports (WTTC 2015). In November 2015, the European Commission calculated the importance of international tourism to its member states, based on the ratio of travel receipts to GDP (European Commission 2015b). The ROC, Croatia and Malta were identified as the three countries whose international tourism contributed most to GDP, indicating the importance of tourism to the economy of the Republic (European Commission 2015b).

Indeed, since its independence, tourism has played a major role in the growth of its economy because it was utilised as a key vehicle for economic rejuvenation and diversification (Farmaki et al. 2015; Boukas and Ziakas 2013; Tsangari 2012; Clerides and Pashourtidou 2007). Sharpley (2004) has stated that tourism in the ROC occurred in two stages. The first stage was from 1960-1974 (when it gained independence, until the *de facto* division) while the second stage was after the partition in 1974. During this first stage Cyprus as a whole was transformed, receiving 25,700 tourists in 1960, but more than 264,000 tourists in 1973, with an annual growth rate of 22% (Sharpley 2004). This was because of spatial restructuring, from the Troodos mountains (where most accommodation was located) to the coastal areas of Ammochostos and Kyrenia (Ioannides 2001). Due to affordable air travel, packaged-holiday offerings from the TOs, and the growing demand for the sun-and-sea product in the northern markets, Cyprus as a whole became an established mass sun-and-sea destination (Apostolopoulos and Gales 2002; Ioannides 2001).

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<sup>16</sup> The total contribution of travel and tourism entails direct, indirect and induced impacts on the economy; for example, investment activity (such as building a new hotel), government collective spending related to tourism activities, and the purchase of goods and services by the domestic market to service tourists (such as food purchased by hotels) (WTTC 2015).

In 1974, during the second stage following partition, tourism virtually collapsed since most tourist facilities and infrastructure, including the airport, were lost (Sharpley 2002). Nevertheless, the ROC managed to rebuild its infrastructure focusing on the south and on the coastal areas of Limassol, Larnaca, Paphos and the area around Ayia Napa and Protaras (Sharpley 2001; Ioannides 2001). These four areas were the only relatively large coastal resorts that remained after the invasion. The ROC then achieved impressive economic growth in the 1980s focusing on mass tourism, and the sector stabilised in the 1990s (Tsangari 2012; Adamou and Clerides 2009; Clerides and Pashourtidou 2007).

In the early 2000s the number of arrivals in the ROC decreased (Adamou and Clerides 2009), from 2,696,732 in 2001 to 2,172,998 in 2010 (CYSTAT 2015a). This reduction could be partly attributed to the September 11<sup>th</sup> terrorist attacks and the war in Iraq, as well as increased competition from new, cheaper destinations such as Croatia and Egypt (Clerides and Pashourtidou 2007). Since 2011, however, tourism has grown (Emergo Wealth 2013). In the period January to November 2015, latest statistics from the ROC statistical service record tourist arrivals at 2,581,057, indicating a growth of 8.2% on the same period in 2014 (CYSTAT 2015b). This increase may be due to the rise in tourist arrivals from Russia and Eastern Europe, and to events in nearby countries, such as the conflict in Egypt, and terrorists attacks that make the ROC a preferable destination for tourists (SigmaLive 2015a).

Hence, since 2011 the tourism sector has grown and the WTTC has noted that the increased contribution of travel and tourism to the GDP of the ROC, has increased in significance to the economy (WTTC 2015). The WTTC expect that in 2025 the total contribution of travel and tourism will reach 25.5% of GDP, in comparison with 21.3% in 2014 (WTTC 2015). This is based on the direct and indirect contributions and induced impacts of travel and tourism on the economy (WTTC 2015). Contributions include for example investment activity (such as building new hotels), Government spending associated with tourism activities, and the purchasing of goods and services by the domestic market to service tourists (such as purchases of food by hotels).

This economic contribution is significant for the island and particularly the coastal areas given that the coastal areas receive most of the international tourist

arrivals. As noted earlier tourism in the ROC is mainly concentrated around the coastal areas of Limassol, Larnaka, Ammochostos (including Ayia Napa and Protaras) and Paphos, because these locations were the only large coastal areas available following the island's partition. Table 2 below, presents the distribution of international tourist arrivals by location for 2013. It shows that the coastal resort of Paphos (including the area of Polis Chrysochou) has received the highest percentage of international tourists with 38.7% of yearly arrivals, while Lefkosia and the Hill resorts, located in the hinterland areas, have received the lowest percentage of international arrivals, 5% and 0.2% respectively. This distribution is not surprising since the coastal areas offer a variety of activities that fulfil the desires of most tourists on holiday, from relaxing on the beach to more active pursuits such as swimming and sports (Holloway 2006). Thus the core product of the coastal areas (sun, sand and sea) continues to be attractive to the largest segment of the market (Holloway 2006; Andriotis 2006).

Areas	Arrivals	Share
Lefkosia (Nicosia)	119,129	5.0%
Ammochostos (includes Ayia Napa and Protaras)	733,068	30.05%
Limassol	281,284	11.7%
Larnaka	222,127	9.2%
Paphos (including Polis Chrysochou)	931,794	38.7%
Hill Resorts	4,694	0.2%
Other	47,743	2.0%
Any 2 or more areas	65,551	2.7%
<b>Total</b>	<b>2,405,390</b>	<b>100%</b>

**Table 2: Distribution of tourist arrivals by location. (amended from CTO 2014a).**

Whilst the ROC has focused on sun-and-sea to become a popular mass Mediterranean summer destination (European Commission 2015b) a number of fundamental problems exist with the tourism product that jeopardise its competitiveness (Boukas and Ziakas 2013; Tsangari 2012; Adamou and Clerides 2009; Clerides and Pashourtidou 2007). One such challenge is its over-dependence on mass sun-and-sea product (Boukas and Ziakas 2013; Koutra and Karyopoulou 2013; Tsangari 2012). Although sun-and-sea were appropriate in the 1980s, when the ROC was a new destination, this one-dimensional product is no longer suitable. New destinations have emerged, such as Turkey and Egypt, offering similar products at a lower price resulting in the decreasing competitiveness of the ROC

(Tsangari 2012; CTO 2011; Clerides and Pashourtidou 2007). Furthermore, the focus on the mass sun-and-sea product has led to architectural pollution, coastal erosion, air, water and noise pollution, change in the natural landscape and strain on the destination's natural resources (Tsangari 2012; Sharpley 2004).

Additionally, traditional competitors, such as Spain, have enhanced their infrastructure and diversified their product (Boukas and Ziakas 2013; Farmaki 2012; Clerides and Pashourtidou 2007). The ROC urgently needs to upgrade its tourism infrastructure, and to enhance and diversify its narrow sun-and-sea product in order to remain competitive (Boukas and Ziakas 2013; Farmaki 2012; Adamou and Clerides 2009).

Furthermore, dependence on sun-and-sea contributes to the strong reliance of the destination on the large European TOs for their international tourism flows (Tsangari 2012; Farsari et al. 2007). This may be attributed to the fact that the package TO market is highly concentrated, with a small number of TOs controlling the majority of the market. Hence, these TOs decide which destinations will receive most international tourists (Falzon 2012; Farsari et al. 2007; Medina-Muñoz and García-Falcón, 2000). In the ROC, large TOs control a large share of tourist arrivals. In 2013, for example, 58% of international tourists travelled on a packaged arrangement, while 42% of international tourists travelled on an individual basis (CYSTAT 2014). Accordingly, the destination's dependence on the large TOs for tourist arrivals contributes to the dependence of the destination's suppliers on the large TOs for tourist arrivals, thus giving the large TOs a powerful position in the destination.

Another key problem is over-reliance on the UK, Scandinavian and German markets (Farmaki 2012; Saveriades 2000). In 2003, the Cyprus Tourism Organisation (CTO) identified that the UK, Germany and Russia were high priority markets and Scandinavian countries were secondary markets in its strategic plan (CTO 2003). In 2011, in the CTO's strategic plan, the UK, German, Russian and Scandinavian markets were considered key sources (CTO 2011). Therefore, almost 10 years later after the 2003 strategic plan the island was still dependent on the same four markets for international arrivals. The ROC is particularly dependent on the UK market, which accounted for 37% (891, 229) of tourists in 2013, while Russia

accounted for 25% of total tourist arrivals (608,576) (CYSTAT 2014). One reason for the higher UK market share could be the strong ties that the ROC has with Britain and the fact that English is widely spoken on the island, making it an attractive destination for British people (Koutra and Karyopouli 2013).

This overdependence on a small number of European markets contributes to the dependence of the destination on the large TOs. This is because the European tourism market is dominated by two large TOs. These two, TUI and Thomas Cook, have a combined market share of more than 50% in generating markets such as the UK, Scandinavia and Germany (FVW 2014). Consequently, three of the key source markets are controlled by two large TOs, which contributes to their power in the industry and in turn in their relationship with the tourism suppliers.

Furthermore, the sun-and-sea product is highly seasonal and as a result tourism is characterised by the one-peak seasonality<sup>17</sup> form (Boukas and Ziakas 2013; Karyopouli and Koutra 2012; Clerides and Pashourtidou 2007). Most tourists arrive during the months of April to October, 87% in 2013 (CYSTAT 2014), which is considered the high season, whilst November to the end of March is the low season (PwC Cyprus 2014). Seasonality is linked to low profitability during the low season, seasonal employment and over-use of natural and built resources during the high season (Karyopouli and Koutra 2012; Farsari et al. 2007). Boukas and Ziakas (2013), for instance, state that a number of accommodation units in the ROC close down during the winter season due to their inability to generate sufficient revenue to cover their high operational costs. Therefore, highly seasonal tourism negatively affects both destinations and tourism suppliers, reducing their competitiveness.

Accessibility to the destination is another major challenge (CTO 2011; Farmaki 2012). As for most island destinations, due to its peripherality and isolation, the ROC depends on air carriers to transfer tourists (Sharpley 2001; Lim and Cooper 2009; Hernández-Martín 2008). Hence, air carriers such as the TOs' charter flights, independent charter flights, and national and low-cost carriers are critical for tourism

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<sup>17</sup> Seasonality refers to the concentration of tourist arrivals in relatively short periods during the year that reoccurs at about the same periods but may change from year to year (Koenig-Lewis and Bischoff 2005).

development (CTO 2011). This dependence enables the large TOs to influence tourist characteristics, tourism flows, and prices in the destination in general, and for tourism suppliers in particular (Sharpley 2001; Karyopouli and Kourtra 2012). Hence, accessibility restrictions increase the importance of large TOs in the tourism industry, contributing to the dependence of the ROC on the large TOs.

The above discussion has shown that, although the ROC has managed to establish itself as a popular sun-and-sea destination, various challenges exist that threaten its competitiveness. These include, increased competition from new destinations, deteriorating infrastructure, restricted accessibility, dependence on the mass sun-and-sea product and reliance on a small number of source markets (Boukas and Ziakas 2013; Tsangari 2012; Adamou and Clerides 2009; Clerides and Pashourtidou 2007). The tourism product is a combination of activities, attractions, services and destination characteristics that create the tourism experience, thus the product is rooted in the specific destination (Meethan 2004). Being a less competitive destination can reduce the competitiveness of the tourism businesses that operate in the destination as well as push tourists and TOs to seek other alternatives (Meethan 2004; Kozak 1999). This could have detrimental effects on the economy of the ROC in general and on tourism suppliers in particular due to the importance of the tourism sector in the destination. Therefore, the challenges faced by the destination could also have implications for the contractual and non-contractual relationships of the large TOs and APs. The section below discusses the accommodation sector in the ROC to further contextualise the relationship between the large TOs and APs

#### **4.4. ACCOMMODATION SECTOR**

In the ROC the accommodation product can be considered relatively successful and is dominated by medium-and-large size units (Ransley 2012; Tsangari 2012). It offers a variety of accommodation types that are relatively luxurious and provide specialised services (such as conference facilities). The accommodation sector is a major component of the tourism experience and a key sector for the economy (European Commission 2016). It represents approximately 10% of the total number of tourism business, and employs more than 40% of the total workforce (European Commission 2009). Considering the significant



contribution of the sector to employment, it is important to investigate the ability of the APs to improve their bargaining position in relation to the large TOs in order for the sector to be successful and sustain its contribution to the economy.

As mentioned in section 3.3, tourist arrivals are concentrated in the coastal areas of Paphos, Ammochostos (including Ayia Napa and Protaras), Limassol and Larnaka, hence, most tourism activities and accommodation units are located in those areas. Table 3 illustrates the destination's accommodation capacity for 2013, based on the type of unit and the area (location).

Areas	Operational Units	Star Hotels	Hotel Apartments	Tourist Villages	Other Categories*	Beds in Operation
Lefkosia (Nicosia)	25	20	2	0	3	2,860
Limassol	74	34	16	1	23	13,032
Larnaka	100	23	17	0	60	5,972
Ammochostos (including Ayia Napa and Protaras)	243	72	100	8	63	35,055
Paphos (including Polis of Chrysochou)	273	56	31	12	174	27,866
Hill Resorts	85	20	0	0	65	2,317
<b>Total</b>	<b>800</b>	<b>225</b>	<b>166</b>	<b>21</b>	<b>388</b>	<b>87,102</b>
*Other categories include tourist villas, traditional buildings, tourist apartments, hotels without stars, guesthouses and campsites.						

**Table 3: Cypriot accommodation capacity for 2013. (amended from CTO: Accommodation industry capacity 2014b).**

As can be seen from Table 3, Paphos has the highest number of operational units, followed by Ammochostos (including Ayia Napa and Protaras). Larnaka follows in third place and Limassol has the lowest number of operational units. This distribution may be because following partition, the Government significantly aided the private sector, particularly refugees, to reestablish tourism infrastructure in the coastal areas of Ammochostos and Paphos (Ioannides 1992; Sharpley 2000). This state aid was in the form of free government land and/or bank loans with low interest (Ioannides 1992). Additionally, in Paphos tourism infrastructure further increased due to the construction of the Paphos airport (Ioannides 1992).

The explosive growth of tourism development that occurred during the 1980s has, however, resulted in the need to upgrade and modernise the current accommodation product (CTO 2011). The accommodation product significantly

contributes to tourist satisfaction as well as increasing competitiveness in the market (Albayrak and Caber 2015; Tavitiyaman et al. 2011). Clerides et al. (2007) have reported that tourists identify that the accommodation aspect of their holiday was not value for money, leading to poorer average rating of their overall holiday experience in the ROC. An accommodation unit with poor infrastructure may not be considered competitive by the TOs thus reducing the negotiating position of the APs. In 2010, the Government of the ROC assigned 500 million Euro to aid the local economy following the global economic crisis, and a share of this was assigned to the accommodation sector through planning incentives to enhance and enrich their infrastructure (Republic of Cyprus 2010).

Although this incentive helped to improve the accommodation units, further upgrades and improvement to the infrastructure are needed (Tsangari 2012; Farmaki 2012) to enhance the destination's competitiveness. Improvements to the infrastructure of the destination, namely the accommodation sector, can also improve its attractiveness and competitiveness in the tourism market (Crouch 2011). As such this could contribute to the success of the tourism suppliers given that a more competitive destination leads to more competitive businesses (Meethan 2004).

Furthermore, due to the explosive growth of tourism and unplanned accommodation development in the 1980s and 1990s, supply exceeded demand in the 2000s (Sharpley 2001). As a result TOs were able to negotiate high discount rates, leading to reduced profitability for the APs, loss of jobs and a decline in quality and competitiveness (Sharpley 2001). To address this, in 2006, the Government announced an incentive plan for the withdrawal of lower quality touristic beds in order to alter the composition of the current supply (CTO 2007). This incentive did reduce the number of beds by 764 (Emergo Wealth 2014). However, the sector is still characterised by oversupply of accommodation units (Sharpley 2007; Farmaki 2012). In turn, this enables the large TOs to negotiate, or even dictate high discounts with the majority of APs, leading to a downward pressure on the agreed prices (Sharpley 2007). This oversupply increases the power of the large TOs since they have various similar accommodation alternatives to choose from and can transfer the tourism flow they control, which allows them to demand their preferred price in negotiations.

The above discussion emphasises the characteristics of the ROC accommodation sector and elucidates the challenges that may reduce the competitiveness of the accommodation product in the tourism market. These challenges, such as poor infrastructure and oversupply of accommodation units, may also influence bargaining power and negotiations between APs and large TOs.

#### **4.5. CONCLUSION**

Literature on tourism in the Republic of Cyprus (ROC) has been examined in order to provide the context for the contractual and non-contractual relationships and negotiations that occur between its APs and large European TOs. The ROC is a popular mass packaged sun-and-sea destination, with its tourism development primarily concentrated in the coastal areas, Limassol, Paphos, Larnaca, Ammochostos (including Ayia Napa and Protaras).

This chapter's discussion indicated that the ROC is dependent on large European TOs for the growth of tourism, which contributes to the powerful position of TOs in relation to APs. The large TOs have more power and thus a dominant role in their relationship with the APs which often allows them to control various aspects of their interaction, such as their contractual and non-contractual negotiations. APs therefore face various challenges, when managing their relationships with the powerful TOs in general, and during contractual and non-contractual negotiations in particular. As a research area, the ROC is thus able to offer rich data for exploring contractual and non-contractual negotiations between tourism suppliers, namely the APs, experiencing power asymmetry in their relationship with their buyers, namely the TOs.

A discussion on the ROC and its tourism industry was presented in order to provide a better understanding of the context (social setting) of the bargaining power interactions and negotiations between the APs and the TOs. Chapter 5 discusses the methodology and design, employed to address the aim and objectives of the study.

## **CHAPTER 5 - RESEARCH METHODOLOGY**

### **5.1. INTRODUCTION**

This chapter discusses the methodology and research design used to produce the empirical evidence required to explore the contractual and non-contractual negotiations and bargaining power interactions between the accommodation providers (APs) and European large tour operators (TOs) in the Republic of Cyprus (ROC), from the APs perspective. This was done in order to gain an in-depth understanding and explanation of the bargaining power interactions and negotiations that arise between the parties and thereby address current gaps in knowledge in the business-to-business (B2B) buyer-supplier negotiations (APs acting as suppliers and TOs acting as buyers) and bargaining power interactions within a tourism and hospitality context (Chapter 1, section 1.2.3 and Chapter 3).

This chapter first reviews the research aim and objectives. Second, the research methodology and research design is explained. Third, there is a discussion of the methods of data collection utilised, the sampling design employed and the rationale for the interview guide. Fourth, the data analysis process is explained. Fifth, the chapter sets out an evaluation (credibility, transferability, dependability and reflexivity) of the research project. Sixth, the ethical considerations of the research are outlined. Finally, the limitations of the study are discussed.

### **5.2. RESEARCH AIM AND OBJECTIVES**

The aim of the study was:

*To provide an understanding of the influences on, and the implications of, the bargaining power of the Republic Of Cyprus (ROC) accommodation providers (APs) when undertaking contractual and non-contractual negotiations with large European tour operators (TOs).*

The study's aim was generated from the literature reviewed (Chapters 2 and 3) which indicated that there was insufficient research regarding power relations, business-to-business (B2B) buyer-supplier exchanges (such as negotiations) and the management of these relationships within a tourism and hospitality context (Zhang et al. 2009; Ford et al. 2012; Song et al. 2013; Gjerald and Lyngstad 2015). Hence,

there was a lack of in-depth academic understanding regarding power and its implication on B2B buyer-supplier relationships within a service sector such as tourism and hospitality. The powerful position of the TOs in relation to their suppliers has been identified in the tourism literature, especially from an economic perspective (market power of the TOs) (Chapter 3, section 3.4). Researchers have also investigated conflict, control, cooperation and the challenges that tourism suppliers, such as APs, face in their relationship with the TOs (Chapter 3, section 3.4). These studies offered insights in to the impact of power on the buyer-supplier relationship. However, the interactions and challenges that the perceived weaker parties (such as APs) face rests on the relative bargaining power of the parties: that is each party's ability to influence the other. The studies referred to above did not explicitly examine the bargaining power concept regarding its antecedents, exercise and implications on the negotiation process and outcomes. This could be attributed to the fact that research within a tourism context has primarily focused on the relationship between businesses and consumers (B2C) rather than B2B relationships (Jensen 2009; Hung et al. 2010; Guo et al. 2013; Ling et al. 2014; Gjerald and Lyngstand 2015).

Negotiations between suppliers and buyers are critical for businesses due to the fact that they determine the level of value appropriation (profit) for each negotiating party. Conversely, negotiations between buyers and suppliers can arise due to reasons other than establishing a formal contract (Powell-Thomas 2013). Thus, as well as contractual negotiations, there are non-contractual negotiations evident between buyers and suppliers (Chapter 2, section 2.2). Contractual negotiations refer to negotiations during the establishment of a formal contract. Non-contractual negotiations refer to negotiations that are informal in nature, for instance, parties may need to adjust the formal contract or resolve a conflict that may occur due to environmental changes. Both contractual and non-contractual negotiations are important to consider in order to fully explain the phenomena under study. This is because relationship behaviour and outcomes do not only occur via the actions described in the contracts (Aminoff and Tanskanen 2013).

However, despite the importance of negotiations, and B2B power interactions, insufficient knowledge existed regarding the contractual relationship of tourism suppliers and buyers, their activities, the power structures that exist and the

management of these relationships (Zhang et al. 2009; Christodoulidou et al. 2010; Guo and He 2012; Gjerald and Lyngstad 2015). To fill this gap this exploratory study explores the contractual and non-contractual relationship and negotiations between the APs and TOs under a new light (bargaining power) in order to generate insights to understand and explain the situation. APs are considered as a major supplier for the TOs since accommodation is a key part of any type of travel arrangement and a strategic product for the TOs (Buhalis 2000; Medina-Muñoz et al. 2003) and the parties frequently engage in negotiations.

The APs (acting as suppliers) face many challenges in their relationship with large European TOs (acting as the buyers) as these TOs govern various aspects of the relationship, including negotiations, and often influence the APs profitability and competitiveness (Falzon 2012; Bastakis et al. 2004). As a result the researcher focused on exploring the negotiations and bargaining power interactions that occur, and the APs' perceptions, opinions and meanings of the situation that they experienced. The researcher sought to find common patterns regarding the experiences of the APs involved and to offer new insights and a better understanding of the situation since limited research existed. Such patterns could generate insights that would offer a detailed understanding and explanation of the bargaining power relationship in negotiations and outcomes between the parties, from the perspective of the perceived weaker party, the APs. This knowledge could help the perceived weaker parties, specifically the APs, to enhance their bargaining position and the management of their relationship with the large TOs.

Three objectives address the aim of the research. The first objective was:

*To discover the sources of power of the accommodation providers and the tour operators, from the APs perspective, in order to determine their bargaining power within the contractual and non-contractual negotiations.*

Although existing tourism and hospitality literature identifies that power asymmetry exists between the parties (Bastakis et al. 2004; Falzon 2012) the antecedents and sources of that power are not explicitly and sufficiently addressed. The literature reviewed (Chapter 2) indicated that it was important to investigate the sources of power available to the parties by considering both the external structure that surrounds the relationship (structural aspect of power) as well as firm-specific

resources in order to fully understand the bargaining power relationship of the parties. Specifically, it was important to explore how these sources contribute to, and influence the bargaining power of the APs and TOs. The resources that each party has establishes the relative bargaining power of each party: that is each party's ability to influence the contractual and non-contractual negotiation process and outcomes.

The second objective was:

*To investigate the way bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations.*

Objective 2 dealt with the behavioural aspect of power, which was identified in the literature reviewed (Chapter 2) as an essential element to fully understand and explain the bargaining power interactions in the buyer and supplier relationship, that is the APs and TOs. Specifically, the exercise of power was examined by identifying the influence strategies utilised by the APs and TOs during negotiations. These strategies are the ways through which power is used and communicated by party A to influence the behaviour of party B in order to achieve party A's organisational objectives (Frazier and Rody 1991; Gelderman et al. 2008).

The third objective was:

*To examine the way that bargaining power is exercised within the relationship, from the APs perspective, in order to ascertain the consequences on the contractual and non-contractual negotiation outcomes.*

Objective 3 required the examination of the implications of the exercise of bargaining power between the APs and TOs on the contractual and non-contractual negotiation outcomes. In particular, by exploring the APs' perceptions, the focus was on understanding the way the bargaining position of the APs and the exercise of their bargaining power enabled them to influence the outcome of contractual and non-contractual negotiations with the TOs. This knowledge helped the researcher to understand and explain the implications of bargaining power during negotiations between a perceived weaker supplier (APs), and a perceived stronger buyer (TOs).

Meeting the study's objectives assisted the researcher to generate rich insights in to this under-researched area that explain the bargaining power interactions and negotiations that occur between the APs and TOs, from the APs perspective. These insights firstly advance existing buyer-supplier knowledge regarding bargaining power interactions and negotiations between tourism and hospitality buyers and suppliers. Secondly, through the insights, the perceived weaker parties (APs) may be able to fully understand their bargaining position in relation to powerful parties (TOs), the way to improve this position, and how to better manage their relationships with powerful parties. The section below discusses the methodology and research design of the study.

### **5.3. METHODOLOGY AND RESEARCH DESIGN**

#### **5.3.1. Grounded Theory methodology and research design**

##### **5.3.1.1        *Introduction***

According to Crotty (1998) research methodology describes the plan of action, process and research design that forms the choices that are made in the research process to achieve the desired outcomes. The research methodology and design has to be suitable to enable the researcher to answer the research question in the best way possible based on the researcher's beliefs (Collis and Hussey 2003). In the sections below, first the choice of a qualitative approach is explained, secondly the choice of Grounded Theory rather than other types of qualitative methodology and design is discussed. Thirdly, an overview of Grounded Theory is offered and lastly the version of Grounded Theory adopted in this study combining elements from evolved Grounded Theory and classic Grounded Theory is explained.

##### **5.3.1.2.        *Why a qualitative approach?***

A qualitative approach was more appropriate for exploring the experiences of the APs, and identifying the antecedents of bargaining power, the why and how bargaining power may influence the negotiations of the APs with the TOs, and as such to inductively generate in-depth insights to explain this under-researched area. There were three reasons for this. First, a qualitative approach was more appropriate because power, and bargaining power in particular, is a relational construct



embedded in social relationships and interactions influenced by the particular context that surrounds that relationship (Hawley 1963; Emerson 1962; Haugaard 2002). Second, a quantitative approach would fail to consider the influence of the context (natural setting), and would assume that one 'truth' exists, and would focus on seeking to generalise the findings to wider contexts (Creswell 1998; Flick 2014). Third, it is in line with the critical turn evident in tourism literature. These are covered in more detail below.

First, a qualitative approach is followed, when the researcher seeks to explore and understand the meanings individuals assign to social or human phenomena or problems, from an insider's perspective (Creswell 2013; Hennick et al. 2011). A qualitative approach enabled the researcher to explore the perceptions, experiences, motivations and meanings held by each participant in the study (in the case of this research APs, tourism professionals, Government officials and local academics) and to understand what is occurring, why and how, from their point of view. In the case of this research, taking into account that the study explores the phenomena from the APs perspective, the focus was particularly on understanding the APs (key participants) behaviour, the way they interpreted their relationship and interactions with the TOs and the reasons behind their actions in their negotiations with the TOs within the context of the tourism and hospitality industries in the ROC. The qualitative approach adopted enabled the researcher to attain a richer understanding and explanation of the bargaining power interactions within the negotiations of the APs with the TOs.

Second, for this research, it was important to incorporate and consider the setting of the APs, the hospitality and tourism industries in the ROC, the restrictions of the everyday social setting as well as the norms and beliefs, and motivations of the APs and the way these issues can influence the bargaining power and negotiations with TOs. A qualitative approach assumes that social reality is a constantly changing and evolving property of each individual's creation (Denzin and Lincoln 2005; Creswell 2007). This is because the subjective meanings held by individuals are shaped by their natural setting (formed through social, historical norms and their interactions with other individuals), thus emphasising the

importance of understanding the potential influence of the participants' natural setting.

In addition, the inductive qualitative logic followed offered flexibility to follow the data and allowed the researcher to explore the negotiations and bargaining power in a more detailed manner, and thereby to both understand the context/setting of the APs (the key sample) in depth and to explain their behaviour. Further, considering the importance of understanding the influence of the external structure on a party's bargaining power (Chapter 2, section 2.4.2), achieving a detailed understanding of the tourism and hospitality industries in the ROC, where the APs operate, is critical to fully explain the relative bargaining power in negotiations between the APs with the TOs.

Third, adopting a qualitative approach within a tourism context, is in accord with the shift identified in tourism studies; a shift that is moving away from the prevailing knowledge traditions that are mainly positivist and quantitative (Papageorgiou 2008; Bianchi 2009; Wilson et al. 2012; Junek and Killion 2012). This shift towards a qualitative approach welcomes the pluralisation of life worlds and embraces the differences in the social setting of the participants. This qualitative shift welcomes the reflexivity in knowledge generation and rejects the "[...] de-humanising obedience" to the positivist and quantitative prevailing traditions (Bianchi 2009, p.486). This shift is a move away from positivist and quantitative perspectives (Bianchi 2009; Junek and Killion 2012; Flick 2014). The positivist tradition assumes that a fixed reality exists and that there is a "true state of affairs" consisting of facts that can be measured and tested (Guba and Lincoln 1998 p.204; Hennink et al. 2011). The positivist, quantitative tradition, seeks to quantify phenomena, to test a prior theory, measure and count the frequency of issues and factors (Hennink et al. 2011; Flick 2014). Moreover, the positivist and quantitative tradition fails to acknowledge the humanness and the influence of the social setting (context) on the lives of the participants (Hennink et al. 2011).

Bearing the above discussion in mind a qualitative approach was considered more appropriate for this study rather than a quantitative.

### **5.3.1.3.        *Why Grounded Theory?***

Within qualitative research several research methodologies can be identified including, but not limited to, ethnography, narrative, case study, phenomenology and Grounded Theory (Creswell 2013; Crotty 1998). The current study adopted a Grounded Theory research methodology and design because it is discovery oriented, allowing the researcher to use limited literature at the beginning of the process (Wilson and Hutchinson 1991) so that the researcher stays open to new knowledge, in order to uncover the participant's understanding of the phenomena during data collection, analysis and interpretation (Glaser and Strauss 1967; Strauss and Corbin 1998). Explanations of the alternative approaches and why they were not adopted are given below.

Yin (2013) has argued that in case study methodology the development of theory and theoretical propositions prior to the data collection are critical for the researcher as they are needed to direct the study. In contrast, Grounded Theory allows the researcher to utilise limited literature at the beginning of the process<sup>18</sup> in order for the researcher to stay open to new knowledge and to uncover the participant's understanding of the phenomena (Glaser and Strauss 1967; Strauss and Corbin 1998). Due to the limited and outdated literature on B2B bargaining power relations in negotiations within tourism, this research intended to explore and discover what was happening and to inductively generate new insights that would explain the phenomena. Therefore, considering the aim of the study a case study methodology that requires theoretical propositions at the outset would have constrained the ability of the researcher to stay open to the data and generate new insights. Hence, Grounded Theory was more appropriate to use given its discovery oriented nature that would allow the researcher to focus on the data thus generate insights and explain bargaining power interactions within negotiations of the APs with the TOs.

Further, the current study did not seek to describe the life story of individuals regarding various life events, narrated by one person or a small group of people, as

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<sup>18</sup> As noted in Chapters 2, 3 and 4 the researcher undertook a brief literature review in order to raise questions for initial data collection and increase her theoretical sensitivity.

one would in a narrative study (Creswell 2013). The aim of this study was to explore and explain the bargaining power in negotiations of a number of APs and TOs. This would take place by uncovering the APs shared meanings of these phenomena and from these generate a theory to offer an integrated and shared explanation. Grounded Theory assumes that common understanding exists between various actors given that individuals may experience (interpret) phenomena in a similar way and thus the researcher can identify these common meanings (Patton 2000).

The study did not adopt a phenomenological approach because that would focus on understanding and describing the essence and significance of a single experience (phenomenon) (Creswell 2013). Phenomenology is not concerned with the factors and issues that influence these phenomena or the conditions that lead to the phenomena (experience) (Patton 2000; Lopez and Willis 2004). However, given the limited literature available on bargaining power interactions in negotiations within a tourism context, this study sought to understand and explain the bargaining power interactions that take place in negotiations. Grounded Theory emphasises social processes and interactions, and goes beyond merely describing and interpreting what is happening (Anells 1997; Wilson and Hutchinson 1991; Corbin and Strauss 2008). Specifically, Grounded Theory seeks to generate theory to offer a unified explanation of the phenomena (Corbin and Strauss 2008). Considering the above phenomenology, as it focuses on description of a single lived experience, would have been inappropriate for this study. In contrast, the explanatory power of Grounded Theory and the topic of this investigation (bargaining power interactions in negotiations) make Grounded Theory a more appropriate methodology to use for this study.

Finally, the cultural lens of ethnographers, which focuses on understanding common meanings, beliefs and language of a specific cultural group who interact over time, locating participant's stories within culture and specific cultural group (Creswell 2013), would have been inappropriate for the current study. In particular, the current study did not seek to rely on cultural factors to explain the bargaining power relations in negotiations of APs with the TOs, as one would in an ethnographic study. This is because, in order to fully understand bargaining power, both the firm-specific resources as well as the external (macro) environment

(tourism industry, government and culture) need to be taken in to account. As such the use of Grounded Theory was critical in facilitating the consideration of various conditions that could influence the bargaining power relations of APs with the TOs. This is because Grounded Theory requires that the researcher takes into account both microscopic (relationship-specific) and macroscopic conditions such as economic conditions, culture and government structure (Strauss and Corbin 1990). Therefore, the cultural lens of an ethnographic methodology was inappropriate for the current study because it would have restricted the ability of the researcher to discover and consider other micro and macro factors that were of relevance to the participants and could aid in explaining the bargaining power relations in negotiations of APs with the TOs.

#### **5.3.1.4.        *Grounded Theory – an overview***

In this subsection Grounded Theory methodology and design is discussed to offer a better understanding to the reader regarding the key tenets and characteristics of the methodology and design adopted in this study.

Grounded Theory is committed to “[...] a qualitative, naturalistic, contextual, historic, intersubjective methodology to understand human responses and experiences” (Wilson and Hutchinson 1991, p. 272). That is to say, it seeks to understand human experiences and actions within their natural setting by uncovering the subjective meaning articulated through words. Grounded Theory is a set of systematically grounded concepts ordered around a core category that explains the situation under study (Glaser and Holton 2004). It focuses on the key concern(s) of the primary participants to generate a theory that explains the prevalent behaviour in a substantive area. Grounded theorists seek to gather data and then systematically generate the theory from the data collected, instead of developing a theory and then systematically pursuing proof to confirm it (Walker and Myrick 2006).

Grounded Theory involves a rigorous yet flexible methodology and design to generate theory based on the data (Van der Merwe and de Villiers 2011; Jones and Alony 2011; Charmaz 2006, 2014; Corbin and Strauss 2008). First, consideration of social structural influences on the experiences of the participants (Annells (1997). Second, constant comparison, which entails the comparison of incidents (codes)

with incidents (codes), concepts with concepts and categories with categories in order to ascertain differences and similarities (Corbin and Strauss 2008; Glaser and Strauss 1967; Annells 1997; Charmaz 2014). Third, theoretical sensitivity, which refers to the researcher being sensitive to the data and meanings (Strauss and Corbin 1998; Kelle 2007; Annells 1997). Fourth, memo writing, which refers to writing theoretical notes regarding the data and conceptual links between categories (Glaser and Holton 2004; Glaser and Strauss 1967; Annells 1997) in order to aid the researcher to be more analytical and reflective on the coding process (Jeon 2004). Fifth, data saturation which involves collecting data until no new data or related data arise and/or data are repeated (Corbin and Strauss 2008). Sixth, theoretical sampling, which refers to sampling participants according to the concepts and categories developed from the evolving theory and involves interplay between data collection and analysis (Goulding 2002; Annells 1997).

Since its development Grounded Theory has evolved demonstrating subtle but diverse views of the Grounded Theory methodology. Firstly, the Glasserian or classic Grounded Theory (Glaser and Strauss 1967; Glaser 1998) is the version that was created by Glaser and Strauss (Hallberg 2006; Matavire and Brown 2013). Secondly, the Straussian, or evolved Grounded Theory, offers an adaptation of classic Grounded Theory encompassing more systematic tools and techniques (Strauss and Corbin 1990, 1998). Finally there is third version of Grounded Theory, namely, Charmaz's (2006, 2014) social constructivist Grounded Theory.

Classic Grounded Theory assumes a positivist epistemological stance where the researcher is independent of the object being researched (Annells 1996, 1997; Hallberg 2006). In classic Grounded Theory interviewing is mainly a passive activity listening to the participants and categories emerge from the data (Hallberg 2006). On the other hand evolved Grounded Theory is considered to have a more interpretivist epistemological stance where the subjectivity and influence of the researcher on the process is recognised (Annells 1996; Mills et al. 2006; Hallberg 2006). As Strauss and Corbin (1990, p.59) argued "[...] doing analysis is, in fact, making interpretations." However, evolved Grounded Theory also highlights the importance of acknowledging bias, maintaining objectivity and, through interpretive work, bringing out the voices of the participants (Strauss and Corbin 1994; Mills et

al. 2006). Finally, Charmaz (2006, 2014) introduced a constructivist Grounded Theory version and claimed that theories do not emerge but are constructed through the continuous communication between the inquirer and the participant in a specific situation. For example, the researcher's actions, looks, behaviour during the interview process influences the participants perceptions and determines future interaction, thus *both the participants and the researcher produce the data* (Hallberg 2006; Mills et al. 2006).

Bearing in mind the epistemological differences between the versions of Grounded Theory it is not surprising that a debate exists among classic, evolved and constructivist grounded theorists regarding the role of the literature and the data analysis process. The first point of dispute is over the role and timing of the literature review (Walker and Myrick 2006). First, in evolved Grounded Theory the use of the prior knowledge of the researcher and the literature are initial influences and can be used to increase theoretical sensitivity and to raise questions and concepts to follow during data collection (Strauss and Corbin 1998; Heath and Cowley 2004). Thus in evolved grounded theory the literature sensitises the researcher to the incidents observed and facilitates the researcher in focusing the investigation. Second, in classic Grounded Theory an extensive review of the literature should be avoided prior to data collection, a more focused review of the literature ensues when the theory is adequately developed and the literature is then used as additional data (Glaser and Holton 2004; Heath and Cowley 2004). In this way, it prevents the researcher from forcing preconceived theoretical notions on the data and thereby inhibiting the emergence of concepts and categories (Glaser and Holton 2004). However, this does not mean that the literature is ignored (Suddaby 2006) because, as noted above, in classic Grounded Theory a more focused review of the literature ensues when the theory is adequately developed and the literature is then used as additional data (Heath and Cowley 2004). Third, in constructivist Grounded Theory the literature review is delayed until the researcher has developed categories and their relationships (Charmaz 2014). However, regardless of the differences on the literature review, Heath (2006) highlighted that a brief literature review is useful for a new researcher in order to identify what is already known and to avoid developing an already existing theory. Hence, the advice of evolved Grounded Theory to perform an initial literature review to identify already existing

knowledge and increase the researcher's theoretical sensitivity was suitable for this study.

The second point of division between the versions of Grounded theory is the data analysis process (Kendall 1999; Ng and Hase 2008; Cooney 2010). Evolved Grounded Theory provides three stages of coding – open, axial and selective – along with guidelines and techniques to build a theoretical explanation. More specifically, evolved Grounded Theory offers a coding paradigm consisting of conditions, actions/interactions and consequences in order to aid the researcher to find linkages between the data and to organise them in a structured manner (Strauss and Corbin 1990). The coding paradigm of evolved Grounded Theory involves the construction of a theoretical framework by the researcher in order to develop grounded categories in a precise way (Kelle 2007). However Glaser (1992), in reference to evolved Grounded Theory, noted that the use of the coding paradigm and rigid analysis procedures stipulates a prescriptive model to follow and may lead researchers forcing the data, rather than focusing on what the data were saying, in order to understand the meaning of the participants. In classic Grounded Theory the focus is on what the data reveal about the substantive area, the interactions and behaviours that occur rather than forcing preconceived ideas (Heath and Cowley 2004; Kendall 1999). Hence, in classic Grounded Theory coding is more flexible and spontaneous, focusing on the meanings of the participants and allowing the data to speak for themselves (Heath 2006). Constructivist Grounded Theory also stipulates a more open and flexible approach to coding and uses two stages of coding - initial line-by-line and focused- where codes *are constructed* by the researcher based on the participant's accounts (Charmaz 2014). Similarly, classic Grounded Theory notes two coding stages - substantive and selective- (Heath and Cowley 2004). The additional stage of coding – axial- stipulated by evolved Grounded Theory helps the researcher to integrate and identify interrelationships between concepts and categories to aid in developing the grounded theory (Heath and Cowley 2004; Strauss and Corbin 1998). As Matavire and Brown (2013) noted the guidelines stipulated by evolved Grounded Theory and the three types of coding - open, axial and selective - can be useful for novice researchers to understand and gain clarification on issues of the analysis process. Similarly, the researcher deemed that



the three stages of coding of evolved Grounded Theory offered useful guidelines to understand the coding process and were thus adopted in this study.

Finally, all versions of Grounded Theory can generate two types of theory, substantive and formal, and can take the form of a narrative statement or propositions that indicate the relationships between concepts and/or categories developed (Glaser and Strauss 1967; Corbin and Strauss 2008). Glaser and Strauss (1967) stated that substantive theory is developed for a particular substantive area and provides a theoretical explanation for a particular situation within a certain area. Hence, a substantive theory does not have the explanatory power across a broader variety of disciplinary concerns and problems, that a formal theory would (Strauss and Corbin 1998). The current study developed a substantive theory because it provides an explanation for the specific situation of bargaining power interactions within the negotiations of APs with the large TOs in the ROC within the tourism and hospitality field (section 5.8.6).

#### **5.3.1.5.            *Grounded Theory as implemented in this study***

Denzin and Lincoln (2005, p.4) have noted that a qualitative researcher is a “*bricoleur*”, free to mix procedures or put together a new tool, in order to answer the research question. Jeon (2004, p.255) also highlighted that undertaking a Grounded Theory study must not be steered by selecting a “[...] cookbook of Grounded Theory methods to follow [...] step-by-step.” This is because moving beyond of the boundaries of a specific version can increase the possible depth of understanding of a certain phenomenon (Johnson et al. 2001).

On the other hand, Cutcliffe (2000) has argued that researchers should not combine diverse versions of Grounded Theory to prevent producing a messy research strategy. However, Annells (1997) has stated that researchers should be free to combine any version of Grounded Theory as long as they consider the study’s aims and objectives and philosophical assumptions. Annells (1997) proposed a combination of various versions of Grounded Theory approaches, one of which is a combination of classic and evolved Grounded Theory. This study has also combined both classic and evolved Grounded Theory. The reasoning behind this is discussed below along with an explanation of the elements adopted from each version.

Annells (1997) has highlighted that a Grounded Theory study must include the study of social process and interactions. This study focuses on understanding and explaining the contractual and non-contractual bargaining power relationship of the APs with the TOs in negotiations. Bargaining power is a concept embedded in all social relationships and interactions and moments of interaction can be explained through the bargaining power concept. This is because influence over each other's behaviour is reciprocal (Chapter 2, section 2.3.2). Further, bargaining power relations are examined within negotiations, which is a process of resource exchange occurring between two parties (APs and TOs). With the above in mind the focus of the study was suitable for a Grounded Theory methodology and design.

In terms of the philosophical assumptions of the researcher, evolved Grounded Theory has informed the researcher's epistemological stance. The epistemological stance of the researcher refers to the relationship between the researcher and that being researched and what can be known (Creswell 1998; Guba and Lincoln 1998). In other words, it refers to the relationship of the researcher and that of the participants and how knowledge is generated. Evolved Grounded Theory, and its more interpretive epistemological stance, is more in line with the researcher's own beliefs and offered the researcher significant insights on her role in the research process. More specifically, in evolved Grounded Theory the researcher is not separated from the research process and analysis involves interpretation in order to obtain shared understandings and to make sense of the phenomena under investigation. Furthermore, evolved Grounded Theory also holds that researchers can utilise their knowledge and experiences in the research process to elucidate the phenomena under study (Annells 1996). However, evolved Grounded Theory also stresses the significance of recognising bias and upholding objectivity in order to draw out the meanings and concerns of the participants (Strauss and Corbin 1994; Mills et al. 2006). Hence, the researcher must be self-reflective and should consider how his/her assumptions might have influenced the knowledge generated (Snape and Spencer 2003; Corbin and Strauss 2008) in order to capture the meaning of the actors. Hence, the more interpretivist stance of evolved Grounded Theory allowed the researcher to exploit her knowledge to interpret the experiences of the participants (APs, tourism professionals, Government officials and local academics) making the text more meaningful and achieving deeper insights on the APs'

negotiations with the TOs. However, as noted above, the researcher must also be aware and knowledgeable regarding her influence on the process and findings. As such, throughout the research process, the researcher was aware of the need to reflect on the influence of her own beliefs, views and understandings of the process and be open to absorbing new knowledge, while also exploiting pre-existing understandings to provide insight in to the bargaining power interactions and negotiation experience of the APs with the TOs (sections 5.9.2 and 5.9.5).

Bearing in mind the epistemological lens adopted, evolved Grounded Theory was considered appropriate for the study to adopt. However the current study was also informed by classic Grounded Theory. This is because, despite the fact that the classic Grounded Theory has positivist epistemological leanings, where the researcher is independent of the object being researched, in classic Grounded Theory, as advocated by Heath and Cowley (2004) and Kendall (1999), the ‘emergence’ or discovery of categories and theory is a key process given that attention is on the data to speaking for themselves. Thus, classic Grounded Theory allows the data to tell their own story, and the researcher to bring out the key concerns of the participants as much as possible, as required by the epistemological lens of the study. In this thesis, although the researcher acknowledges her influence on the data, she also believes in the discovery of concepts and ideas from the data. Thus the current study takes a more distant and neutral stance throughout the research process in order to offer a tentative view of the participants’ reality. Hence, this study’s epistemological lens is in conflict with the epistemological stance of the constructivist Grounded Theory that assumes that *both the participants and the researcher produce the data* and reject the idea of discovery; thus it was not adopted.

Therefore, as detailed above, the study combined elements from classic and evolved Grounded Theory in order to better address the aim and objectives of the study. Explanations of what this meant in practice are set out below.

First, regarding when the literature review stage should be conducted, the study followed the advice of Corbin and Strauss (2008) which stipulated that a brief literature should be reviewed prior to data collection in order to increase the researcher’s theoretical sensitivity and facilitate raising questions to guide the initial data collection. Thus the literature review sensitised the researcher improving her

ability to grasp the meaning and to identify relevant codes that could explain the bargaining power interactions and negotiations of the APs with the TOs. Furthermore, the literature reviewed assisted the researcher to grasp what was already known and to avoid developing existing knowledge as well as developing a better understanding of the structures that exist in the tourism and hospitality industry of the ROC. In the later stages of the analysis additional literature was also utilised to compare and contrast the data collected and arrive at the theory generated (Chapter 6).

Second, the researcher deemed that evolved Grounded Theory offered clarifications in understanding the steps needed for the analysis process, thus three stages of coding were utilised - open, axial and selective - (section 5.8). However the coding paradigm advised by evolved Grounded theory was not adopted in this study. This is because, following the advice of Glaser (1992) who is a proponent of classic Grounded Theory, the researcher considered that to adopt a specific coding paradigm during the analysis might not fit the data and as such might limit her ability to focus on what the data were saying in order to understand the meaning of the participants (section 5.8). Therefore, a more flexible and open approach to capturing the meaning in the data was used in a more spontaneous way, while also including the researcher's own perspective through interpreting what the participant's accounts signify about their experiences (section 5.8).

Third, while the research utilised evolved Grounded Theory's three stages of coding, open, axial and selective, the researcher thought it necessary to improvise an extra step in the open stage analysis process, thus adjusting the Grounded Theory analysis in order to fit the data collected (section 5.8). As Corbin and Strauss (2008, 2015) highlighted researchers should use common sense and trust their instincts in analysing the data, thus, advocating flexibility for the researcher in conducting the research process. Specifically, the decision to add an extra step was taken because, following the completion of the three-step analysis [(a) codes, (b) concept and (c) categories] stipulated by Grounded Theory, further analysis was considered necessary in order to capture the meaning in more encompassing categories and to ascertain the core issues (section 5.8.4).

#### **5.3.1.6. Conclusion**

As explained above, a Grounded Theory methodology and design was adopted, that combined elements of evolved and classic Grounded Theory, and this aided the researcher to provide a rich understanding and explanation of the contractual and non-contractual bargaining power relationship in negotiations of the APs with the TOs. Specifically, the interpretivist stance of evolved Grounded Theory informed the epistemological stance of the researcher. Hence, it allowed her to employ her knowledge and understandings to clarify and interpret the participant's concerns, making the text more meaningful, while also acknowledging her influence and focusing on bringing out the voices of the participants and their concerns. Further, evolved Grounded Theory, and its more specific guidelines, aided the researcher to better understand the research process needed to generate insights and develop a grounded theory. Classic Grounded Theory also played a part based on the emphasis that it places on permitting the data to tell their own story by adopting a more open approach to data. Hence, it helped the researcher comprehend the importance of being flexible and open in the research process, specifically during data analysis enabling the researcher to code in a more spontaneous manner based on the participants' concerns. Having explained the research methodology and design adopted, the section below explains the choice of the research location.

### **5.4. CHOICE OF RESEARCH LOCATION – THE REPUBLIC OF CYPRUS (ROC)**

The ROC was chosen as the location for the research due to its characteristics as a tourism destination. First, it is an economically developed, mature sun-and-sea tourism destination (Chapter 4). Although it could be considered as a successful destination many issues are evident that constrain its competitiveness. For instance, its over-reliance on the sun-an-sea tourism product, high substitutability in relation to its competitors, seasonality, dependence on a small number of source markets and tired accommodation (Chapter 4). Second, these issues all add to its dependence on the packaged tourism product that the TOs primarily sell and as a result to the destination's dependence on the European large TOs for a substantial proportion of the tourists who visit the ROC. Hence, the

tourism and hospitality professionals, and APs in particular, in the ROC, work closely with the TOs and have first-hand experience negotiating with them. These negotiations are often characterised by the TOs being in a dominant ‘buyer’ position as identified in the literature (Tsangari 2012; Sharpley 2007). As a result, tourism and hospitality professionals in the ROC, and the particularly the APs, had the necessary knowledge to provide rich data that could contribute to the understanding of the negotiations that occur between tourism and hospitality suppliers and the large external European TOs.

## **5.5. THE RESEARCH**

### **5.5.1. Introduction**

This section sets out and explains the data collection carried out during the research in relation to the secondary data used and the primary research undertaken. The secondary data was data that was already available (Veal 2006). The primary research was the collection of original data by the researcher specifically for the study and consisted of the initial exploratory research and the main research. Subsequent sections provide more specific detail about the main survey in terms of sampling design, the interview guide and the data analysis. In this section, the subsections below firstly, discuss the secondary data and subsequently the primary data.

### **5.5.2. Secondary data**

The secondary data available enhanced the researcher’s knowledge and provided a better understanding of the key areas of inquiry which Collis and Hussey (2003) have indicated should be the case. The secondary sources in tourism, hospitality, B2B marketing and management, purchasing, supply chain and strategic management areas helped in achieving a better understanding of the primary issues of the study. In particular, the understanding of the theoretical background on the bargaining power concept and negotiations within a buyer-supplier context as well as the industry context that is the tourism and hospitality industry. Further, these secondary data aided the researcher to understand the fieldwork process and the context of the ROC as a country and tourism destination. The university library,

online university databases, the library of the CTO in the ROC and the Internet were employed as the channels for secondary data sources. Therefore, books, journals, online databases, Government reports and promotional material were used. Hence, various sources were used to collect the relevant secondary data.

Furthermore, the researcher obtained documents, original contracts and correspondence that occurred between an AP and a number of TOs during the years 1998 to 2008<sup>19</sup>. Access to these documents was possible due to the family relationship between the researcher and an individual who was involved in the accommodation sector until 2008. It must be noted that the researcher has not undertaken a content analysis of the contracts and correspondence, rather they were used to enhance her knowledge regarding the contractual and non-contractual negotiations between the APs and TOs. These documents helped to increase her understanding of the APs' and TOs' relationship context by uncovering elements of the written communication, such as email communication on contract changes.

### **5.5.3. Primary research**

#### **5.5.3.1. *Introduction***

Following on from the qualitative research methodology and design adopted qualitative data were collected in order to generate in-depth and rich data. In particular, semi-structured interviews were chosen as the most suitable tool to collect the primary data. The primary data were collected in two stages. First, an initial exploratory data collection and analysis and then the main primary data collection and analysis. Each of these is discussed below.

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<sup>19</sup> The researcher particularly focused on reviewing the most updated documents in the year of 2007-2008. The credibility, that is the accuracy and the reliability of these documents, is assured as these are authentic original documents of an accommodation unit. Due to the sensitive nature of the area under investigation the researcher was not able to obtain more up-to-date contracts or correspondence from other participants. As such representativeness cannot be claimed (Flick 2014). However, interview data depicted that a similar written format of contractual agreements is still used by the TOs in their contractual agreements with the APs.

### **5.5.3.2. Initial exploratory primary research**

In the initial stages of this research process the researcher deemed it necessary to collect *exploratory primary data*, before undertaking the main primary data collection. This was because the research process began with the aim of exploring the relationship between the APs and the large TOs and the challenges that the APs face in dealing with the more powerful large TOs who dominate the tourism industry in the ROC. However, the information available regarding the relationship of the tourism and hospitality suppliers and large TOs was inadequate since most literature in tourism and hospitality emphasises the exchange between businesses and consumers (Zhang et al. 2009; Song 2012; Guo and He 2012; Gjerald and Lyngstad 2015). Furthermore, research regarding the ROC was insufficient and out-dated particularly in terms of the tourism and hospitality industry (Krambia-Kapardis and Zopiatis 2008; Tsangari 2012). Due to the insufficient information, and a methodological approach that required understanding of the context (social setting), it was deemed necessary to visit the ROC prior to the main data collection phase. The purpose of visiting the ROC was to explore and establish the relationships that existed between the large TOs, the tourism industry and the APs.

The exploratory primary data collection stage in the ROC was undertaken during April and May of 2012. This was a critical stage, and a turning point for the research process, since it allowed the researcher to explore the initial concepts and ideas, namely power, decision-making processes and ethics identified in the literature. Moreover, the researcher discovered the relationships and roles of the players in the tourism and hospitality industry and their communication and operational structures and important issues for the actors from an insider's perspective. Hence, it provided the researcher with important insights to fulfil the study's aim and objectives (section 5.2).

In order to collect the necessary data for the exploratory stage the sample consisted of tourism and hospitality professionals who were actively involved in the tourism industry in the ROC and had a direct relationship with the TOs. In particular, interviews in person were carried out with people from the accommodation and travel agent associations, the CTO (government sector), and the accommodation and travel agency sector. Before the data collection the interview-



questions were piloted to ensure that the questions were understood and that the interview guide as a whole functioned well. The interview question guide was piloted on three individuals who had extensive knowledge regarding the tourism and hospitality industry in the ROC, namely two APs and one tourism professional (travel agent). As a result although the overall guide worked well two questions had to be rephrased so as to make the questions more easily understood by the participants. Following the changes made to the questions and ensuring that the interview guide functioned well the data collection stage began.

A purposive convenience sampling technique (that is, informed individuals willing to participate) was adopted and sixteen formal interviews were achieved on one-to-one basis. A purposive convenience sampling technique was used for two reasons. First, the researcher sought to determine the roles and links of players in the tourism and hospitality industry and to gain a better understanding of the context in the ROC. Second, the researcher wanted to find out what the important issues for the APs in their relationship with the TOs were in order to guide the investigation and the main stage of primary data collection based on the participant's concerns. In other words, what data to look for (concepts) and where to find them (participants). The number of the interviews was considered sufficient since data saturation point was achieved given that the data were repeating.

Semi-structured interviews were employed as they offered flexibility and the use of probing questions when needed to ask participants to build on their answers and follow issues as they arose. One set of semi-structured interview questions was developed. Four themes were incorporated in the semi-structured interview guide: the nature of the relationship in terms of power between the TOs and the APs; the social setting; decision-making; and ethical considerations. The themes and questions arose from academic literature, Government reports and professional and academic knowledge of the researcher and were considered as the main and relevant issues and challenges for the APs in their relationship with the TOs. It must be noted that the order that the questions were asked was not fixed or structured, this was done to allow the participants to develop their thought process and not to confine them in any way. Following such a strategy can enhance the data, since it offered the opportunity to uncover new topics that the researcher did not expect.

Grounded Theory coding strategies (open and axial) were used to analyse the primary data collected (Strauss and Corbin 1998). These coding strategies permitted the researcher to generate questions that were centered on the main concerns of the participants. Hence, it was considered as the most appropriate analysis process to aid the researcher to refine the focus of the study and delineate the research questions for the main primary data collection stage. During open coding the researcher inspected the data for words, phrases, sentences or paragraphs that signified experiences and attitudes of the participants, and actions that related to their interactions with the large TOs and could help in explaining the relationships of the large TOs with the APs in the ROC. Following the identification of codes, and concepts, three categories were produced, namely market trends, bargaining power and personal factors. These three categories represented the relationship between the TOs and the APs, and dealt with its early development through to issues of disentanglement.

In turn, axial coding took place, where relationships between the categories and concepts were identified to rebuild the data into various patterns. Ten propositions were discovered altogether (Table 4).

Categories	Market trends	Bargaining power	Personal factors
Propositions	Inadequate product and low goodwill are perceived as detrimental to the bargaining power of APs.	Evidence of exploitation and pressure on price are recognised as barriers to a fair profitable negotiation outcome, as perceived by the APs.	Good work ethos as a factor in the long-term success of the relationship.
	Insufficient cooperation between APs significantly impedes their bargaining power.	Controlling and enforcing attitude of TOs are perceived as detrimental for increasing the APs bargaining power.	Personal relations and their role in negotiations.
	Dependency of the destination on air travel companies is considered as constraining factor to the bargaining power of the APs.	Country of origin of the TO and its effect on the bargaining ability of the APs.	
	The oligopolistic tour operating market is perceived as a damaging factor to the bargaining power of APs.	The antagonistic nature of the relationship between the TOs and APs is thought to be detrimental to creating a beneficial long-term relationship.	

**Table 4: Propositions induced from the exploratory data stage. (developed by the author).**

The propositions in Table 4 present three different dimensions of the relationship between the TOs and the APs and the factors that influence the bargaining power of the APs. First, there are industry specific factors as demonstrated by market trends. Second, influence strategies, cultural aspects and nature of past relationship are factors affecting the bargaining power of the APs. Third, personal relationships and work ethos were discovered as factors that influence the relationship. Selective coding was not undertaken for this data analysis since the aim of this exploratory data analysis was to develop propositions in order to refine the research focus. The analysis directed the researcher to firstly, discard the concept of ethics given that interview data indicated that this was not a primary concern for the participants and secondly, the analysis identified that the contractual and non-contractual relationship between the APs and TOs was a main concern for the APs in respect of their bargaining ability in relation with the TOs.

The focus of the exploratory investigation was directed towards exploring the contractual and non-contractual relationship and bargaining power between the APs and TOs in order to aid the APs to take more informed decisions and better manage their negotiations with the TOs. Hence, the data directed the research towards a multidisciplinary approach considering the marketing, strategic, management and purchasing perspectives, where concepts, such as bargaining power, negotiations, market structure, relationship management and culture were evident. These concepts also allowed the researcher to generate themes for the interview questions used in the collection of the primary data in the second, main, stage of the research project, which is discussed below.

#### **5.5.3.3. Main primary research**

The main data collection process used semi-structured interviews. Interviewing is considered one of the most powerful methods through which researchers' can understand fellow humans (Fontana and Frey 2005). Bloch (1996, p.323) stated that:

*"[...] in social research the language of conversation, including that of interview remains one of the most important tools of social analysis, a means whereby insights is gained into everyday life, as well as the social and cultural dimensions of our own and other societies."*

In other words, interviews offered the researcher insights into the participant's perception, opinions and experiences and enabled the researcher to understand why these perspectives arose. The interviews also allowed the researcher to explore broad and complex phenomena in order to provide an understanding of the participant's perspective on the contractual and non-contractual bargaining power relationship and interactions within the negotiations that occur between the APs and TOs.

The interviews were one-to-one semi-structured interviews for two reasons. First, the researcher had key topics (arising from the exploratory primary stage, the literature and her knowledge) to discuss with each participant in order to elucidate the bargaining power interactions within negotiations of the APs with the TOs (section 5.7). Second, the flexibility this type of interview offered provided the opportunity to discuss more openly the concerns of the participants. As a result the interviewer could discover new issues and had the flexibility to adjust the questions in order to explore the set issues (Bryman and Bell 2011). In contrast, unstructured interviews, although they would have offered the flexibility to explore issues as they arose during the interview, often result in the data collected varying considerably for each participant (Patton 2002). Hence, semi-structured interviews were utilised since the researcher sought to offer a shared stimulus from which comparisons could be made and shared meanings identified, while also maintaining flexibility to explore topics that were of interest to each participant, from their point of view, in order to understand and explain the phenomena under investigation (section 5.7). Semi-structured interviews are valuable in Grounded Theory studies to fully uncover and understand the participant's meanings in social process (Parry 1998; Goulding 2002; Locke 2003; Duffy et al. 2004) such as bargaining power and negotiations as it is the case of this study. Isabella (1990) similarly adopted semi-structured interviews in her Grounded Theory study of how managers perceive organisational events of change.

The exploratory stage (5.5.3.2) led the researcher to utilise four groupings of potentially information-rich participants who could assist in explaining the bargaining power interactions within negotiations (section 5.6.4) and fully address the aim and objectives. The four types of participant groups were: APs (owner/managers); tourism professionals; Government officials; and local academics (section 5.6.5).

Three different sets of semi-structured interview questions were developed. This was because participants had different roles within the tourism and hospitality industry and therefore different knowledge and information (section 5.6.5). Specifically, one set of semi-structured interview questions was directed to APs (owner/managers), the key participants in the study. A second set of semi-structured interview questions was intended for tourism professionals and Government officials. Finally, a third set of semi-structured interview questions was directed to local academics.

Following the construction of the questions, the set of interviews were piloted (section 5.7). As Bryman and Bell (2011) noted this was needed to ensure that all questions were understood and functioned well, as well as the guide as a whole operated well. A pilot study was carried out on six individuals who had knowledge of the subject, namely, two APs, three tourism professionals and one local academic. As a result three questions needed to be rephrased in order for the participants to better understand the question. For instance, in the set of interview questions directed to APs (owner/managers) the initial question was: “What do you think about the large TOs in the ROC?” This question was asked because the researcher aimed to allow the participant to freely express his/her opinion on the aspect of the relationship important to them. For example, the participant could refer to the TO’s behaviour during operations, or negotiations, or their behaviour in the tourism industry as a whole. However, the pilot interviews highlighted that this question confused the participants who requested a clarification on which aspect did the researcher want to discuss. Therefore, the question was re-worded to be more explicit, namely “How would you describe the TOs behaviour in your relationship?” (section 5.7). Furthermore, a similar change occurred in the set of interview questions directed towards the tourism professionals and Government officials. Specifically, the question “What do you think about the large TOs in the ROC?” was rephrased to: “What is your opinion about the business activities of large TOs operating in the ROC?” (section 5.7).

Moreover, another question that aimed to stimulate the participants to discuss the Republic’s tourism environment in terms of its competitiveness and its attractiveness was rephrased. The initial question was: “Do you think that the ROC as a destination is a fruitful environment for tourism and hospitality businesses to be

profitable? Yes/No. Why?” However, during the pilot interviews the participants seemed confused on how to answer the question and asked for clarifications from the researcher. The researcher believed that the word fruitful might have created the confusion and thus the question was phrased more simply, namely “How do you perceive the current tourism industry in the ROC in terms of success?” This question was changed in all the set of interview guide for the APs, tourism professionals and Government officials (section 5.7). Once the necessary changes to the questions were made then the data collection process ensued (section 5.7).

Interviews were undertaken during the months of May to September 2013 in the ROC. The interviews were undertaken in person on a one-to-one basis. This was done firstly, due to convenience given that it was easier for only the participant and the researcher to arrange a suitable date for the interview and secondly, the researcher believed that the participants would feel more comfortable to share information regarding their perceptions and experiences giving them time for reflection. In addition, the focus of the investigation on contractual and non-contractual negotiations and agreements required the participants to reveal sensitive business information thus it was expected that group interviews or focus groups would deter participants from expressing their thoughts in a public context.

While the semi-structured interview guides had a set of questions focusing on specific topics that were prepared in advance no specific order was followed regarding the topics or the questions that needed to be covered. This was done to avoid restricting the participant’s thought process, to explore topics that were of relevance and interest to the participants, and it enabled the researcher to discover new issues and enrich the findings. More specifically, in conducting the interviews the researcher focused on establishing rapport with the participants to put them at ease regarding the interview process. In order to achieve rapport, the researcher was flexible and followed the verbal cues from the participants. For example, some participants firstly asked the researcher to offer details regarding the research topic, and whilst the researcher explained, the participants would begin discussing offering their opinion. In contrast, other participants were more direct and asked the researcher to begin with a question.

In addition, the use of a semi structured interview guide allowed the researcher to explore topics listed in the guide and also have the flexibility to use probes, to adjust the questions in order to uncover new topics of interest for the participants (section 5.7). Further, in the data collection stage the researcher reflected on previous interviews, such as what the participant's were saying, the topics of the conversation, seeking to enhance her knowledge and understanding of the nuances within the data. In other words, thereby increasing her theoretical sensitivity. Memos were used during this stage for the researcher to record ideas and reflections. These memos were not coded, rather they were a way for the researcher to enhance her understanding and theoretical sensitivity in the research process both during collection and analysis. In appendix 1 two examples of memos are presented. The first example relates to a memo during data collection and the second to a memo during the data analysis.

All interviews took place at the offices of the participants enabling the researcher to observe and experience the participants in their daily setting, namely the office environment and the accommodation unit. Participants were also given the option to have the interview either in English or Greek (Greek is the native language of the ROC). This choice was provided in order to help the participants to feel more comfortable during the interview process. This also helped the participants to be more open to discuss further on the topics when necessary thus more precise and detailed answers were obtained.

Eight interviews were undertaken in English and thirty-seven in Greek. The interviews in Greek were translated into English to facilitate the data analysis process (section 5.8.3). Each interview lasted between forty minutes and two hours. The duration of each interview was influenced by the time availability of the participant and also by the openness of the participant to discuss and expand on his/her answers. Following the verbal consent of the participants the interviews were tape recorded in order to ensure they were accurately collected and to enable the process of a detailed analysis. Notes were also used to facilitate the researcher in noting issues to probe the participants for further information without disrupting their thought process.

## **5.6. SAMPLING DESIGN AND SAMPLING METHODS**

### **5.6.1. Introduction**

Following the exploratory qualitative approach attention was placed on achieving in-depth data. Hence, a non-probability or purposive sampling design was adopted. Purposive sampling, which is often based on a small number of cases, allows the researcher to select information-rich cases to achieve an in-depth understanding of the phenomena (Patton 2002; Bryman and Bell 2011). This is in contrast to a probability sampling design, employed in quantitative studies and based on statistical representations, which is based on large random samples to enable the generalising of the findings to large populations (Jankowicz 2005; Bryman and Bell 2011). Thus, the study adopted a purposive sampling technique, specifically snowballing, which helped the researcher to locate and strategically choose the most appropriate sample determined by the recommendations of participants already interviewed to generate rich and meaningful data (section 5.6.4). Forty-five participants were interviewed in total (APs, tourism professionals, Government officials and local academics) and the data saturation method (data begun repeating themselves) was adopted to determine the sample size (section 5.6.3). A detailed profile of the participants is also discussed (section 5.6.5). The sections below explain the sampling choices.

### **5.6.2. Defining potential participants**

In tourism research, the term population can include all the potential participants in the study, such as tourists, employees and managers, or study units such as accommodation establishments, tourism attractions and transportation providers (Jennings 2001; Veal 2006). In this study the population included individuals who had knowledge and experience regarding the tourism and hospitality industry in the ROC.

As noted, in sections 5.2 and 5.3.1.2, in order to fully understand bargaining power interactions in the negotiations of APs with TOs it was important to understand the influence of the external structure. Hence, bearing in mind the significance of both the external structure of the tourism and hospitality industry and the bargaining power within contractual and non-contractual negotiations, the



population could include individuals from (a) the accommodation sector, (b) tourism and hospitality associations (for example Cyprus Hotel Association (CHA) and Association of Cyprus Travel Agents (ACTA)), (c) governmental organisations (CTO), (d) the food and beverage sector, (e) the transportation sector, (f) travel agencies, (g) the recreation sector, (h) tour operators (TOs), and (i) local university academics. From within that population the participants were selected based on purposive snowballing sampling; that is from the recommendation of participants who had been interviewed (section 5.6.4). The individuals were all actively involved in the tourism and hospitality industries in the ROC with relevant experience and knowledge to elucidate the phenomena under investigation. While the study included other participant types the key participants were the AP participants as they directly engaged in contractual and non-contractual negotiations with the large European TOs. Section 5.6.5 offers information on the profile of all the participants in detail.

### **5.6.3. Rationale for number of participants**

Patton (2002, p.228) stated that for qualitative studies “[...] no rule of thumb exists” regarding the sample size. The sample size depends on the (a) purpose of the research; (b) the interests of the participants and the researcher; (c) the resources and time available. Due to the qualitative approach the focus was on the depth of the data collected rather than on breadth. Time was devoted to understand the perception and views of all the participants (APs, tourism professionals, Government officials and local academics) choosing cases based on their relevance and importance to the research, so as to collect rich data regarding the APs negotiations and bargaining power interactions with the TOs.

Within this study forty-five interviews were undertaken in total, twenty-four interviews with APs, twelve interviews with tourism professionals, seven interviews with Government officials and two with local academics. Data saturation was adopted to determine the sample size. Since the study intended to generate insights to explain the bargaining power in negotiations it was important to ensure that the phenomena were understood and no new information was offered by the participants. Thus, when the data were repeating themselves and no new data and

concepts were emerging the data were saturated. Therefore, the researcher deemed that a sample size of forty-five interviews was sufficient.

#### **5.6.4. Sampling technique- Purposive Snowballing**

A purposive snowballing sampling technique was used within this study. Purposive snowballing sampling is a technique that enables the researcher to locate and choose new participants based on the referral or suggestion of the participants that had already been interviewed (Jankowicz 2005). Given that Charmaz (2014) has indicated that theoretical sampling is not essential, but what is critical is utilising inductive data to develop abstract categories with analytic precision, this research adopted purposive snowballing sampling which was deemed more practical in the context of the topic and the location. Purposive snowballing sampling is often used in populations where informal or formal networks exist (Jennings 2001) such as the ROC. This technique was central for the researcher particularly at the beginning of the data collection process. This was because due to the family relationship that the researcher had with two tourism professionals they were able to direct and refer the researcher to relevant individuals. In turn, the researcher also requested participants to refer her to other participants within their business network. This occurred following the interview process and once the researcher had built rapport with the participants.

Given the purposive snowballing sampling utilised the researcher was guided by the participants to knowledgeable individuals who would have relevant information in relation to the study. The participant making the recommendation was knowledgeable both about the study, as they had done the interview, and the person they recommended. This is also in accordance to Morse's (1991, p.132) claim in terms of participant selection that "[...] informants must be knowledgeable about the topic" and considered experts by their engagement and association in the specific topic under investigation.

A drawback of the snowballing technique is that the participants' recommendations may only be a part of a specific network, which could result in a biased sample (Arber 2002). In order to avoid bias in the chosen participants the researcher endeavoured to gain more information regarding the relevance and knowledge of the participant referred. The researcher considered the referred

participants in terms of the aim of the study, their professional background and experience. This information was obtained both through the participants already interviewed and also through informal chats and discussions with individuals involved in the tourism and hospitality industry. The small geographical size of the ROC, and relatively small population, creates a tight-knit community and business networks where everybody knows one another. The researcher exploited this fact to gain information regarding the potential participant's knowledge and experience and its relevance to the study.

#### **5.6.5. Profile of participants**

The experiences, background, culture and occupation were taken into account when considering the sample of the research since such factors can influence views and opinions regarding tourism and hospitality. As noted earlier (section 5.5.3.1) four groups were developed.

The APs were the key participant group because they had first-hand experience of negotiations with TOs, thus although they are considered as tourism professionals they were distinguished from the group. However, the knowledge and experience of tourism professionals, Government officials and local academics was also central to the completion of this study, due to the knowledge and information they could offer regarding the influence of the external structure on the bargaining power of the APs and TOs (section 5.5.3.3). Each of the groups had different experiences and knowledge that contributed to an insightful view of the APs and TOs contractual and non-contractual relationship. Below a more detailed profile of each group is presented.

##### **5.6.5.1. *Accommodation Providers (owner/managers)***

The participants from the accommodation providers (APs) consisted of owner/managers of accommodation units, that worked directly with large TOs and who conformed to the CTO's categorisation<sup>20</sup> for being a star hotel, a hotel with apartments, or a tourist village. Other categories, such as such as tourist villas,

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<sup>20</sup> This was based on the CTO's classification of the accommodation sector (appendix 2). The CTO's categorisation of the accommodation sector is founded on architectural structural factors and service provided within a centralised space (CTO 2014a).

traditional buildings, furnished apartments, guesthouses, tourist apartments, hotels without stars and camping were excluded. For instance a hotel is considered as a unified functional organisation, while a hotel with apartments building needs to offer food preparation areas (kitchenette), whereas a tourist village is considered as a site of a number of small ground-floor or two-floor houses and needs also to provide services such as shops offering the customers food, athletic grounds and so on (Hotels and Tourist Establishments Law 1969).

The decision to follow the CTO's categorisation was taken based on reviewing existing literature regarding the accommodation sector. From the literature review it was apparent that no clear classification of the accommodation sector exists. In tourism definitional issues are frequent, to some extent due to the absence of coordination between public and private organisations and partly because of the experiential character of the tourism product (Morrison et al. 1996; Pender 2005). Therefore, the CTO offered a valid category classification specific to the ROC and all registered accommodation establishments in the ROC must adhere to the CTO's classification as regulated by law. As Aguiló et al. (2001) and Andriotis (2003) noted a country's category classification is to a certain extent the best marker for quality, size and available resources that an establishment has. The choice to include star rated hotels, tourist villages and hotel apartments in the study was based on three reasons.

First, to broaden earlier research on the accommodation sector since the literature reviewed indicated that current research on the accommodation sector mainly focused on star hotels (Baloglu and Peckan 2006; Orfila-Sintes and Mattsson 2009; Espinet, et al. 2012; Bernini and Guizzardi 2012; Becerra et al. 2013; Dedeoğlu and Demirer 2015; Nieves and Segarra-Ciprés 2015). For instance, Smithson et al. (2011) investigated online visibility of small-and-medium tourism accommodation enterprises using star rated hotels as their sample. Also, Alegre et al. (2013) studied the impact that location characteristics of star rated hotels have on the TOs pricing. Therefore, the study was unique in terms of including these three types of categories to examine the phenomena.

Second, the study's aim was to offer an explanation of contractual and non-contractual bargaining power interactions within negotiations experienced by the

APs in the ROC. Thus it was decided that concentrating on a single homogeneous accommodation category, for instance star rated hotels, would not cover the full breadth of those interactions. Also a heterogeneous sample, in terms of the quality of the hotel, accommodation category and size, enabled the researcher to gain information from participants with different perspectives, who may have diverse views on the contractual and non-contractual negotiations and interactions and attain central experiences, concerns. As a result the researcher was able to generate themes that were shared within the sector, achieving an overarching picture of the negotiation experience and interactions that arise facilitating theory generation.

Thirdly, star hotels, tourist villas and hotel with apartments represented the largest number of total units in the ROC (CTO 2014b).

The APs were based in the coastal areas of the ROC, namely Paphos, Limassol, Larnaka, and Ammochostos which includes the areas of Agia Napa and Protaras. These locations were chosen as they received the highest tourism flows and thus the highest number of accommodation units are established there (Chapter 4, section 4.4). The concentration of tourist activities around the coastal area is a common characteristic of mature sun-and-sea Mediterranean destinations (Andriotis 2006). This is because the majority of the people (residents and tourists) are attracted to the coastal areas, while the inland areas of the destination are perceived as complimentary to coastal tourism (Andriotis 2006). Exploratory findings also indicated that in Nicosia, and in peripheral areas (Hill/mountain resorts), accommodation establishments mainly operate with small niche TOs and/or receive bookings directly from the clients. For this reason these geographical areas were excluded from the study since individuals did not have the relevant knowledge for the phenomena under investigation. The ROC's small geographical size enabled the researcher to collect data from all four key tourist areas.

Accordingly, as illustrated in Table 5 below, twenty-four interviews were completed with APs given that saturation point was achieved (section 5.6.3). The highest number of interviews was completed with owner/managers of star hotels which can be attributed to the number of units that exist in the ROC. The number of units of star hotels is higher than other accommodation types (hotel apartments and tourist villages) (CTO 2014b). The highest number of interviews was achieved in

Paphos (nine interviews) in comparison to Ammochostos (six interviews), Limassol (four interviews) and Larnaka (two interviews). This was because Paphos has the highest number of operational units (CTO 2014b).

Type and size* of accommodation	Number of participants	Participant codes**	Position	Star rating
Small-size star rated hotels	3	SH:1 SH:4 SH:6	General Manager	3 and 5 star
Medium-size star rated hotels	4	SH:2 SH:3 SH:8 SH:9	General Manager	4 and 5 star
Large-size star rated hotels	6	SH:5 SH:7 SH:10 SH:11 SH:12 SH:13	General Manager (5) and Sales Manager (1)	4 and 5 star
Hotels with apartments (small and large-size)	4	HA:1 to HA:4	General Manager (3) and Sales Manager (1)	Not star rated***
Tourist Villages (large-size)	4	TV:1 to TV:4	General Manager	Not star rated***
Multi-types of accommodation (group of accommodation units)	3	IG:1 to IG: 3	Managing Director	Not star rated***
<p>*According to the European Consumer's Centre (ECC): small unit has a capacity of under 150 beds, medium unit is one with a capacity of more than 151 beds and a large size unit is one where APs manage more than 400 beds.</p> <p>**Star Hotel/ HA: Hotel Apartments/ TV: Tourist Villages/ IG: Interviewee Group.</p> <p>***According to the CTO classification, tourist villages and hotels with apartments do not have stars but are rated based on Class: De Luxe, A, B, C (appendix 2).</p>				

**Table 5: Profile of participants: accommodation providers. (developed by the author).**

All participants had similar educational and cultural backgrounds and all originated from the ROC. As indicated in Table 5 above, all the participants had managerial roles within their company, specifically three participants were Managing Directors of accommodation groups; nineteen participants were General Managers and two were Sales Managers within their respective accommodation units. All participants had vast and direct experience in negotiating with large TOs. The subsection below discusses the profile of tourism professionals.

### **5.5.5.2.        *Tourism Professionals***

Twelve interviews with tourism professionals<sup>21</sup> were completed on a one-to-one basis. The number interviewed was considered sufficient since saturation point was achieved for this group (section 5.6.3). Nine participants were from the ROC sharing the same cultural background and similar educational background while the three TO participants were not. The TOs were all British nationals sharing the same cultural background. The participants were based in all the coastal areas of the ROC which meant they could provide a more complete view of the structural issues present in each coastal area and reduce bias from focusing on only one area. The group of tourism professionals had diverse perspectives due to the varied sectors that the individuals work in which gave the opportunity to the researcher to compare and contrast the data.

Three interviews with individuals within the tourism and hospitality associations were achieved. These participants held executive positions within their respective associations, namely CHA and ACTA. The individuals were based in Limassol, Larnaka and Nicosia. However the associations are national are thus their members are based in all areas of the ROC.

Three participants from a large TO were interviewed, two participants from the large TO were Managers who had daily contact with the APs, and one member of operational staff. These participants offered important information regarding the policies and procedures of the large TO in their daily operations with regards to the APs. Despite the researcher's best efforts she was able to obtain interviews from three individuals from one large TO through snowballing sampling (section 5.6.4). However, as stated at the beginning of this section interviews with the TOs were used to enhance the researcher's knowledge and not to compare and contrast the perception of the APs and TOs, as this would have gone against the study's aim and objectives.

Three local travel agents, based in Limassol and Paphos, were also interviewed. In the ROC a number of the travel agents operate with external TOs by

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<sup>21</sup>As noted earlier to address the first objective (section 5.2) it was critical to gain knowledge regarding the external structural environment, such as culture, Government and the tourism and hospitality industries in the ROC.

acting as their representatives in the Republic. They are often present at contractual negotiations with the APs and TOs mainly for legal reasons. Specifically, in order for a business licence to be granted it is required that the owner is a resident of the ROC or has an established formal business connection with a Republic's resident (Republic of Cyprus 2015). Therefore various external TOs cooperate with local travel agents enabling them to gain insights on the relationship between APs and TOs.

Finally, three interviews with local service providers were achieved, specifically one individual from the food and beverage sector, one individual from the recreation sector, one individual from the accommodation sector (managing tourist villas). These individuals were based in the Paphos, Limassol and Larnaka areas. The section below focuses on the profile of the Government officials.

#### **5.5.5.3. Government officials**

Government officials provided valuable information on the external structure that impacts the negotiations, such as the influence of Government activities, culture and the tourism and hospitality industries of the destination, hence, fully addressing the first objective of the study (section 5.2). All Government officials originated from the ROC and therefore shared the same cultural background and a similar education.

Seven Government officials were interviewed because the researcher believed that the saturation point was achieved and all information relevant to the study were collected. Six individuals held key positions within the CTO, which is the semi-governmental organisation solely responsible for tourism in the ROC. The participants worked in different departments within the CTO, namely Law, Strategy, Marketing and Quality Assurance. The rationale behind this choice was to enable the researcher to gain information on the operations of the CTO from various perspectives thus obtaining a more complete picture on the operations of the CTO within the tourism and hospitality and any possible influences on the bargaining power and negotiations of APs. One individual held a key position within CTO's regional office based in Limassol thus providing information regarding the CTO's activities from a regional perspective. For example, information in relation to the coordination between private sector and government at the regional level and the



challenges that regional offices may face in implementing strategic objectives. This aided the researcher in better understanding the impact that the destination as a whole may have on the bargaining power of the APs and TOs during their negotiations. The below section explains the profile of local academics.

#### **5.5.5.4. *Local academics***

The local academics were individuals employed by two universities<sup>22</sup> in the ROC. Similar to the Government officials above, local academics were able to offer information regarding the external structure (Government, culture and industry) in order to enable the researcher to address the first objective (section 5.2). Two local academics were interviewed who had knowledge of tourism, and hospitality (one Professor and one studying for a doctoral degree). Interviews with the two academics were considered sufficient given that interviews with local academics were providing supporting data. These participants were chosen based on the vast professional experience they had working in the private tourism sector and knowledge deriving from their academic experience. However they were not directly involved in the tourism industry. Hence, they could express a less biased view on the tourism situation in the ROC, for example its tourism development, Government activities and the social and professional culture of the ROC's professionals.

## **5.7. RATIONALE FOR THE SEMI-STRUCTURED INTERVIEW GUIDES**

### **5.7.1. Introduction**

Three semi-structured sets of interview questions were developed, since, participants had diverse roles within the tourism and hospitality industry and thus diverse knowledge and information was needed to address the study's aim and objectives (sections 5.2 and 5.5.3). A set of interview questions was developed for the APs, the key group in the study in order to elicit information regarding their relationship with the large TOs. The second set of questions was directed to the

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<sup>22</sup> Following the ethical considerations of the study the name of the University that the local academics were employed by is omitted, so as to uphold the anonymity and confidentiality of the participants.

tourism professionals and Government officials due to their knowledge regarding the external structure (Government, culture and tourism industry) as that can influence the relationship of the APs with TOs. A separate set of questions was designed for local academics because they were not directly involved in the industry but the researcher deemed that they had valuable knowledge and a broader perspective on the tourism and hospitality industry in the ROC.

Both open-ended and closed-ended questions were utilised in the sets of semi-structured interview question guides developed for the participants. Semi-structured open-ended questions were employed to encourage the participants to offer detailed descriptions and explanations using their own words and develop their thoughts regarding their views on the phenomena. However, some closed-ended questions were also used in order to elicit certain facts such as the participants' job description, experience, the type of business and its operations. These introductory closed-ended questions also aided in building rapport with the participants and put them at ease for the interview process. Further, when deemed necessary the researcher used follow-up questions and probes during the interview to gain more detailed data from the participants. This is an advantage of the semi-structured type of interview as it offers flexibility to adjust the questions to further explore issues of concern to the participants and to uncover new topics of interest for the participants (section 5.5.3.3). Hence, questions were added and adjusted to further explore the concerns of each participant.

The discussion below examines the rationale and design for the interview guide for the APs, in turn for the tourism professionals and Government officials and lastly for the local academics.

#### **5.7.2. Accommodation providers' (APs) interview guide**

The questions for the semi-structured set of interview guide developed for APs were formed and categorised according to the study's aim and objectives (section 5.2). However, it must be noted that the researcher was flexible regarding the order that these questions were addressed. This was done in order to avoid restricting the participants' thought process while answering the questions and, in turn, to aid the researcher to probe for further details when needed (section 5.5.3.3). Hence, the researcher explored each topic as it arose during the interview. Figure 5,

6, 7, 8, 9 (below) illustrate the set of interview questions for the APs and the rationale behind each question.

The guide for the APs was divided into five sections with one section consisting of introductory questions, the other three sections reflecting the objectives of the study and the final section entailing a concluding question (Figures 5, 6, 7, 8, 9). Following the division of the APs' interview guide in five sections, to facilitate this discussion the interview guide is divided in five figures (Figures 5, 6, 7, 8, 9) that explain the purpose of each question.

It must be noted that Objective 1 of the study (section 5.2. and Figure 6 and 8) sought to identify the bargaining power of the APs and TOs during negotiations, which is influenced by both the external structure and the firm-specific resources. For issues of clarity these two aspects were dealt separately in the interview guide, first the firm-specific resources were addressed and second the influence of the external structure. (More details on which questions correspond to each aspect are given below Figure 6 and 8). Objectives 2 and 3 of the study (section 5.2 and Figure 7) were closely related and interconnected since the aim was to elicit information regarding the behaviour and interactions that occur during the negotiations between the APs and TOs. For this reason the second and third objective were dealt with together during the interview process.

Interview Questions for Star Hotels/Tourist Villages/Hotel Apartments	
Questions	Purpose
<b>Section 1</b>	
<b>Introductory Questions</b>	
1. Could you tell me about your job role? 2. How long have you been working in this role? 3. What are the main markets of the unit in terms of country? 4. Which is your main customer markets?	These questions were developed in order to firstly, elicit specific information regarding the participant's background, education and experience in the tourism industry in general and within the accommodation unit in particular and secondly, to gain more information regarding the operations of the unit.

**Figure 5: Section 1- Accommodation providers' interview guide (star hotels, hotel apartments and tourist villages. (developed by the author).**

As seen in Figure 5 above, questions 1 to 4 were introductory and were developed for two reasons. Firstly, to elicit information in relation to the participant's experience in, and knowledge of, the tourism industry and the

accommodation sector. Secondly, these questions sought to enhance the researchers knowledge regarding the operations of the specific unit.

Interview Questions for Star Hotels/Tourist Villages/Hotel Apartments	
Questions	Purpose
<b>Section 2</b> <b>Objective 1:</b> To discover the sources of power of the accommodation providers and the tour operators, from the APs perspective, in order to determine their bargaining power within the contractual and non-contractual negotiations.	
5. Do you work with a number of tour operators? Yes/No. If so, which ones?	This question was used to identify the number of TOs the unit cooperates with in order to ascertain the level of dependence of the unit on TOs to achieve its organisational objectives.
6. Do you have a contract with the TOs? Yes/No. Why?	The purpose of this question was to identify whether the unit has a contractual relationship with the TO and the reasons behind this choice.
7. What type of contract do you have with the tour operators?	Follow-up question that aimed to discover the relative dependence that exists between the parties.
8. Could you tell me why you have agreed to this type of contract?	The purpose of this question was to examine the benefits of each type of contract that the APs expect to receive. This question again pursued to identify resources that the APs seek in their relationship with the TOs.
9. Why do you choose to work with the particular tour operator(s) instead of others?	This question aimed at identifying the resources that the APs pursue from their relationship with the TOs, in order to determine the TOs bargaining power.
10. Why do you think the tour operators choose to work with your unit?	This question aimed at identifying the resources that the TOs seek from their relationship with the APs in order to determine the APs bargaining power.

**Figure 6: Section 2-Accommodation providers' interview guide (star hotels, hotel apartments and tourist villages. (developed by the author).**

As seen in Figure 6 above, questions 5 to 10 directly addressed Objective 1. First, these questions (5 to 10) allowed the researcher to explore the dyadic relationship by discovering the specific and valuable resources that the APs and TOs seek to access in their relationship, from the APs perspective. Second, these questions (5 to 10) elucidated the benefits that the APs and TOs expect to receive from their relationship in order to determine the relative dependence that exists in the relationship and thus the bargaining power of each party.

Interview Questions for Star Hotels/Tourist Villages/Hotel Apartments	
Questions	Purpose
<b>Section 3</b> <b>Objective 2:</b> To investigate how bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their	

contractual and non-contractual negotiations.	
<b>Objective 3:</b> To examine, from the APs perspective, how bargaining power is exercised within the relationship in order to ascertain the consequences on the negotiation outcomes.	
11. Could you talk me through a contractual negotiation process with the tour operators?	The aim of this question was to explore the contractual negotiation interactions that occur between the APs and TOs. By adopting this open-ended question the researcher encouraged the participants to discuss and elaborate on the negotiation processes. By asking follow up questions and using probes this question elicited information on the APs and TOs influencing strategies, key concerns and offered insights on the ability to negotiate pricing and volume of sales.
12. Are there any disagreements during the contractual agreements? Yes/No, why?	This was a follow-up question that aimed at encouraging the APs to discuss their influencing strategies on how they would resolve their disagreements.
13. Following a negotiation with the tour operators what is your opinion about the outcome? Why?	This question intended to offer the APs a moment to reflect on their behaviour, actions and evaluate the outcome of the negotiation process encouraging them to discuss about their choice and offering a deeper understanding on the negotiation processes.
14. Do any changes occur in the agreements you make with the tour operators? (Probe: If so what and why do you think this happens?)	This question aimed at encouraging the APs to convey information regarding the non-contractual negotiations between the APs and TOs, which also revealed information on pricing and volume of sales outcomes.
15. What actions would you take to address such changes?	This was a follow-up question aiming to explore the behaviour of the APs in addressing requests from the TOs, namely their influencing strategies.
16. Do you believe that you receive sufficient information from the tour operators to enable you to plan your business activities accordingly? Yes/No. Why?	This question aimed at obtaining information on the context of the relationship the level of communication between the APs and TOs in order to ascertain the closeness of their relationship as well as identify deviant practices. Evidence of deviant practices were identified during the exploratory primary investigation stage which also influences the pricing and volume of sales outcomes. Thus this question elicited information addressing both the second and third objective.
17. How would you describe the tour operators' behaviour in your relationship?	The literature review and exploratory findings indicated that competition may exist between suppliers and buyers which influences the behaviour between the parties. Therefore, the intention of this question was to discover how the APs perceive the TOs to ascertain whether a cooperative behaviour or a competitive behaviour is evident between the parties that can impact the influencing strategies and negotiation outcomes.

**Figure 7: Section 3 - Accommodation providers' interview guide (star hotels, hotel apartments and tourist villages. (developed by the author).**

Figure 7 (above) indicates questions 11 to 17 that directly addressed Objective 2 and 3 by exploring the interactions that occur between the APs and TOs during contractual and non-contractual negotiations. First, the questions explored how the bargaining power is used in the form of influence strategies and tactics adopted during negotiations. Second, the questions covered the major concerns of the APs and the issues that occur during their negotiations, whether contractual or not. Third the questions examined the context of the relationship. Finally the questions sought to identify the impact of bargaining power on the outcome of these negotiations.

Interview Questions for Star Hotels/Tourist Villages/Hotel Apartments	
Questions	Purpose
<b>Section 4</b> (also see p.46) <b>Objective 1:</b> To discover the sources of power of the accommodation providers and the tour operators, from the APs perspective, in order to determine their bargaining power within the contractual and non-contractual negotiations.	
18. Do you believe that it is possible to stop working with the tour operators in the current tourism environment in the ROC? Yes/No, why?	This question aimed at examining the level of dependence that the APs perceive to have on the TOs. Also this question revealed information on how the current tourism environment may constraint or enable the APs ability to negotiate.
19. What is your opinion of other accommodation providers in the ROC? Why?	The purpose of this question was to obtain the APs view regarding other APs to explore the level of competition that exists in the tourism industry. Exploratory findings also indicated that the level of cooperation between the APs influences their bargaining power. Thus, this question elicited information on the factors influencing the APs bargaining power.
20. Do you think the tourism and hospitality association's work well together? Yes/No, why?	This question was used in order to explore the level of cooperation that exists between the actors in tourism industry thus assessing and if, how this can influence the destination-specific resources of the APs. Further, as noted above exploratory data highlighted that the level of cooperation between APs influences their bargaining power thus this question further enriched understandings on the level of cooperation between APs.
21. Do you believe that the Government sufficiently supports the accommodation sector? Yes/No, why?	The purpose of this question was to obtain information regarding the Government's activities and policies in aiding the APs to improve their resources. Hence, gaining information on how the structure can enable or constrain the APs bargaining power.
22. How do you perceive the current tourism industry in the ROC in terms of success?	This question offered information on the influence of the external structure namely, the ROC as a destination its competitiveness. In particular, it revealed perceptions regarding the tourism product, destination attractiveness and its challenges, thus enabling the researcher to

	ascertain its influence on the APs bargaining power.
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**Figure 8: Section 4 - Accommodation providers' interview guide (star hotels, hotel apartments and tourist villages. (developed by the author).**

As seen in Figure 8 (above) questions 18 to 22 addressed the first objective of the study and were intended to investigate the external structure (culture, Government and tourism and hospitality industry) and its influence on the bargaining power of the APs with the TOs and their negotiations.

<b>Interview Questions for Star Hotels/Tourist Villages/Hotel Apartments</b>	
Questions	Purpose
<b>Section 5</b>	
<b>Concluding Question</b>	
23. Is there something else you would like to add in terms of your relationship with the tour operators that we have not discussed?	This question was used in order to give the participant time to reflect on the interview and offer an opportunity to the researcher to identify a new topic that was not considered by the previous questions.

**Figure 9: Section 5- Accommodation providers' interview guide (star hotels, hotel apartments and tourist villages. (developed by the author).**

Lastly, Figure 9 (above) illustrates question 23 that was used in order to bring the interview session to a close and allow the participant to mention any issues that he/she perceived important that were not addressed.

### **5.7.3. Tourism professionals' and Government officials' interview guide**

One of the semi-structured set of interview questions was directed at tourism professionals and Government officials to explore the influence of the external structure on the negotiations and the bargaining power of APs and TOs, hence fully addressing Objective 1 (section 5.2). Figure 10 and 11 below illustrate the questions that were addressed to the tourism professionals and Government officials and the purpose of each question. The interview guide was divided into four sections, namely introductory questions, tourism environment in the ROC, culture and concluding section. For the purpose of this discussion sections 1 and 2 are presented in Figure 10 and sections 3 and 4 in Figure 11.

Questions 1 and 2 (Figure 10 below) were introductory questions aimed at obtaining information regarding the experience and knowledge of participants as

well as his/her job role. Questions 3 to 7 (Figure 10) explored the perceptions and views of the participants regarding the ROC's tourism industry environment. This enabled the researcher to gain a more complete understanding regarding the influence of industry factors on the contractual and non-contractual relationship of the APs and TOs.

<b>Tourism professionals' and Government officials' interview questions' guide</b>	
<b>Questions</b>	<b>Purpose</b>
<b>Section 1</b>	
<b>Introductory Questions</b>	
1. Could you tell me about your job role? 2. How long have you been working in this role?	These questions firstly, elicited specific information regarding the participant's experience and knowledge in terms of the tourism industry.
<b>Section 2</b>	
<b>Tourism environment of the ROC</b>	
3. How would you characterise the tourism environment today in the ROC? Why?	The aim of this question was to gain the participant's insights of the current state of the tourism environment in the ROC Also elicit information regarding challenges and success.
4. How do you perceive the current tourism industry in the ROC in terms of success? Why?	The purpose of this question was to examine the perception of the participants' regarding the competitiveness and attractiveness of the ROC as a destination to support a profitable business.
5. How would you evaluate the activities of the Government in the tourism industry? Why?	This question intended to investigate the opinion of the participant in terms of the tourism activities of the Government (central Government and the CTO), the support they provide to the industry and tourism policies and regulations. Accordingly deepening the understanding of the researcher regarding the impact of the Government on the bargaining power of the APs.
6. Do you think the tourism and hospitality associations work well together? Yes/No, why?	This question was used in order to explore the level of cooperation that exists between the actors in tourism and hospitality industry thus assessing and if, how this can influence the destination-specific resources of the APs. This question also indirectly explored cultural issues regarding the cooperative behaviour of the owner/managers of the ROC. Furthermore, exploratory findings also indicated that the level of cooperation between the APs influences their bargaining power. Thus, this question elicited information on the factors influencing the APs bargaining power.
7. What is your opinion about the business activities of large tour operators operating in the ROC? Why?	This question intended to elicit the view of the participant regarding the activities of large TOs in the ROC, in terms of whether he/she believes they are important for the industry or not as well as what do they offer to the industry.

**Figure 10: Sections 1 and 2 -Tourism professionals' and Government officials' interview guide. (developed by the author).**



Questions 8 to 10 (Figure 11 below) examined the ROC culture and the business culture, thus aiding in identifying its influence on the phenomena. Finally, question 11 (Figure 11) was used as a concluding question to enable the participants to reflect on what was discussed and offer any additional comments that they perceive as important that were not discussed.

<b>Section 3</b> <b>ROC Culture</b>	
8. How would you describe the mentality of owner/managers today in the ROC? Why?	The aim of this question was to explore the mentality of the ROC owner/managers have in relation to their business activities.
9. What is your opinion regarding the behaviour of owner/managers in the ROC in their business relationships? Why?	The purpose of this question was to examine the behaviour of owner/managers and APs regarding their business relationships. Further, exploratory findings indicated that cultural issues and the cooperation between APs influences the bargaining power of the APs in relation to the TOs.
10. How would you describe the relationship of tourism and hospitality businesses owner/managers in the ROC with each other? Why?	This was a follow-up question intended to gain information regarding the business environment in the ROC in terms of the level of competition and cooperation that exists in the environment.
<b>Section 4</b> <b>Concluding Question</b>	
11. Is there something else you would like to add in terms of what we have discussed?	This question was used in order to give the participant time to reflect on the interview and offer an opportunity to the researcher to identify a topic that was not considered by the previous questions.

**Figure 11: Sections 3 and 4 - Tourism professionals' and Government officials' interview guide. (developed by the author).**

However, due to the diversity of the sectors and the experiences of each participant within this group, before each interview the researcher adjusted some questions based on the experience and knowledge of the participant and the relevance to the study. In addition, the diversity of the participants resulted in various participants having a direct relationship and contact with large TOs, such as travel agents. This presented an opportunity to explore the perceptions and opinions of other destination suppliers regarding the behaviour and actions of the TOs in their relationship. As Patton (2002) noted flexibility and creativity are essential during fieldwork and plans should be adjusted as new opportunities and sources of data arise. Hence, in order to elicit this information supplementary questions were added

in the set of interview questions for these participants, these are presented in Figure 12 below.

<b>Supplementary set of questions for individuals with direct relationship with large TOs</b>	
<b>Questions</b>	<b>Purpose</b>
<b>Tour Operators</b>	
1. Could you tell me a little bit about your relationship with the large tour operator?	Having established that the participant has a direct business relationship with the large TOs the purpose of this question was to obtain more information regarding their relationship.
2. Why do you choose to work with the large tour operators?	This question examined the benefits that the participants receive from their relationship with the TOs thus identifying the resources that the participants want to access. As a result it facilitated the researcher to identify the most critical resources that the TOs offer to their suppliers.
3. How would you describe the behaviour of the large tour operators in their business relationship? Why?	The aim of this question was to explore the behaviour of the TOs with other destination service providers and not just the APs. Thus enabling the researcher to compare and contrast the data. This question is also indirectly related to Objective 2, that is exploring the use of the bargaining power of the TOs in their relationships with their suppliers.
4. Is there something else you would like to add in terms of your relationship with the tour operators that we have not discussed?	This question was used to give the participant time to reflect on the interview and offer an opportunity to the researcher to identify a topic that was not considered by the previous questions.

**Figure 12: Supplementary set of interview questions for individuals with direct relationship with the large TOs. (developed by the author).**

Figure 12 above depicts the four supplementary interview questions and the purpose of each question. All four questions, helped to address the first and second objective (section 5.2) by exploring the resources (sources of bargaining power) and behaviour of the TOs with other suppliers. Probing questions were also utilised for some interviews when the researcher deemed necessary to attain more information. The section below discusses the interview guide for the local academics.

#### **5.7.4. Local academics' interview guide**

The semi-structured set of interview questions for local academics addressed the first objective of the study eliciting information of the current tourism and hospitality industry, Government and the ROC's culture. Figures 13 and 14 below present the local academics' interview guide. As seen in Figure 13, questions 1 to 5

are similar to the questions of tourism professionals and Government officials since the researcher intended to explore the same issues.

<b>Local academics' interview questions' guide</b>	
<b>Questions</b>	<b>Purpose</b>
<b>Section 1</b>	
<b>Tourism environment of the ROC</b>	
1. How would you characterise the ROC's business environment today? Why?	The aim was to gain the participant's insights of the current state of the tourism environment in the ROC and elicit information regarding challenges and success.
<b>Section 2</b>	
<b>Government</b>	
2. How would you evaluate the activities of the Government in the tourism industry? Why?	This question investigated the participant's opinion in terms of the tourism activities of the Government (central Government/ CTO), the support they provide to the industry and tourism policies and regulations. Hence, deepening the researcher's understanding regarding the Government's impact on the APs bargaining power.
<b>Section 3</b>	
<b>ROC Culture</b>	
3. How would you describe the mentality of owner/managers in the ROC today? Why?	The aim was to explore the mentality owner/managers have in relation to their business activities.
4. How would you describe the relationship of tourism businesses owner/managers in the ROC with each other? Why?	This question intended to gain information regarding the business environment in terms of the level of competition and cooperation that exists in the environment. Exploratory findings also indicated that the level of cooperation between the APs influences their bargaining power. Thus, this question elicited information on the factors influencing the APs bargaining power.
5. What is your opinion regarding the behaviour of owner/managers in the ROC in their business relationships? Why?	The purpose of this question was to examine the behaviour of owner/managers and APs in particular regarding their business relationships.

**Figure 13: Sections 1 to 3 - Local academic's interview question's guide. (developed by the author).**

However, some supplementary themes were also examined in questions 6 and 7 (Figure 14 below) that explored the participants' opinion and views regarding the success of the accommodation sector and the behaviour of the large TOs. Question 8 (Figure 14) investigated issues that the ROC and its stakeholders must consider in order to improve its future success. In turn, it offered information on the issues that need to be addressed in order to improve the bargaining power of the

APs, given that a link exists between the competitiveness of the destination and the tourism businesses.

<b>Local academics' interview questions' guide</b>	
<b>Questions</b>	<b>Purpose</b>
<b>Section 4</b> <b>Accommodation sector and Tour operators</b>	
6. What is your opinion regarding the success of the accommodation sector in the ROC? Why?	This question aimed to explore whether the local academics have identified any issues within the accommodation sector.
7. What is your opinion about the business activities of large tour operators operating in the ROC? Why?	This question intended to elicit the view of the participant regarding the activities of large TOs in the ROC, in terms of whether he/she believes they are important for the industry or not as well as what do they offer to the industry.
<b>Section 5</b> <b>Future</b>	
8. What do think the ROC as a destination needs to focus on in order to further improve its competitive position? Why?	The purpose was to examine the participant's opinion regarding the future of the ROC as a destination and issues that must be addressed to improve its competitiveness, thus also contributing in improving the APs competitiveness.
<b>Section 6</b> <b>Concluding Question</b>	
9. Is there something else you would like to add in terms of what we have discussed?	This question was used to give the participant time to reflect on the interview and offer an opportunity to the researcher to identify a topic that was not considered by the previous questions

**Figure 14: Sections 4 to 6 - Local academic's interview question's guide. (developed by the author).**

The interview process for the local academics was less structured than the set of interview guide directed at the APs, tourism professionals and Government officials, as it gave the opportunity to the researcher to 'exploit' the specialised knowledge of each academic regarding the phenomena under study.

## **5.8. DATA ANALYSIS**

### **5.8.1. Introduction**

As noted in section 5.3.1 the research used evolved Grounded Theory's coding strategies to analyse the data. Corbin and Strauss (2008) highlighted that coding refers to the process of breaking down the data in to distinct units of

meaning, which are then labelled to form concepts or categories, which are then developed into propositions to generate theory to elucidate the phenomena under study. This process entailed three types of coding: open, axial and selective. As also stated, in section 5.3.1, during the open coding stage an extra step was added. More specifically, while Grounded Theory stipulates three steps of (a) codes, (b) concepts and (c) categories in the open coding stage, the current study created a four step process unique to this study, namely (a) *codes*, (b) *concepts*, (c) *sub-categories* and (d) *categories*. This action was considered essential given that once the three-step analysis was completed the researcher deemed that the data needed to be further analysed and grouped together in categories that better depicted the content in order to ascertain the core factors that fully explain the bargaining power within negotiations of APs with the TOs. (Examples and further explanation on this step are provided in section 5.8.4). The addition of the fourth step is not surprising since as Corbin and Strauss (2008, 2015) stated researchers' should trust their instincts and use common sense in the research process. Accordingly, in this study a *four-step* analysis process was employed during open coding, *codes*, *concepts*, *sub-categories* and *categories* and these terms are used in this discussion.

The constant comparative method and memos were used to facilitate the analysis process (section 5.3.1.5). The constant comparative method (Corbin and Strauss 2008) enabled the researcher to identify concepts and categories by the comparison of incidents with incidents, incident with concept, concept to concept, and category to category to ascertain differences and similarities. Memos were an invaluable part of the coding process (sections 5.8.4 and 5.8.5, appendices 1, 4 and 5). This is because they were used as a repository to record ideas and thoughts regarding the data to help in further developing the categories and concepts as well as offer a trail for the process. Furthermore, as noted in section 5.3.3.3 memos were also used during the data collection for the researcher to reflect on the data and increase her theoretical sensitivity.

However, in order to facilitate the coding process the researcher transcribed and subsequently translated the data collected (as stated in section 5.5.3.3 the majority of interviews were conducted in Greek, the national language of the ROC). This was because the researcher deemed that it would be simpler to reflect on the data and code from the transcribed material in the same language. The subsections

below explain in detail this study's analysis process. First, transcription and successively the translation strategies adopted are discussed. In turn, the open, axial and selective coding processes are explained.

### **5.8.2. Transcription**

Transcription denotes the “[...] process of reproducing spoken words” for example reproducing the verbal words from an audiotaped interview (Halcomb and Davidson 2006, p.38). The level of transcription can vary depending on the needs of each study (Hennick et al. 2011; Gibbs 2007). Specifically, full verbatim transcription, referring to word-for-word transcription of verbal data and the inclusion of details such as language use, length of pauses, involuntary stutters and without the researcher making any grammatical corrections or “tidying up” (since natural speech does not often occur in well-structured sentences) (Silverman 2006, p.288; Gibbs 2007) was not deemed necessary in the current study. This was because in Grounded Theory analysis while transcription also “[...] attempts a verbatim depiction of speech” what is important is the substance of the interview, that is to understand the content of the words to generate concepts and the meaning and perceptions the participants attach to this content (Hennink et al. 2011; Oliver et al. 2005, p. 4). Hence, during transcription emphasis was placed on what the participants said (the informational content) and the researcher did not focus on including pauses, changes in the tone of voice, speech fillers (such as ahh and you know) and non-verbal communication.

However, it must be noted that on occasions more details were included in the transcription (such as long pause and laughing) because the researcher deemed that this was important to better convey the meaning of the participant. Furthermore, the researcher also corrected grammatical errors and ‘tided up’ the participants’ speech in more structured sentences in order to make the interview data easier to read while focusing on the meanings and perception of the participants.

All interviews were transcribed in order to have all the information available regarding what transpired during the interview. As stated in section 5.5.3.3, thirty-seven interviews were completed in Greek and eight in English. Accordingly, all interviews were firstly transcribed in their original language in order to have a more precise account of the participants’ words, meaning and issues raised during the

interviews. These transcripts also aided the researcher to organise and prepare the data for translation, since it was easier for the researcher to translate from written text allowing time to think during translation. The translation process is discussed in the section below.

### **5.8.3. Translation**

Taking into account the data were collected in both English and Greek, the data in Greek had to be translated in English in order to facilitate the analysis process and present the findings in this thesis. The section below discusses the issues considered during translation to keep the translated text as closely as possible to its original meaning.

Squires (2008) highlighted that the translator must have discourse and sociolinguistic competence for an accurate translation in both languages. Discourse competence refers to the individual's ability to effortlessly have everyday dialogs thus enabling story-telling as well as having contextual comprehension of how and when certain words and expressions are employed in diverse situations. Sociolinguistic competence signifies the ability of the individual to use and convey the meaning of words and expressions similar to the culture that uses the language and having knowledge of cultural norms in the communication processes. The researcher originates from the ROC therefore she has both discourse and sociolinguistic competence of the Greek language and an understanding of its culture. In addition, she has lived in the UK for more than ten years and has completed a UK education. Thus she has proficiency in the English language and sociolinguistic competence and was competent to translate the interviews collected.

However, the researcher was also aware that translation can lead to misinterpretation hence certain strategies were used to diminish the possibility for mistranslations and misinterpretations. First, back-translation of certain extracts was undertaken (Santos et al. 2015), which involved the researcher translating Greek text to English text and then English text to Greek text in order to identify uncertainties or inconsistencies in meaning. These back-translations were also discussed with her supervisor who is a bilingual fluent speaker, with her native language being Greek. Due to time constraints back-translation of all text was unfeasible, however this strategy permitted the identification of discrepancies in translation and to make

changes accordingly.

Consultation was also used (Filep 2009) which involved discussion with bilingual speakers regarding the meaning of certain words and expressions, which were found as problematic by the researcher. The researcher discussed problematic words or phrases with her supervisor who, as noted in the paragraph above is also bilingual, in order to convey the accurate meaning of words and phrases used by the participants.

Moreover, particularly in the case of idiomatic expressions used by the participants the researcher consulted with a native English speaker (University lecturer) to review translations in order to ensure a more accurate representation of the meaning of the participants in the English language. The same individual also reviewed extracts from the translated text to ensure that the translation had meaning in the English language as well. In order to facilitate the data analysis all interviews in Greek were translated in English, given that it was more straightforward for the researcher to read and think in one language rather than switching.

The translation was done keeping as close as possible to the meaning of the words rather than literal (word-by-word) translation hence, the words used by the participants were adapted, for two reasons. First, Grounded Theory is concerned with the meaning and perceptions of the participants therefore the researcher was more concerned ensuring that the meaning of the participants was not lost. Second, literal translation decreases the readability of the text which can also inhibit the ability of the reader to understand “[...] what is going on” (Filep 2009, p.67). Accordingly, to make quotes more ‘readable’ the researcher occasionally altered the structure and added words to help the reader understand what was being said and to convey a more precise meaning of the participant’s words. Once the translation of each interview was completed the researcher began the open coding stage, which is discussed in the following section.

#### **5.8.4. Open coding**

Open coding refers to the identification, analysis and classification of data collected (Collis and Hussey 2003). Grounded Theory (Glaser and Strauss 1962; Strauss and Corbin 1990; Collis and Hussey 2003) notes that in open coding, (a)



codes are identified and (b) concepts and (c) categories are developed, as such specifying three analysis steps. However, in the current study the researcher deemed necessary to add an extra step, namely sub-categories, which is unique to this study. Therefore, *four steps* were utilised, (a) *codes*, (b) *concepts*, (c) *sub-categories* and (d) *categories*.

This additional step took place because following the completion of the three steps, codes, concepts and categories, as specified in Grounded Theory, the researcher recognised that the meaning, characteristics and attributes of the initial categories indicated that they could be further grouped together under categories that could better depict their content, which could then lead to the identification of the core factors that explained the bargaining power interactions and negotiations of the APs with TOs. For this reason she deemed it necessary for her study to add an extra step, sub-categories<sup>23</sup>. Hence, the categories developed originally (as stipulated by Grounded Theory) were labeled sub-categories and the researcher continued to compare and contrast the sub-categories to form categories to better portray their content and identify the core categories (or factors) pertinent to explain the bargaining power interactions and negotiations of the APs with the TOs. For instance, the category resources was developed, that included the sub-categories tangible and intangible resources, Government policies/regulations, culture and industry characteristics, since all these sub-categories referred and influenced the resources of the APs and TOs and influenced their bargaining power. (Further examples are provided later in this subsection). Therefore, for the needs of this study a *four-step* analysis process occurred during open coding stage, *codes*, *concepts*, *sub-categories* and *categories* and these terms are utilised in this discussion.

The open coding stage is linked with the initial concept development since the researcher sought to discover the units of information (codes) related to the

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<sup>23</sup> This decision was taken in conjunction with the researcher's supervisor an experienced grounded theorist, therefore, this decision was also checked by an external observer, which Corbin and Strauss (1990) noted that it contributes to the credibility of the research process and findings. (section 5.9.2).

research. Specifically, the researcher searched for words, phrases, sentences or paragraphs that indicated experiences and attitudes of the participants as well as actions and outcomes that could aid in explaining the contractual and non-contractual negotiations and bargaining power interactions of the APs with the TOs. An AP stated “[...] TOs take advantage of the situation and they push the prices down.” The words: “they push” indicated that the APs experienced pressure in their relationship with the TOs, thus the code “*they push*” was identified.

As noted in section 5.3.1.5, classical Grounded Theory’s approach to data analysis was followed (Glaser 1992) and that enabled the researcher to code in a more spontaneous and flexible manner focusing on the codes with direct significance to the research, while also being aware not to force on the data preconceived ideas deriving from the literature. Frequent consultations with her supervisor aided the researcher to avoid forcing the data (section 5.9.2).

Once the codes were identified questions such as who, where, what, how and why were asked in order to inspect the data in more detail, understanding their meaning and comparing and contrasting the codes for similarities and differences. For example, questions such as (a) what is the participant experiencing?; (b) who is involved in this incident such as APs/TOs/Government?; (c) why does this code (incident, attitude, outcome) occur?; (d) how is this code related to the negotiations and bargaining power?; (e) does this code occur during contractual or non-contractual negotiations?; (f) what connections exist between these codes? This constant comparison enabled the researcher to identify and develop concepts. This was because during the data interrogation the codes that referred to a similar idea or meaning were placed together under a concept to represent their conceptual similarities. For example, in relation to the negotiation process three codes identified (underlined in italics) in one AP’s interview transcript were: “[...] having the right arguments”, “[...] they [TOs] calculate everything, they use numbers, they have their statistics, like we do.” and “[...] to have some arguments that will convince the other party.” These codes were placed under the concept *rationality* to denote an attribute of negotiations.

Once the initial three interviews were coded the researcher began to compare and contrast the codes identified from the three participants for similarities and

differences to further develop the concepts. For example, the researcher further questioned how might this experience (code) of one AP be similar to another experience (code) noted by another AP. This open coding process continued as the researcher progressed in the analysis. For instance, following from the example of the concept *rationality* mentioned above, as the analysis continued codes relating to *rationality* during the negotiations of APs with TOs were evident in other APs' interview transcripts. Three more codes (underlined in italics) identified, for example, were: "[...] his [TOs] demands were unjustifiable", "[...] there must be a reason" and "[...] when you want a concession it must always go hand in hand with a justification." All these codes by various APs provided further evidence of the relevance of *rationality* as a concept to help to explain the negotiations of the APs with the TOs.

As an example, Figure 15 below illustrates an interview transcript from an AP during open coding stage. The codes identified are highlighted in yellow while the concepts developed are highlighted in green. As seen in the figure below, the two codes identified were: have a certain frame that they operate in and follow and nobody is working uncontrollably. These codes indicated a certain behaviour of the APs and TOs during negotiations, namely that there are restrictions and inflexibility in their negotiations. Accordingly, these codes were placed under the concept of *inflexibility* a concept considered as a characteristic of the negotiations occurring between APs and TOs.

**Interviewer:** Following a negotiation with the tour operators what is your opinion about the outcome?

**Participant:** [...] Well [pause] except from a very few cases, I always sign and feel that is a win-win situation. (code: I always sign and feel that is a win-win situation; concept: Win-win situation). Both for us and the TO, the people responsible for signing the contracts have a certain frame that we operate in and follow. Nobody is working uncontrollably. (code: have a certain frame that they operate in and follow/ nobody is working uncontrollably; concept: Inflexibility). Our company for instance has a pre-agreed pricing policy that we follow. So I follow these margins and pricing policy to bargain, these margins are based on the market and the specific colleague I am bargaining with. As a company we have the philosophy of align pricing. (code: pre-agreed pricing policy / follow these margins and pricing policy/ philosophy of align pricing; concept: Price sensitivity).

**Figure 15:** Extract of a coded interview by an accommodation provider (AP). (developed by the author).

It must be noted that as the data analysis continued and the understanding of the researcher regarding the phenomena was enhanced, initial concepts identified were renamed and modified to better represent the meaning of the participants. For example, an initial concept identified was called *price wars* to denote the importance of pricing in negotiations. However as the coding progressed the researcher believed that the words *price wars* as a concept was too restrictive. This is because it indicated a strong negative connotation of pricing issues between the parties and as the coding progressed it was evident that not all participants perceived pricing in such a way. Therefore, this concept was changed from *price wars* to *price sensitivity*. The researcher deemed that the words *price sensitivity* better indicated the significance that price plays in the relationship between APs and TOs as well as both parties sensitivity to price fluctuations that occur.

Altogether seventy-one (71) concepts were developed from this stage of open coding (appendix 3). Table 6 below presents examples of six concepts and representative codes. In the table, the first column illustrates the concepts and the second column illustrates the statements of participants and the codes identified, codes are underlined and *in italics*.

Concepts	Example of codes**
Win-win situation	<p>“[Y]ou always have to follow a <u>win-win policy - it suits me and it suits you</u>. You have to find <u>the balance, that equilibrium</u> to create the sense that it is a <u>win-win situation</u>.” (IG:2*)</p> <p>“[...] I always sign and feel that is a <u>win-win situation</u>.” (SH:5*)</p>
Pressure	<p>“[W]e have probably been a lot more <u>demanding</u> with the suppliers as well, and <u>pushing them</u>, driving them on how we want them to be.” (TO:2*).</p> <p>“<u>[D]on’t, don’t, don’t...drop, drop, drop... decrease, decrease</u> the price! This is all we hear; in the end this will end up reducing the quality of the product because on the other hand we are also a business, we also want to make a profit.” (SH:7*).</p>
Financial Insecurity	<p>“[T]here is <u>no cash flow</u>, banks are not giving out loans and do not help at all [...] businesses are <u>struggling to survive</u>.” (GO:1*)</p> <p>“[...] <u>with the current prices it is extremely difficult to balance everything</u>, to keep your costs low and to give a low price, it is extremely <u>difficult to keep your head above water</u>.” (TV:3*)</p>
Inflexibility	<p>“[...] there is control from the head office and <u>inflexibility</u> in negotiations.” (IG:3*)</p> <p>“<u>[I]f I insist on something that they don’t agree with, they can go somewhere else</u>.” (SH:6*).</p>
Flexibility	<p>“[I] had to give something to the TO [a discount] in order to show that I am <u>flexible</u> because when you close the door on someone then he will also close</p>

	<p>the door on you.” (SH:4*)</p> <p>“[...] when expected demand changes, the TO might want to cancel the commitment or lower the commitment or drop this, drop that. The season is always <i>flexible, so we must be flexible</i>.” (HA:3*).</p>
Dependency	<p>“[...] because when you <i>depend</i> on the TOs then they dictate their own terms and most of the time these terms are not very pleasant.” (IG:1*).</p> <p>“[...] imagine if the TOs will not succeed and they leave the ROC. Who is losing? They are not they only ones losing, we are losing as well, so for us is very clear <i>we do need the TOs and without them we cannot do much</i>.” (HA:3*).</p>

**Table 6: Open coding: Example of concepts and codes. (developed by the author).**

\*Participant codes: SH: Star Hotel; HA: Hotel Apartments; TV: Tourist Villages; IG: Participants Group; TA: Travel Agent; TO: Tour Operator. \*\*Codes are underlined and *in italics*.

Following the identification of the concepts, a comparison of concepts ensued based on their meaning (content), similarities, differences, characteristics and attributes to generate sub-categories<sup>24</sup>, in other words the concepts were arranged under more abstract labels. Figure 16 (next page), presents a memo indicating this process. As the figure shows the meaning (content) of each concept and its characteristics were considered in order to aid in comparing and contrasting one concept with another. This action led the researcher to identify the similarities of each concept in order to place them under the same sub-category. As seen in Figure 16 the concepts did not denote tangible (such as physical) resources but intangible resources that were tacit, time consuming and difficult to achieve. In turn, these intangible resources are owned by the APs and determined their bargaining power and influenced negotiations with the TOs. Hence, these concepts were placed together under the sub-category intangible resources.

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<sup>24</sup>As noted at the beginning of this section the generation of sub-categories was an extra step taken in the open coding, unique to the current research, since the researcher, along with her supervisor, deemed that the sub-categories could be further grouped under more encompassing labels to generate categories and identifying the core phenomena to explain the negotiations and bargaining power interactions of the APs with the TOs.

Date: 13/08/2014	
Title: Integrating concepts in the sub-category:	Stage of Coding: Open coding
<b>Intangible Resources</b>	
<b>Concept: Repeat Clientele</b>	
<p><u>Meaning of the concept:</u> Repeat clientele refers to the customers that intent to repeat their visit to the specific unit.</p> <p>The level of repeat clientele that an accommodation unit has increases the bargaining power of the APs. The data show that repeat clientele reduces the risk of the TOs in contracting a unit. That is to say repeat clientele gives the TO and the AP a certain level of guaranteed occupancy, in other words making the unit a safer bet for the TO to agree to a large contract.</p> <p>The data indicate that repeat clients are loyal to the unit therefore it is a <b>resource owned by the APs</b> that the TOs want to access it. Hence, <b>repeat clientele is a resource that contributes to the bargaining power of the APs</b>. It is also an <b>intangible resource</b> given that it is tacit and cannot be codified.</p>	
<b>Concept: Reliability</b>	
<p><u>Meaning of the concept:</u> The concept reliability depicts the importance that APs place on the TOs ability to fulfil the contracts they have agreed.</p> <p>Reliability of the APs towards the TOs: the ability of the APs to fulfil their contract in terms of services offered and consistently providing the number of rooms agreed is an <b>important resource and source of power that the APs own</b>. Given that it reduces the uncertainty of the TOs in the relationship.</p> <p>Reliability of the TO towards the APs: to pay within the agreed timeframe and consistent tourism flow. Therefore, reliability is critical for the APs given that it increases their confidence that the TO will fulfil the contract and they feel safer in the relationship. A reliable TO will sway their decision in negotiation to accept the demands of the TO.</p> <p><b>Reliability is an intangible resource given that it is tacit and cannot be codified. The parties own this intangible resource and it contributes to their bargaining power and</b> can influence the negotiation outcomes.</p>	
<b>Concept: Value for money</b>	
<p><u>Meaning of the concept:</u> The concept denotes that the TOs perception that the unit (product quality and service) is worth the value of the price paid.</p> <p>Value for money is a source of power for the APs. For the APs value for money refers to the product (unit) to be considered as value for money both for the TO as well as the consumer. The analysis suggested that for the TOs value for money refers to a unit contracted at a price that offers to the TO the expected profit, but still considered value for money for the consumer so they can have high sales. Value for money is an important demand for the TO due to its significance in the current competitive market that exists. Therefore, <b>value for money is a resource that the APs have and the TOs want to access, thus it contributes to the APs bargaining power during negotiations</b>.</p> <p>Value for money is not a physical resource but a tacit resource hence; it is a <b>significant intangible resource for the APs</b>.</p>	
<b>Concept: Differentiation</b>	
<p><u>Meaning of the concept:</u> Differentiation of a unit refers to a unit associated with a well-known brand, whether the TOs perceive the unit as offering something unique when compared to the other units in the market and whether the unit offers something unique in comparison to the variety of products that the TOs offer.</p> <p>Differentiation is critical to improve the APs bargaining power in relation to the TOs because the more unique and differentiated your product is the higher number of TOs want to include it into their programme. Therefore the more alternatives (choice) the AP has in choosing a TO to enter into a contractual relationship. This increase in alternatives that the APs have reduces its dependence on a single TO to achieve its organisational objectives; based on resource-dependence theory the less dependency a party has the more bargaining power the less dependent party has.</p> <p>Therefore, <b>differentiation is a resource that the APs own and the TOs want to access, hence it is considered as an important source of power for the APs</b>.</p> <p>Given that differentiation is not a physical resource, it is considered as an <b>intangible resource owned by the APs</b> and the TO want to access.</p>	
All the above lead to the identification of the sub-category: <b>Intangible resources</b> .	
<b>Sub-category: Intangible resources</b>	
<p>This sub-category explains the intangible resources that along with the tangible resources determine and determine the parties bargaining power. These intangible resources are time consuming and difficult to achieve are significant resources that the APs own and the TOs want to access through an agreement. Furthermore, these resources can decrease the dependency of the APs on the TOs thus improve their bargaining ability. These resources influence the outcome of the negotiations with the TOs.</p>	

**Figure 16: Memo: integrating concepts into sub-categories. (developed by the author).**

By following this constant comparative process eleven sub-categories were developed, namely, pricing, volume of sales, industry characteristics, culture, tangible resources, intangible resources, governmental ineffectiveness, relationship

constructs, emotions, negotiation characteristics, type of contracts. More details regarding these sub-categories and their content can be found in appendices in a form of a memo (appendix 4).

Figure 17 and 18 below, illustrate all the concepts and the sub-category that they were placed under. As shown in the figures eight concepts (highlighted in colour) were placed under more than one sub-category. This was done because all concepts were interrelated and interconnected therefore some concepts were related to more than one sub-category.

Sub-categories	Pricing	Volume of Sales	Industry Characteristics	Negotiation Characteristics	Tangible Resources	Intangible Resources
Concepts	Financial insecurity	Direct sales	Monopoly/oligopoly	Inflexibility	Infrastructure	Repeat clientele
	Expensiveness	<b>Saleability</b>	Dependency	Flexibility	Product quality	Reputation
	Price sensitivity	Promotional ability	Interdependency	Rationality	Location	<b>Value for money</b>
	Discounts	Consistent tourism flow	Oversupply	Threats	Size of unit	Reliability
	Soft concessions	<b>Seasonality</b>	<b>Competition</b>	<b>Uncertainty</b>	Destination attractiveness	Differentiation
	Profit	Tourist arrivals	<b>Flight connectivity</b>	<b>Pressure</b>	Destination characteristics	Information
	<b>Value for money</b>	<b>Flight connectivity</b>	<b>State of affairs</b>	Deviance		Product quality
	<b>Pressure</b>	Supply diversity	Control	Control		
	<b>Saleability</b>	Ownership (customer ownership)	<b>Seasonality</b>	Information		
	<b>Win-win situation</b>	Visitor's trends	Visitor's trends	<b>State of affairs</b>		
	<b>Risk</b>			<b>Risk</b>		
				Liability		

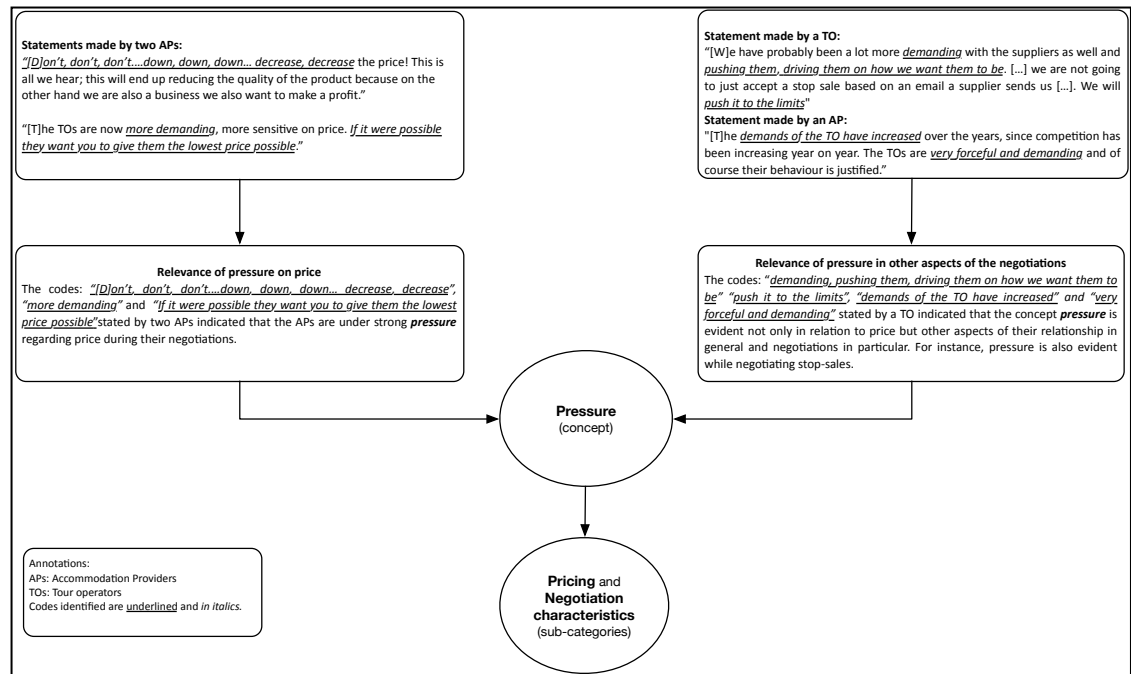
**Figure 17: Open coding: concepts and sub-categories induced from data (see also Figure 7). (developed by the author).**

Sub-categories	Governmental Ineffectiveness	Relationship Constructs	Emotions	Culture	Type of Contracts
Concepts	Governmental Ineffectiveness	Trust	Fear	Greek-Cypriot mentality	Allotment contract
	Funding misuse	Reciprocity	<b>Uncertainty</b>	Short-termism	Exclusivity contract
	Inadequate government devolution	Personal relations	Deviance		Commitment contract
	Obsolete and inadequate policy-making and regulations	Cooperation	Bitterness		
	Clientelism	<b>Competition</b>	<b>Pressure</b>		
	Inadequate government intervention	Incentives			
	Clashing of individual interests				
	Insufficient tourism leadership				
	Insufficient Government/industry sector cooperation				
	Government centralisation				
	Inadequate governmental knowledge				
	Public sector insufficient incentives				
	Accountability				
	<b>Flight Connectivity</b>				

**Figure 18: Open coding: concepts and sub-categories induced from data (see also Figure 7). (developed by the author).**

In Figure 17 above, for example, the concept *pressure* was placed under the sub-categories *pricing* and *negotiation characteristics*. This is because the concept pressure was related and evident to both pricing issues as well as in other aspects of the negotiations. Figure 19 below, illustrates how pressure was related to both sub-categories. As indicated in the figure, the participant's statements revealed that pressure was evident in relation to pricing issues with the code "*don't, don't,*

*don't...down, down, down... decrease, decrease*" the price as well as in other aspects of the negotiations such as negotiating stop-sales signified by the codes *"push it to the limits"*, *"pushing them"*, *"driving them on how we want them to be"*. Therefore, the concept pressure was added under both sub-categories.



**Figure 19: Example of developing sub-categories. (developed by the author).**

Following the development of sub-categories the researcher continued to utilise the constant comparison method to capture their meaning in more encompassing categories to explain the phenomena and develop a Grounded Theory. The sub-categories were compared and contrasted based on their meaning, characteristics and attributes to detect their similarities and differences. The researcher also considered how these sub-categories may be linked, by utilising the literature reviewed and her scholarly knowledge, to help explain the bargaining power interactions and negotiations of the APs with the TOs. For example, the sub-categories negotiation characteristics, relationship constructs, emotions were all placed together, because they indicated relationship-specific factors that influence the negotiation interactions between the parties and thus denoted elements of an all-encompassing category labelled relational factors. The type of contracts was also placed under this category because each contract has different characteristics that influence the bargaining power and negotiations.



As a result three categories were developed, resources, relational factors and market characteristics. All three categories are interrelated and interconnected as together they offer a detailed understanding and explanation of the bargaining power interactions and negotiations between the APs and TOs. Table 7 below presents the sub-categories and the categories induced from the data. As seen in the table, six sub-categories (industry characteristics, culture, relationship constructs, emotions, negotiation characteristics and type of contracts) are placed under more than one category. This was because the concepts, sub-categories and categories are interrelated and interconnected. For example, the sub-category type of contracts plays a critical role in all categories because each contract agreed has different characteristics and influences the interactions between the APs and TOs. Hence, type of contracts was placed under all categories to explain the negotiations between the parties.

Categories	Resources	Relational factors	Market characteristics
Sub-categories	Government policies/regulations	Type of contracts	Type of contracts
	Culture	Negotiation characteristics	Industry characteristics
	Industry characteristics	Relationship constructs	Culture
	Tangible resources	Emotions	Negotiation characteristics
	Intangible resources		Pricing
	Type of contracts		Volume of sales
			Emotions

**Table 7: Sub-categories and categories induced from the data. (developed by the author).**

Subsequent to the identification of the three categories the open coding stage was completed and axial coding ensued.

#### **5.8.5. Axial coding**

In axial coding the researcher fits “[...] the pieces of the data puzzle together” (Strauss and Corbin 1998, p. 229). In other words, the researcher sought to identify the interrelationships between each category with its sub-categories, by reorganising and rebuilding the data into various patterns. To help this process a storyline (narration) was developed that linked each category and its sub-categories based on their content. Particularly, the researcher reflected on what has this

category and its sub-categories indicated so far that could help explain the contractual and non-contractual negotiations and bargaining power interactions of the APs with the TOs. In turn this aided her to identify relationships and interactions between the sub-categories and each category and how and why they related to the negotiations between the parties.

For example, Figure 20 below presents the storyline developed for the category resources and its sub-categories in the form of a memo. As seen in the figure, the researcher noted that the category resources related information regarding the context of the negotiations in terms of the resources that each party has that in turn determines their bargaining power (sub-categories: tangible and intangible resources). The storyline also indicated that structural factors (sub-categories: Government policies/regulations, culture and industry characteristics) influenced the bargaining power of the parties. It was also revealed that the valuable resources (tangible and intangible) that each party had in relation to each other determined the type of contract (sub-category) agreed between the parties.

Date:23/08/2014	
Title: <b>Category Resources and the story</b>	Stage of Coding: Axial coding
<p><i>Aim:</i> To explore the contractual and non-contractual relationship of APs and large TOs in Cyprus.</p> <p><b>Category:</b> <i>RESOURCES</i></p> <p><b>Sub-categories:</b></p> <p>Government policies/regulations</p> <p>Culture</p> <p>Industry Characteristics</p> <p>Tangible resources</p> <p>Intangible resources</p> <p>Type of Contracts</p> <p><b>Storyline:</b></p> <p>The above category provides information on the context of the contractual and non-contractual relationship and negotiations. More specifically, this category identifies the resources available to both parties (firm-specific and structural). These resources determine both parties' bargaining power. Moreover, influential structural conditions such as government policies/regulations, culture and industrial characteristics can both enable and constrain the resources availability and in turn the bargaining power of the parties. In addition, the most valuable resources (in relation to each other) that the parties have are identified and the way that these resources determine the type of contract that the parties choose to sign is indicated and explained.</p>	

**Figure 20: Axial Coding - memo developing a storyline for a category. (developed by the author).**

Corbin and Strauss (2008, p.104) stated that if theory development is the purpose of the research, as it was with this study, then the findings must be portrayed as “[...] a set of interrelated concepts, not just a listing of themes” that together explain the phenomena under investigation. Accordingly, propositions were developed to present the interrelationships induced from the data. The propositions were developed based on interrelationships identified in the storyline and the aim and objectives of the study to fully explain the bargaining power and negotiations of the APs with TOs. These interrelationships or propositions are the basis for the formulation of theory (Goulding 2002). Six propositions were developed under the three categories. Table 8 below illustrates all six propositions and the categories.

Categories	Resources	Relational Factors	Market Characteristics
Propositions	Firm-specific tangible and intangible resources determine the type of contract during contractual negotiations.	Contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs.	Culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations.
	Government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources.	Emotional factors influence contractual and non-contractual negotiations.	Negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales.

**Table 8: Axial coding: propositions developed. (developed by the author).**

As seen in the table, under the category **resources** two propositions were developed that addressed the first objective, ‘to discover the sources of power of both the APs and the TOs, from the APs perspective in order to determine their bargaining power within the contractual and non-contractual negotiations.’ To determine the bargaining power of a party’s external structural factors (Government, culture and industry) as well as firm-specific resources must be considered. Therefore, one proposition developed addressed the firm-specific resources that determine the bargaining power of the APs and TOs. This proposition was:

- Firm-specific tangible and intangible resources determine the type of contract during contractual negotiations.

A second proposition under the category **resources** addressed the structural factors (government policies/regulations, culture and industry characteristics) that can constrain or enable the bargaining power of the APs and TOs. The proposition was:

- Government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources.

In addition, two propositions developed under the category **relational factors** tackled the second objective, namely ‘to investigate how bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations.’ The two propositions were:

- Contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs;
- Emotional factors influence contractual and non-contractual negotiations.

Lastly, under the category **market characteristics** two propositions were developed to address the third objective of the study, ‘to examine how bargaining power is exercised within the relationship, from the APs perspective, in order to ascertain the consequences on the negotiation outcomes. The propositions were:

- Culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations;
- Negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales.

Although the analysis process could have been completed at the axial stage, the researcher continued to develop a theory to explain the phenomena. Hence, the third stage of analysis, selective coding followed.

### **5.8.6. Selective coding**

Selective coding entails integrating all the propositions together to build a Grounded Theory. Glaser (2005) noted that the purpose of Grounded Theory is to generate a theory that explains a pattern of behavior that is pertinent for the individuals involved. To accomplish this the researcher connects all the propositions together considering the relationships and interactions, narrating all the main phenomena to explain the negotiation process and bargaining power interactions of the APs with the TOs. Accordingly, the researcher connected all the propositions induced from the data analysis to narrate all the key phenomena and aid in theory development. This is presented in a form of a storyline in Chapter 6, section 6.3.3. This storyline helped the researcher in the development of a substantive theory which is presented subsequent to the storyline in Chapter 6, 6.3.3.

The theory developed explicitly addresses the research's aim and objectives and fully explains the contractual and non-contractual bargaining power relationship within negotiations between the APs and TOs. A substantive theory was generated because it is closely related to the empirical field. That is to say it focuses on providing an explanation of a certain substantive area: that is the contractual and non-contractual bargaining power relationships within negotiations that exist between tourism and hospitality suppliers and buyers, namely APs and European large TOs in the ROC, from the APs perspective. In contrast, formal theories are more abstract and have explanatory power across a broader variety of disciplinary concerns and problems (Strauss and Corbin 1998). However, the study intended to offer insights for a specific substantive area to better understand an under-researched area, the negotiations and bargaining power between suppliers and buyers within a tourism and hospitality context.

## **5.9. EVALUATION**

### **5.9.1. Introduction**

Qualitative research focuses on the trustworthiness of the data within a certain context (Flick 2014). To evaluate the quality of the study, namely its trustworthiness, three criteria were adopted; credibility, transferability and dependability (Guba and Lincoln 1994). The influence of the researcher in the study,

reflexivity, is also discussed in order to enhance the trustworthiness of the research (Callery and Hall 2001). A research project must be evaluated in terms of its process and its outcomes (findings) to ensure the quality of the research (Flick 2014).

### **5.9.2. Credibility**

Credibility refers to whether the research outcomes correspond with the perspectives of the participants (Bitsch 2005; Shenton 2004). Credibility can be assessed on how precisely the theory explains the situation that occurs, whether it ‘fits’ with the experience of the participants (Corbin and Strauss 2008; Cooney 2011). Hence certain strategies are used to ensure that the theory generated has credibility. These strategies are prolonged engagement, constant comparison method, frequent debriefing sessions and the translation process. The strategies are discussed below.

Prolonged engagement deals with the question of whether the researcher has spent sufficient time on the research site to develop trust in order to discover and understand the culture and context of the study (Bitsch 2005). As stated in section 5.5.3 the researcher undertook two primary data collection stages, exploratory and main. Hence, altogether she spent seven months in the ROC to collect the necessary primary data, that is two months for the exploratory stage and five months for the main collection stage. During both stages of primary data collection the researcher travelled extensively in the ROC and in all locations the research was undertaken (Limassol, Paphos, Ammochostos (Ayia Napa and Protaras) and Larnaka) as well as Nicosia (the capital) and the hinterland areas. During this time, in addition to the study’s participants, the researcher socialised and spoke with various locals (such as restaurateurs, shop keepers and coffee shop owners) in all major towns regarding their life in the ROC, politics, and the daily challenges that they face.

Due to the fact that the researcher was born and raised in the ROC, spoke the same language as the locals, and had a similar cultural background, helped her to be perceived as a local by the local residents. This enabled her to establish trust and rapport with the locals and the study’s participants, making them more comfortable to disclose information in terms of their thoughts, beliefs and opinions for instance, regarding daily life in the ROC, social issues, politics and the economy. Furthermore, due to the researcher’s circle of family and friends established over the

years she was able to take part in the social life in the ROC and constantly engage with them, not only in a professional capacity (as a researcher) but also in a social capacity. Accordingly, the time frame of seven months spent to collect the data as well as the fact that the researcher was born and raised in the ROC gave her a good understanding of its culture as well as of the tourism and hospitality industry, thus fully understanding the context of the study to explain the negotiations of the APs with the TOs.

Additionally, the researcher worked in the accommodation sector in the ROC for a period of two years in the front of house (front office and guest communications) and food and beverage departments in two accommodation units in Limassol (large-size 5 star and medium-size 3 star hotels<sup>25</sup>). This gave her insights into the tourism and hospitality industry in terms of daily operational issues that APs face within the unit and in their relationship with travel agents and TOs. This is because as front of house staff the researcher had to deal with various reservations issues that involved communication with travel agents and TOs. The researcher's parents were directly involved in the hospitality and tourism industry in the ROC, as they previously owned and operated a small hotel (under 150 beds) in the ROC for over twenty years (section 5.9.5). Furthermore, they are still involved indirectly in the tourism and hospitality industry as food suppliers of various hospitality establishments (such as accommodation units and restaurants). As a result they have developed various professional tourism and hospitality contacts over the years. During her stay in the ROC to collect the primary data (exploratory and main primary data) the researcher participated in various informal discussions that occurred during the business day with members of the tourism and hospitality industry (such as APs, travel agents and restaurateurs). These discussions related to politics in the ROC, the challenges of the business environment in the ROC and the tourism and hospitality industry. As a result the researcher gained a better understanding of the tourism and hospitality industry contributing to the credibility of the study.

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<sup>25</sup> The European Consumer's Centre classification identifies a small unit as one with a capacity of up to 150 beds, a medium unit as 151-400 beds, and a large unit as having over 400 beds (ECC-Net 2009).

Credibility is also ensured by the researcher gaining details of the phenomena under investigation and identifying the most relevant aspects to focus on (Guba and Lincoln 1994; Goulding 2002). The constant comparative method stipulated by Grounded Theory contributes to credibility (Tuckett 2005; Elliott and Lazenbatt 2005). For instance, evidence of modifying assumptions regarding the data, concepts or categories as the data analysis progresses to fit with what is pertinent for the participants (Cooney 2011; Elliott and Lazenbatt 2005). The researcher adopted this method and provided a detailed description and examples of comparing and contrasting codes, concepts, sub-categories and categories between them, seeking their pertinence in the research and representativeness in the data (section 5.8). For instance, in section 5.8.4 the researcher explained how a concept labelled *price wars* at initial stages of the analysis was renamed *price sensitivity* at a later stage since the negative connotations of the label *price wars* were not supported by all participants. Hence, the use of the constant comparison method during the data analysis contributed to the accuracy and relevance of the data to the tourism and hospitality suppliers and buyers regarding their contractual and non-contractual bargaining power relationship in negotiations.

Frequent debriefing discussions between the researcher and her supervisors also took place to discuss the findings of the study, thus allowing the findings to be checked against other individuals' perception enhancing credibility. Corbin and Strauss (1990) in relation to Grounded Theory also highlighted that opening up the analysis, displaying concepts and relationships for others to inspect can safeguard the findings from bias but can also result in new insights through the discussion. Throughout the data collection and analysis process the researcher was in frequent contact and consulted with her supervisor, an experienced grounded theorist researcher.

These sessions aided the researcher to compare her own thoughts regarding the data against that with an external observer (her supervisor) reducing her bias. For example, at the initial stages of data collection and analysis the researcher had difficulty keeping an open mind to permit the data to tell their own story resulting in imposing preconceived ideas, and confusion, which is as Goulding (2002) stated a common problem with Grounded Theory analysis. A debriefing session with her supervisor was critical at this stage for the researcher to recognise that she must



follow what the data say, while also using her own perspective to make the text meaningful offering a richer explanation of the bargaining power relationship in negotiations of the APs with the TOs. Hence, these frequent discussions reduced the bias of the researcher on the data and findings contributing to the credibility of the research process and findings. Furthermore, these discussions also gave new insights to the researcher on how to proceed in terms of the data analysis process. For instance, following a debriefing session it was apparent that certain concepts needed to be revised to better capture the meaning of the participants and experience, such as Pricing which was initially a concept but was later promoted to a sub-category due to its importance in the negotiations between the parties (appendix 5).

Debriefing sessions also aided in addressing a limitation of Grounded Theory. Specifically, Goulding (2002) noted that some researchers might leave the field too early or under-analyse the data at hand resulting in the researcher simply describing the phenomena based on participants' description and not on more abstract concepts developed to offer a broader explanation. The debriefing sessions that the researcher had with her supervisor throughout the collection and analysis process facilitated the decision in terms of sufficient level of analysis throughout all the coding stages thus avoiding premature closure and establishing credibility.

Lastly, the competence of the translator plays an important role in the credibility of the study (Squires 2008; Santos et al. 2015). In section 5.8.3 the translation process of the data from Greek to English was discussed in detail. The researcher justified her ability in translating the text based on her discourse and sociolinguistic competence in both languages. In other words, because the researcher originates from the ROC, has completed a UK education and has lived in the UK for more than ten years she had discourse competence, that is proficiency to have everyday dialogues and to understand when and how certain words and expressions are used in various situations. The researcher also had sociolinguistic competence: that is she had a good understanding of both the UK and the ROC culture, and cultural norms in communication. Additionally, she adopted various strategies for translating the data to reduce the possibility of mistranslations and convey the meaning of the participants as accurately as possible (section 5.8.3). For instance, strategies such as back-translations, consultations with a fluent bilingual speaker (English and Greek) to check the back-translations and discuss problematic

expressions were used. The translation process followed contributed to the credibility of the process and findings.

### **5.9.3. Transferability**

Transferability signifies the applicability of the findings outside the focal study and derives from the similarity between two contexts (Lincoln and Guba 1985). Qualitative researchers must provide the necessary details to the reader to picture the context from which the theory was generated and decide of the possibility of transferability to another context (Chiovitti and Piran 2003). Rich, detailed and accurate description of the sample and setting are critical to aid the reader to reach the decision regarding transferability (Bryman and Bell 2011; Chiovitti and Piran 2003). As mentioned throughout the thesis the study focused on exploring the relationship between APs and external TOs in the ROC, from the APs perspective. Chapter 4 provided the reader with a detailed account of the ROC (research setting), an economically developed, mature, mass sun-and-sea Mediterranean destination. Chapter 4 discussed the ROC as a destination, its culture, tourism industry and accommodation sector highlighting its attributes, characteristics and challenges in the tourism market. Further, in section 5.6, a thorough description of the sample and its characteristics was provided in order to enhance the knowledge of the reader regarding the context of the study. These detailed discussions can facilitate the reader to arrive at a judgment regarding the transferability of the findings in a similar context. Morse and Singleton (2001) argued that if a problem is similar and pertinent in other settings then the theory should have meaning and be applicable to those settings. In Chapter 7, section 7.3 the transferability of the findings and the theory in other tourism destinations and other economic activities is discussed in detail.

### **5.9.4. Dependability**

Dependability is ensured through the researcher providing a detailed and complete documentation of the research process and decisions made to assert the dependability of the findings (Flick 2014). This can be achieved by providing an adequate audit trail for another researcher to be able to replicate the study, such as details regarding methods of data collection, sampling decisions and analytical

procedures (Denscombe 2010; Tucket 2005; Chiovitti and Piran 2003).

Section 5.3 offered an in-depth explanation and justification of the Grounded Theory research methodology and design adopted, that combined elements from both evolved and classic Grounded Theory versions, in order to fully address the aim and objectives of the study. In addition, section 5.5 clarified the methods of data collection and the use of both secondary and primary data. Section 5.5 also explained in depth the process of the two stages of primary data collection (exploratory and main) and the use of semi-structured interviews as the primary data collection tool. In section 5.6 sampling decisions were discussed providing detailed information and justification of the key sample frame of the study (APs who directly engage in negotiations with large European TOs), the choice of a purposeful snowballing sampling technique to attain rich and detailed data and the size of the sample (forty-five interviews following data saturation). Further, the choice of four types of participants (APs, tourism professionals, Government officials and local academics) was explained and a detailed profile of all the participants provided (section 5.6.5). Hence, offering a detailed audit trail of the research process.

Furthermore, the researcher has discussed in detail the analysis process followed to develop the theory to explain the phenomena (section 5.8). During the discussion of open coding (section 5.8.4), the researcher provided various examples explicating and justifying decisions regarding the codes discovered, concepts identified, sub-categories and categories developed. Decisions made during axial and selective coding (sections 5.8.5 and 5.8.6) were explicitly discussed and justified offering an audit trail to the theory developed. All the above actions provide an audit trail for the decisions made in the study and enhance the dependability of the research. Moreover offering a reflective account of the role of the researcher in the process contributes to a detailed audit trail for a Grounded Theory study (Cooney 2011) further enhancing the dependability of the study; accordingly the section below discusses reflexivity.

#### **5.9.5. Reflexivity**

Reflexivity is a method of communicating self to the reader and increases the rigour and credibility of the study (Callery and Hall 2001; Heath 2006; Cooney 2011). A researcher must be reflective on how her 'self', that is cultural background,

idiosyncrasy and implicit assumptions, have influenced the gathering and interpretation of the data (Bryman and Bell 2011). Willig (2001) highlighted that two forms of reflexivity must be evident, personal and epistemological.

Personal reflexivity encompasses reflecting on how the researcher's "[...] values, experiences, interests, beliefs, political commitments, wider aims in life and social identities" have influenced the process (Willig 2001, p.10). The current researcher had to be reflective about how her values, experiences, interests, beliefs, idiosyncrasy and social identity have influenced the research process in order to offer an understanding and explanation of the bargaining power and negotiations of the APs with the large TOs that has credibility. Epistemological reflexivity stimulates the researcher to consider the assumptions that were made during the process and enables her to consider the influences of those assumptions on the inquiry and its outcomes (Willing 2001). Thus the researcher had to consider questions such as: How has the study's research question defined and limited what can be found? How have the study's qualitative Grounded Theory methodology and analysis method 'constructed' the data and the findings? How could the bargaining power and negotiations between tourism buyers and supplier have been investigated differently? The subsections below firstly discuss personal reflexivity, and subsequently epistemological reflexivity.

#### **5.9.5.1.      *Personal reflexivity***

Growing up in the ROC, a close-knit society, in the 1990s where its economic development had tremendous growth, mainly due to tourism, has influenced my development as an individual and has shaped my social identity. Relatives and especially family played a very influential role in my growth as an individual. In the ROC, it is not surprising for children to follow in their parents' footsteps regarding their career choice. Tourism and hospitality is one of the main industries in the ROC and my parents were directly involved in the hospitality sector for over twenty years. Specifically, they owned and operated a small (under 150 beds) accommodation unit. In the ROC children are often involved in the family businesses, hence, from a young age my parents always encouraged me to help out alongside them.

Consequently, I grew up in a vibrant environment and constantly surrounded

by individuals from different cultural backgrounds. I found such an environment fascinating and my interest in tourism and hospitality started at an early age which also led me to work in other accommodation units (medium and large-size units) for a period of two years in order to enhance my knowledge on how larger units operated. In turn, this guided me in choosing my undergraduate degree in Hospitality Management. As I continued my studies, and my knowledge regarding the hospitality industry was enhanced, I started to better understand the issues that the hospitality sector faced in the ROC. Moreover, various discussions with industry professionals in the ROC, and my Master's thesis that explored the Republic's seasonality helped to augment my knowledge on the tourism and hospitality industry.

At the same time media reports in the ROC were reporting the stagnation of its tourism industry and the difficulty of tourism and hospitality related businesses to make a viable profit. This was particularly true for accommodation units. This resulted in various businesses closing-down or struggling to survive. This also affected my parents' hospitality business resulting in the closure of the unit. This stimulated me to research the subject further to understand the challenges that hospitality businesses face.

From professional experience and scholarly knowledge I was aware of the pivotal role that the TOs have in the success of the tourism industry in the ROC as well as their strong negotiating position with their suppliers and particularly the accommodation providers. In turn, two questions developed in my mind 'why do the businesses in the ROC struggle to survive whereas the TOs are thriving?' and 'how can tourism related businesses improve their bargaining position?'. These questions encouraged me to research the topic further, to understand the reasons behind the occurrence and offer recommendations to the tourism and hospitality related businesses to improve their businesses viability.

However, my research revealed that a limited number of researchers' had explored the dyadic relationship of the TOs with their suppliers and most of the research was dated. This stimulated my interest to explore the situation further and led me to the topic of the current research project. I chose to focus on the accommodation sector for two reasons. First, the accommodation is a strategic

product for the TOs and the APs and TOs engage in constant negotiations, thus APs have direct experience negotiating with the more powerful TOs. Second, due to the fact that my parents operated an accommodation unit in the ROC it played a large role in my life growing up and hence it is the type of business that I understand and interests me to research further.

Since leaving the ROC to further my education my involvement with the industry has been more as an observer rather than a stakeholder. However, my experiences led me to choose the topic of investigation and begin the research with certain views regarding the relationship of the APs and TOs in the ROC. For instance, I considered that the APs and TOs had an extremely competitive relationship particularly during negotiations. Nevertheless, from the beginning of the process I sought to discard my views and opinions and adopt a 'neutral' stance regarding the relevant parties and the phenomena to reduce bias in the study. Furthermore, the strategies adopted to ensure the credibility of the findings, such as prolonged engagement, constant comparison method, frequent debriefing sessions aided in reducing the bias of the process (section 5.9.2).

Particularly, through frequent debriefing sessions that I had with my supervisors I exposed myself, the research process and findings to criticism by external parties hence decreasing bias of the study. Still, considering the epistemological interpretivist stance adopted, value-free research is impossible and a level of interpretation was required to make sense of the shared meanings of the participants. As Schwadt (2000) argued the interpretivist lens focuses on understanding the meaning of human action, and to obtain this understanding of the world of the participants an individual must interpret it. Hence, the interpretivist epistemological stance enabled me to utilise my own understandings, knowledge and experiences in order to provide insights and elucidate the contractual and non-contractual bargaining power relationship and negotiations of the APs with the TOs, from the APs perspective. However, at the same time these interpretations were also seeking to stay close to the participants' meanings and understandings to bring out their voices to capture their reality. The researcher believed that my previous connection with the industry helped me to integrate myself in the social world of the actors and assisted me to better understand the social reality through the actor's perspective. Hence, this was an advantage for me and not a restriction that enabled

me to generate findings that can help tourism and hospitality related businesses to better manage their relationship with more powerful parties and improve their financial viability.

#### **5.9.5.2.        *Epistemological reflexivity***

A qualitative, epistemological interpretivist, inductive approach was adopted to address the aim and objectives of the study. This is because I believe that knowledge is socially constructed and various subjective realities (interpretations) exist that can offer insights on the same subject thus gaining a more comprehensive view on the phenomena. Further, I aimed to explore the relationship and bargaining power interactions and negotiations in particular of the APs with the TOs, and consider relationships as a collection of internal realities formed by each individual, which influence the negotiation experience and interactions between the parties. A positivist epistemological stance that assumes a single objective reality for any single phenomenon could hinder the in-depth exploration of the negotiations and bargaining power interactions of the APs and TOs. Therefore, a positivist stance would not only go against of my own beliefs but could hinder the exploratory purpose of the study to generate new insights regarding the negotiations and bargaining power interactions.

My aim was to gain a broad understanding and explanation of the relationship of the APs and TOs to offer practical recommendations on how they can improve their bargaining position in relation to the TOs. A case study strategy could have been adopted but the case study strategy facilitates researchers with pre-determined theoretical frameworks and theoretical propositions. However, due to the limited and dated research and information on the subject the thesis aimed to examine the phenomena under a new light by adopting a qualitative interpretivist inductive approach and utilising the bargaining power concept. In turn, I was able to generate theory and inform current knowledge regarding the bargaining power and negotiations of APs and TOs. Therefore, the inductive nature of Grounded Theory enabled me to achieve this aim. Also Grounded Theory offered systematic steps for data analysis that aided in developing concepts and categories in order to identify the shared meaning of the participants and generate theory to explain the relationship.

Therefore, I did not undertake a narrative of individual experience, as one would in narrative research, rather I chose to go beyond the individual stories and identify common meanings of various participants regarding the negotiations that occur. Accordingly, Grounded Theory aided me to move beyond a single experience. Grounded theory permitted me to consider various reasons and conditions that influence this relationship both at macro and micro level in order to fully explain the phenomena. Hence, I went beyond the cultural influence that one would in an ethnographic research. Accordingly, Grounded Theory helped me to first, understand ‘what is going on’ through developing a theory, and second, to offer practical recommendations for the participants to improve their position during contractual and non-contractual negotiations.

## **5.10. RESEARCH ETHICS**

Research ethics in qualitative research refers to “[...] what social researchers ought, and ought not, to do as researchers and/or about what count as virtues and vices in doing research” (Hammersley and Traianou 2012, p.36). In other words, what is good behaviour for a researcher throughout the research process? Research ethics should be considered in terms of gaining informed consent, ensuring, confidentiality, respect the privacy and anonymity of the participants as well as the honesty of the researcher regarding the nature of the research topic (Creswell 1998; Shaw 2008).

In respect of the interviews the researcher contacted all the participants prior to the interview process. Specifically, due to the snowballing technique adopted, where individuals already interviewed referred other participants within their business network, the researcher was able to contact the participants prior the interview process and invite them to take part in the research. The researcher informed the participants regarding the topic under investigation and gained verbal consent. On visiting the interview setting the researcher provided the participants with a participant information letter that informed them on the research topic and the interview process (appendix 6). Moreover, the letter informed the participants of their right to withdraw at any time. The researcher also assured the participants that confidentiality and anonymity would be kept and that they had the right to decline to answer any question. In turn, written consent was obtained (appendix 7).



Prior to the beginning of the interview the researcher obtained verbal consent in order to record the interviews thus adhering to ethical standards. This was particularly important for participants since due to the topic of investigation, contractual and non-contractual negotiations, sensitive information regarding their business activities were revealed. For this reason the researcher was also cautious to ensure the anonymity of the participants in terms of the recorded interviews. She adopted a coding system to identify each participant, and did not use any personal information. For instance, regarding the APs this coding system entailed an abbreviation consisting of the type of unit, its location, the participant's job role and interview date. In addition caution was also exercised during the analysis and reporting of the findings in order to ensure anonymity for the participants. Therefore, during transcriptions the researcher changed or omitted any words that may have identified the participants such as individual's names and company names and no participants names were reported in the thesis.

## **5.11. LIMITATIONS**

The limitations of the study are discussed in this section. Power is relational concept, and bargaining power specifically is based on the perceptions of one party on the power of the other. The current study focused on exploring the perceptions of the APs regarding their perceived power sources, to determine the bargaining power of the APs in relation to the TOs, as such the perceptions of the TOs regarding the APs power sources and bargaining power were not explored; this is considered as a limitation. Although three interviews with external large TOs were achieved, to support the data, if there had been time and financial resources available the researcher would have sought to attain more interviews with individuals from external European large TOs. This would have facilitated examination of the TOs perspective regarding the APs power sources and contractual and non-contractual relationship with the APs. As a result the researcher would have been able to compare and contrast the findings for similarities and differences. Extensive literature review was used in order to address this limitation. However, this would have taken the work beyond its aim and objectives that limited the work to the APs perspective.

Furthermore, although the semi-structured interviews were utilised in the current study offered detailed insights on the bargaining power relationship within negotiations of the APs with the TOs, it would have been beneficial if the researcher was able to observe first-hand the negotiations and interactions between the two parties. This would have complemented the semi-structured interviews used (Hennick et al. 2011) by providing more detailed insights of the negotiation setting and the behaviour of APs with the TOs and their interactions. However, due to the sensitive matter of the phenomena under investigation (contractual and non-contractual bargaining power within negotiations) gaining access was not possible for the researcher. Nevertheless, the use of semi-structured interviews was a powerful method to attain in-depth insights and understanding of the setting, the experiences and the reasons behind the behaviour of the APs in order to fully explain the bargaining power relationship within negotiations of the APs with the TOs (section 5.5.3).

## **5.12. CONCLUSION**

This chapter has set out the study's aim and objectives and has examined in detail the methodological and research design decisions taken to address them. A Grounded Theory methodology and design was chosen, combining elements of two versions of Grounded Theory: evolved and classic, to tackle the study's aim and objectives (section 5.2). Both secondary and primary qualitative data were collected in order to achieve the aim and objectives of the study. Primary data were collected in the ROC at two stages; exploratory stage and main stage. Semi-structured interviews were used to collect the necessary qualitative primary data. Four different types of participants were interviewed: APs (owner/managers), tourism professionals, Government officials and local academics. Due to the participant's different roles within the tourism and hospitality industries and diverse knowledge and information required three semi-structure interview sets of questions were developed. One was directed at APs, the second to tourism professionals and Government officials and the third to local academics. All together forty-five individuals were interviewed and purposive snowballing sampling technique was employed to identify information-rich participants. Grounded Theory analytical techniques of coding strategies, constant comparative method and writing memos

were also utilised that led to the development of a substantive theory. Moreover, credibility, transferability, dependability and reflexivity were discussed since they were used to evaluate the study process and its findings. Lastly, the study's ethical considerations were set out and the study's limitations were discussed. The following chapter presents the analysis and discussion of the findings.

## CHAPTER 6 - ANALYSIS AND DISCUSSION

### 6.1. INTRODUCTION

This chapter analyses and discusses the findings of the study induced from the Grounded Theory analytical process. These findings explain the contractual and non-contractual bargaining power interactions within negotiations between the accommodation providers (APs) in the Republic of Cyprus (ROC) and large European tour operators (TOs). As mentioned in Chapter 5, in the axial coding stage (5.8.5) six propositions were developed under the core categories, namely resources, relational factors and market characteristics. Under the category resources, the propositions developed were:

- (a) *firm-specific tangible and intangible resources determine the type of contract during contractual negotiations;*
- (b) *government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources.*

Under the category relational factors the propositions were:

- (c) *contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs;*
- (d) *emotional factors influence the contractual and non-contractual negotiations.*

Under the category market characteristics the propositions developed were:

- (e) *culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations;*
- (f) *negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales.*

It should be noted that Grounded Theory analysis frequently guides the researcher to themes that were not considered before data collection. This is because the exploratory and inductive nature of Grounded Theory requires the researcher to focus on the data to guide her towards inducing new insights regarding phenomena. Therefore, apart from the literature reviewed in Chapters 2, 3 and 4, in the examination of each proposition additional literature is reviewed and utilised to critically analyse the findings and offer a richer explanation of the issues discovered.

The research fields that the additional literature employed draws upon are explained in the introductory subsection of each proposition (section 6.2).

All propositions are closely related and interconnected, thus certain concepts and sub-categories relate to more than one proposition and they may be repeated to better support the discussion (Chapter 5, section 5.7.3) Moreover, considering the varied profile of participants interviewed (Chapter 5, section 5.5.4), in order to facilitate the current discussion, the participants directly involved with the industry are referred to as the industry sector. Hence, the term ‘industry sector’ refers to the APs, TOs, travel agents, food and beverage providers, recreation providers, and participants from tourism and hospitality associations. The ‘government sector’ refers to individuals who work within governmental organisations such as the Ministry of Energy, Industry, Commerce and Tourism, and Cyprus Tourism Organisation (CTO). ‘Local academics’ are individuals working in the academic institutions of the ROC. Further, to adhere to ethical considerations (Chapter 5, section 5.9) each participant was given an identification code followed by the number of each interview. Hence, within this discussion all participant quotes are followed by their identification code and a number, for instance, SH:1 refers to the first participant interviewed managing a star hotel. The identification codes utilised are: star hotel: SH, tourist villages: TV, hotel apartments: HA, interviewee group (chain of accommodation units): IG, travel agent: TA, tour operator: TO, Government official: GO, recreation provider: RP, tourism and hospitality associations: THA, food and beverage: FB, and local academics: LA.

The chapter is divided in four sections including this introduction. In section 6.2 the six propositions developed are analysed and discussed. Each proposition acts as a heading and is followed by a critical analysis. In section 6.3, and in accordance with Grounded Theory, selective coding is presented. It takes the form of a storyline, setting out the key phenomena that led to theory development. The theory generated depicts that the resources of the tourism and hospitality buyers and suppliers determine their relative bargaining power and the type of contract agreed. These factors subsequently influence the relational factors that in turn, determine market characteristics in terms of pricing and volume of sales in contractual and non-contractual negotiations. Lastly, section 6.4 concludes the chapter.

## **6.2. PROPOSITIONS INDUCED FROM PRIMARY DATA ANALYSIS**

### **6.2.1. Proposition 1: Firm-specific tangible and intangible resources determine the type of contract during contractual negotiations**

#### **6.2.1.1. *Introduction***

This proposition discusses the firm-specific resources of the APs and TOs and how these resources influence the type of contract agreed between the APs and TOs. This is done in order to identify the dependence patterns between the parties that determine the bargaining power of APs and TOs in relation to each other during negotiations. To critically analyse the findings, in addition to the literature on bargaining power (Chapter 2), literature on exchange partner selection within the business-to-business (B2B) marketing, supply chain and strategic management field is also utilised. Further, additional literature on buyer-supplier contracts, and exchange partner selection within the tourism and hospitality field is also employed, to fully explain the findings. As mentioned in section 6.1, when employing Grounded Theory, supplementary literature is often used to support new themes that were not considered prior to data collection.

The tangible and intangible firm-specific resources of the parties influence the type of formal contract agreed between them. The tangible resources of the APs are size-of-unit, product quality (facilities), infrastructure and location while the intangible resources of the APs are repeat clientele, reputation, value for money, reliability, differentiation and product quality (service). The most critical resources of the TOs are financial, flight capacity, promotional ability and information. Following power-dependence theory, these resources are considered to be the sources of power of the APs and TOs and they determine the bargaining power of each party given that they influence the level of dependence that each party has on the other. However, some resources are perceived to be more valuable than others and can increase or decrease the dependence of a party on the resources of the other. This proposition explains the importance and value of each resource for the parties and their influence on the type of contract.

The findings indicate that the contracts are determined by the dependency that each party (APs and TOs) has on the resources of the other. This coincides with the findings of Lusch and Brown (1996) who maintained that the dependence structure that exists in a relationship influences the type of contract on which the parties agree. This is because, following resource-dependence theory, a relationship rests upon the dependence one party has on the other in order to reduce uncertainty in the environment and achieve its firm's objectives (Pfeffer and Salancik 2003).

Equally, Dwyer et al. (1987, p.16) argued that "[...] potential exchange partners first consider obligations, benefits and burdens" of the relationship. In particular, the investment that each party is prepared to give to the relationship depends on each party assessing the benefits (such as improved performance) and costs involved. Hence, the parties assess the value or stakes (level of dependence) they have in the relationship. Therefore, the level of dependence that exists between the firms determines the level of investment that each party gives to the relationship and determines the type of contract. Selecting an exchange partner for particular services is vital for tourism firms since the tourists usually perceive the tourism product as a uniform activity and the performance of the exchange partner can influence the performance of the firm (Zhang et al. 2009).

The key formal contracts that the study detected between the APs and TOs are commitment, exclusivity and allotment. Each contract has distinct characteristics that determine the interactions between the parties. Thus, the discussion below is divided in two sections. The first section, discusses the features and function of each contract and the second section examines the resources that determine the type of contract agreed between the parties.

#### **6.2.1.2.        *Discussion of proposition 1***

##### **6.2.1.2.1.        *Types of contract and their context***

Three types of formal contract are evident in the relationship between TOs and APs, namely, commitment, exclusivity, and allotment. Grounded Theory analysis directs the researcher to issues not considered prior to data collection, and for this reason literature regarding buyer-supplier contracts within a tourism and hospitality context is used in this analysis. This is done to better understand the

characteristics of each type of contract and their implications on the relationship and negotiations of APs and TOs.

Interview data indicated that commitment, exclusivity, and allotment contracts are the three types of contracts typically identified between APs and TOs. On the other hand, Buhalis (2000) and Ivanov (2014) identified commitment and allotment contracts as the two major contracts between APs and TOs and discussed exclusivity contracts or exclusive rights as an additional condition within these contracts. However, the APs and TOs in this study distinguished between the commitment contract, exclusivity contract, and allotment contract. Thus in this examination this distinction is followed.

In relation to commitment contracts two AP participants stated:

*"[...] commitment contracts are very beneficial because you receive advance payment and you reserve the rooms of the unit, so whether the TOs use the rooms or not, they always pay for the rooms." (TV:3)*

*"[T]he best contract is the commitment, to sell all the rooms in advance. This gives you back to back occupancy meaning every two weeks you have new customers in the hotel." (SH:9)*

Thus, in commitment contracts the APs receive an advance payment from the TOs for the contracted number of rooms and the rooms must be paid for regardless of the ability of the TOs to fulfil this allocation. On the other hand, the APs are obliged to allocate the rooms to the TOs, as per the contract, regardless of whether the rooms will be used. However, with such a contract APs are not aware of the booking situation (Buhalis 2000). This is because in commitment contracts the TOs control the rooms contracted. As one TO participant asserted:

*"[...] we have hotels that are fully committed, and by that I mean we have all those beds and we pay for them in advance. They are ours to manage how we like." (TO:3)*

An AP participant also affirmed:

*"[A]t the moment we have 204 rooms out of which 150 are allocated to one TO with a commitment contract. There are times that we have 150 rooms allocated or even 187. So we do not have many rooms to sell to other TOs in the summer, we have to keep those rooms for our partner." (SH:7)*



The above statements show that in commitment contracts the TOs gain full control of the allocated rooms to use at any time they deem necessary, thus gaining flexibility in their operations. Despite the flexibility with commitment contracts, TOs need to allocate substantial financial resources. On the other hand, APs receive guarantees (financial) that the rooms will be sold. One AP participant stated, however:

*“[...] with commitment contracts you always give a lower price to your partner in comparison to other contracts because they buy a lot of rooms at one time and pay for these rooms in advance, so you give them a lower price.” (SH:12)*

That is to say, although the APs receive advance payments with commitment contracts and thus are secure in the knowledge that their perishable product is sold, the TOs require a lower price from the APs compared with other types of contract. In short, while commitment contracts may be beneficial in the short-term, since the APs obtain advance payments, they have the lowest prices (Buhalis 2000; Ivanov 2014).

Exclusivity contracts are also evident in the ROC. Exclusivity contracts signify a condition in the contract where APs offer exclusivity rights to TOs. This exclusivity may either give the TOs the right to be the sole seller of the unit in certain markets or it may give them exclusivity on the type of board (RO, B&B, HB, FB, AI<sup>26</sup>) for the unit in certain markets. In particular, exclusivity rights allow the TOs to manage a unit's distribution mix given that they are able to regulate which other actor within the channel can promote a specific unit in their programme (Buhalis 2000). For instance, two AP participants stated:

*“[...] exclusivity means that only that specific TO will be promoting and using that hotel. Of course you might give exclusivity on a type of board but this is not often the case.” (SH:11)*

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<sup>26</sup> Type of board refers to the type of dining arrangements that the customers choose with their accommodation, which is included in the price paid. RO indicates Room Only (with no meals included), B&B indicates Bed and Breakfast, HB indicates Half Board (two meals included), FB indicates Full Board (three meals included), and AI indicates All Inclusive (all meals and snacks are included in the price).

*“[...] exclusivity contracts allow the TOs to have absolute control over a product in terms of its promotion, thus the TOs also have absolute control over the profit margins.” (IG:3)*

As the above statements indicate, with exclusivity contracts the TOs have sole control over the unit's promotional plan either in certain source markets or in all source markets depending on the contract. As a result, the TOs are also able to control the price at which each unit is promoted in the market which could enable the TO to protect its profit margins from competition. Hence, exclusivity rights offer more control to the TOs to manage the unit to their advantage when compared to a commitment contract.

Commitment and exclusivity contracts often go hand in hand, as a TO participant highlighted:

*“[...] we use the commitments to tie suppliers down to give us the exclusivities that we want [...] we offer exclusivity on a board basis as well, so for example [name of unit] you can only book on an all inclusive basis if you book through us.” (TO:2)*

An AP participant also commented:

*“[...] usually if you have a large agreement on a commitment contract, you also have an exclusivity to the TO in order to help him sell the rooms.” (HA:3)*

The strong financial position of the TOs allows them to offer advance payments to the APs in order to gain exclusivity on the product. As a result, the control of the TOs over the APs increases since the APs are highly dependent upon the TOs to achieve their organisational objectives. Both commitment and exclusivity contracts allow the TOs to safeguard their accommodation capacities at a certain destination and to have more control over the unit, quality of service and product provided to achieve their organisational objectives (Cavlek 2002). Consequently, the conditions of these contracts require high financial and time investment between the parties and create dependencies, given that both parties are strongly dependent upon the other to fulfil their contractual agreement, at least for the duration of the contract. Therefore, the conditions of these contracts denote a very close relationship between the two parties.

In contrast, an allotment contract signifies a more distant relationship with a lower dependency level between the parties. In an allotment contract the APs are

responsible for providing a specific number of rooms or capacity for the TOs but the TOs are not obliged to pay for any unused rooms. Furthermore, no advance payment is given to the APs. Payment is received once the booking occurs and prior to the guest arrival or following the guest arrival. In an allotment contract the TOs are obliged to book the room or inform the APs about their inability to comply with the contract (Radolović 2011). Rooms not sold have to be released back to the APs within the *release period*<sup>27</sup> in order for the AP to offer the rooms through other channels. As two AP participants stated:

*“[W]ith the allotment contract you can sell more rooms than you actually have. [...] for example, if your whole unit is comprised of 100 rooms, you can give 4 different TOs 50 rooms each, so ultimately you have sold 200 rooms, even if you only have 100 rooms. This is something you have to do with allotment contracts given that the TOs are not obliged to sell all of the rooms you allocate to them or to pay for them just because you have reserved these rooms for them, but you are obliged to provide the rooms for them if they ask.” (SH:9)*

*“[...] because we work with an allotment contract with the TOs, we allocate a percentage of rooms to the TOs to sell. [...]. However, given that a specific TO may not sell all the rooms allocated to him and we lose out in sales in order to ensure high occupancy we also promote the rooms through other channels and TOs.” (SH:1)*

As the statements above show, allotment contracts allow both APs and TOs more flexibility in their operations than commitment and exclusivity contracts. This is particularly true for TOs since they do not need to sell or pay for any unused rooms. The allotment contract is mainly used by TOs for surplus capacity in periods of high demand (Ivanov 2014). In contrast, APs are more flexible in their operations given their ability to choose various distribution channels to sell their product.

From the above examination it is evident that exclusivity contracts denote a higher level of dependency between the two parties than commitment and allotment contracts. This is because in exclusivity contracts the accommodation unit is exclusively available to one TO in a single market, thus the AP is limited in terms of supply alternatives to a single market. On the other hand, in a commitment contract,

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<sup>27</sup> The release period is negotiable between the two parties; in other words it can be any number of days before the arrival of the guest that the parties choose. However, the data suggest that the common release period is either seven or fourteen days before the guest's arrival.

other TOs in the same market can promote the unit. However, this also depends on whether a unit is fully committed or partly committed. Full commitment contracts refer to a unit giving all of its capacity to a certain TO, whereas in partly committed contracts the unit commits only a certain percentage to the TO. Nevertheless, commitment contracts typically entail a very high dependency structure between the parties when compared to allotment contracts.

Furthermore, given the characteristics and function of each contract, each type of contract denotes a different level of closeness between the parties. For instance, commitment and exclusivity contracts denote a closer relationship with a higher level of resource investment (such as time, financial investment and volume of sales) by the two parties to achieve the expected benefits. On the other hand, an allotment contract denotes a more discreet exchange with a lower level of resource investment (such as time, financial investment and volume of sales). This is not surprising given that the relative dependence contributes to the level of closeness between the parties (Goffin et al. 2006; Mayer and Teece 2008).

Having identified the characteristics of formal contracts, the section below discusses how the firm-specific resources of the APs influence the type of contract agreed between the parties and determine their bargaining power in relation to the TOs.

#### *6.2.1.2.2. Determining the resources that influence the type of contract*

The most important firm-specific resources that the APs have that determine the type of contract and, in turn, their bargaining power are discussed below. This subsection draws on bargaining power literature (Chapter 2) to analyse the findings. However, in line with the Grounded Theory analysis adopted, additional literature is also utilised to better support the findings. Specifically, literature pertaining to exchange partner selection within the business-to-business (B2B) marketing, supply chain and strategic management, and tourism and hospitality field is also employed.

The size-of-unit is identified as one of the key tangible resources that APs have. Within this study the size-of-unit refers to the capacity, or number of beds, that one party has at its disposal. Accommodation chains, for instance, have a number of units and thus possess a large number of beds. According to the European

Consumer's Centre (ECC)<sup>28</sup> a medium unit is one with a capacity of more than 151 beds and a large size unit is one where APs manage more than 400 beds (ECC-Net 2009). One AP participant with a large room capacity stated:

*"[...] it is much easier for the TOs to secure the necessary number of beds from larger companies or large units rather than to look for them in small companies and we work with a lot of commitment and exclusivity contracts with various large TOs." (IG:1)*

Two TO participants corroborated this:

*"[...] we look at primarily working with them [chain of accommodation units] because we know they can give us the capacities that we need." (TO:2)*

*"[I]f I need to move a guest to another unit I will look for a room within the group and move them within the accommodation chain. We can move the guests for free when it is within the same group. So we try to keep it within the group." (TO:1)*

The participants above highlight that the size-of-unit of the APs is an attractive and valuable resource that facilitate TO operations. The importance of owning a large size unit can be attributed to the high volume of tourism flow that large TOs control, which creates the need for TOs to access a sufficient number of beds, and subsequently support their operations.

Equally, two AP participants stated:

*"[...] especially when you have a big unit there is no way to survive without the TOs. This hotel has, let's say, 270-290 rooms. It is impossible to fill it up alone." (SH:10)*

*"[S]mall units could stop working with the large TOs, but for big units it's impossible. Bigger units do not have this luxury, because you have limited choices in terms of TOs and you need tourists to have a full unit." (SH:2)*

These statements depict the dependency of medium and large accommodation units and accommodation chains on the large TOs to generate the necessary tourism flow for them to survive. This was noted by fifteen participants (APs and TOs), and is in

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<sup>28</sup> The European Consumer's Centre classification identifies a small unit as one with a capacity of up to 150 beds, a medium unit as 151-400 beds, and a large unit as having over 400 beds (ECC-Net 2009). In studies focusing on the accommodation sector, size is often considered in terms of bed capacity rather than number of employees (Calveras and Orfila 2014).

line with a study by Pereira-Moliner et al. (2012) in Spain, who identified that larger accommodation units often choose intermediaries (TOs and travel agents) for their tourism flow. This is because the risk of the APs reduces due to the fact that large TOs can guarantee the necessary tourism flow. Consequently, the size-of-unit is an important resource and factor that often leads to commitment and exclusivity contracts between the parties in order to ensure the necessary volume of tourists for the APs and necessary bed capacity for the TOs.

On the other hand, the data revealed that smaller units primarily work with allotment contracts, as one TO participant affirmed:

*“[...] small units cannot give us the drive we need. Hence, we predominantly work with them more on an allotment basis in the ROC.” (TO:2)*

An AP participant also noted:

*“[I]t’s not as easy with a small company. It might be easier for the TOs to control a small company but the small company will somewhat resist in allocating all the rooms of the unit in a commitment contract to a single TO. [...] if you have 10,000 beds and you give 2,000 or 3,000 to a single TO you still have enough beds to cover the rest of the market.” (IG:3)*

That is to say, smaller size units typically agree to allotment contracts, with the APs choosing to operate with numerous TOs so that they have diverse sources of supply (tourism flow) and can avoid being fully dependent on a single TO. This finding is in contrast to those of Buhalis’s (2000) study in Greece, which ascertained that smaller category accommodation units engage in commitment contracts due to their low marketing budgets and depend on large TOs for their visibility in the market. In the ROC this is not the case, the data indicated that the majority of participants operating smaller units predominantly agree to allotment contracts with the TOs.

This difference may be attributed to the stronger ability of smaller units in the ROC to promote their product through other channels. For instance, two AP participants commented:

*“[...] we have a small number of rooms, one unit has 64 and the other one 45, therefore one way or another we are able to sell through other channels rather than work with one large TO.” (SH:4)*

*“[...] I focus more on the online trade rather than packaged TOs as it offers more opportunities for a small unit like this one to advertise your product.” (SH:6)*

The above statements indicate that, due to the small size of the units, the APs are able to generate sales through other channels rather than engage in commitment or exclusivity contracts with a large TO. Furthermore, as noted in the above section, commitment and exclusivity contracts denote heavy relationship investment to fulfil the needs of each party and also give the large TOs strong control over the unit. This may deter smaller units from entering such relationships given that they may lead to the smaller units being highly dependent on a single large TO, reducing the AP's bargaining power. Considering that smaller units require a smaller amount of tourism flow to achieve satisfactory occupancy levels, the data indicate that APs managing smaller units predominantly work with allotment contracts and are hesitant to agree to commitment and exclusivity contracts. (The promotional ability of APs is discussed in further detail in section 6.2.5).

Three industry participants (APs and TOs) indicated that another reason for large TOs operating with medium and larger units is the lower costs that they can achieve. One TO participant affirmed that:

*“[...] if a unit is a one-off, meaning it is not linked to a chain, they are very limited to what discounts they can give you [to boost sales] because they can never get the capacities that a big chain can. [...] the smaller family units find it difficult to survive against the big boys [...] because you cannot compete on those sorts of levels that the big guys do.” (TO:2)*

An AP participant managing a small unit also noted:

*“[W]e are a smaller unit, our prices are non-negotiable. If we don't sell with these prices then we will certainly close down. We cannot operate if we are given 50 Euro per room for two people. Our prices follow a feasibility study, and based on that these are the prices that we need to charge in order to have a bearable occupancy rate of 85-90% and survive.” (SH:1)*

As the participants above describe, when large TOs contract a large number of rooms from large units or chains, larger APs can offer a lower price than a small unit can. Therefore, APs with large bed capacity can offer the TO economies of scale through bulk purchasing thus reducing their costs. Similarly, Chand and Katou (2012, p.176) examined the partner selection criteria of large international TOs in

India and found that, in accordance with transaction cost theory, “[...] less cost for the company” is a key selection criterion for large TOs. Hence, size-of-unit provides access to an important tangible resource, namely capacity, and can offer lower costs. Thus, it is a critical valuable resource that leads APs and TOs to agree on commitment and exclusivity contracts during negotiations.

Another factor that influences the type of contract is the geographical location of the unit. As two AP participants stated:

*“[...] we work mostly with allotment contracts because the demand for commitment contracts in Limassol is not as high as in the areas of Ayia Napa, Paphos or Protaras.” (SH:12)*

*“[I]n Paphos the dependence on the English leisure market is very high. [...] and this is why this hotel has a huge agreement with a specific TO [...] and by this I mean that we have a very large commitment agreement with rooms reserved solely for this TO. [...] We have committed a certain percentage of rooms to this specific TO and we also have some extra rooms in case the TO needs more rooms; we must supply this specific TO.” (SH:3)*

The above statements indicate that for the ROC the location of the unit plays a part in the choice of contract, because in different coastal tourist resorts a predominant type of contract exists. More specifically, in Paphos, Ayia Napa and Protaras, commitment and exclusivity contracts are dominant, whereas in Limassol allotment contracts are primarily used.

This variation can be ascribed to the characteristics of each tourist resort, for example the type of tourist market (such as leisure or business) and major source market. Two AP participants noted:

*“[...] in Paphos 90-95% of tourism is leisure tourism and we are dependent on the English market thus it has a very high percentage of business from TOs.” (SH:11)*

*“[L]imassol has conferences and corporate clientele that come from the local market; their dependency on the TOs is smaller. This is because in general the holidaymakers’ market or the leisure market clientele that they have represents a smaller percentage in their total sales.” (SH:3)*

In other words, the focus on leisure tourism in Paphos, and its reliance on the UK market, leads to strong dependence on large TOs for its tourism flow. This is because large TOs predominantly operate in the leisure market (Čavlek 2006).



Paphos is the most popular resort in the ROC and receives the highest number of tourist arrivals, with 38.7% in contrast to the second most popular resorts of Ayia Napa and Protaras with a combined percentage of 30.05% (CTO 2014a). Leisure tourism and particularly packaged tourism (over 50% in 2013) is the most frequent type of tourism in the ROC (CYSTAT 2013), therefore, Paphos receives the highest number of leisure-packaged tourists. Additionally, in 2013, 46% of UK holidaymakers travelled on a packaged holiday making it the most frequent type of holiday arrangement for the UK (ABTA 2014). Consequently, the resort-specific characteristics of Paphos cause APs to be highly dependent on large TOs to achieve their organisational objectives. On the other hand, the popularity of Paphos makes it important for the TOs to operate in the resort, and renders it a critical resource to access through commitment and exclusivity contracts to secure the necessary capacity and continue their operations.

One reason for the popularity of Paphos may also derive from the benefits that the TOs receive from the concentration of their resources in certain areas. This concentration of operations can offer economies of scale for businesses (Papatheodorou 2004) such as lower operational costs resulting from the transfer of tourists. In addition, Karamustafa (2000) investigated the interactions between TOs and hotel operators in Turkey and identified that each TO concentrated on certain sections along the Turkish coast for its operations. He argued that this action allowed the TOs to monopolise and ultimately control the market of the location particularly during contractual agreements. Therefore, location characteristics play a major role in the type and outcome of contracts between the APs and TOs. Accordingly, location is considered to be an important resource and source of power for the APs.

The importance of a unit's location as a resource, and its influence on intermediaries' selection process, price, customer satisfaction and in turn a unit's success, is identified in the tourism literature (Dolnicar and Otter 2003; Theuvsen 2004; Aguiló et al. 2005; Pearce 2007; Alegre et al. 2013). However, unlike the current research, the above mentioned studies do not identify the influence that location (resort) has in the type of contractual agreement between APs and TOs. Particularly, this study finds that the location of the unit can increase the dependency between the parties due to the benefits that they receive resulting in a closer

relationship, through a commitment or exclusivity contract agreed between the parties.

Additionally, the unit's infrastructure is recognised as a factor in determining the type of contract. As two AP participants described:

*"[U]ntil last year we had a lot of TOs. [...] This year, over the winter we renovated the hotel, and after this renovation we signed an agreement with [name of large TO] which has exclusivity for the English market for the summer season." (TV:2)*

*"[...] there is a condition in the contract where we have to inform the TO if we are considering a new project. The TO wants to be the first to see whether any new project that [his] partner is doing matches other activities the TO pursues. If that is the case [the TO] thinks 'I will take it, I'm not going to allow anyone else to be involved.' [...] so the TO controls all the new accommodation complexes that are built. Thus the TO controls the market." (IG:1)*

That is to say, a unit whose infrastructure has been renovated or up-dated, is a valuable resource and source of power in the AP and TO relationship. It can increase the AP's competitiveness and their bargaining power during negotiations. This was a view shared by all the AP participants. As one AP participant asserted:

*"[I]f you are running an older unit it is very difficult to be competitive because you need to offer the same service standards as the others." (SH:9)*

An older unit may not be able to meet the needs of the current market in terms of both consumer and operational needs, thus decreasing its attractiveness as a resource for the buyers. The unit might not, for example, be able to comply with new trends (such as environmental issues) or it may not be able to offer similar services and facilities to customers as its competitors thus reducing its competitiveness (Hassanien 2005). In contrast, if a firm is able to offer a new and unique product to the market then it can gain a competitive advantage (Barney 1991). (As also noted in section 6.2.2 a unit's infrastructure is an important resource for the APs contributing to their bargaining power in relation to the TOs, and government intervention to improve these resources can enhance the APs bargaining power in relation to the TOs).

The ability of the APs to have a renovated, modern and differentiated product in the market can give them a competitive advantage and thus having a

renovated, modern and differentiated is considered a critical resource. This can be attributed to the importance of tangible factors, such as the unit's infrastructure, in customer accommodation selection, satisfaction and loyalty (Dubé et al. 2000; Hassanien 2007; Han and Ryu 2009; Suh et al. 2015). Akbaba (2006) investigated the service quality expectation of hotel customers in Turkey and discovered that tangibles, referring to the physical aspects of the unit, modern equipment and atmosphere, were the most important factors in predicting the customers' assessment regarding service quality and satisfaction. Therefore, the unit's infrastructure plays an important part in contributing to the satisfaction of a TO's customers, and is considered to be a valuable resource that can contribute to the competitiveness of the TO. In turn, this is a valuable and attractive AP resource that increases the dependence of the TOs on the APs, and leads to commitment and exclusivity contracts with the TOs. Moreover, it is a source of power for APs that contributes to their bargaining power in negotiations with TOs.

Product quality is another major resource controlled by the APs. Two of them noted:

*"[...] we work closely with the TOs on commitment contracts [...] we work with them and they work with us because of the quality of the hotel." (TV:3)*

*"[A] professional TO wants the level of customer satisfaction to be high; this does not only apply to the accommodation aspect of the holiday, but to the restaurants, car rentals, cruises and so on. The TOs want all their partners to have a high level of quality services and customer satisfaction and this is justifiable." (HA:3)*

As the statements reveal, product quality, in terms of variety of facilities and service offered by the APs, is considered to be a valuable resource and leads to large agreements between the APs and TOs. This was mentioned by all the AP participants, one of whom stated:

*"[...] from my experience through our units [chain of accommodation units] that have very good large agreements with very strong TOs it is due to the product quality." (IG:2)*

More specifically, from this participant's interview, the researcher deduced that 'good agreements' often refer to commitment and exclusivity contracts thus stipulating high-investment and close relationships. Ku et al. (2011), when

examining the relationship between accommodation units and their suppliers, found that product and service quality were key criteria in achieving a more collaborative relationship with suppliers that could lead to increased revenue and the maintenance of competitiveness. Therefore, high product quality can result in a closer, more collaborative, relationship between APs and TOs.

One reason why a good quality product, in terms of facilities and service, can result in a closer relationship is the benefits that the TOs receive. Two AP participants stated:

*“[...] if your service is low and the TO’s customers are not satisfied then this creates problems.” (SH:12)*

*“[I] think the TO’s main concern is good quality products with good facilities because if they did not offer a good quality product they would be rejected by the client whatever the price.” (SH:10)*

To be precise, the quality of the product plays an important role in customer satisfaction. Product quality, referring to both the tangible offering (facilities) and intangible offering (service), is recognised as a factor that enhances customer satisfaction<sup>29</sup> in an accommodation unit (Albayrak and Caber 2015). Additionally, Tavitiyaman et al. (2011) argued that when guests are satisfied with the accommodation’s products and services the probability of commitment to a unit’s brand increases and thus enhances its competitiveness. Consequently, the guests’ commitment to the unit can also promote the commitment to the TO and contribute to the TO’s competitiveness. Accordingly, accessing a good quality product through their exchange relationships is of critical importance to the TOs, thus the TO’s dependence on the APs increases. In such circumstances, a high-investment form of contract (exclusivity or commitment) is likely to occur.

An AP participant also pointed out:

*“[...] on the contracts that we sign with the TOs there are specific conditions regarding the standards of service and quality of the hotel. We are committed as per the contract that we will offer a high standard.” (TV:4)*

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<sup>29</sup> Overall customer satisfaction refers to the outcome of the evaluation that customers make between their expectations regarding a service or a product and their perception of how this service was carried out or performed (Albayrak and Caber 2015). Customer satisfaction includes the rating of the product and service attributes.

Within the formal contracts between the two parties, the TOs stipulate the level of service, facilities and customer satisfaction rate that the APs need to provide based on the category of the accommodation unit. The researcher was also able to access and review written contracts between the APs and TOs, and found that these conditions referred to the responsibility of the APs for providing product quality in terms of facilities and service of the expected standard for each category of unit. The contracts stipulated that the APs were liable for any deviation from the agreed standards. Similarly, Medina-Muñoz et al. (2003), when examining the control of large European TOs over APs, identified that TOs exercise high control over issues such as operational factors (service and food and beverage offerings) and facilities through their contracts. Hence, the TOs place considerable emphasis on the quality of the product due to the expected benefits that they receive (such as increased customer satisfaction). Therefore, contractual negotiations typically result in commitment and exclusivity contracts.

Value for money is a critical intangible resource owned by the APs and can influence the type of contract between the parties. Value for money<sup>30</sup> is perceived as the quality of the offer relative to price (Murphy and Pritchard 1997; Murphy et al. 2000; Rondan-Cataluña and Rosa-Diaz 2014). Within the context of the study, value for money refers to the perception of the TOs that the unit's product offer is worth (the value of) the price paid. Two AP participants highlighted:

*“[A] TO wants a unit that is value for money for the customer and also offers a reasonable price for a TO, where he can generate a good profit [...] then he can have the hotel on an exclusivity basis.” (HA:2)*

*“[...] what is important for the buyer and the seller is value for money. The buyer asks ‘do I get back what I’ve paid for?’ Or me, selling the product, ‘do I get back what I think I have provided to the customer, is it value for money?’” (IG:1)*

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<sup>30</sup> Customer perceived value is an evaluation made by the customer between the benefits (economic, social and relationships received) and sacrifices (price, time, effort, risk) of a product or service (Graf and Mass 2008; Rondan-Cataluña and Rosa-Diaz 2014). Perceived value is a subjective notion, however in this study value for money refers to quality relative to price (Rondan-Cataluña and Rosa-Diaz 2014; Murphy et al. 2000; Murphy and Pritchard 1997), given that the AP statements refer to the price element of perceived value.

Hence, a product should be perceived as value for money both for the TOs and the consumer market. This view was shared by sixteen APs. As also mentioned in section 6.2.3, in order for a supplier and buyer to engage in a relationship an exchange of value (benefits) must exist. Therefore, it can be argued that accessing a product that is value for money offers the TOs financial benefits, because they add a satisfactory profit-margin and promote this product to the end consumer. Similarly, Mysen et al. (2012, p.270) examined the perceptions of buyers and suppliers across industries and identified that the economic benefits (namely “[...] good value for money” from the buyers’ perspective and “fair price” from the supplier) play a significant role in increasing the perceived value of the relationship. Thus, due to the financial benefits that the TOs can receive, value for money is one of the AP’s important intangible resources.

Moreover, Rondan-Cataluña and Rosa-Diaz (2014) found that perceptions of price and value for money played a vital role in the purchasing decision process of consumers because the images that are generated about the price of a product are critical to the decision process. Martín-Consuegra et al. (2007), also within a B2C service context, ascertained that perception of price fairness<sup>31</sup> by the customer was positively linked with customer satisfaction and loyalty towards the seller. This is because when customers assess that the price paid for a product or service is fair then they are more likely to be satisfied and repeat the purchase. Value for money contributes to the perception of price fairness (Røkenes and Prebensen 2012). Therefore, if the TOs perceive that a product is value for money and engage in the relationship with the APs, it implies that the TOs can add their profit-margin to the product and still provide a product that the consumers perceive to be value for money. This can directly influence consumer decision-making, generate sales, and enhance customer satisfaction and intention to return for the TOs. Considering the benefits that the TOs receive, value for money is a vital intangible AP resource that can increase the stakes (dependence) of the TOs in the relationship leading to commitment and exclusivity contracts. As such, value for money is an important

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<sup>31</sup> Price fairness judgment entails “[...] a comparison of the price of procedure with a pertinent standard, reference, or norm.” (Martín-Consuegra et al. 2007 p.460). That is to say, price fairness refers to the customer’s evaluation of whether the variation (if any) of a seller’s price and the price of a similar (comparative) other seller is reasonable, acceptable or just (Xia et al. 2004).

source of power for APs that contributes to their bargaining power in negotiations, whether contractual or not.

The reputation of the firm, referring to the stakeholders' total perception of a particular firm (Lienland et al. 2013), is identified as an intangible resource for both APs and TOs. In relation to an accommodation unit's reputation, three AP participants stated:

*"[W]e only have positive experiences with the TOs, maybe because we have the right products for them. We have a good reputation [...] amongst the TOs, they know our product." (IG:2)*

*"[...] the TOs would want to contract a unit on an exclusivity basis if it has a good name in the market and is easy to sell in terms of having a good reputation." (SH:9)*

*"[T]he TOs know what they are buying with our units so they are confident to sell them." (IG:3)*

On the other hand, in relation to the reputation of the TOs, three AP participants highlighted:

*"[...] if a TO is unknown and new in the market, so you don't know who he is and the company he represents, you have to take some security measures [in terms of payment]." (SH:8)*

*"[T]he TOs working in the destination are very well known, they have a big volume of business and the ones that have a good name are the ones we usually aim to work with." (HA:4)*

*"[...] Thomson, TUI, Thomas Cook are all established TOs and they have a strong reputation in the market. They don't operate only in the ROC but all over the world and of course you trust that they will perform." (TV:4)*

The statements indicate that reputation has a central role in selecting the exchange partner and determining the type of contract; this was supported by fifteen industry participants (APs and TOs). A good reputation for the APs rests upon the TOs' perception of a unit's quality regarding its services, ability to consistently perform in the same manner, the degree to which it is known among its stakeholders (competitors and consumers) and its ability to generate sales. The reputation of the TO is based on the APs' perception of the TO as a prominent actor who has a good name in the market in terms of financial strength and will consistently perform (consistent tourism flow) in the same manner.

Bennett and Gabriel (2001) noted that a good reputation lowers the risk when purchasing a product or service because it increases trust and confidence in the performance of each organisation. This is because reputation is a valuable asset that takes time and considerable investment to attain and can offer a competitive advantage to organisations (Hall 1992; Keh and Xie 2009). Thus, if an organisation has a good reputation it is believed that it will not jeopardise it by behaving opportunistically since any benefits from opportunistic behaviour can be gained from the rewards of a good reputation (Pfeffer and Salancik 2003; Doney and Cannon 1997).

Consequently, the reputation of the parties increases trust and confidence in the relationship and lowers the perceived risk of the investment hence creating a more attractive proposition to commit substantial resources through a contractual agreement (such as commitment and exclusivity contracts). This is in line with Keh and Xie (2009) who investigated the impact of reputation on customer purchasing intention within a B2B context. They showed that firms with a good reputation are in a better position to build trust and identification among their buyers and in turn positively influence the commitment of the buyer to build a more long-term relationship. Hence, the good reputation of both the APs and TOs is an intangible resource that plays an important part in the selection of partners and commitment of resources through a commitment, exclusivity or allotment contract to develop a long-term relationship. Reputation increases the dependence between the parties and it is considered to be an important source of power for APs in negotiations.

Another factor that influences the type of contract is the reliability of the APs and TOs. Three AP participants stated, regarding the reliability of the TOs:

*“[W]e would not work with a TO who would not be reliable [...] in terms of the responsibilities and obligations we have agreed in the contract.” (SH:12)*

*“[I] choose my associates based on their volume of business and how reliable they are in terms of payments; this is a critical factor.” (SH:7)*

*“[A]s a unit we do not cooperate with small TOs. The TOs that we cooperate with are the largest in the market so we don’t have any issues with payments. We have had smaller TOs in the past; however, we have stopped working with them now and focus on working with reliable associates.” (SH:10)*



The APs focus on a TO's financial resources and ability to bring in the agreed tourism flow in order to perceive a TO as a reliable partner. From the TO perspective, two AP participants noted:

*"[...] what is the agreement? You have to offer the rooms that you agreed. You cannot tell the TO 'you have 10 rooms to sell' at the beginning of the season, and tell the same TO one month later to 'stop-sales for the rest of the season'." (SH:1)*

*"[T]he TO will perceive the hotel as reliable, if they have been working with them for many years and have not had any major problems." (TV:1)*

Accordingly, reliability refers to the AP's ability to offer a consistently high quality product to the TO's customers and maintain the allocation of rooms as per their contractual agreement. Hence, reliability in the context of this study refers to both parties' ability to keep their promises, indeed fulfil their contractual agreement. Equally, Hald et al. (2009) noted that reliability involves the ability of the parties to fulfil their commitments and be consistent in their behaviour and performance, so that the parties can depend on each other. An effective choice of exchange partner can generate a competitive advantage for the organisation and can have a positive influence on its performance (Tsaor and Lin 2012). An unreliable partner that does not fulfil his contractual agreement can have adverse effects on an organisation's performance and viability. Andriotis (2003) explained for example that, in Greece delays in payment and loss of revenue from empty rooms, due to the inability of TOs to fulfil their room allocations, are common problems faced by APs. He went on to say that, as a result of this, in the past owners had had to sell their units due to their inability to cover their debts.

Organisations engage in exchange relationships to access external resources and protect the organisation from an uncertain environment (Pfeffer and Salancik 2003). Hence, reliability is a vital intangible resource and a reliable partner that honours the contract and consistently performs reduces the uncertainty of the organisation and thus increases the value of the relationship. The study indicates that this significant resource typically encourages the parties to agree to a commitment and exclusivity contract during contractual negotiations.

The level of repeat clientele<sup>32</sup> as a resource for the APs influences the type of contract. Repeat clientele in this study are the guests who intend to repeat their visit to a specific unit. As three AP participants stated:

*"[...] for example, the TO knows that for [hotel name] he gets 50 requests per day from repeaters, for another hotel X he gets no requests. So, for a hotel to have requests when the TO comes here, it would be easier to sign the contract because he does not want to lose me." (SH:2)*

*"[W]e have a number of people that come every year again and again. Therefore, this basis gives us a good occupancy rate." (TV:1)*

*"[I]n this unit [5 star] we have a lot of repeat customers. For instance, we have many customers that visit this hotel twice a year for the last 15-20 years. If the TO tries to suggest to this customer to go to another hotel with the same standards, he may lose the customer given that our repeat clientele go to the TO and specifically ask to book our unit and of course the TO knows that this customer is a repeater for our unit. This helps a lot; it increases our power during negotiations." (SH:11)*

Put differently, repeat clientele offer a consistent occupancy rate, and thus consistent sales for the APs and TOs alike, which also enables the TOs to better estimate the level of sales for that specific unit during the season.

Repeat clientele are considered to be an outcome of customer loyalty, where the intended action of a customer towards a service is identified (Andreassen and Lindestad 1998; Petrick 2004). The loyalty of customers is considered a great advantage to any organisation because it offers a stable source of revenue, positive word-of-mouth advertising, and it is less expensive to sustain the customer base (Corstjens and Lal 2000; Petrick 2004). This is particularly relevant for the tourism

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<sup>32</sup> In this study repeat clientele, and thus loyalty, as resources are owned by the APs since the repeat clientele visit the same unit for a number of years. However, the findings indicated that most APs and large TOs have long-term relationships, therefore it can be argued that the loyalty of the customer may lie with the TO rather than the AP. This is because, in tourism, consumers see the tourism product as a unified entity thus loyalty can be difficult to distinguish (Hanefors and Mossberg 1999). Hanefors and Mossberg (1999) argued that, in a tourism context, travel agency loyalty, hotel loyalty, TO loyalty and destination loyalty is evident and one cannot anticipate that a tourist is loyal to all these components simultaneously. Therefore, customer loyalty may be owned by the TO or even the destination, and in turn, the dependence of the TO on the AP will decrease. Identifying where the customer loyalty lies is beyond the scope of this study. In this research repeat clientele is considered to be an intangible resource owned by the APs and can increase the dependence of the TOs on the APs, thus it can result in a commitment or exclusivity contract.

industry where uncertainty of future demand is a major challenge, specifically taking into account the increasing choices for tourists and the multifaceted tourism marketplace (Zhang et al. 2009; Chen and Yeh 2012). Therefore, repeat clientele reduce the uncertainty of demand for the unit and, in turn, the risk the TO takes when contracting a large percentage of rooms, thus making a high investment in the relationship. Consequently, repeat clientele are thought to be a noteworthy AP resource since they decrease the uncertainty for TOs in a volatile market. Access to this resource increases the dependency of TOs on APs, making TOs more confident to invest considerable resources in the form of a commitment and exclusivity contract. For these reasons, repeat clientele are a source of power that strongly contributes to the bargaining power of APs in negotiations with TOs.

Information is another significant resource that influences the type of contract. A Government official noted:

*“[...] the APs have the TOs who tell them what the customer wants because the TOs have a better feedback [...] they transport a large number of tourists and know the needs of each market.” (GO:2)*

A TO participant also highlighted:

*“[...] sometimes the Government and industry [in the ROC] don't know the depth of what their competitors have to offer and we do because we are in those countries.” (TO:2)*

Two AP participants also stated:

*“[...] the TOs are extremely professional [...] they consider everything, they look at the trends, they see what factors influence and what factors do not influence the current demand. They are very knowledgeable in the meetings; you cannot fool them.” (SH:13)*

*“[T]he TO knows what is the expected demand for every single hotel that he has in the brochure.” (SH:8)*

The TOs' intermediary position within the distribution channel and their large size allows them to operate in various countries. Hence, they are in a position to gather information about demand and supply trends through their agreements; not only within the destination but also outside the destination. Information is an important resource because the party that has more accurate information can use this knowledge to their advantage to alter the perception of the other party (Frazier and Summers 1984), and influence the other party's decisions and actions to its

advantage. Consequently, the bargaining power of the buyer intensifies when buyers have a large amount of information regarding the market, the supplier's costs, and offers of suppliers to other buyers (Porter 1980).

It can be argued that the advent of information technology completely transformed the tourism distribution channel and has created opportunities for suppliers to connect with customers (Kracht and Wang 2010). However, as Frazier et al. (2009, p.31) maintained, the direct contact that distributors have with both competitors and customers causes distributors to access and possess "[...] information that is difficult, if not impossible, for suppliers to obtain otherwise". Hence, the intermediary position of the large TOs enables them to have direct contact with customers and competitors through their agreements. In addition, the sheer size of their operations facilitates access to, and possession of, information; and that can increase their bargaining power. In contrast, the structure of the tourism distribution channel and the smaller size of the APs do not facilitate access to information on demand trends and competitors, thus restricting the bargaining power of the APs in relation to the TOs, in both contractual and non-contractual negotiations.

Furthermore, Kim and Fragale (2005) stated that, in negotiations, party A can influence the outcome of the negotiation by altering the value of party B's best alternative to the negotiated agreement. Hence, with more accurate information the TOs are in a position to influence the perception of the AP, for instance, regarding the value that an exclusivity contract might have in contrast to a commitment contract. Consequently, information is an important resource that can increase the perceived value of APs in the relationship with TOs and in turn influence the type of contractual agreement. Information is also a critical source of power that the TOs have that contributes to their bargaining power in negotiations with APs.

Product differentiation is another significant resource for APs. Three AP participants asserted:

*"[Y]ou are in a better position to negotiate when you have a differentiated product. Your product may be differentiated from its history and feedback from customers [quality], or the hardware [physical infrastructure], or if the TO perceives that your product is differentiated from other products he offers." (IG:2)*

*“[...] so if the product is good then the TOs want it. For example, [name of a unit] was working with [name of TO], however another large TO also wanted to start working with them because there are only a few products that are family oriented in the market.” (SH:8)*

*“[T]his unit is different from other units and in part this is due to the fact that it is a member of an international chain hotel organisation that houses a number of well-known brands. [...] We have also so many facilities that differentiate our product in the ROC market.” (SH:5)*

Within the context of the study a unit might be differentiated based on a number of aspects: whether the unit is associated with a well-known brand, whether the TOs perceive the unit as offering something unique in comparison to the other units in the market, or whether the unit offers something unique in comparison to the variety of products that the TOs offer. This differentiation is an important resource that increases the attractiveness of the unit for the exchange partner. This finding is similar to that of Pearce (2007), who examined international intermediary supplier selection activities in New Zealand and identified that product, a new differentiated product, and market fit (fulfilling the intermediaries' customers' needs) are vital factors in supplier selection.

A product can be considered as differentiated if any noteworthy element exists that distinguishes the product of one seller from another and results in one variety of the product being favoured over the other (Becerra et al. 2013). Porter (1980) emphasised that differentiation can insulate a firm against competition since buyers have favourites and loyalties to specific suppliers. A unit that is perceived as differentiated by the TOs, and is of importance to the achievement of their organisational objectives, can result in dependence from the perspective of the TO as there are limited alternatives to accessing this unique resource. The hospitality industry also has high entry barriers due to the enormous amount of investment that is needed for buildings (Tavitiyaman et al. 2011). Further, within the context of the mature tourism industry of the ROC, high construction and operational costs exist (Tsangari 2012). Thus, although current units renovate their product, new differentiated products are not common. Hence, a differentiated product increases the stakes that the TOs have in the relationship with the APs to access a valuable resource, which typically results in commitment and exclusivity contracts agreed in negotiations. Additionally, given that a differentiated product is perceived as

valuable by the TOs it is also considered a source of power for the APs, influencing their bargaining power in negotiations.

Closely related to differentiation, the researcher found that a small number of luxury units that are perceived as differentiated products with a good reputation and repeat clientele (which are important intangible resources), predominantly operate with allotment contracts with the TOs. As two AP participants noted:

*“[...] with our hotel being a 5 star luxury resort, we don’t have any commitments like other hotels or large special allotment contracts. The TOs want my hotel and I want them to come.” (SH:13)*

*“[W]e have different products, they are niche market products, therefore, contracts with the TOs do not make much difference for us.” (SH:4)*

That is to say, these luxury units target niche markets away from the mass packaged market of the large TOs and choose to operate predominantly with allotment contracts. This is because the APs do not believe that their products correspond to the requirements of large TOs that could lead to high investment contracts such as commitment or exclusivity. Furthermore, these units are able to generate sufficient sales through other distribution channels due to their strong competitive product. Their dependence on large TOs for tourism flow is, therefore, reduced. Hald et al. (2009) claimed that dependence between the parties moderates the perceived value and in turn the level of closeness of the relationship between a buyer and supplier. Due to the low dependence in these cases it can be argued that neither APs nor TOs perceive that they can gain significant benefits or value from the relationship to justify a close high investment relationship. Consequently, a small number of units who own valuable intangible resources mainly operate with allotment contracts.

#### **6.2.1.3. Conclusion**

This proposition identifies the firm-specific resources of the APs and examines their value as perceived by the TOs in order to establish how they influence the type of contract agreed between the parties. Firm-specific resources create dependencies between the parties that determine the type of contract agreed in negotiations. The more valuable the resources each party has to offer to each other, the higher the degree of dependence between the APs and TOs. In turn, a higher dependency level leads to a closer contractual relationship between the parties. Each

type of contract has different characteristics and function and signifies the relationship context of the negotiation interactions. These firm-specific resources are recognised as sources of power for the APs. This is because the more valuable the resources the parties have to offer to each other, the higher the dependence between the parties, which in turn determines the bargaining power that each party has in relation to the other.

Having discussed the firm-specific sources of power for the APs and TOs and determined their bargaining power, the section below focuses on the destination-specific sources of power for the APs. In particular, how the external structure government policies/regulations, culture and industry characteristics, influences these sources of power and as such their bargaining power in relation to the TOs in contractual and non- negotiations.

### **6.2.2. Proposition 2: Government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources**

#### **6.2.2.1.        *Introduction***

This proposition focuses on the destination-specific resources of the APs, destination attractiveness and destination characteristics. Specifically, the analysis shows that destination attractiveness and destination characteristics, are sources of power for the APs and contribute to their bargaining power in relation to the TOs. However, the analysis also indicates the external structure, government policies/regulations, culture and industry characteristics, can increase or constrain the attractiveness of these resources towards the TOs, thus influence the APs bargaining power in relation to the TOs in contractual and non-contractual negotiations. All propositions are interrelated and interconnected. Thus, to avoid repetition a more detailed examination of industry characteristics (such as destination expensiveness, oversupply of accommodation units in the ROC and seasonality) and their impact on the bargaining power of APs and TOs and their negotiations is made within the discussion for the fifth proposition (section 6.2.5). To critically analyse this first proposition, bargaining power literature (Chapter 2) and tourism literature (Chapter 3 and 4) is employed. Furthermore, as mentioned

earlier, in line with Grounded Theory, additional literature is used to fully analyse the findings, in particular literature relating to tourism policy, and tourism destination management and competitiveness.

The data analysis reveals that destination-specific resources, namely destination characteristics and destination attractiveness, are important resources that contribute to the bargaining power of the APs. Hence, they can either constrain or increase the bargaining power of APs in relation to the TOs during their negotiations. This can be attributed to the fact that the tourism product is an amalgamation of activities, services, attractions and destination characteristics that shape the tourist's experience (Meethan 2004). Therefore, tourism and the tourism product are embedded in the particular nature of specific destinations (Meethan 2004), and it is not surprising that destination characteristics (such as climatic conditions and natural resources) and destination attractiveness are identified as important AP resources. This is because the destination-specific resources contribute to the total product offering from the APs to the TOs, and thus contribute to the AP's bargaining power. Destination attractiveness denotes the extent to which the destination can fulfil the tourist's needs in terms of accessibility, quality and management of tourism services, the destination's physical attributes, and tourist motivations (Crompton 1979; Cracolici and Nijkamp 2009). Crouch (2011) also found that a destination's climatic conditions and physiography (natural scenery) are major resource advantages that contribute to its attractiveness and its competitiveness.

The competitiveness and attractiveness of a destination are critical given that a less competitive and attractive destination can drive tourists and TOs to explore other destinations (Kozak 1999). As stated in Chapter 4, the ROC is a popular mass sun-and-sea Mediterranean destination (European Commission 2015b). Hence, it is a destination that can fulfil the needs of tourists. The data analysis indicates that these destination-specific resources are critical sources of power, that contribute to the bargaining power of the APs, which in turn influences their bargaining power interactions with the TOs during negotiations. Therefore, it is important to consider how the external structure, government policies/regulations and culture, in the ROC, can influence the destination-specific sources of power of the APs as the external



structure can restrict or increase the bargaining power of APs in relation to the TO. This is discussed below.

#### **6.2.2.2. Discussion of proposition 2**

This discussion elucidates how government policies/regulations and culture influence the destination-specific resources of APs and in turn their bargaining power in relation to the TOs in negotiations. More specifically, the section below discusses government related issues such as the centralised Government system, government intervention, governmental knowledge, leadership, funding misuse, government devolution, clientelism, clashing of individual interests, accountability, and Government/industry cooperation. In addition, cultural factors induced from interview data are also examined, namely, short-termism and Greek-Cypriot mentality. These issues are interrelated and interconnected and are discussed together to explain the influence of the external structure on the APs destination-specific resources (destination characteristics and destination attractiveness), and subsequently their bargaining power in relation to the TOs.

The current centralised Government system of the ROC constrains its ability to improve destination attractiveness. As two of the Government officials in this study stated:

*“[T]he governing party should pay attention in identifying the problems in the current procedures we have. We must simplify the procedures to facilitate tourism investment and planning to improve the destination. As the CTO we are constantly asking for a simplification of the current procedures, but it is difficult to get through the red tape.” (GO:2)*

*“[...] the current policies and regulations are helpful but we are trying to modernise them, in order to be more flexible and relevant. [...] just to let you know that 3-4 years ago we prepared a new institutional framework for the accommodation industry, we re-examined the entire framework that coordinates the tourism industry and we submitted this to the General Attorney for editorial and legal control. Three years later and that document is still in the General Attorney’s department waiting to be reviewed!” (GO:3)*

Two AP participants also pointed out:

*“[...] the bureaucracy that exists in this country is ridiculous. We need to re-organise the system to avoid this bureaucracy. [...] we have all the ingredients to be successful [...] we just need to make*

*some changes and to package everything better to make our product more attractive to the tourists and the TOs.” (SH:3)*

*“[...] what worries me is that the ROC as a destination does not have any tourists that book directly. I hope that some people are thinking about this problem, but from what I can see this is not of particular concern to the Government and the CTO. [...] it is worrying because the ROC as a destination does not have an identity or a particular attribute in order to attract demand unassisted so we depend 100% on the TOs [...] we rely on these agreements. [...] the Government must finally develop some tourism areas correctly to gain an identity, but you know how difficult it is to get things done here [...] with all this bureaucracy.” (SH:7)*

The statements above highlight the frustration of the majority of participants with the current governmental system that inhibits tourism development and destination attractiveness. The findings indicate that the centralised bureaucratic Government system often delays policy-making and prevents issues from being addressed that could contribute to the success of the ROC as a destination. This is because such government structures are often inflexible and unresponsive (Yüksel et al. 2005; Meyer and Hammerschmid 2010) to the demands of a dynamic market such as tourism. In particular, the “[...] top-down, centralised and bureaucratic approach” (Ruhanen et al. 2010, p.5) that the ROC has adopted has resulted in central Government being the decision-maker for the provision of the necessary infrastructure, planning control, the marketing and promotion of the destination and the development of the public good. This bureaucratic system hinders such activities such as improving the current tourism product and addressing obsolete and inadequate policy-making and regulations.

With regard to the improvement of the destination’s attractiveness, a Government official asserted:

*“[...]we could have been at a better position as a destination [...]but so many things are missing from the tourism product of the ROC due to the bureaucracy that exists on this island.” (GO:7)*

Three AP participants also noted:

*“[T]he CTO is good at advertising and creates lovely campaigns but you need to have the necessary infrastructure to support your advertising.” (SH:13)*

*“[...] none of the cultural heritage areas are well kept. [...]. Most of the roads are in bad shape, there are no pavements [...] there is no infrastructure.” (SH:2)*

*“[T]he tourism product of the ROC is not unique, like other destinations such as Sardinia for example which has beautiful well thought-out surroundings and can attract high paying clientele. In that resort [Sardinia] TOs are begging the APs to give them rooms, but they [APs] don't really need to because they can keep the occupancy high on their own. [...] unfortunately this is not the case for the ROC, unfortunately most of the hotels are dependent on the TOs. For example we only just started building marinas [...] I remember when they first mentioned developing marinas; that was 23 years ago.” (SH:4)*

The above statements highlight the fact that the centralised governmental structure leads to the unsuccessful enrichment, diversification and improvement of the current sun-and-sea product.

Government policies/regulations and the management of the destination play a critical role in enhancing the destination's attractiveness and in turn its competitiveness (Crouch and Ritchie 1999; Crouch 2011). Since 2003, for instance, the enrichment and improvement of the sun-and-sea product has been an important strategic objective for the ROC, aiming to increase its attractiveness, diversify its source markets and decrease seasonality (CTO 2003). More than 10 years on, however, over-reliance on the sun-and-sea product is still evident. Further, this dependency contributes to the diminishing tourism season resulting in seasonal employment, overstretching of physical resources and low profitability of the suppliers during the low season (Farsari et al. 2007; Karyopouli and Koutra 2012). Indeed, as Sharpley (2001) pointed out, and in line with the findings of this thesis, there are substantial differences between planned and actual tourism development in the ROC.

This is also in agreement with Saveriades (2014) who argued that the implementation of tourism strategies in the ROC is hindered significantly by the bureaucratic processes that a suggested project has to undergo to be accepted. Thus it can be argued that the delays that occur due to the Government system contribute to the poor performance of the ROC in achieving its strategic aims (such as diversification and product differentiation) which are to improve its competitiveness. This constrains the bargaining power of the APs in relation to the TOs because the

value of the AP's destination-specific sources of power (such as destination attractiveness) is restricted. That is to say, failure to improve the attractiveness of the ROC also reduces the attractiveness of the AP product offered to the TOs, thus reducing their bargaining power in negotiations.

The findings indicate that the problem may lie in inadequate governmental devolution.<sup>33</sup> The CTO is a semi-governmental organisation and the principle entity involved in tourism, and it relies on government funding from the Ministry of Energy, Industry, Commerce and Tourism<sup>34</sup> for its operations. In relation to the insufficient governmental devolution, two Government officials stated:

*"[...] we began discussing building casinos in the 1990s, however the CTO could not just take the decision. This issue was, and still is, a political decision." (GO:1)*

*"[...] the development of new tourism products and infrastructure is not only down to the CTO [...], you also need other governmental bodies to show the same interest." (GO:4)*

A participant from the food and beverage sector also asserted:

*"[T]he role of the CTO is not legally established, it has no authority. The CTO as it is today does not even have the power and was never given the authority that it needed to have a more active role in implementing the policies and strategies for tourism." (FB:1)*

In other words, although the CTO is responsible for planning, promotion and marketing, they have little authority over tourism development and decision-making is left to the Central Government, resulting in delays.

Where the CTO has a more influential role, little authority is given. As Sharpley (2003) noted, although the CTO has control over licences for tourism related establishments it does not have the authority to decide whether establishments should be built in the first place. Therefore, there is inadequate governmental devolution (Pastras and Bramwell 2013) with the Central Government still retaining control by enforcing an audit culture about actions taken and control

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<sup>33</sup> 'Governmental devolution' refers to the relocation of decision-making power from central states to other entities such as a semi-governmental organisation (Furqan and Mat Som 2010).

<sup>34</sup> The Ministry's key responsibilities entail enactment of laws, policies and regulations, coordination of governmental entities involved in tourism development, approval of plans, and budget allocation.

over financial resources to create dependency. In the ROC, as per the regulations imposed by the Government, any expenses of the CTO over £50,000 must be approved by the Minister (Republic of Cyprus Regulation: P.I. 175/97). Consequently, although the central state has ceded responsibility for tourism to the CTO, in an effort to decentralise its activities, it failed to devolve authority to the CTO to effectively and efficiently fulfil its responsibilities and to facilitate tourism development in the ROC.

As a result, as one AP participant stated, “[...] the CTO is a ‘dead’ organisation, all talk and no action” (SH:5). That is to say, as it stands the CTO does not serve a useful purpose in the tourism industry, which is a view shared by a number of industry participants. In turn this has a direct impact on the bargaining power of the APs. This is because the only organisation solely responsible for tourism does not have the necessary authority to drive and implement tourism policies and strategies that can improve the attractiveness their product offering to the TOs, thus enhancing their bargaining power towards the TOs.

In addition, the lack of accountability in the Government is another factor highlighted by all industry participants as a major constraint on tourism development. Three AP participants commented:

*“[I]f you don’t give someone a target and a deadline and check on them, time goes on without anything happening.” (SH:11)*

*“[...] who evaluates you as a CTO employee? Nobody. The employees of the CTO work whenever they feel like it.” (HA:2)*

*“[...] in order to improve the situation with the CTO they need to take away the security of working in the public sector. How can someone keep his job until his retirement without assessing if he is good at his job or not? They need to be assessed like in the private sector.” (TV:4)*

The above statements signify that in the government sector, for example in the CTO, the majority of employees are not held accountable for failing to efficiently and effectively fulfil their responsibilities. Hence, it can be argued that there is insufficient accountability, and therefore responsibility, within the government sector causing delays in planning and implementation of tourism related activities. Equally, Dodds (2007), commenting on sustainable policy in Malta, highlighted that a barrier to sustainability was the fact that Government officials were not held

accountable for implementing policies. Insufficient accountability becomes particularly relevant when implementing policies and strategies to enhance destination attractiveness and increase its competitive value. Elliot (1997) claimed that accountability is essential in civil servants to direct their power towards achieving broadly accepted national aims, with the highest level of efficiency, effectiveness, integrity and prudence.

However, this is not the case for the ROC, where promotion within Government is based on years of service rather than individual performance and political contacts play an important role in promotions. Therefore, remuneration of individuals is not linked to performance and low-productivity employees are not monitored or regulated directly (Scoppa 2009). As a result, Government employees are not held accountable, and thus responsible, for their individual performance or for actions that need to be taken. Hence, within the context of the study, it is apparent that insufficient accountability, and thus responsibility for tourism related actions, impedes the efficiency and effectiveness of Government bodies such as the CTO. In turn, the implementation of policies and strategies that can increase destination competitiveness and its success are hindered.

Considering the issues discussed above, it is unsurprising that the majority of industry participants highlighted the inadequacy of tourism leadership. As one participant from the tourism association stressed: “[...] nobody is leading tourism in the ROC; nobody cares” (THA:1), whilst a TO participant said: “[...] the CTO is just not proactive” (TO:1). A Government official also stated:

*“[...] our Government leaders used to tell us: ‘keep quiet, the least said the better’. If our leaders have the mentality of don’t change anything, don’t improve anything, isn’t only natural for things to take a turn for the worst?” (GO:5)*

Three AP participants also noted:

*“[...] we are losing ground in the tourism arena, there is no strategy in place from anyone.” (IG:3)*

*“[C]TO staff are afraid to take initiative [...] Government parties are scared to lose their seat. They just turn a blind eye to the problems of tourism.” (TV:1)*

*“[W]e must find people to lead us. People who only care about [...] their salary like the Government officials do not have vision.”  
(SH:11)*

The above statements indicate that participants perceived the current tourism leadership as inadequate and inactive in dealing with the challenges that the industry faces. This is because satisfying individual interests and the interests of their political parties are at the forefront at the CTO, the only organisation solely responsible for tourism in the ROC. This is a characteristic that Garci and Dodds (2010, p.65) termed a “[...] pass the buck” mentality, transferring the responsibility to other stakeholders (such as other businesses, the Government or tourists) and resulting in inactivity. This can be attributed to the governmental labour structure where individuals focus on satisfying political agendas.

From the researcher’s experience, derived from growing up in the ROC, Government jobs are particularly attractive due to the fact that they offer a significantly higher salary than private sector jobs, job security, and good working conditions. Therefore, Government employees frequently avoid taking actions or initiatives that risk their position. They prefer to accept the status quo, in the sense that they choose to act in accordance with what is expected of them, regardless of the consequences for tourism related issues. Bornhorst et al. (2010) found that personnel and the leadership style of the Destination Management Organisation (DMO) significantly influenced the success of the destination. Hence, it can be asserted that the idleness of the leadership in the CTO has a negative impact on destination success. In turn, this has restricted the bargaining power of the APs because inadequate improvement is evident in destination-specific resources.

Furthermore, all industry and Government participants stated that flight connectivity is inadequate, which is also a factor that restricts the ability of the destination to enter new markets. Four AP participants stated:

*“[...] we have to do something regarding the flight connectivity. We have to increase them and reduce our dependence on the TOs.”  
(SH:2)*

*“[...] there are insufficient flights. There is not enough traffic from the main heart of Europe.” (IG:3)*

*“[...] every TO decides on a certain number of seats on a plane and in the ROC that is what is important. No one can come here without a*

*plane so the biggest dependency is which TOs, from where, and how many seats.” (IG:1)*

*“[W]e are stuck on the UK market, and of course it is going well but we need to find new markets for a change. We need to increase our connections in terms of flights with other markets, because currently we are stuck with the same markets so we are stuck with the same TOs.” (SH:6)*

A travel agent also noted:

*“[W]e have not managed to create a successful combination of different source markets [...] we should not rely on 1 or 2 markets but on 7 or 8 markets.” (TA:1)*

The statements indicate the need to improve accessibility from current markets as well as open new markets to decrease the ROC dependency on a small number of TOs which operate in established markets such as the UK and Germany. Crouch (2011) ascertained that accessibility to the destination is a major determinant in a destination's attractiveness and competitiveness. He suggested that destinations should place emphasis on the identification of solutions to facilitate travel to those destinations.

Since joining the EU in 2004, the ROC has followed the fully liberalised air transport regulations stipulated by the EU. Specifically, EU Council Regulations 2407/92, 2408/92 and 2409/92, that took effect in January 1993, eliminated all government constraints, resulting in the establishment of a single uniform air market with no government restrictions within its Member states (EC 2012). Accordingly, in the case of the ROC, the number of air carriers increased with more charter airlines such as Monarch and low-cost carriers such as easyJet and Ryanair entering the market (Monarch 2007; easyJet 2008; Hermes Airport Ltd. 2010). In 2013, for example, easyJet added a new direct route from Larnaka to Liverpool (Hermes 2013). This increase in air carriers improved accessibility to the destination but it did not result in the opening up of any new markets for the ROC. This is also supported by the fact that, the CTO's strategic plan identified three major markets, the UK, Russia and Germany, as high priority markets, with Scandinavian countries as secondary markets in 2003 (CTO 2003). In the 2011-2015 strategic plan, the UK, Russia, Germany, and northern countries such as those of Scandinavia were still identified as high priority markets (CTO 2011). Therefore, it can be asserted that the increase in the number of air carriers did not reduce the dependency on the few



traditional large TOs that generate most of the tourism traffic from the established markets, such as the UK and Germany. In 2013, 58% of tourists visiting the ROC travelled on a packaged arrangement (CYSTAT 2014). Consequently, the level of control of the small number of large TOs on the tourism flow, and subsequently on the APs, still stands.

This has a considerable impact on the industry and the bargaining power of the APs. For example, four AP participants highlighted:

*“[...] if TUI, Thomas Cook and Biblio Globus decide to withdraw from the ROC we will definitely feel like we have pneumonia.” (IG:2)*

*“[...] there are also many small TOs but their decisions in terms of the way they operate or how they manage their product do not really influence us like the large TOs. What I mean is, if today Biblio Globus decided to withdraw from the market, until another Russian TO fills the market gap it is certain that the Russian tourist arrivals will be reduced.” (IG:1)*

*“[...] people might say that they will not accept the TOs’ demands, they will react and fight and so on, but at the end of the day they will submit because there is no alternative solution for the APs.” (HA:4)*

*“[...] it is a monopoly. The TOs control all the tourists, so you can understand that when someone has the monopoly for something he/she has the upper hand. So the TOs have the upper hand in the ROC with all their suppliers.” (SH:2)*

Put differently, these three large TOs, TUI, Thomas Cook and Biblio Globus, are the backbone of tourism flow for the ROC, hence they have a highly influential role in the destination and their operations can have an impact on the industry as a whole. Consequently, it can be argued that, due to the oligopolistic tour operating market in the ROC there is dependency on a small number of large TOs. An industry that is highly concentrated, meaning a small number of firms holding a large market share, is characterised by durable relative power (Porter 1980). This is because, following power-dependence theory, the power of a party derives from the dependence that that one party has on the resources of the other to accomplish its organisational aims (Emerson 1962). Thus, given that APs have a limited number of alternatives (TOs) from which to receive a critical resource (tourism flow) that they need, their bargaining power is restricted in contractual and non-contractual negotiations. As an AP participant also noted “[...] if you have direct bookings, then you can be

independent from the TOs [...] control your rates, currently they control most of the tourists.” (SH:13). (The control that the TOs have over the tourism flow in the ROC is discussed further in sections 6.2.5 and 6.2.6). Therefore, it can be argued that the fact that the ROC has not been able to diversify its source markets and facilitate other TOs to enter the market considerably restricts the APs’ bargaining power.

One reason that the ROC was not able to enter new markets may be the inadequate flight deregulation from non-EU markets. This view was supported by twelve participants (both from the industry and the government sector). As four AP participants stated:

*“[I] hope in the future, for the benefit of future generations, a deregulation of flights will occur, that the market will be free.” (SH:6)*

*“[T]he only way that we might be able to get a little bit of freedom in our decisions [in relation to the TOs] is to attract a more low-cost airlines. [...] in this way customers are free to make their own accommodation arrangements thus the intermediary is gone. [...] The Government needs to lift the flight restrictions that they have and improve accessibility.” (SH:1).*

*“[...] the Government needs to take action and fully deregulate the flights and promote open skies and hopefully increase tourist arrivals in the ROC.” (SH:8)*

*“[...] we must enter new markets and deregulate the flights not only from Europe but also from other countries. [...] such as the Gulf countries [...] currently the TOs control 80% of the flights and seats to the ROC. We depend on them we need them.” (SH:11)*

Inadequate flight liberalisation allows the Government to impose regulations in terms of the number of airlines, frequency of flights, and fares for certain routes through bilateral agreements between countries (IATA 2007). Hence, the lack of an ‘open-skies’ policy that advocates the full deregulation of routes, with no government-imposed restrictions, further constrains the accessibility of the island. In addition, it contributes to the bargaining power of the large TOs since the over-reliance on the traditional markets (UK, Russia, Germany and Scandinavian countries) and established TOs is maintained. Hence, it can be asserted that given that a small number of large TOs control the tourism flow from the traditional source markets, this increases the bargaining power in relation to the APs enabling the TOs to dominate the negotiations with the APs.

Regarding the insufficient deregulation of flights it should be noted that participants mentioned that the Government was protecting Cyprus Airways, the national carrier, by refusing to deregulate the flights from non-EU countries. This was due to their financial interests in Cyprus Airways given that the ROC Government was the majority shareholder owning 93% of shares (BBC 2015). However, following the completion of the data collection, further developments occurred regarding Cyprus Airways. Specifically, the continuing state aid to Cyprus Airways prompted an investigation by the European Commission (EC) to examine whether further state aid can ensure the long-term viability of the airline (European Commission 2014). In January 2015, however, the EC decided that Cyprus Airways was not a viable organisation and halted the proposed state aid. As a result in January 2015 Cyprus Airways closed its doors (SigmaLive 2015b).

Although the impact that the closure of Cyprus Airways will have on tourism arrivals is still not evident, the fact remains that it effectively reduces the accessibility of the ROC. This reduced accessibility could further contribute to the bargaining power of large TOs in relation to the APs because the TOs are able to transfer tourists using their own flights. Therefore, the mismanagement of the national carrier by the Government has reduced the accessibility of the destination and, as such, its competitiveness.

Another factor that hinders tourism policy and flight deregulation is the clash of individual interests between stakeholder groups, for example the Government and the industry sector (such as individual firms, and tourism and hospitality associations). Two AP participants highlighted:

*“[...] the ROC Government gave the operation of the two airports to a single private company. They gave them the monopoly. As a result the Government reached a point where it had to plead and beg the company, as well as incentivise them, to allow Ryan Air to fly to the ROC. [...] It is absurd.” (SH:8)*

*“[...] I don't think it is the Government that does not endorse the deregulation of flights; this is based on the interests that some parties have, to keep the monopolistic markets. This is similar to the Electricity Authority of the ROC, or the telecommunications company that had a monopoly for so many years. There are so many individual interests that need to be considered.” (SH:3)*

The above statements point to the importance of private industry interests in tourism policy-making given that both airports are privately owned. In 2006, Hermes Airports Ltd, a private company, assumed the management and full control of both Larnaka and Paphos airports under a 25-year agreement with the ROC Government (Hermes Airports Ltd 2014). This action created a monopolistic market and gave one single company a very strong position in the industry in terms of influencing tourism policy-making in general and aviation policy in particular. Therefore, the interests of Hermes Airports Ltd had to be considered in the incentive scheme that the Government pursued to develop and implement. In particular, the current incentive scheme, in the form of monetary contribution per passenger and lower landing fees, which Hermes Airports Ltd offers, derives from a joint agreement with the Government to contribute to this monetary incentive (Hermes Airports Ltd. 2014).

The clash of individual interests is a common issue that constrains policy development and implementation (Hall 1999; Bramwell and Sharman 1999; Bianchi 2004; Czernek 2013). Similarly, Sharpley (2003, p.259) identified that tourism and hospitality associations in the ROC were relatively powerful and often engaged in “[...] fierce lobbying” to achieve their objectives. He noted that accommodation associations had often prevented past efforts by the Government to reduce the growth of mass tourism in order to keep their occupancy levels. Therefore, it is apparent that the clash of diverse interests (such as Hermes Airports Ltd. and the Government) influenced policy-making and the deregulation of flights, thus reducing the destination’s competitiveness. In turn, this restricts the bargaining power of the APs in relation to the TOs.

Nevertheless, despite the clash of individual interests that often occurs during policy-making, the majority of the AP participants commented on inadequate government intervention to improve their product. ‘Government intervention’ is defined as government activity aimed at changing the flow of resources to specific groups or actions in the economy in search of social economic and other objectives (Michael 2001). These government activities can take the form of subsidies and incentive schemes. As five AP participants highlighted:

*“[...] the Government must give strong incentives, tax incentives, for the APs to upgrade their units.” (SH:6)*

*“[A]ll the incentives given by the Government go to the TOs. There is no support for the APs. The units are tired and not renovated and have very high costs.” (SH:7)*

*“[T]he hotels are tired in comparison to what the tourists can find in other competitive destinations.” (HA:3)*

*“[A]fter 10-15 years of operations you will need to renovate the product and unfortunately due to the low profit margin that the hotel has had over the years there won’t be enough money left to reinvest in your business.” (TV:2)*

*“[...] the units that have partnerships with large TOs or receive advance payments are the units that are able to renovate and constantly upgrade and improve their product.” (TV:3)*

In other words, most APs are asking for incentive schemes, such as tax incentives, to relieve some of the high operational costs and to offer financial aid to improve their infrastructure. Twenty APs supported this view. Given the high operational costs for the APs and inadequate profit, the financial capacity of the APs to renovate, with no aid from external actors, is limited.

On the other hand, two Government officials commented:

*“[...] the APs should not constantly ask for subsidies. The CTO paid 13 million Euro as subsidies for APs to renovate their products.” (GO:6)*

*“[T]he Government has always given subsidies to the APs [...] of course the APs are always asking for them either to help with upgrading their product or reducing the electricity tax [...] however the Government cannot be constantly responsible.” (GO:3)*

The above statements indicate that Government officials believed that there had been sufficient aid given to the APs. This was supported by three Government officials. In 2010 the Government allocated 500 million Euro for the economic rejuvenation of the ROC following the global economic crisis, a share of which was allocated to the accommodation sector in the form of planning incentives to improve and enrich their infrastructure (Republic of Cyprus 2010).

Nonetheless, five years after the above mentioned incentive by the Government, the APs are again calling for more government aid to help them renovate their product. As also discussed in section 6.2.1 a unit’s infrastructure and product quality have been identified as two key resources that increase the

bargaining power of the AP in relation to the TOs. This is because the physical aspects and design of the room are two significant factors that steer the purchasing decisions of consumers and contribute to customer satisfaction (Hassanien 2006). Therefore, these are considered to be valued resources that increase the competitiveness of the APs, and can also improve the competitiveness of destinations (Claver-Cortés et al. 2007) such as the ROC. Claver-Cortés et al. (2007) examined the competitiveness of Benidorm, a mass sun-and-sea destination in Spain, and claimed that the competitive strategy of the accommodation sector in a destination has a direct influence on the competitiveness of the destination as a whole. This is because the success of the area depends on the performance of its businesses. Thus, it can be asserted that the difficulty experienced by APs in terms of improving their infrastructure has a direct influence: it not only restricts their bargaining power in relation to the TOs, but also constrains the competitiveness of the ROC as a destination. As a result, the dependence of the APs on the TOs remains, and it restricts the AP's bargaining power in negotiations.

The unsuccessful government intervention regarding incentives for APs can be attributed to the short-term perspective that the Government adopts with regard to tourism policy. All industry participants noted the short-term perspective the Government takes regarding tourism issues. For example, in relation to government intervention to increase tourist arrivals a TO participant noted:

*“[P]utting a greater volume of tourists into the industry is a quick fix for the situation but it is certainly not a long-term fix for the industry here.” (TO:2)*

Equally, an AP participant argued:

*“[E]verything is short-term in the ROC. If you measure the distance from the door of your house to the pavement it is probably around 2-3 metres and this is approximately as far as locals consider, they are not interested in reading the road ahead.” (IG:2)*

A travel agent also commented:

*“[I]n the ROC we don't have long-term planning [...] particularly in the Government. I asked them to invest in building ties with a new market and to help me promote the ROC in a European country, to increase tourist arrivals. They told me there are not enough tourists coming from that market so we cannot invest in anything. How are the tourists going to come if they don't invest in promoting the ROC*

*in that market in the first place? [...] they only stay faithful to what they know, we have to learn to consider the future as well.” (TA:1)*

A local academic also stated:

*“[A]lthough incentives can help to a certain extent they are not the appropriate policy for the ROC. [...] they do not help in building the viability of the destination in the long-term.” (LA:2)*

As the participants noted, the Government places emphasis on short-term benefits, for instance increasing the number of tourists each season rather than turning their focus on policies that can offer a more long-term solution to the challenges that the industry faces. A short-term approach to tourism actions and policies is not unexpected given that political agendas are often for a term of five years, and more often than not the aim is to generate immediate results (Dodds and Butler 2010; Bramwell 2011). Further, the government has a responsibility to work and support collective interests that reflect popular will in order to maintain its legitimacy (Bramwell 2011). It can be claimed that increasing the current tourist arrivals is one such economic objective that reflects the interests of popular will (industry and community), due to the economic importance of tourism in the ROC. However, subsidies that focus on increasing tourist arrivals, thus generating immediate results, do not promote a long-term approach to tourism development on the island.

This is in line with Boukas and Ziakas (2013, p. 342) who examined the policy responses of the ROC to the global economic crisis and concluded that tourism policy “[...] merely reacted” to the changes that occurred in the tourist arena. They continued by noting that policy in the ROC focuses on attracting tourist arrivals but fails to fully understand and examine the factors that lead to these changes and their long-term implications for the destination. Accordingly, the Government should promote a more long-term approach, away from short-term political agendas, emphasising sustainable restructuring of the destination by addressing key issues such as moving away from its current strong dependence on the TOs. Doing so could reduce the bargaining power of TOs within the destination and, in turn, in relation to the APs. A more successful and attractive destination could help the APs to offer a more attractive product to the TOs and the tourist, thus enhancing the bargaining power in negotiations of the APs.

In addition, all participants agreed that cooperation<sup>35</sup> between the industry and the government sector is critical for successful tourism development. For example, a Government official noted:

*“[...] the cooperation of the tourism associations is critical as it leads to the development of a joint strategy for the future of tourism. Developing a strategic direction for tourism is not only a matter for the CTO but also of other entities whose opinion and involvement the CTO seeks.” (GO:2)*

An AP participant also asserted:

*“[N]owadays it is necessary for everyone to work together. This is where the hotel associations are helpful. The members meet regularly to discuss and decide on how they can increase tourism arrivals in the ROC. They also cooperate with the CTO.” (SH:12)*

Cooperation between the Government and industry sector interest groups is evident in tourism related issues, such as creating the tourism strategy and policy-making. Policy-making entails the agreement and cooperation of all parties involved to effectively and efficiently implement policy and contribute to the competitiveness of the destination (Bramwell 2011). Cooperation and communication between the industry and government sector is critical to policy-makers in order to gain expert information and knowledge regarding sectors that aid policy development (Tyler and Dinan 2001). Moreover, as mentioned earlier, Sharpley (2003) found that the accommodation associations in the ROC prevented attempts made by the Government to restrict mass tourism. Thus cooperation is vital to achieving consensus, avoiding conflict and creating effective tourism policies.

Despite some participants noting that good cooperation between the Government and industry sectors exists, this is not a view shared by all participants. A participant from the tourism association highlighted:

*“[T]here is very good cooperation between the associations and the CTO. Don’t get me wrong, we cooperate very well [...] but there are things that need to improve and we are cooperating in the hope of improving them.” (THA:2)*

An AP participant also stated:

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<sup>35</sup> ‘Cooperation’ in tourism refers to a form of voluntary common pursuit whereby independent stakeholders participate in an interactive, reciprocal process by means of mutual rules, norms and structures to behave and decide on tourism related issues within the region (Czernek 2013).



*“[T]here is a professional cooperation between the tourism and hospitality associations in the ROC, not just between them but also with the CTO and the Government. There is a mutual understanding in terms of the challenges that we face.” (SH:6)*

A Government official noted:

*“[...] we [the CTO] have an excellent cooperation with both the accommodation providers’ associations because at the end of the day the purpose is the same, to improve tourism in the ROC.” (GO:2).*

However, two AP participants argued:

*“[...] the Government must pay attention to the APs because they have experience and they know exactly what is going on since they experience it every day. [...] the Government has never asked for advice or feedback from APs.” (SH:10)*

*“[S]ometimes I go to the meetings that are organised here occasionally, you know between the Government and industry but it is a waste of time. There are only a few people there we have our meetings we might decide on something but nothing is implemented anyway [...] this is all rubbish.” (SH:8)*

As the above statements indicate some participants (government and industry) perceive that a beneficial cooperation exists between the Government and industry sectors and feel engaged in tourism policy-making, whilst in contrast, other industry participants feel disengaged from the government sector.

The diverse opinions may be attributed to the roles held by the participants. Industry participants who considered that a cooperative relationship exists between the industry and government sector are actively involved in, and occupy key positions within, tourism and hospitality associations such as the Association of Cyprus Travel Agents (ACTA) and Cypriot Hotel Association (CHA). These participants are involved in lobbying for the interests of their parties and in direct contact with government bodies. Equally, the majority of the government participants also perceived that good cooperation exists between the Government and industry sectors given that the Government officials interviewed hold key positions within the government sector, such as in the CTO. Due to their key roles in the tourism and hospitality associations and Government respectively, the participants who perceived that good cooperation exists are the first point of contact for communication.

More specifically, industry participants who occupy important positions in the associations have a more powerful position from which to directly influence policy formulation. This is in line with Farmaki et al. (2015) who found that the private sector in general, and particularly the tourism and hospitality associations, play an important part in policy-making in the ROC because tourism development is largely based on private investment due to the resources (land and financial) that they have. Hence, the study suggests that individuals actively involved in associations, and holding key positions, believe that there is good cooperation.

However, most participants who perceived there was limited cooperation may be members of tourism and hospitality associations but are not actively involved in the activities. As two AP participants stated:

*“[T]he only person I see from the CTO is the inspector that visits us to check on the unit’s license. We have a very good relationship with him. He comes around he checks that everything is in order writes his report and that’s that.” (SH:4)*

*“[T]here are no collaborative efforts and cooperation between the public and the private sector to understand the problems that exist. The Government does nothing.” (SH:11)*

As the above participants highlighted, they have limited communication with the government bodies and do not feel engaged with Government and industry initiatives for cooperation. Therefore, it can be argued that although cooperation and involvement in tourism policy may be evident at higher corporate tiers, this does not effectively transfer to operational tiers. Bramwell and Sharman (1999) found that dissemination of information and open communication between the representatives and the stakeholders positively contributes to a more successful tourism planning process and conflict resolution. However, the findings indicate that in the ROC, not all stakeholders feel engaged in tourism related policy-making, which may hinder successful implementation because they may believe that certain policies do not represent their interests and so discard them.

A more collaborative approach by the Government and industry to engage all relevant stakeholders in policy-making could gain the support of all stakeholders, facilitating the successful implementation of tourism policies (Wray 2011). Therefore, in the context of the ROC there are still steps to be taken to improve communication between all tiers of the tourism sector, and to increase stakeholder

engagement to take all interests into account. This could increase commitment to policy implementation and promote destination success, which would help the APs to increase their bargaining power in relation to the TOs.

Conversely, cultural factors also influence cooperation between the Government, the industry sector<sup>36</sup> and tourism development on the island. A Government official stated:

*“[...] if everyone would share the vision and strategy with the CTO  
[...] tourism would be able to offer more to the economy as a whole.”  
(GO:5)*

However, as three AP participants highlighted:

*“[...] everybody has his/her own philosophy and everybody takes  
care of their own entity and their own project.” (SH:4)*

*“[W]e always think we are the best [...] we must understand that we  
are not the centre of the world.” (SH:5)*

*“[...] we might be discussing and deciding together on issues that  
concern the industry, but the moment they leave the room the  
mentality that prevails is ‘everybody focuses on their own interests’.  
This is natural, it is human.” (TV:2)*

That is to say, the individualistic mentality that characterises the island emphasises a notion of self-interest and short-termism instead of the interest of the long-term public good and importance of collective action. The social characteristics of society can have an impact on policy-making and implementation (Hall and Jenkins 2004; Anastasiadou 2008; Czernek 2013). This is because tourism policy does not occur in a vacuum and socio-cultural and economic destination structures influence the policy-making and implementation process. Hence, the findings indicate that the individualistic mentality hinders tourism development and policy implementation in the ROC and can act as a constraint to its successful development because tourism actors may disregard policies that do not fit their interests.

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<sup>36</sup> Furthermore, the negative perception of the public sector by industry participants, in one case describing them as clueless political cronies, also influences cooperation. However this issue will be discussed later (p.220).

Similarly, Dodds and Butler (2010) found that the individualistic nature of actors in Malta/Calvia acted as a barrier to effective cooperation between the private and public sectors and hindered policy planning and implementation as well as contributing to resort decline. Therefore, the study reveals that the individualistic and short-term mentality constrains cooperation between individuals in the ROC in general and between the industry sector and Government in particular. Such a mentality also inhibits the development and implementation of suitable strategies to improve the destination's competitiveness and enhance the bargaining power of the APs.

Another factor that restricts successful tourism development and thus the destination attractiveness is evidence of clientelism<sup>37</sup> within the government sector. Two Government officials stressed:

*"[I] was forced to register with a political party so as not to lose another chance to get a promotion." (GO:5)*

*"[...] some older units were not built with the specifications of an accommodation unit as stipulated by government regulations but they were approved by the Parliament as tourist apartments just before national elections. You know how it is, the usual." (GO:6)*

An AP participant also stated:

*"[A]s long as politicians like the CTO influence tourism and the decisions that political parties take influence [the industry] it is a difficult situation." (TV:2)*

A participant from the hospitality association highlighted:

*"[...] for thirty years now we see the same faces in the political and governmental arena and even the new faces are absorbed by the system. This is a mistake. [...] They are all actively involved in the political parties so naturally they support each other." (THA:2)*

The statements indicate that political parties are at the forefront and influence tourism issues in the ROC through the exchange of favours, despite the fact that tourism activities may not adhere to official regulations. Yüksel and Yüksel (2008) argued that clientelism can act as an obstacle to tourism development, hampering effective planning and implementation of tourism objectives. This is because

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<sup>37</sup> 'Political clientelism' involves the dissemination or exchange of resources (or promises) for political support, often but not always in the form of a vote (Auyero 1999; Hilgers 2011).

agreements and actions may occur that favour clientelism or patronage relationships within close-knit groups, rather than benefitting the destination.

Similarly, Farmaki et al. (2015) found that personal relationships and clientelism govern the ROC. They (p.185) argued that the small size of the ROC means that “[...] political and economic elites are inevitable interlinked” creating a system of reciprocal exchange of favours with politicians often using their position to benefit and make concessions for private financial supporters. A large luxury development project was built, for example, in Limnis in an environmentally protected area (Farmaki et al. 2015). Therefore, exchange of favours, particularly within close-knit groups, negatively influences the planning and implementation of tourism policies and strategies that can help to enhance tourism resources and improve the attractiveness of the destination.

Moreover, clientelism creates a lack of confidence in the knowledge of Government officials in tourism from the industry participants’ perspective. As one AP participant asserted, “[...] the CTO and the Government in general are clueless political cronies.” (SH:7) Two others said:

*“[...] the board of directors [CTO] always consisted of architects, lawyers, high school teachers, people that have connections with political parties [...] give me one example of one person in the board of directors that knows how the hospitality industry works.” (SH:1)*

*“[F]or example, on the board of directors they have never appointed a travel agent, or an AP or any other individual who understands and knows the industry. [...] The CTO employees do not care and they don’t know how to do anything.” (TV:4)*

A local academic also asserted:

*“[...] I don’t believe we have the right individuals, in the right positions or that they have the necessary knowledge or experience to deal with the problems that we have as an island, and this extends to the tourism industry. [...] I believe that in the Government only 1% of the individuals are actually the right people to do the job they are supposed to do. The rest are useless.” (LA:1)*

That is to say, Government officials holding influential positions within tourism in the ROC have no direct knowledge or experience from within the tourism and hospitality industry. From a review of the CTO’s organisational structure, it is evident that only one person within the Board of Directors has a background focused

exclusively on the tourism industry (CTO 2014b). Other Board members have diverse backgrounds such as law, engineering, economics and dentistry but they are actively involved in various associations in relation to their profession (CTO 2014b). This provides further evidence of clientelism.

Additionally, it offers partial justification for the industry sector's perception that influential individuals within tourism in the ROC are not sufficiently knowledgeable. To secure a better management of tourism it is critical that government capacity with regard to employees' understanding and knowledge of tourism, is adequate (Churugsa et al. 2007; Bornhorst et al. 2010). However, interview data indicate that the individuals responsible for directing the ROC in the facilitation of its current and future aims may not have the necessary tourism knowledge to achieve this, and this could prevent it from becoming a more competitive sustainable destination.

Funding misuse by government bodies impedes also successful tourism development. One AP participant noted, for example, "[...] the CTO wastes money and time" (HA:4), and another AP participant also asserted:

*"[...] we [the CTO] have wasted huge funds instead of investing in the successful promotion of tourism." (TV:1)*

Moreover, a Government official corroborated:

*"[...] now, due to the decrease in our CTO budget, we must concentrate on making better choices that have a return on investment. We must be more sensible with our budget allocation because we had periods that we were not sensible. [...] when we had available budget we did not have a sensible allocation of the budget; our rationale was 'since we have this available budget we should just invest it' without thinking about the return on investment." (GO:4)*

Particularly, government financial resources are not effectively used by governmental bodies (such as the CTO) to successfully promote tourism development in the ROC and in turn the destination in the global arena. Efficient and effective financial management by governmental tourism bodies plays a key role in a destination's success. This is because effective deployment of financial resources to support appropriate strategies and policies can improve destination competitiveness (Bornhorst et al. 2010). For example, Tsartas et al. (2014) noted that an unsuccessful and poor marketing campaign, emphasising the saturated mass

tourism product, contributed to the drop in tourism arrivals in Greece between the years of 2008 and 2009, whereas Farmaki (2012) asserted that the Balearics, Spain, were able to reduce their over-reliance on the mass sun-and-sea product by aggressively promoting the variety of products that they offer. Hence, it can be asserted appropriate financial management by governmental bodies is crucial in enhancing destination attractiveness.

In the case of the ROC, diversification and enhancement of the sun-and-sea product has been a key objective in the strategic plans of the CTO since 2000 (CTO 2011; Farmaki 2012). However, more than a decade later, the destination's over-reliance on the sun-and-sea product and the same source markets is still evident. Accordingly, it can be argued that the inefficient and ineffective allocation of funds by governmental bodies act as a constraint on the ability of the destination to achieve its strategic objectives. In turn, this hinders tourism improvement that could increase the bargaining power of the APs in relation to the TOs. This is because reciprocity exists between the businesses and the destination, where a competitive and successful destination leads to competitive and successful businesses and vice-versa (Meethan 2004).

With the above discussion in mind it is not surprising that an AP participant noted:

*“[W]e need to find individuals who are wise to reorganize and reshape this destination, and I am talking about everyone, the Government included, starting from the bottom and going to the top.”*  
(SH:13)

In other words, the current tourism governance model in the ROC is not efficient or effective, thus it needs to be restructured to improve the destination. Governance<sup>38</sup> is seen to have a broader understanding, encompassing not just the Government but including non-governmental actors involved in governance such as industry (Bramwell and Lane 2011). The effectiveness of governance can be assessed by the views of the relevant actors involved in policy-making (Yuksel et al. 2005). Hence,

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<sup>38</sup> ‘Governance’ refers to the systems of governance and the methods by which societal systems are “governed, ruled and steered” (Bramwell and Lane 2011, p.411). It focuses on the processes for the control, management and “[...] mobilisation of social action and for producing social order” (Bramwell and Lane 2011, p.412).

following on from the above discussion, the findings indicate that the current model of governance of the Government sector in the ROC does not facilitate effective and efficient performance which, as Ruhanen et al. (2010) noted, are two key characteristics of a good governance model. As a result, this decreases the attractiveness of the sources of power of the APs and restricts their bargaining power in relation to the TOs during contractual and non-contractual negotiations.

#### **6.2.2.3. Conclusion**

External structure, government policies/regulations, culture, and industry characteristics, influence the destination-specific resources of APs (destination attractiveness and destination characteristics), and in turn either constrains or enables the bargaining power of the APs in relation to the TOs. In particular, the findings indicate that the external structure considerably restricts the ability of the ROC to improve its destination attractiveness and particularly to differentiate its product offering from other similar destinations. The analysis reveals how government policies/regulations and the individualistic short-term mentality restrict actions that need to be taken to improve tourism development. Due to these factors the attractiveness of the destination, and so its competitiveness, is constrained. The ROC is a destination that may be easily substituted by both the TOs and tourists. As such, the destination's substitutability increases the substitutability of the accommodation product that the APs offer to the TOs. Consequently, the ROC and the APs are dependent on the large TOs to attract a sufficient tourism flow. Hence, the bargaining power of the APs in relation to the TOs is restricted.

The above proposition examined the destination-specific resources of the APs, and specifically how the external structure in terms of government policies/regulations and culture influence these resources and in turn their bargaining power. In the next proposition the negotiation characteristics and relationship constructs are discussed to improve understanding of how this bargaining power is used in the contractual and non-contractual negotiations.



### **6.2.3. Proposition 3: Contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs**

#### **6.2.3.1. Introduction**

The negotiation characteristics evident between the contractual and non-contractual negotiations of the APs and TOs are examined in this proposition. This is done in order to uncover the exercise of bargaining power of both parties through the influence strategies that they adopt to sway the negotiation outcome. Influence strategies and tactics, namely rationality, threats, pressure, liability, deviance, inflexibility and flexibility, are identified. Further, relationship constructs, namely trust, reciprocity, personal relations, cooperation, competition and incentives, and their role in contractual and non-contractual negotiations is critically analysed. As noted earlier (section 6.1), Grounded Theory allows for additional literature to be reviewed to explain new themes discovered from the data. Thus, additional literature in B2B relationship marketing management, B2B supply chain management, influence strategies in B2B marketing management, and contract theory is utilised. Tourism and hospitality literature on buyer-supplier relationship management is also employed to better support the findings.

The findings indicate that the type of formal contract that the parties agree upon affects their interactions during contractual and non-contractual negotiations. This is because contracts directly outline the appropriate behaviours between the parties (Lusch and Brown 1996; Lumineau and Malhotra 2011; Lumineau and Henderson 2012; Mouzas and Blois 2013). In particular, they act as coordinating and control mechanisms, establishing norms to guide, control and coordinate the behaviour of the parties. Contracts, for instance, endorse cooperation by positioning boundaries on the behaviour of each party and thus moderate the risk of opportunism by the other party (Williamson 1985, 2002).

Therefore, each contract denotes a relationship with different characteristics between the APs and TOs and the type of contract gives the context to the interactions that occur. As highlighted in section 6.2.1, commitment and exclusivity contracts between APs and TOs signify a high level of dependency between the parties, and a close relationship characterised by high resource investment. In contrast, an allotment contract indicates a lower level of dependence and a more

distant relationship characterised by lower resource investment. Hence, organisations enter into a range of diverse relationships to achieve their organisational objectives (Bensaou 1999; Moeller et al. 2006; Caniëls and Gelderman 2007).

Furthermore, the findings indicate that the type of contract and relational context influence the exercise of bargaining power between the parties. This exercise of bargaining power is manifested through various influence strategies (such as rationality and threats) that the parties adopt during their contractual and non-contractual negotiations. Influence strategies could be described as the communication of the bargaining power of party A to party B in an attempt to influence and modify the behaviour of party B according to party A's interests (Wilkinson and Kipnis 1978; Frazier and Summers 1984; Gaski and Nevin 1985; Kumar 2005; Gelderman et al. 2008). Influence strategies signify the structure and content of the communication which an organisation (source) uses in their attempt to regulate or modify the behaviour of another organisation (target) (Ghijsen et al. 2010). These strategies can be adopted by one party to simply coordinate with the other party or for more critical issues such as compliance with inter-firm initiatives (Payan and McFarland 2005).

With the above in mind, this proposition is divided in two sections. The first section explains the characteristics of each exchange relationship based on the type of contract in order to set the scene (context) for the interactions that occur between APs and TOs. The second section discusses the bargaining power interactions manifested as influence strategies and tactics used by the parties and the role of relational constructs in the negotiations.

#### **6.2.3.2.        *Discussion of Proposition 3***

##### **6.2.3.2.1.        *Relationship context determined by the type of formal contract***

The discussion elucidates how the characteristics of each type of contract – commitment, exclusivity and allotment – between the APs and TOs coordinate the behaviour and interactions that occur in their relationship, whether contractual or not.

Large TOs often engage in strategic partnerships with APs, as two AP participants highlighted:

*“[I]n the last three years the large TOs and especially [name of TO] have begun creating partnerships, through commitment and exclusivity contracts. Essentially the TO says to you, ‘if your hotels or your company works with me then you are my partner and I will look after you and I will give you priority in terms of bookings. And if I want something, such as to create a new product, I will ask you first and then go to someone else.’” (IG:1)*

*“[M]any TOs have their commitment contracts with certain APs, and the tourism flow that they bring to the ROC is only for their own hotels, their partner hotels.” (SH:4)*

As the APs mention above, the TOs create partnerships through commitment and exclusivity contracts, in order to secure the necessary bed capacity that they need. This is because, as stated in section 6.2.1, these units own important tangible and intangible resources that are able to fulfil the product and operational needs of the TO. Within these partnerships the TOs prioritise these units in terms of bookings and financially support them, for instance in the case of renovations. On the other hand, the TOs expect the APs to satisfy their requests effectively and efficiently, for example in terms of product needs or business needs (such as offering a lower price).

Strategic partnerships indicate that a certain supplier has a better understanding of the buyer’s needs than most of the other firms, that the supplier has allocated substantial resources to fulfil the buyer’s requirements, and the two parties are now working more effectively together (Brennan 1997). Therefore, being a strategic partner with a TO operating with a commitment and exclusivity contract denotes a close collaborative relationship between the APs and TOs.

Bensaou (1999) explored types of supplier-buyer relationships in the manufacturing sector and identified that strategic partnerships are close relationships. He noted that such relationships are characterised by (a) frequent communication, information sharing, (b) relationship-specific investment in product and processes, (c) long-term collaborative orientation and (d) interdependence. From the interview findings and the review of the contractual agreements (Chapter 5 section 5.4.1), it is evident that these characteristics are similar in the strategic partnerships of APs and TOs. The researcher noted that the APs that are strategic

partners of the TOs often operate with long-term commitment or exclusivity contracts (2-3 years) and are the key accommodation suppliers of the TOs. They also have frequent communication due to the large volume of bookings that the APs receive from the TOs and relationship-specific investments are also evident. Two AP participants stated:

*“[...] we started a collaboration with a Russian TO [...] and I have now enrolled most of the reception staff in a Russian language course so they can communicate with the clients.” (SH:7)*

*“[...] once a week we organise a day full of activities only for the customers of our key TO. We organise a barbeque for them, we have a football match where the staff joins in [...] when the guests are happy the TO is happy as well.” (HA:4)*

Hence, within a strategic partnership the APs invest resources (financial and time) to better serve the needs of an important key buyer, namely the TO.

Relationship-specific investments or relational behaviours indicate activities that are explicitly targeted to benefit and increase the perceived value of a certain exchange relationship (Kim 2007). Rokkan et al. (2003) examined buyer-supplier relationships in the manufacturing channel and found that relationship-specific investments employed by one partner can increase the value of the relationship. Rokkan et al. (2003) also stated that relationship-specific investments can create a bonding effect with the receiver if the partners have a long-term view of the relationship and high norms of solidarity, namely the willingness of the partners to achieve joint benefits. Hence, specific investments that an AP makes to increase his ability to better serve a particular TO can establish a bond or a closeness with the TO.

The TOs also invest in their relationship with the APs, as two AP participants stated:

*“[...] the new hotel we have built solely targets German tourists and the TO gave us an advance payment on bookings and contributed to help us build this.” (IG:1)*

*“[...] the large TOs give advance payments for future bookings to their partners either for renovation or if an AP needs cash flow to continue their operations. If you have a good partnership then they trust you.” (TV:1)*

One TO participant also asserted:

*“[...] when choosing accommodation units, we look at the suppliers that we have long-term agreements with, and we are committed to investments with our partners.” (TO:2)*

That is to say, both the APs and TOs take risks and invest in their strategic relationship engendering trust and making relationship-specific investments in order to support their partnership. Relationship-specific investments can increase the risk for opportunistic behaviour in the relationship because they can lock in the investing organisation to a specific relationship and the receiving organisation can take advantage of this (Dyer and Singh 1998; Rokkan et al. 2003). However, as Kim (2007) argued, specific investment and risk taking in a relationship is likely to be reciprocated. Thus it is evident that both parties invest and support the relationship. It can be argued that this enhanced bond between the AP and TO, can result in increased dependency of the AP on the TO given that these investments are implemented to enhance a particular relationship. However, specific investments of the supplier, to better serve the buyer, also increase the dependence of the buyer on the supplier (Lusch and Brown 1996). Consequently, these relational behaviours denote a collaborative and a long-term orientation for the relationship with high dependence between the APs and TOs.

The high dependence that exists signifies a more relational exchange (Dwyer et al. 1987) between the partners with a commitment and exclusivity contract. A more relational exchange indicates a long-term relationship that develops over time (Dwyer et al. 1987; Benton and Maloni 2005). It also involves high levels of trust, cooperation, complex communication, joint planning and openness between the parties where the benefits and risks are shared (Ganesan 1994; Benton and Maloni 2005). These characteristics of the relationship influence the behaviour of the parties and their interactions (Stanko et al. 2007; Vidal 2014).

On the other hand, in relation to allotment contracts, three AP participants noted:

*“[O]ur contracts are on an allotment basis. We cooperate with all the TOs, the only difference is that they send us bookings once they fulfil their commitment contracts, or special agreements or friendly agreements, with the hotels that they usually operate with. Once they are fully booked they begin sending tourists to the rest of the hotels.” (SH:4)*

*“[I]f a TO has booked a certain number of seats on the plane and has booked a certain number of beds with its partners, they will firstly support and honour their contracts and then the rest of the bookings will be taken to the units with which they have signed an allotment contract.” (IG:2)*

*“[...] the TOs will firstly fulfil the commitment and exclusivity contracts that they have, since they have a direct financial benefit with the prepayments they give. This is only natural so they don't lose any money. Then they will go to the hotels that they have an allotment contract with.” (HA:4)*

Accordingly, in allotment contracts a more distant discreet relationship exists between the parties representing a more transactional short-term exchange. A discreet exchange is characterised by a short duration focusing on one-off transactions that occur between the parties (Whipple et al. 2010). Such exchanges are characterised by (a) limited communication, (b) limited information sharing between the parties, (c) independent planning, and (d) the benefits and risks are not shared (Dwyer et al. 1987; Benton and Maloni 2005). As such, these types of relationship do not promote trust, communication and information sharing. Hence, in allotment contracts the relationship between the APs and TOs is a more discreet short-term exchange that occurs once the large TOs fulfil their commitment and exclusivity contracts.

However, even in discreet short-term exchanges relational content (such as cooperation, communication, commitment and reciprocity) is evident in the relationship to some degree (Lambe et al. 2000; Blois 2002; Mouzas and Blois 2013). Therefore, in all types of contracts (commitment, exclusivity and allotment) between the APs and TOs some relational content is evident in the relationship. Commitment and exclusivity contracts, however, signify a closer relationship with high dependence and encompass large volume agreements, thus a more relational exchange exists than in an allotment contract. In turn, this influences the interactions and negotiation characteristics between the parties.

Furthermore, as identified in sections 6.2.1 and 6.2.2, as well as Chapter 4, the relationship between the APs and TOs in the ROC is characterised by asymmetric dependence giving the TOs stronger bargaining power in relation to the APs. This is partly because the ROC as a destination, and in turn the APs, is highly dependent on the TOs for tourism flows (Tsangari 2012; CYSTAT 2014).

Dependencies between parties determine the structure of the relationship and they have a direct influence on the interactions that arise within the relationship (Mouzas and Ford 2007; Frazier and Rody 1991). Hence, the influence strategies and interactions of the APs and TOs must be examined keeping in mind the asymmetry in dependencies or the asymmetry of the bargaining power between the parties. Having analysed the relationship characteristics for each contract, attention now shifts to an analysis of the contractual and non-contractual bargaining power interactions that occur between the APs and TOs.

#### *6.2.3.2.2. Contractual and non-contractual bargaining power interactions are influenced by negotiation characteristics and relational constructs*

The analysis critically discusses the impact of negotiation characteristics (such as rationality, threats, and flexibility) and relational constructs (such as reciprocity and personal relations) on the negotiations between APs and TOs.

Rationality is identified as an important influence strategy that is adopted in negotiations. As three AP participants noted:

*“[I] believe that by having the right arguments you leave no choice to the other party to tell you anything different.” (SH:2)*

*“[...] one must always make calculated decisions. You have to have a plan A and a plan B when you go into a discussion, possibly even a plan C, but you must have a plan B. [...] There is a strategy that is perfect for you; it's game theory. What would my collaborator do if I reacted in this way, what would I do if he reacted in that way? [...] You must consider how you will persuade the contract manager with logical arguments.” (IG:3)*

*“[...] you must be able to justify to the other party what you ask. For example, despite asking for some things, such as an increase in price, you must make sure to point out what you have done to deserve this increase in price, to show that what you are asking is not random.” (SH:11)*

The APs perceive that rationality, meaning having the right arguments to justify their demands, is crucial in contractual and non-contractual negotiations with large TOs and can help them to achieve the desired outcome. This was supported by fifteen APs. Equally, a travel agent who negotiates with the TOs asserted, “[T]he TOs are methodical and organised.” (TA:2)

Two AP participants also commented:

*“[L]arge TOs are extremely professional, they calculate everything, they use numbers, they have their statistics, like we do.” (SH:13)*

*“[A]ll negotiations are based on facts. The TOs base their demands on the results they receive from each hotel, for instance on the questionnaires and sales [...]. The TO comes prepared to the negotiations. He will tell you ‘I have seen your scores and I had this and that complaint and you need to address them. You have decreased your service quality so on what basis are you asking me for an increase?’” (HA:2)*

The above statements indicate that rationality as an influence strategy is adopted by the TOs as well, who attempt to influence the AP's perception to gain the desired outcome, particularly in contractual negotiations.

Rationality, or rational persuasion, refers to an actor using logical arguments and factual data to convince the other party of the viability of the request and that it will result in the achievement of desirable objectives (Yukl and Tracey 1992). More specifically, APs attempt to alter the perception of TOs by constructing rational arguments and the TOs also adopt rational arguments to change the perception of the APs to achieve their objectives. Strategies based on rationality relate to party A (the influencer) attempting to influence the perception of party B (the target), and to persuade party B to follow their demands, giving the choice to party B whether to be persuaded (comply) or not (Payan and McFarland 2005). Hence, rationality as an influence strategy can be perceived as a non-coercive strategy that can enable the APs to influence the perception of the TOs regarding their demands, and vice versa.

However, two AP participants highlighted:

*“[T]here is no way that you can change the opinion of contract managers through a set of arguments.” (SH:8)*

*“[T]he TOs enter negotiations with their policies already in mind stipulated by their companies, it is near impossible to change their mind.” (SH:7)*

That is to say, the APs are not in a position to substantially influence the TO contract manager's perception in contractual negotiations. One reason for this can be attributed to the dominant position of the TOs during negotiations due to their higher bargaining power. This is particularly so in relationships where large commitment



and exclusivity contracts exist and the TOs are considered to be key strategic partners, enabling them to direct negotiations.

Frazier and Rody (1991) argued that non-coercive strategies within marketing channels are most effective for parties with high power given that the party with lower power will give more attention to their more important partner and facilitate the use of the non-coercive strategy. Payan and McFarland (2005) also examined influence strategies within a supplier-buyer context and found that the level of dependence between the parties played a critical role in the effectiveness of the influence strategy and compliance of the other party. Therefore, although rationality as an influence strategy is adopted by both parties, in reality such a strategy is more effective for large TOs, rather than the APs, in their efforts to achieve compliance from the APs. This is because the high dependence of the APs on TOs to mediate rewards (sales), and the lack of alternatives for tourism flow, causes the APs to agree to the TO's demands.

Furthermore, despite the AP participants stating that rationality can aid in negotiations with the TOs, most industry participants (APs, travel agents, participants from the recreation sector) who had had direct experience of negotiating with large TOs also highlighted their inflexibility in negotiations regardless of the type of contract. Three AP participants stated:

*"[T]he contract managers that negotiate the contracts come with certain policies in mind that is determined by their respective companies. [...] flexibility does not exist." (SH:6)*

*"[W]hen the contract managers come to negotiate they tell you straight away what their instructions are and that they are only allowed to give a tiny increase [in price]." (HA:1)*

*"[I]n the good old days things were different [...] there was flexibility, you could negotiate, now this flexibility does not exist." (SH:11)*

A participant from the recreation sector also affirmed:

*"[T]he TOs will not accept changes to anything on the contract, to add or remove, unless it is something minor, a detail. The TOs would never accept a contract drafted by you. The TOs have their own contracts that are standardised and they also have a lot of fine print, you know on the back pages, which you can barely read. Those are the contracts." (RP:1)*

The statements above indicate that, more often than not, large TOs are inflexible in their contractual negotiations with the APs, and determine and control the negotiation process relative to their own targets.

This inflexible attitude of the TOs in negotiations can be characterised as an aggressive negotiating style, where ‘aggressive negotiation’ refers to the degree to which a negotiating party stands strong in their position and adopts tactics in order to gain concessions from the other party (Perdue and Summers 1991). Equally, the inflexible and rational attitude of large TOs in negotiations coincides with the findings of Papageorgiou (2008) who explored the relationship between the APs and large TOs in Greece. He found that large TOs are often aggressive and cold in their contractual negotiations and follow strict guidelines based on computer data. Indeed, large TOs enter negotiations with pre-determined guidelines on the outcomes that they want to achieve and are inflexible in terms of changing their position to facilitate the negotiation process.

One reason for this behaviour by the TOs is their higher bargaining power in relation to the APs. Large TOs recognise that the APs are dependent on them to achieve a satisfactory tourism flow and thus their organisational objectives. Therefore, it can be asserted that due to the asymmetric bargaining power that exists, large TOs are in a position to adopt a more aggressive negotiation style in contractual negotiations and gain concessions from the APs.

In contrast, APs adopt a more flexible attitude, as three AP participants operating with commitment and exclusivity contracts stated:

*“[I]f you need the TOs then inevitably you will go to extremes to satisfy them.” (TV:2)*

*“[...] we would do everything possible to keep both the TOs and their customers satisfied. Especially if the TO is one of our large TOs, we would do anything to satisfy them.” (HA:4)*

*“[I] had to give something to the TO [a discount] in order to show that I am flexible because when you close the door on someone then he will also close the door on you.” (HA:2)*

However, two AP participants operating with an allotment contract asserted:

*“[I] will always try to help the TOs we work with; however I will never do anything that I think is against my company.” (SH:4)*

*“[W]hen I go into negotiations I will keep in mind that we are two parties, that we come into an agreement. You will tell me about your company and what you want, I will tell you about my company and what I want and we will meet somewhere in the middle, in order for both to win.” (SH:5)*

As the above statements suggest, APs are likely to be flexible in their contractual negotiations with the large TOs to satisfy the TO's demands particularly when large volume agreements are taking place. However, in allotment contracts APs may be less flexible because smaller agreements are taking place. The flexibility, again, of the APs in contractual negotiations, particularly in commitment and exclusivity contracts, can be ascribed to the high dependence that the majority of the APs have on the large TOs.

Due to the fact that large TOs represent a large volume of sales for these APs, the latter need to be more flexible in accommodating the demands of the former. This finding is in line with Romero and Tejada (2011) who found that the concentration of sales of the APs with certain TOs resulted in asymmetrical bargaining power between TOs and hotels in Andalusia, Spain. They argued that, particularly in sun-and-sea destinations, due to the high level of control that TOs have over hotels, those hotels, despite being independent companies, have a feeling of subordination. Similarly, in the ROC, due to the large dependence that APs have on TOs operating with commitment and exclusivity contracts, participant APs perceive that they must find ways to satisfy the TOs' demands.

Furthermore, the AP participants highlighted that pressure is often evident in negotiations with the TOs; three AP participants asserted:

*“[...] you depend on the TOs, they give you their conditions and naturally they have influence in the market and its operation. [...] usually the APs come up short [in negotiations] because we need the TOs.” (SH:7)*

*“[...] because when you depend on the TOs then they dictate their own terms and most of the time these terms are not very pleasant.” (IG:1)*

*“[...] it is somewhat an attitude of I don't want to be losing money so I make it happen.” (IG:2)*

As the statements indicate, large TOs exert pressure on APs in negotiations in order to influence the negotiation outcome. This was highlighted by eighteen APs. Due to

the high dependence of the APs on the TOs, and the limited alternatives that exist to receive tourism flow, the majority of the AP participants believe that they have no option but to agree to the demands of the TOs. This is in line with Bastakis et al. (2004) who found that the enormous power of the large TOs, and the limited alternative distribution options for Greek APs, gave TOs an important advantage during negotiations, forcing APs to agree to the prices offered by the TOs. That is to say, that APs are forced to accept the TO's demands due to the TO's ability to mediate rewards (benefits) that stem from their large distribution channel.

The pressure that the TOs put on APs to accept their demands can be described as a direct influence strategy that focuses on altering the behaviour of the APs (to comply with the TOs). Direct strategies place emphasis on achieving compliance by a specific party, rather than on altering the perceptions of that party regarding the positive outcomes of the intended behaviour (Frazier and Summers 1984; Ghijssen et al. 2010; Bandyopadhyay 2004). In particular, the APs feel pressure to accept the requests (or demands) of the TOs during contractual negotiations. Frazier and Summers (1984) and Frazier and Rody (1991) argued that when a party A (influencer) adopts a request influence strategy, party A simply informs the party B (target) of the expected behaviour without any reference to any positive or negative outcomes that may occur in terms of compliance or non-compliance. Therefore, the consequence of compliance or non-compliance with the requested action is dependent on the target's inference (Payan and McFarland 2005). For instance, a target might perceive that there is a rational basis behind such a request, or the target might perceive that negative sanctions may follow for non-compliance.

Within the context of this study, the findings indicate that pressure or request strategies constitute a coercive influence strategy, given that the APs perceive that if they do not follow the large TOs' requests then negative consequences will ensue. Two AP participants noted:

*"[...] hotels were forced to accept this price decrease because they were exclusively committed to these TOs. How can they say no? They will lose the TO and what is the point in that?" (SH:6)*

*"[I]f you want to have guests in your hotel you have to succumb [...] because if you lose the TO who will you have in the hotel? The local market stays in hotels twice a year, it is not enough." (SH:8)*

AP participants perceived that the TO may discontinue the relationship if their demands are not satisfied and particularly in relationships with large agreements (commitment and exclusivity contracts) the APs have no option but to accept. Gelderman et al. (2008, p.224) examined the use of coercive influence strategies within an asymmetric buyer-supplier relationship and found that often the weaker party “[...] complied under protest”. They argued that the weaker party has no viable alternative as the dominant party is in a position to execute negative sanctions, making it infeasible for the weaker party to continue their business. Likewise, the majority of the APs in the ROC are highly dependent on the TOs for their business and thus have a lower bargaining power in relation to the large TOs. As one AP participant stated “[...] you need to make money so it becomes a matter of survival” (SH:12) and as such the APs do not want to risk not signing a contract.

Accordingly, it can be argued that coercive influence strategies and antagonistic behaviour characterises most of the large TOs’ contractual negotiations regardless of the type of contract. This is an interesting finding because commitment and exclusivity contracts denote a closer and more relational exchange characterised by collaboration and long-term orientation, where parties make short-term sacrifices to achieve benefits in the long-term. Given these characteristics, a more cooperative negotiation strategy may have been anticipated as both parties seek to achieve mutual benefits. Lumineau and Henderson (2012), for instance, investigated conflict resolution between a buyer-supplier within the manufacturing sector and discovered that a relationship characterised by cooperative relational experience<sup>39</sup> is likely to lead to more cooperative negotiation strategies emphasising a win-win situation. They claimed that a competitive relational experience with lower relational norms leads to a more competitive negotiation strategy with parties seeking individual gains. However, this is not the case for this study, where the data indicate that large TOs adopt a more competitive negotiation style, regardless of the type of relational experience (whether cooperative or competitive).

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<sup>39</sup> Lumineau and Henderson (2012) asserted that a high level of flexibility, participation, and solidarity norms between the exchange partners indicates a cooperative relational experience.

In contrast, APs follow a more cooperative negotiation style, as three AP participants asserted:

*“[A]s a hotel manager you cannot say, ‘these are my rates, take it or leave it’ because next year you might need the TO more than the TO needs you this year. So you must have a balance [...] all your arguments must be towards maintaining a balanced meeting that can then result in a win-win situation.” (SH:11)*

*“[...] you must seek to achieve a rational cooperation. You always have to follow a win-win policy – it suits me and it suits you. You have to find the balance, that equilibrium to create the sense that it is a win-win situation.” (IG:2)*

*“[I] believe that both parties have to win in negotiations. I don’t think that the TOs want the hotelier to lose out, nor does the hotelier want the TOs to lose out. It is beneficial for both.” (TV:3)*

In other words, AP participants emphasise a win-win situation and thus a more cooperative strategy in their negotiations with large TOs. This was identified by all the AP participants, and is in line with Ivanov et al. (2015) who explored the relationship of APs and travel agents (including TOs) in Bulgaria. They identified that APs follow a cooperative approach to conflict resolution. One reason for this could be that in long-term asymmetric relationships the criticality of the relationship is frequently one-sided, with the weaker party perceiving the relationship as more critical to their operations (Johnsen and Ford 2001). Thus the weaker party must preserve the goodwill of the stronger party (Johnsen and Ford 2001).

Therefore, when APs adopt a more cooperative strategy and attitude, it can be argued that they emphasise the value (economic and non-economic) that they can achieve from the relationship by gaining the favour of the large TO. Two AP participants highlighted:

*“[I] cannot simply say the TO is constantly pushing me and I get nothing at the end of the day, I cannot say that. I have my share of profit as well, otherwise I would not be here.” (HA:2)*

*“[...] having a commitment contract provides security for us because the TO is responsible for selling these rooms and the TO will sell them.” (SH:10)*

A TO participant also affirmed:

*“[...] taking over the management of an existing hotel or creating a product, we would have more faith in our partner suppliers to get it*

*where we want it to be. [...] we will always go to our partner suppliers first. So from that point of view we quite heavily rely on our suppliers.” (TO:2)*

The above statements show that, despite the difficult negotiations that participant APs have with large TOs, they also receive benefits from their relationship. Large TOs are considered reliable partners as they have a consistent tourism flow, can offer financial security for the APs and provide support for future investments. This is particularly the case in close relationships that have commitment and exclusivity contracts.

Organisations may choose to enter relationships with other strong organisations in order to reap the benefits or value that stem from these relationships despite being asymmetric (Mouzas and Ford 2007). Ku et al. (2011) argued that hotels are pursuing ways to establish long-term relationships and boost their revenue by collaborating with contract firms (travel agencies and TOs). This action is taken to cost-effectively increase sales, build trust and become a preferred hotel for the contract firm based on service competence (Ku et al. 2011). Accordingly, the study reveals that APs comply with the TOs’ demands while focusing on maintaining a cooperative negotiation strategy in non-contractual negotiations, despite the TOs’ coercive influence strategies, to achieve long-term benefits from the relationship.

Additionally, all the AP participants noted that the relationship in general and negotiations in particular are characterised by flexibility, and that non-contractual negotiations are ever present. As two AP participants stated:

*“[...] in both allotment and commitment contracts if the year is not going well the TO will come and request either a special offer or to renegotiate the contract. This of course depends on both parties to find a solution.” (SH:3)*

*“[...] when expected demand changes, the TO might want to cancel the commitment or lower the commitment or drop this, drop that. The season is always flexible, so we must be flexible.” (SH:7)*

That is to say, the formal contract between the parties is considered flexible due to fluctuating demand levels during the season, which can lead to informal renegotiations between the APs and TOs to accommodate changes. For example, if demand is low, the TO might ask for a discount, or to reduce its bed allocation, or if

demand is high APs may request that the TO stops selling that specific unit for a certain period.

Contract theory states that renegotiations or post contractual adjustments are often evident in supplier-buyer relationships, one reason being bounded rationality leading to incomplete contracts<sup>40</sup> (Mouzas and Blois 2013; Lumineau and Malhotra 2011). With regard to bounded rationality, the rationality of humans is restricted by cognitive limits on formulating and processing information, and on communication abilities (Williamson 1981, 2002). More specifically, it is impossible to consider all of the contingencies that may influence the contract, or may occur in a relationship, during the formal contracting process. Contingencies may, however, be identified post-contract (Seshadri and Mishra 2004).

Within a tourism context, which is characterised by demand uncertainty (Chapter 3), Gurcaylilar-Yenidogan (2013) argued that environmental uncertainty, depicted as fluctuations of demand, further augments the difficulty for parties in designing more complete contracts that take into account communication and conflict resolution processes to handle changing demand. Romero and Tajeda (2011) highlighted that contracts between APs and TOs are typically negotiated a year in advance, but tourists are increasingly booking their holidays at the last minute, thus demand is uncertain. Hence, in the tourism context, fluctuating demand levels intensify the incompleteness of the contract. As a result, informal non-contractual negotiations between APs and TOs are ever-present and the flexibility of the APs and TOs is critical in the relationship.

Moreover, data analysis indicates that this flexibility of the contract and demand uncertainty gives rise to deviant strategies adopted in non-contractual negotiations between the parties. For instance, two AP participants stated:

*“[T]here are TOs that always get last minute special offers during the season [...] what happens is, the tourists book our hotel two months in advance but the TO may not send this booking through to us. Since we don’t have any bookings we think that demand is low so we give a special offer to promote demand. So, the TO holds the*

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<sup>40</sup>All contracts are considered incomplete (Tirole 1999; Lumineau and Malhotra 2011). One reason is bounded rationality, but others may be incomplete by design. In other words, organisations may decide to limit the degree to which they depend on a contract to govern a relationship (Lumineau and Malhotra 2011).



*bookings until the last minute, until we give them a special offer. [...] if the TO gets, twenty bookings without the special offer, they say 'we've done them with the special offer'. There is no way to check if these bookings were made with the special offer or not."* (SH:9)

*"[F]or example the TO might tell you that your hotel is not selling in England, but the case might be that he is not actually promoting it because he might not have the desired profit. [...] and the special offer we gave is not promoted and they don't offer it in England. The TO might take advantage of the price reduction that you give."* (SH:2)

The above statements point to the fact that the TOs may manipulate information on demand levels to influence the non-contractual negotiations with APs. Information exchange is an important influence strategy given that information can be used strategically by a party A to change the perception of a party B and influence party B's actions to its advantage (Frazier and Summers 1984). Consequently, the manipulation of demand level can influence the AP's perception and result in TOs gaining special offers and discounts to increase their profit.

Additionally, one AP participant noted, "[...] if demand is low the TOs will take advantage of this to ask for discounts." (SH:8) As another AP participant described:

*"[...] if the demand is low the TO will say 'you must give a special offer or price reduction'; and because I need customers to come to the hotel, I will do it, to generate demand."* (SH:7)

Hence, the data reveal that information exchange is adopted with a recommendation influence strategy during non-contractual negotiations. Recommendation influence strategy is a strategy where the influencing organisation (the source) stipulates and predicts that the target (other party) will achieve a higher profit if the target acts in accordance with the suggestion of the influencing organisation (Frazier and Summers 1984). Therefore, in the case of this study, the TO uses information exchange and recommends an action for the AP (to offer a discount or special offer) resulting in an increase in the TO's sales. Dominant parties use recommendations to hasten the decision-making process of weaker parties and such recommendations are often founded on the information advantage of the dominant party (Gelderman et al. 2008). Indeed, as identified in section 6.2.5, the position of the TOs as

intermediaries in the tourism distribution channel creates information asymmetry between the two parties.

Kähkönen and Tenkanen (2010) examined information exchange in a power asymmetric buyer-supplier relationship and found that the powerful party may be hesitant to disseminate information in order to maintain its power. Therefore, it can be argued that the large TOs may take advantage of their position in the distribution channel and manipulate information exchange in a timely manner to influence the AP's behaviour in non-contractual negotiations and achieve their objectives. Likewise, Bastakis et al. (2004) investigated the power of large TOs in Greece and identified that the information, or better insight, that the TOs have, enhances the bargaining power of the TOs in negotiations. Consequently, the study suggests that deviant strategies such as manipulating information on demand levels are evident in the relationship and give an advantage to the large TOs in non-contractual negotiations with APs.

However, the analysis indicates that these deviant strategies lead to mistrust, as two AP participants asserted:

*"[...] there is a trust issue. We try to give [the special offers and discounts] in advance in order to have them advertised and issued in their brochure, otherwise we are not sure if it ends up with the consumer or stays with the TOs. I have had this experience before."*  
(SH:13)

*"[W]e want to believe that the special offers we give reach the clients [...] but a smaller TO might take advantage of the situation and not inform the client, thus benefiting from the price difference. However, most of the large TOs inform their clients, they are professionals. This is something that you can check on their website as well [...] and we do check up on this as well."* (SH:2)

As highlighted above, due to the fact that some AP participants perceive that the TOs may act opportunistically by manipulating information on demand using deviant strategies, mistrust is evident in the relationship. Opportunism can include behaviours such as cheating, stealing, deceiving, withholding information and misrepresentation (Hawkins et al. 2013). Opportunistic behaviour has a negative impact on trust in relationships (Morgan and Hunt 1994) because establishing a supplier-buyer relationship involves a certain degree of vulnerability between the

parties. Thus parties will only pursue partners that they can trust to attain long-term benefits.

The findings indicate that, for APs and TOs who have large commitment and exclusivity contracts, and the relationship is characterised by a closer relational exchange, a higher level of trust exists. For instance, as one AP participant noted:

*“[T]here are little lies that can be said and be overcome accordingly, however, it is not a situation where everyone is trying to cheat each other; professionalism also exists. We do trust our partners.” (HA:4)*

That is to say, although some opportunistic behaviour might be evident through “[...] little lies” as the AP participant stated above, he still describes the relationship with the large TO as trustworthy. This was supported by six other AP participants. On the other hand, the AP participants earlier, who operate with smaller commitment or allotment contracts, noted that they do take steps to curb the opportunistic behaviour, thus it can be argued that a level of mistrust exists.

Brown et al. (2009) examined the relationship between individual lodging units and their respective brand headquarters. They asserted that a more relational exchange, enabling the development of relational norms such as solidarity (referring to overcoming self-interest to protecting the relationship), conflict harmonisation and role integrity (referring to stability in the roles that each party executes in the exchange) can help to restrict opportunistic behaviour between the parties. This is because a more relational exchange, and relational norms, foster openness of communication between the parties and continuous information exchange promotes trust in the relationship and helps to decrease the level of uncertainty and anxiety (Wang et al. 2008; Brown et al. 2009). Therefore, the study suggests that despite evidence of opportunism a higher level of trust is evident between APs and TOs that operate with a large commitment and exclusivity contract, since a more relational exchange exists. Nonetheless, it can also be argued that the APs have limited alternatives to achieve the necessary tourism flow, thus they must continue their relationship with large TOs despite suspicions of deviant behaviour.

Moreover, two common issues of conflict between the APs and TOs that lead to non-contractual negotiations and require the adoption of influence strategies are overbookings and stop sales. Specifically, overbooking is a common business practice adopted by APs in an attempt to safeguard the unit from the losses that may

arise from cancelled bookings (Ivanov and Zhechev 2012). In such situations the APs confirm more bookings than available capacity at the unit, in the belief that the number of overbooked rooms will correspond to the same number of last minute cancellations, changes in bookings, or customers not arriving (no-shows). If an AP has an overbooking situation, then the guests have to be transferred to another unit. A stop sales situation arises when an AP asks their TO(s) to stop the sale of rooms for a certain period due to high demand that may lead to overbookings. An action that an AP participant noted, “[...] you are essentially cancelling the contract. [...] you are not honouring the agreement.” The TO has the decision making power to decide whether or not to accept a stop sales request. If the TO does not accept the request then it is likely that the unit will have an overbooking situation, in which case based on their contract the APs are legally liable for paying compensation to the TO and the customer.

In the case of overbookings, or in the case of the APs asking for a stop sales, data reveal that the TOs often use coercive influence strategies to achieve their objective. Two AP participants noted:

*“[...] sometimes they might say no way I do not accept the stop sales, if you do this I will not pay you.” (SH:6)*

*“[S]ometimes the TOs will have their arguments to persuade you, other times they threaten that they will stop the cooperation.” (TV:1)*

A TO participant also asserted:

*“[I]f the APs say they have overbookings, we threaten them with how much compensation we are going to charge them as per our contract. We try also to convince them to send the guests of another TO to other hotels and not our guests.” (TO:2)*

The above statements highlight how TOs often adopt threats and legalistic pleas (legal arguments) to discourage APs from their intended behaviour (that is, overbooking and asking for stop sales). Legalistic pleas refer to strategies where the influencing organisation (source) argues that the formal contract between the parties obliges the other party to perform a specific action (Frazier and Summers 1984). For instance, the influencing organisation may impose a penalty for not following the agreement (Gelderman et al. 2008; Payan and McFarland 2005). Conversely, a threat strategy is evident when the influencing organisation (source) conveys to the

other party that negative sanctions will ensue if it does not comply with the desired action of the influencing organisation (source) (Frazier and Summers 1984). Accordingly, the study reveals that the TOs use the contractual agreement to threaten the APs with negative sanctions in order to make the AP to comply with the TO's demands. One could argue that a negative sanction is the financial cost that the APs incur in the case of overbooking, taking the form of a higher room rate for the customer who has to be moved to another unit. Another negative sanction for APs could be related to relationship costs such as a decrease in the trust of the TO (Wang and Bowie 2009) in terms of the reliability of the AP as a partner, particularly if this is a common occurrence. Hence, within the context of this study, the negative sanctions that can be implemented by the large TO seek to influence APs to comply with the demands of large TOs.

Coercive influencing strategies can have a negative effect on the relationship. Leonidou (2005) argued that excessive adoption of coercion in the supplier-buyer relationship can have damaging effects such as poor coordination between the parties, destructive conflict and lack of satisfaction that can ultimately result in a decrease in performance for both parties. Nevertheless, within this study's context, threats and legalistic pleas are often adopted in the relationship between APs and TOs. This is in contrast to the findings of Payan and McFarland (2005) who, within a manufacturing context, noted that legalistic pleas are not often used in practice. One reason for this contrast could be the dynamism of the tourism industry. Overbooking and stop sales are common practice for APs who need to tackle the fluctuating demand levels that characterise the tourism industry and to offset any losses. However, despite the fact that this is common practice, and expected behaviour, it is in violation of the contractual room allocation agreed with the TOs. In turn, it results in the TOs using legalistic pleas and threats to influence the AP's actions and achieve compliance with the contract.

Additionally, regarding the issue of overbookings one TO participant highlighted:

*"[...] we always get overbookings [...] even if you assist hotels by accepting the stop sales and decrease the bookings that they can receive [...] by not fulfilling their contract of the allotment, a hotel can still threaten to overbook you." (TO:1)*

That is to say, changes in their contracted room capacity may harm the operations of the TO given that as the TO participant noted above the TO is threatened by such behaviour. One reason for the TOs to feel threatened may be that overbookings can lead to customer complaints and have an impact on the TO's reputation and result in a decrease in customer loyalty (Hwang and Wen 2009). Hibbard et al. (2001), within a supplier-buyer context, examined destructive actions, which are actions taken by one party that may cause negative repercussions such as loss of revenue for the other party. They asserted that the greater the harm that a certain act may cause the party the more forcefully in a negative way the other party will react. Hence, it can be argued that overbookings can have negative repercussions for the TOs and thus they adopt threats and legalistic pleas to achieve their objectives.

On the other hand, AP participants noted that the TOs may also violate their contract with the APs. As three AP participants stated:

*"[W]hen demand is low the TOs come back to you and they say 'if you want me to work with you, then you must drop the price by 10, 15, 30 per cent' and of course you do that." (HA:2)*

*"[C]ommitment contracts are the worst, you can have a commitment of 120 rooms and the TOs may say, 'Oh, I can't sell 120 rooms I can only sell 70 rooms' so you have no choice but to accept this. What can you do? Take them to court? What are you going to gain from that? You are going to ruin the relationship with the TO and the other TOs as well. This happened to me." (SH:1)*

*"[...] we had to cancel some commitment contracts this year given that some TOs were not able to have a sufficient number of bookings." (SH:7)*

Accordingly, AP participants interviewed noted that the TOs may also breach the contract given that changes to the formal agreement with the APs occur, such as a request to reduce the room allocation. This occurs to offset any losses that they may incur from demand fluctuation. Although, one could claim that a reduction in price or special offer to increase demand is also for the benefit of the APs, the fact remains that the TOs violate the formal agreement.

However, if a party is dependent on a strong party then it is unlikely that the weaker party will reciprocate coercive strategies that may disturb the relationship (Kumar et al. 1998; Tse 2003). Therefore, although the TOs are also in violation of the agreement, the AP participants do not reciprocate with coercive strategies such

as legalistic pleas concerning the financial liability of the TO. This is because the APs, as the weaker party, want to avoid harming the relationship as this may rebound on the AP's performance.

This is particularly pertinent in relationships where high dependence exists, through large commitment and exclusivity contracts. As stressed by one TO participant:

*"[...] we expect more from our key suppliers. We wouldn't expect a heavily branded hotel to treat us the same as they would treat another TO." (TO:2)*

In relationships where large TOs represent a large volume of sales for the AP the pressure is higher to comply and avoid any responses that may damage the relationship or risk retaliation. This is due to the AP's high level of dependence on the TO, thus constraining their bargaining power. Hibbard et al. (2001) identified that a party with a lower bargaining power may perceive that a strong party can afford to ignore any response from the weaker party and as a result has little alternative but to accept the actions of the stronger party. Thus, most AP participants believed that it may be futile to respond with similar coercive strategies given that such strategies may harm the relationship in the future; instead they place emphasis on less coercive strategies in order to achieve their objectives.

On the other hand, the majority of the AP participants adopt non-coercive strategies during non-contractual negotiations. For instance, three AP participants asserted:

*"[...] we will request that the TOs stop sales, however it is up to them to accept it or not, and they can say no and then you have a problem." (SH:13)*

*"[F]or example in the case of overbookings the TO will demand that you accept the reservation. During these situations, it is exactly where personal relationships come in, because using this relationship that you have developed you might persuade the TO to send one reservation and not the five that they might have. Whether you manage to persuade them or not depends on the type of relationship you have gradually developed, and not just on a single occasion that something occurs." (SH:11)*

*"[I]t is always easier to ask for something when you have a good relationship and you know them [...] with a smaller TO that might not send bookings as often you do not have this daily communication,*

*therefore the relationship we have is not as close and it is more formal, and this applies to both sides.” (HA:4)*

The APs can request the aid of the TOs by recommending that they (recommendation influence strategy) send the bookings to another unit but the decision whether to do this lies with the TO. Still, despite the fact that the TO may demand that the AP accepts the booking, the analysis indicates that personal relationships between the members can act as a mediating factor in gaining a more favourable outcome. The importance of personal relationships was supported by fifteen of the AP participants. Papageorgiou (2008) examined the relationship between hoteliers and TOs and identified that the human dimension (for example, personal relationships) plays a critical role in the success of the interaction between actors. Therefore, the use of personal relationships, along with the recommendation influence strategy, facilitates the AP's achievement of compliance from the TO.

A recommendation influence strategy can be considered a non-coercive strategy given that the influencing organisation aims to change the perception of the other party (target) by noting that it will be more beneficial (profitable) for the other party to follow the proposal of the influencing organisation (Frazier and Summers 1984; Payan and McFarland 2005). The adoption of personal relations, or what Yukl and Tracey (1992) and Yukl et al. (1996) named personal appeal, refers to the influencing organisation appealing to the other party's (target's) sense of loyalty or friendship to achieve compliance. This is because when a target has a strong sense of friendship it is more likely that he/she will accommodate the request by helping out with a problem (Yukl and Tracey 1992).

Hence, it can be asserted that the APs adopt less coercive influence strategies focused on changing the perception of the TOs by emphasising the benefits (such as avoiding customer complaints) for the TOs following compliance with their request. Further, personal relations play an even more important role in relationships where large agreements exist and communication is frequent, as both parties have the opportunity to build a closer and more personal relationship. Consequently, within the study's context the APs adopt these non-coercive strategies to influence the negotiation outcome with the TOs, particularly during non-contractual negotiations.

However, two AP participants did assert:



*“[...] no matter how good your personal relationship is, business is business, vested interests must be satisfied.” (IG:3)*

*“[T]he TOs might be positive towards a stop sales request, however, they will not just accept it, you have to negotiate. This is because the TO wants you to feel that you owe him one, thus when he asks for something you will remember that he helped you so you owe him a favour.” (SH:12)*

The above statements show that although the TO may decide to comply with the AP's request the AP is required to give something to the TO as a reward or benefit. Within this context, rewards could include a greater room allocation in another period or a special offer. This was highlighted by twenty of the AP participants. Hence, APs adopt a promise influence strategy. A promise influence strategy refers to the source promising the target a certain reward if he/she complies with the proposed action (Frazier and Summers 1984). Ghijsen et al. (2010) explored influence strategies within a buyer-supplier context and found that promises have a strong effect on achieving compliance since a reward or an incentive is offered. They further argued that a promise influence strategy also has a positive effect on the increase of commitment for the rewarded party because such actions are perceived to promote relationship continuity. Therefore, participant APs adopt promises and personal relationships as influence strategies in order to achieve their desired outcome when negotiating with the TOs, while also focusing on maintaining their relationship with the TOs.

The majority of the AP participants interviewed more often than not adopt non-coercive influence strategies in contractual and non-contractual negotiations. In contrast, large TOs adopt more coercive strategies in their contractual and non-contractual negotiations. The use of coercive influence strategies tends to promote more competitive behaviour in interactions between firms given that each organisation attempts to gain at the expense of the other (Schurr and Ozanne 1985; Frazier and Rody 1991). This can lead to conflict, mistrust, and dissatisfaction on the part of the APs and poor performance of both parties. However, despite the use of coercive strategies some APs interviewed still describe the TOs as associates and partners. Three AP participants stated:

*“[...] we have a cooperative relationship with the TOs. We are associates, he wants me to do well and I want him to do well.” (HA:3)*

*“[I]t is a cooperative relationship and our relationship is extremely good. It is also friendship because after so many years we know them and we have a good friendly relationship. There is communication and we are professionals.” (SH:10)*

*“[...] we have an excellent relationship, for sure. Without cooperation we would not be able to keep this relationship. And this applies to all our associates, not just the TOs.” (TV:3)*

The statements demonstrate that some AP participants perceive that a cooperative mutually beneficial relationship exists facilitating the maintenance of the relationship. Other AP participants within the study, however, claimed that competition is also evident. Two, for example, asserted:

*“[W]ithin the relationship between the accommodation units and the TOs you can find both competition and cooperation, it is a combination.” (SH:4)*

*“[W]hen you are working with the TOs you are constantly experiencing cooperation, competition, defensive feelings, it is a little bit of everything. When something goes wrong you always try to do the best for your company.” (SH:3)*

The difference in opinion between the AP participants can be ascribed to the closeness of the relationship that the parties have. To be precise, in relationships with high commitment and exclusivity contracts, and where the APs consider the TOs to be strategic partners, AP participants tended to describe the relationship as more cooperative. In smaller contractual agreements most AP participants also mentioned that competition is evident.

This is not surprising since various studies identify that organisations concurrently participate in strategies of cooperation and competition in their relationships, in other words ‘coopetition’<sup>41</sup> is evident (Bengtsson and Kock 1999; Nair et al. 2011; Fang et al. 2011; Raza-Ullah et al. 2014). Nair et al. (2011) within a buyer-supplier context claimed that coopetition can be evident in collaborative relational exchanges as well as more discreet exchanges such as arm’s length relationships. Therefore, from Nair et al.’s (2011) assertion, and the above discussion on influencing strategies, within the study’s context it is argued that the

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<sup>41</sup> The term ‘coopetition’ refers to the “[...] simultaneous pursuit of cooperation and competition between firms” (Raza-Ullah et al. 2014, p.189). That is to say, organisations jointly compete and cooperate to achieve their organisational objectives.

relationship of the APs and TOs is one of coopetition; where strategies are focused both on attaining a collaborative competitive advantage and on achievement of individual organisational goals. Fang et al. (2011) argued that a balance between cooperation and competition is the key contributor to sustaining a business relationship. This is because extreme competition may result in excessive self-protection with partnering organisations ignoring the benefits of cooperation (such as resource sharing) and the losses from extreme competition surpassing the short-term losses of cooperation. Therefore, it is important that APs and TOs pursue the achievement of an appropriate balance between cooperation and competition to maintain their relationship.

#### **6.2.3.3. Conclusion**

The analysis reveals that the APs and TOs exercise their bargaining power through various influence strategies to modify the contractual and non-contractual negotiation outcome. In particular, although the TOs adopt some non-coercive influence strategies (such as rationality) they typically use coercive influence strategies and APs perceive them as inflexible in their negotiations. As such, a more competitive negotiation style is used by the TOs, seeking profit-maximisation. The APs frequently use non-coercive influence strategies and are typically more flexible with a cooperative style focusing on a win-win situation. This is attributed to the higher dependence of the APs on the TOs, thus the TOs have a higher bargaining power in relation to the APs during negotiations. Further, due to the asymmetric bargaining power, APs refrain from adopting or responding with coercive influence strategies during negotiations to engender goodwill and avoid any harm to the relationship or retaliation from the TOs.

The type of contract agreed between the parties also influences their contractual and non-contractual negotiations because each contract type has different relational characteristics. For instance, a commitment and exclusivity contract signifies higher dependence between the parties than an allotment contract. Therefore, in large commitment and exclusivity contracts the parties are more cooperative in their negotiations with the TOs and more willing to satisfy their demands, compared with APs operating with allotment contracts. The section below

discusses the emotional factors that influence contractual and non-contractual negotiations between the parties.

#### **6.2.4. Proposition 4: Emotional factors influence contractual and non-contractual negotiations**

##### **6.2.4.1. Introduction**

Emotions are found to play an important role in influencing contractual and non-contractual agreements between the APs and TOs. APs' emotions, namely fear, pressure and bitterness, have an impact on their interactions with the TOs. Business exchanges are rooted in social systems in which social and emotional outcomes co-occur with economic utilitarian ones (Hallén et al. 1991; Stanko et al. 2007; Tähtinen and Blois 2011). In other words, within rational self-interest economic behaviour (such as a business relationship), social, and emotional factors are also at play and have a direct impact on the interactions and outcomes of the relationship. To fully understand the negotiations between the APs and TOs the role of emotions must be considered. Thus, in accordance with Grounded Theory analysis, additional research on emotions is here reviewed. More specifically, research on emotions in organisational behaviour and negotiations literature is used; which primarily draws from the social psychology field. Research pertaining to emotions in B2B marketing management and B2B tourism and hospitality is also utilised.

Emotions are considered to be a temporal affective reaction experienced in response to a significant event or change that is important to the actor (or the firm) or an appraisal of events regarding the ability or inability to attain goals (Kopelman et al. 2006; Andersen and Kumar 2006; Tähtinen and Blois 2011). Emotions can be distinguished and examined at two levels: intrapersonal and interpersonal (Morris and Keltner 2000). The intrapersonal level emphasises the internal emotional experience and its consequences, whereas an interpersonal perspective emphasises emotions as interpersonal communication, the expression of the emotion in a relationship and the interpretation of that emotion. For instance, emotions can be socially-induced through emotional expressions such as happiness that can lead to a reciprocated expression (Druckman and Olekanlns 2008). To better understand human emotion, both the intrapersonal and interpersonal perspectives must be

considered (Morris and Keltner 2000). Within this study both levels of analysis are considered to fully explain the influence of emotions in contractual and non-contractual negotiations between APs and TOs.

Emotions can be distinguished in terms of basic (or specific) emotions such as fear, surprise, sadness, happiness, disgust and anger, or in terms of social emotions such as sympathy, empathy, embarrassment, shame, guilt, jealousy, envy, gratitude, admiration and indignation (Kopelman et al. 2006; Lakomski and Evers 2010). Social emotions or self-conscious emotions regulate and coordinate social behaviour to become embedded in social situations and can sustain relationships (Fiske 2002; Tähtinen and Blois 2011). Social emotions can be strategically chosen from different coping reactions to mediate an individual's feelings and behaviour to gain advantage based on the consequences of previous experiences (Bagozzi 2006). On the other hand, basic emotions create more restrictive responses and do not allow the flexibility and self-regulation that the social emotions offer (Bagozzi 2006). Basic emotions such as disappointment, joy, fear, frustration, happiness and sadness arise from the appraisal of the attainment of certain goals.

When considering the importance of emotions that influence organisational behaviour, it is critical to understand their role in the contractual and non-contractual negotiations between the APs and TOs. This is discussed below.

#### **6.2.4.2. Discussion of proposition 4**

A feeling of fear is evident for the majority of the AP participants, which influences the outcome of their contractual and non-contractual negotiations with the TOs. Three AP participants asserted:

*"[...] the TOs will not come back if they do not make any profit. If the TOs do not win [make any profit], then you lose [profit] forever. The hotel will be here for the next 30 or 40 years we are building a future with these TOs."* (SH:2)

*"[T]he TOs can punish APs if they want to. They can stop sales, they can give you the worst page on their website or they might not put the advantages of your hotel on the website."* (SH:3)

*"[...] if we do not go along with them then we will not be able to keep them."* (HA:4)

Following the above statements two forms of fear are felt by the APs, namely fear of

losing the TO as a buyer and fear that if unresolved conflicts exist the TO may punish the APs and lead to the discontinuation of the relationship. Equally, Buhalis (2000) found that, due to fear of confrontation and negative sanctions which could be applied in the future, hotels in Greece did not reduce the agreed allocation for TOs that had not been able to fulfil their contracts. Specifically, the high dependence that exists between the APs and TOs results in the APs participating within the study focusing on satisfying the demands of the TO in negotiations. This is done in order to maintain their relationship and despite the fact that they may be losing in the short-term, due to fear of losing the TO.

Discontinuation of their relationship with a TO can threaten an AP's survival and can create uncertainty for them given their high dependence on the TOs in order to achieve their organisational objectives. Tähtinen and Blois (2011) explored emotions in problematic B2B relationships and noted that fear of losing a major customer and uncertainty result in efforts by the dependent party to protect and avoid the dissolution of the relationship. Therefore, within the study context, APs fear of losing the TO leads APs to accommodate the demands of the TOs in order to prevent a discontinuation of their relationships that could lead to financial loss.

In addition, three AP participants operating with large agreements with the TOs stated:

*"[...] if you are totally dependent on the TOs if they want to harm your business they can. This is how much power they have." (SH:13)*

*"[T]he large TOs, the big players who transfer the masses [...] know they are strong, they know that they can make or break some hotels." (HA:4)*

*"[I]t is not advisable to depend a lot on one TO because if something goes wrong he can destroy you." (SH:7)*

That is to say, where APs are highly dependent on one TO for their volume of sales, through commitment and exclusivity contracts, the feeling of intrapersonal fear is more intense for the APs. In section 6.2.3 it was indicated that strategic partners of the large TOs, that mainly operate with commitment and exclusivity contracts, have a high bargaining power, due to their highly desirable resources (such as product quality and reliability). However, the APs have a higher dependency on the large TOs due to the limited alternatives that they have for generating a satisfactory

tourism flow from other sources. Thus if a large TO decides to change suppliers then the highly dependent AP's viability is at risk.

Consequently, the majority of the AP participants noted that they prefer to accept the demands of the TOs, rather than risk losing them. For instance, two AP participants highlighted:

*"[O]f course, the open market is better, what I mean is to have all the TOs rather than have exclusivity. However, will all these TOs still give you the same occupancy levels? Or by cooperating with a strong TO and giving him an 80% guarantee of the hotel, will you be in a better position? [...] You will know that you have 80% guaranteed occupancy. [...] despite the pressure on price [...] you cannot risk doing something else given that you have something that is guaranteed with the desired turnover." (IG:2)*

*"[W]e have continued working with the same TOs for the past 10 years because you cannot risk doing something else given that you have something that is guaranteed, with the satisfactory turnover and the number of people that the TO brings for you." (SH:11)*

A statement which is illustrative of the insecurity and fear felt by some AP participants is given below:

*"[...] if the TO is not satisfied, I will not have any guests; he will stop working with me. So what can I do after that? Stand on the edge of the motorway with a gun and tell people to check-in at my hotel?" (SH:7)*

Therefore, despite the pressure that APs experience in terms of price, the majority of those interviewed, particularly large size units, do not want to risk working with alternative or smaller TOs. This is because smaller TOs can create a level of uncertainty in terms of receiving the necessary tourism flow and receiving payment. This was a view supported by twenty AP participants.

Bastakis et al. (2004) argued that a contract with a TO reduces the risk for APs because APs are able to sell their product in bulk and do not need to spend on promotional material. Hence, the large distribution network of large TOs and the financial power that they have makes the APs feel more secure that they will achieve their organisational goals. This is despite the fact that commitment and exclusivity contracts increase the dependence of the APs on the TOs and give the TOs more control over the unit. Lerner and Keltner (2001) found that fear, associated with a sense of uncertainty and a feeling of lack of control, resulted in actors that

experience fear making risk-averse decisions to enhance certainty and avoid loss. Similarly, Young (2006) identified feelings of security and confidence as emotions that help to sustain the relationship given that they can influence assessments of risk. Therefore, within the study's context, APs more often than not engage in large commitment and exclusivity contracts and follow the TO's demands in negotiations to sustain their relationship because they are afraid to lose the TO, and in turn their security.

However, in situations where dependence on the large TOs is lower, such as in allotment contracts, the APs fear decreases. An illustrative statement was offered by one AP participant:

*"[...] the APs are afraid of the TO and they are frightened in case the TO threatens the hoteliers that they will stop their cooperation, but one should never be afraid during negotiations." (SH:3)*

That is to say, for some APs intrapersonal fear may be lower (or non-existent), thus they are not afraid of the potential for non-agreement. This view was highlighted by five AP participants. Specifically, the participant above operated with an allotment contract, and had a diversified supply of tourism flow comprised of a number of TOs, and thus a low dependency on the large TOs.

In the past, this specific accommodation unit operated with commitment and allotment contracts with large TOs. However, the AP stated that the relationship was not profitable due to the very low prices that the large TO demanded and as such a strategic decision was taken to stop operating with large commitment and exclusivity contracts. This decision was facilitated by the size of the unit (medium size) given that a smaller unit requires a smaller tourism flow. Consequently, the unit began operating with allotment contracts and various smaller and niche TOs. The AP participant also asserted, "[....] it was the right decision for our unit" despite the lower occupancy rate that they now have.

Negotiators understand and evaluate their negotiation outcomes as either gains or losses, such as the outcome of non-agreement or their expected gain (De Dreu et al. 1994; Bagozzi 2006). When the prospect of potential gains in the relationship is more prominent, negotiators are likely to act in ways that will result in a successful completion of the interaction, whereas if the potential for loss is more evident, then actors may act in ways that may damage the likelihood of completion



(Anderson and Kumar 2006). Accordingly, for the AP participant above, operating with the allotment contract, the intrapersonal feeling of fear was lower (or even non-existent) given that the loss of (or non-agreement with) one TO can be recouped by an agreement with another TO.

Furthermore, in relation to the AP's fear of losing their TO, three AP participants highlighted:

*"[...] you keep quiet [...] because if you say something you have a bad relationship with the TO and since they can find rooms everywhere, this is not helping you. We don't even say anything." (SH:11)*

*"[T]here is no way a hotelier can take advantage of a TO, the TOs have the upper hand and it is their game. As hoteliers we are just going along with them. However, we do not blindly obey them but they do have the upper hand." (SH:10)*

*"[O]n the one hand you want the TO to bring tourists to your hotel and on the other hand you can see them taking advantage of the situation sometimes. And you feel that you have no choice but to accept what the TO wants in order to continue your cooperation. Because if you don't do this then the TO will stop the cooperation because he will say 'there is no point in continuing with you if you are going to make my life difficult'." (SH:9)*

The above statements show that AP participant's fear of losing a TO often leads them to avoid confrontation with the large TOs. In order to prevent any damage to the relationship, this also applies in situations where they suspect the TO of opportunistic behaviour.

One can interpret such views as illustrating a sense of powerlessness on the part of the APs in their relationship with large TOs and slight mistrust since they will avoid conflict to avoid damaging the relationship. Gaski and Ray (2004) argued that the feeling of powerlessness suggests a sense of loss of control in dealings with the exchange partner. The sense of powerlessness contributes to the alienation of the exchange partner: that is, a feeling of separation or distancing from the norms and ideals of the distribution channel institutions and procedures (Gaski and Ray 2004). Bairstow and Young (2006) explored harmful acts (such as consolidation of the distribution channel) within a supplier-buyer setting. Bairstow and Young (2006, p.8) found that smaller size partners are often reluctant to react to harmful acts by the larger partner and typically accept the behaviour through passive acceptance and

an internal “[...] deep psychological sense of dissatisfaction and separation” with their exchange partner.

Hence, within the context of this study it may be argued that, due to asymmetric dependence, APs feel a certain level of alienation from and dissatisfaction with the large TOs, and particularly a feeling of powerlessness in controlling their business activities; thus they passively accept large TO behaviour. This is in line with the findings of Papageorgiou (2008) who examined the human dimension of the relationship between TOs and hoteliers in Greece and recognised that, specifically for smaller hoteliers, the asymmetric power relations often result in blind acceptance of the terms of the TO. This was displayed in an attitude of fatalism or resignation in the relationship (Papageorgiou 2008). Similar feelings were also evident in the relationship between the APs and TOs within this study, where the feeling of alienation or powerlessness led to a feeling of resignation and thus a likelihood that they would follow the demands of the TO rather than make a stand.

Alienation of the exchange partner creates dissatisfaction and can decrease loyalty and commitment due to the exchange partner’s feeling of separateness (Bairstow and Young 2006). However, within this study it is argued that despite the APs’ dissatisfaction, in terms of feeling powerless, the higher dependence of APs on the TOs leads APs to avoid any actions that may harm their relationship, due to fear of losing the TO. Hence, for the majority of the APs the intrapersonal emotion of powerlessness has an impact upon their decisions in contractual and non-contractual negotiations.

Although all industry and Government participants highlighted that TOs control the tourism industry, a small number of AP participants did not feel powerless in their relationship with the TO. As two AP participants asserted:

*“[I]f I know the key people in the companies that are relevant to my vicinity, my area, I can then influence things. Having a good overall product, and if the TOs trust you and they know you they will usually respond to your requests.” (IG:3)*

*“[U]sually the TOs are the ones asking for things. When we ask for something we might not be able to come to an agreement. But, this also depends on how important an associate is to the unit and how important the unit is to the TO. Also on how good the relationship is*

*between the AP and the TO [...]; and always provided that the interests of the TO are not harmed.” (HA:1)*

These AP participants feel that they do have some control over their decisions. These diverse opinions can be attributed to organisation specific characteristics. One of the AP participant above is a director in one of the accommodation chains in the ROC, controlling a large number of beds (a critical resource for TOs). He also has a very close relational exchange, engendering cooperation and trust, with the TOs. Thus, due to the long-term relationship between the AP and the TO, a personal relationship has been created together with emotional bonds.

Within a B2B context, Paulssen (2009) identified that feelings of attachment (feeling secure and able to rely on one’s business partner), and having a personal comfort, both influence the level of trust and satisfaction in the relationship. Personal relationships between suppliers and buyers are characterised by trust, respect and reciprocity (Carey et al. 2011). Therefore, due to the close relational exchange between the large TO and this specific AP, and the creation of a personal relationship, a sense of comfort is created. As a result, the feeling of powerlessness of the AP is lowered. This creates a sense of control in business decisions for the AP given that he feels in a position to make requests and achieve benefits in contractual and non-contractual negotiations.

Moreover, two AP participants operating with allotment contracts with TOs noted:

*“[...] we have our prices. I have to sell at this prices, otherwise I will not make a profit.” (SH:4)*

*“[W]e have a certain pricing policy that we cannot change, we have certain operating costs and payroll expenses that we cannot change, and we cannot change our margins.” (SH:1)*

In other words, the statements above indicate that APs who operate with smaller allotment contracts typically feel that they have more control over their decisions and the feeling of powerlessness is lower, particularly in terms of pricing. This can be attributed to their lower dependence on large TOs to help achieve their organisational objectives due to their diverse supply channels. As a result, the fear for these APs regarding losing a specific TO and powerlessness is decreased. The feeling of fear can cause a negotiator to conform, to avoid actions that might offend

or harm the other (Morris and Keltner 2000). Therefore, due to the lower level of fear and powerlessness, AP participants operating with smaller allotment contracts feel that they have more control in their relationship, and can decide either to comply or not with the TO's request.

Additionally, the majority of industry participants who had a direct relationship with the TOs mentioned that TOs take very high risks (such as financial risks) to support their operations in the ROC. As one travel agent highlighted:

*"[D]ue to competition and the risk they are taking, large TOs are much more careful and assertive when it comes to their contractual negotiations." (TA:3)*

Two AP participants commented:

*"[...] of course where competition exists you [TOs] need to be aggressive, you [TOs] need to take risks and be tougher in terms of your associates, the employees, the payroll, the prices you [TOs] are going to agree on with the hoteliers, the benefits we provide for example to the representatives of the TO such as free food and accommodation." (SH:13)*

*"[T]he TOs also take risks in chartering planes in advance and they operate in a very competitive market [...] and of course they will ask for discounts if demand is low. They take a very high risk and they invest in the ROC so this behaviour is not surprising." (HA:3)*

The above statements indicate that industry participants, including the AP participants, understand the reasons behind the TOs' behaviour in negotiations, their tough negotiation stance, and can rationalise the TOs' behaviour. This could be attributed to the dependence of the APs on the TOs, resulting in the TOs' high bargaining power.

Van der Toorn et al. (2011) examined the influence of dependence on legitimacy within dyadic social relations using system justification theory. System justification theory stipulates that individuals are motivated to system justify because it aids in decreasing uncertainty, mediating threats, and forms a feeling that there is shared understanding with which to sustain a common reality (Van der Toorn et al. 2011). Van der Toorn et al. (2011) found that power can give legitimacy to an actor. This is because, when an actor is dependent on a powerful other to achieve his/her outcomes, he/she is motivated to perceive the authority figure (powerholder) as comparatively legitimate in order to rationalise the system of

power relations and to “[...] feel better” about the status quo (Van der Toorn et al. 2011, p.128). Moreover, within a buyer-supplier context, partners may be wary of a partner’s actions, however a partner that has legitimacy then his behaviour is also considered legitimate and can sustain contractual and competence trust, and reduce uncertainty and risk (Ireland and Webb 2007). Legitimation also gives the power holder more discretion to make decisions and increases compliance of the weaker party (Van der Toorn et al. 2011).

Following the above rationalisation, it can be asserted that, in a sense, AP participants have legitimised the actions and behaviour of the TOs and have accepted their authority in the tourism industry and in their relationship. In particular, the large organisational power of large TOs, stemming from their control of critical resources (such as financial, information, customer base), and the high dependence of the APs, gives more discretion to the TOs to make decisions in the relationship. Thus, it results in the APs’ acceptance and compliance with the requests and actions of the TOs who seek to maintain their competitive advantage. This can also be supported by the fact that in the tourism literature large TOs are considered to be key to promoting sustainable practices in the tourism supply chain (Carey et al. 1997; Budeanu 2005; 2009; VanWijk and Persoon 2006). This is because their powerful position (stemming from their large size and buying power) allows them to influence behaviours and attitudes prompting suppliers into actions regarding sustainable practices (Budeanu 2005; Sigala 2008). Céspedes-Lorente et al. (2003) investigated the adoption of environmental practices by Spanish hotels. They argued that despite the lack of regulation the strong power of TOs as major stakeholders of the hotels plays a major role in hotels adopting environmental practices. Thus large TOs are considered to be a legitimate authority and APs feel that they have the right to influence their behaviour.

Furthermore, interview data reveal that in highly dependent relationships APs regulate their opportunistic behaviour, not only in negotiations but also in strategic and operational decisions, to prevent any damage to their relationship with the TOs. Two AP participants commented:

*“[I]f the TOs find out that you gave a special offer to another TO and not them they will call you out on it. That is why the decision of most APs is that once you give a special offer to one market, that is to one*

*TO, you give it to all. [...] Therefore it is better if you give it to all and you are fair with each and every one, so next year they do not punish you or they don't stop the sales; you need to have good cooperation with them.” (SH:2)*

*“[...] our current collaborators would not want us to work with some specific TOs that are known for driving volume and might attract lower cost tourists to our hotels. [...] so sometimes our decisions are also influenced by the wants of our associates because you don't want to have any problems.” (IG:1)*

The above statements point out that APs consider the response or reaction of large TOs in business decision-making in order to avoid harming the relationship in any way that may lead to retaliation from large TOs or discontinuation of the relationship. Fiske (2002) argued that social and moral emotions such as ‘fear of’ judgments, punishment or rewards are self-regulating emotions that allow individuals to cooperate and maintain relationships. This is because, they cause individuals to resist the temptation to defect or shirk due to fear of negative sanctions or loss of reward. An individual who consistently resists the temptation to defer is considered trustworthy (Fiske 2002). Hence, the ‘fear of’ judgments, punishment or rewards, can motivate individuals to guide and adapt their behaviour to preserve important relationships and build or maintain trust. Accordingly, within the study’s context AP participants’ intrapersonal fear of punishment or loss of reward (discontinuation) motivates them to self-regulate their self-interest behaviour to avoid harming a relationship which is critical to their business, namely their relationship with the TOs.

Thus, APs direct their behaviour and actions in maintaining their relationship with the TOs through avoiding temptation and engendering a positive emotional atmosphere. Zehetner (2012) argued that in long-term relationships positive emotional atmosphere, in the form of happiness, pleasure, and thrill, are crucial to maintaining the business relationship, whereas negative emotions such as annoyance, tension and anger have a negative impact. He further noted that positive emotions significantly contribute to satisfaction and influence actors’ behaviour given that they play a key role in forming and influencing the cognitive evaluation of the relationship. Positive emotions also reinforce trust in the relationship because actors often use their feelings as the information basis on which to assess the trustworthiness of the other (Andersen and Kumar 2006). Hence, the actions of the

AP participants, which avoid creating negative emotional atmosphere in the relationship enable them to maintain the relationship with positive emotions, increase the TO's perceived satisfaction with the exchange, and build trust and thus increase the likelihood of continuity.

Moreover, in order to maintain their relationship, APs offer incentives to the TOs, as highlighted by two AP participants:

*"[...] with our major TOs we are willing to give them something extra because we have daily communication, a good relationship and they send us a big volume of business. [...] If they want a room for a colleague and we have availability we will give it to them." (SH:10)*

*"[We] also insist that, when the TOs have empty seats on their planes [...] to invite their agents and sales representatives to organise educational trips to promote the hotel and the ROC. [...] We offer them 3 to 4 days' free accommodation, we show them around the hotel so they learn what we offer, and we meet them face-to-face as well. We educate them regarding our product. [...] so they will recommend the hotel as well. These things help in the relationship." (HA:2)*

Therefore, some APs are flexible and offer incentives in order to maintain a good personal relationship with the TOs. This view was supported by fifteen of the AP participants. Incentives, or 'extras' as APs describe them, are given to the TO directly or the TO's customers. These APs make an effort to form a more personal connection with the TOs that can create emotional bonds between the APs and TOs and thus a positive emotional atmosphere in the relationship.

Interpersonal emotions, which are emotions expressed in a relationship, can influence the subsequent interaction and can induce reciprocal behaviour (Morris and Kelner 2000). Stanko et al. (2007) argued that emotional bonds and their intensity, referring to the feelings that partners have beyond the fiscal exchange such as emotional attachment and excitement expressed in the relationship, lead to harmony and support between the parties. As a result, emotional bonds can increase the commitment and involvement of the parties in the relationship (Stanko et al. 2007). This is because they enable the creation of deep-rooted norms that posit fairness and honesty and they offer the support needed to manage changes and uncertainty in the relationship. Within the study context, positive feelings are expressed in the relationship because the APs adopt a more personal approach and

offer incentives to the TOs. Consequently, this induces positive reactions from the TOs and enables the formation of emotional bonds that engender commitment on the part of both partners.

The above tactic is not surprising since in asymmetric power relationships weaker parties tend to emphasise social aspects (such as honesty, openness and loyalty) and create emotional bonds by treating the stronger party in a more personalised way or less standardised way (Morrissey and Pittaway 2006; Johnsen and Ford 2008). Hence, by the APs promoting a close relational exchange, through offering incentives and building personal connections (friendships), a positive emotional atmosphere can be created, engendering satisfaction for the TOs. Accordingly, it can be claimed that these actions help APs to achieve their negotiation objectives and to maintain the relationship.

However, despite the fact that AP participants are generally satisfied in their relationships with the TOs, describing the TOs as “friends” and “partners”, the findings also indicate that some APs harbour feelings of bitterness. An AP participant asserted:

*“[S]uperficially we might be smiling and shaking hands when the contracts are signed, however deep down I personally believe there is always a feeling of bitterness between the parties. The bitterness goes from the weaker party towards the stronger party. [...] because as I mentioned earlier the contracts are always more beneficial for the TOs, there is a bitterness in the relationship. You cannot see it but it is there. A contract that occurs under these conditions can be considered as good.” (SH:8)*

That is to say, although APs and TOs operate in a positive emotional atmosphere, and interpersonal emotions of happiness are evident (portrayed by smiles when signing an agreement), still there is a deep intrapersonal emotion of bitterness; as the AP participant above stated, “[...] you can’t see it but it’s there.” This is because the data reveal that some APs perceive that the contracts may not be as balanced or fair as they should be.

Although only one AP participant labelled the feeling of bitterness that derived from evaluating the situation as unfair, this feeling was evident in the narratives of other participants as well. For instance, when the researcher asked two AP participants whether they were satisfied with the current contracts the



participants laughed out loud and stated:

*“[W]ell everything depends on the specific TO you are negotiating and signing a contract with.” (SH:7)*

*“[T]his is how a business relationship begins, it’s part of the process. You sign a contract. [...] it is something that needs to be done. You cannot do anything about it.” (SH:4)*

Another AP participant noted:

*“[S]ometimes the contract is a necessary evil, we must go through with it to have the necessary occupancy, on other occasions, we also want to keep the relationship going because it is beneficial to us.” (SH:1)*

Thus, the AP participants answered the question very diplomatically without being clear whether their emotions were positive (happiness and excitement) or negative (bitterness and disappointment) when negotiating a good deal. This could be due to the fact that managers who admit and accept their sensitivity to issues that derive from their emotions are rare. Although they may acknowledge that emotions play a part in other organisations, they may state it is not the case for them (Donada and Nogatchewsky 2009). Similarly, in the context of this study AP participants avoided describing feelings and used diplomacy in phrasing their answers and comment on their views regarding satisfaction with contracts.

Nevertheless, from the above statements it can be argued that negative intrapersonal emotions are evident, namely a sense of bitterness. For instance, the AP participant above described a business action as a “[...] necessary evil”, in other words an unpleasant action that must be accepted to realise a certain outcome (Cambridge Dictionary 2015). As mentioned previously, this can be attributed to the fact that some AP participants perceive that the contracts are not as balanced or fair as they could be. Bitterness is described as anger and disappointment stemming from the perception of being treated unfairly (Oxford Dictionaries 2015).

Perceptions of fairness are perceived to have two key elements: procedural fairness and distributive fairness (Kumar et al. 1995). Within the context of supplier-buyer relationships, Ting (2011, p.64) argued that procedural fairness refers to the “[...] processes by which the distributive outcome is produced” such as participation, communication, dialogue and decision-making processes. Distribution fairness refers to the fairness of the rewards or outcomes that the parties receive in

the relationship relative to their efforts, particularly economic issues such as profit, pricing factors, promotional support and sales generated (Kumar et al. 1995; Ting 2011). AP inputs could be economic and non-economic resources to ensure the best quality product for TOs and their customers (tourists); for example, investments in renovation and human resources, as well as resources to maintain a good relationship with the TO such as price concessions and flexibility.

Barclay et al. (2005) argued that perceptions of unfairness are often associated with negative emotions (such as anger and hostility) towards the individual that caused the injustice. Anger can indicate various messages such as dissatisfaction with a treatment or action, violation of justice, or abuse of power, and individuals tend to react with resentment and bitterness (Barclay et al. 2005; Lazarus and Cohen-Charash 2001). This occurs because perceived unfairness causes the individual to feel less valued, not respected or not considered as important within the social context (Barclay et al. 2005). Therefore, it can be argued that some AP participants perceive that there is an unfair distribution of outcomes (fiscal) in the relationship relative to their efforts (inputs). This perceived unfairness leads to bitterness towards the TOs given that these participants (APs) feel that they are not valued and respected in the relationship.

One reason for this can be attributed to the asymmetry of bargaining power that exists between the two parties. As two AP participants stated:

*"[...] fairness depends on the power balance of the two parties; the one who has more power and controls the situation will decide what is fair and the party with lower power follows." (SH:6)*

*"[T]he party that will win the [negotiations] game is the one that has the higher power. The party that has the power always changes depending on the situation." (SH:9)*

As highlighted earlier, more often than not, large TOs dominate the relationship in general and negotiations in particular and APs have a sense of powerlessness, a feeling that they have limited or no control over their decision-making. Procedural fairness emphasises that individuals have a desire to control the decisions that influence their outcomes and if they have no control over the process they may perceive the process to be unfair (Hegtvedt and Killian 1999). Consequently, within the study's context, due to the unequal power between the parties the TOs dominate

negotiations and use coercive influence strategies to gain concessions, thus APs have a feeling of powerlessness, or more precisely, a loss of control in the decision-making that leads them to perceive the process as unfair.

However, some APs disagreed that unfairness exists. As one AP participant emphasised, “[F]air is a win-win situation” (SH:5). Two AP participants also asserted:

*“[Y]ou have to create a win-win situation everywhere in this life. [...] Why do you enter into this agreement? [...] why do you sign a contract with the TO? The TO wants to win and you want to win. And when you win you have to make sure that he wins as well.” (TV:1)*

*“[F]rom our side I believe that a win-win situation exists. And I believe that for most businesses in the ROC that consist of professionals a win-win situation exists.” (TV:3)*

The above statements indicate that not all AP participants express a feeling of bitterness or perceive that there is unfairness in their relationship with the TOs. Some claim that they have a win-win situation. Another AP participant commented:

*“[I] believe we do have a win-win situation with the TOs of the highest degree [...] at least in most cases.” (IG:3)*

That is to say, although this AP participant stated that a win-win situation exists he also noted that this may not always be the case. The AP participant making this particular comment manages a large chain of units and has a close strategic relationship with the TOs, thus he is also highly dependent on the TOs for tourism flow.

Gu and Wang (2011) examined the role of fairness in relationship enhancement in an asymmetric distributor-manufacturer relationship and found that when a party is highly dependent on another the dependent party is less influenced by judgements of fairness. This is because the dependent party has limited control over accepting or rejecting an offer or directive by the powerful party. Following on from Gu and Wang’s (2011) observation one could argue that, due to the high dependence of APs on the TOs, any issues of unfairness may be disregarded. Conversely, although the majority of the AP participants may perceive that they have a win-win situation, and perceive that fairness exists in the relationship, still a deep intrapersonal sense of unfairness may be detected.

On the other hand, the fact that perceptions of unfairness exist in some relationships between the APs and TOs can have a negative effect on the future of their exchange. Samaha et al. (2011, p.99) identified that perceptions of unfairness in buyer-supplier relationships can act as a “poison” because they can intensify the negative impact of conflict and opportunism and can inhibit cooperation, flexibility and the ultimate success of the relationship. Hostility and bitterness caused by conflict in a relationship can result in relationship dissolution (Morgan and Hunt 1994).

Moreover, Ting et al. (2011) identified that distributive and procedural fairness between a supplier and buyer increases satisfaction and engenders a high level of trust and commitment. As one AP participant stated, “[...] if the contracts were fairer then we would have more trust in the relationship” (SH:6). Therefore, increasing the perception of fairness is critical to the success of the relationship. Moreover, if parties feel that they are fairly treated then they feel more confident and their self-esteem increases, thus it is more probable that they will develop and sustain a long-term relationship (Gu and Wang 2011). Hence, it can be argued that perceptions of unfairness can have a negative impact on the relationship between the APs and TOs, for example, decreasing the trust between the parties, increasing opportunistic behaviour, or creating a negative emotional atmosphere that may harm a successful relationship.

Conversely, three AP participants asserted:

*“[T]he relationship between the APs and TOs is a commercial transaction [...] the target is profitability for both parties. Once an agreement is reached, it is reached.” (IG:1)*

*“[...] we need to survive and working with a large TO who you know will pay you on time you are more relaxed.” (SH:7)*

*“[...] you shouldn’t be happy that the TO is paying you on time because he is just honouring the contract but strangely enough this is how we APs think. We are happy.” (SH:10)*

A travel agent stressed:

*“[U]ltimately it comes down to the fact that the APs need to pay the banks and the TOs need good prices.” (TA:2)*

In other words, perceptions of whether the agreement is fair or not should not be an

issue in the relationship and both parties enter the relationship to achieve certain financial gains. Further, considering that the majority of the AP participants are highly dependent on the TOs their relationship bestows a sense of financial security and allows them to continue their operations.

Gassenheimer et al. (1998, p.325) commented, “[...] some relationships demand that parties compromise in order to survive.” Consequently, it can be argued that these three participants believe that this is the nature of commercial relationships. Hence, due the nature of the relationship it has nothing to do with perceptions of fairness, but rather an acceptance of the market forces, economic motivations and fear of losing the TO. As Pillutla and Murnighan (1996, p.221) affirmed, “[...] money can overcome negative feelings.” Few people will decline large sums of money, even though they may feel angry with the individual offering that money, and may perceive that the offer is not fair. Therefore, within the study’s context the AP’s dependence on the TO to achieve their organisational objectives restricts their bargaining power and prompts them to accept the demands of the TO in order to survive.

Tähtinen and Blois (2011) claimed that both positive and negative emotions can be evident in the relationship and influence the business interactions that occur. Business owner/managers in general, and tourism owner/managers in particular, have to deal with emotionally demanding situations in their working environment, for example, changes in demand levels requiring continuous negotiations, stress in terms of receiving payments on time, and maintaining important relationships such as their relationship with the TOs. Hence, within this study, positive and negative intrapersonal and interpersonal emotions are evident in the relationships that influence contractual and non-contractual agreements between the APs and TOs.

#### **6.2.4.3. Conclusion**

The examination indicates that positive and negative emotions influence the interactions and outcomes during contractual and non-contractual negotiations. The APs have a feeling of fear and pressure in their relationship with the TOs, and in particular, a fear of losing the TOs. This is mainly attributed to the demand uncertainty that exists in the tourism industry and the high dependence of the APs on a small number of TOs. Therefore, the APs more often than not comply with the

TOs' demands during negotiations in order to safeguard their relationship and secure a contract with a large TO in order to survive. Further, perceptions of unfairness creating a feeling of bitterness for some APs towards the TOs are also identified. Also, the asymmetric bargaining power between the parties results in TOs being considered an authority in the relationship. This allows the TOs more discretion to take decisions, and prompts APs to comply with the TOs during negotiations. Nevertheless, regardless of the negative emotions identified, the APs comment that the TOs are their friends and partners, noting that positive emotions such as happiness and confidence exist in the relationship, engendering its maintenance.

The above discussion focused on the relational factors, and specifically on the role of emotions in the contractual and non-contractual negotiations of the APs with the large TOs. The proposition below discusses the influence of external structural factors (industry characteristics and culture) on the AP's ability to negotiate pricing and volume of sales outcomes.

**6.2.5. Proposition 5: Culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations**

**6.2.5.1. *Introduction***

This proposition analyses how external structural aspects, industry characteristics and culture, influence the bargaining power of the APs and TOs, and as such their ability to negotiate pricing and volume of sales. Specifically, it examines the impact of industry-specific factors, such as the expensiveness of the destination, oligopolistic TO market, oversupply of accommodation units, competition between the APs and seasonality. Further, it discusses the cultural factors that can constrain or strengthen the bargaining power of the APs and influence pricing and volume of sales outcomes. To fully examine this proposition, the bargaining power literature reviewed in Chapter 2 is utilised as well as additional literature. The additional literature pertains to pricing research in B2B marketing management and strategic management within a tourism and hospitality context, particularly focusing on the influence of market forces such as demand and supply and industry competition (domestic and international).

As stated earlier (section 6.1.) all propositions are interrelated and interconnected, thus, all factors discussed in previous sections influence pricing and volume of sales negotiation outcomes. Therefore, to fully explain these negotiation outcomes it is critical to include sub-categories noted in previous propositions, such as culture. Accordingly, the section below examines the influence of culture and industry characteristics on pricing and volume of sales outcomes.

#### **6.2.5.2. Discussion of proposition 5**

All industry participants highlighted the expensiveness of the ROC as a destination. For example, four AP participants stressed:

*“[C]ompetition is high. Our tourism product is not differentiated enough from much cheaper countries with a lower cost structure than ours.” (HA:1)*

*“[...] the flights and the airports are expensive. We have very high costs, everything is expensive.” (SH:13)*

*“[W]e are in direct competition with Turkey. They are much cheaper. They are not in Europe. So they do not have the 18% VAT we have here, salaries are lower, their supply is enormous and they can have lower rates.” (TV:2)*

*“[...] the ROC as a destination is not for the mass market, we cannot compete on price.” (SH:6)*

The above statements indicate that the ROC is considered to be an expensive destination in relation to its competitors such as Turkey and Greece, constraining its competitiveness. This is mainly a result of high airport taxes and charges, taxation at the destination, cost of fuel, and high salaries of tourism employees that contribute to the price competitiveness of the ROC (Tsangari 2012). Equally, Farmaki (2012) argued that the high cost structure of the ROC is confusing and conflicts somewhat with the island's focus on mass packaged sun-and-sea price sensitive tourists, thus diminishing its competitiveness for the mass market. This intensifies the pressure on APs to offer a lower price to the TO in order to be able to compete with similar destinations that have a lower cost structure such as Turkey and Greece. As such it can be argued that the expensiveness of the destination restricts the bargaining power of the APs in negotiating with the TOs.

Indeed, two AP participants noted:

*“[...] in negotiations the TOs usually argue that the ROC is 20% to 30% more expensive than our competitors.” (SH:11)*

*“[T]he TO knows that businesses are trying to survive and they will say ‘you can’t give us an increase; Turkey is much cheaper.’ They use the competition of different countries and the game starts.” (SH:7)*

That is to say, prices of competing destinations are often mentioned in contractual negotiations as a lever for obtaining lower prices, thus constraining the AP’s ability to negotiate price during contractual and non-contractual agreements. Tsangari (2012) examined the key determinants of demand for the ROC and identified that the relative prices between the ROC and competitive markets such as Greece, Spain and Turkey influence demand levels. In particular, the ability of competitor countries with lower operating costs to offer a better value for money proposition increases competition for the ROC (Tsangari 2012). Therefore, price competitiveness is vital to enabling the ROC to stimulate demand and compete in the price sensitive packaged sun-and-sea market. The importance of destination-specific resources influencing the bargaining power interactions of the APs with the TOs has also been identified in section 6.2.2. However, as mentioned in section 6.2.2, the current centralised Government system in the ROC, characterised by bureaucracy, hinders tourism development and enrichment of its sun-and-sea product that could improve its attractiveness, and in turn its competitiveness in the international market. Hence, it can be asserted that the fact that the ROC is perceived as expensive by the TOs in relation to competitive destinations, restricts the ability of the AP participants to negotiate price, since the APs often need to offer a low price to the TO in order to be competitive and ensure satisfactory demand levels.

Moreover, two AP participants stated:

*“[T]hese TOs have good packages, they have good agreements, they have their own flights with lower financial cost so they create a very competitive package for the ROC and they consistently bring tourists to the island.” (TV:2)*

*“[T]he TOs take advantage of the fact that the ROC is isolated from Europe and the surrounding countries so accessibility is low. Therefore, TOs organise the flights and they are very effective in transferring tourists to the island, so it’s very difficult for us.” (SH:1)*



In other words, the TO's capacity to attract and transport a large tourism flow is critical due to their ability to create an appealing cost-effective package for the tourists. This ability mainly derives from the standardised tourism product and economies of scale they can achieve from their large distribution network (Bastakis et al. 2004; Alegre and Sard 2015). The capacity of the TOs to create a cost-effective package is particularly significant for the ROC, a mature destination that has a highly substitutable sun-and-sea tourism product targeting an extremely price sensitive tourist with diverse and demanding needs (Machlouzarides 2010; Karyopouli and Koutra 2012). Therefore, the intense competition that APs face from destinations offering a similar sun-and-sea tourism product increases their dependence on the large TOs to transfer the necessary tourism flow. In turn, it restricts the AP's bargaining power and their ability to negotiate.

Indeed, the majority of the AP participants mentioned that promoting their units effectively in the source markets is difficult. Four AP participants highlighted:

*"[W]ho is going to advertise you? TOs offer that. We cannot reach the source markets on our own." (HA:4)*

*"[...] the TOs have a huge customer database and they also have the Internet. The TOs probably have over 30,000 email addresses to contact and promote the hotel and the special offers we give." (SH:10)*

*"[...] also marketing wise we do not have so much money to spend on marketing our unit all over Europe, but the TOs do." (SH:8)*

*"[W]e also work with the TOs on one aspect of promotion through brochure contributions or on marketing campaigns through their marketing channels." (SH:12)*

A travel agent also stressed:

*"[P]articularly the TOs who have a good name in the market if they decide that they want to promote a certain destination they can." (TA:3)*

A TO participant also stated:

*"[...] we are also helping the APs raise the profile of what they have to offer not just as a company but as individual hotels as well." (TO:3)*

The statements depict the importance of the promotional ability of the TOs in the tourism industry and for the APs in particular. This was supported by nineteen

participants (thirteen APs, two travel agents and one participant from the recreation sector). Through the exploitation of their large distribution network large TOs have the financial resources, knowledge and means to communicate with the tourists (Clerides et al. 2008). Hence, the large TOs are able to effectively promote the accommodation units to the market.

Furthermore, in relation to the promotional ability of the TOs, two AP participants asserted:

*“[...] the money you need to advertise and attract the tourists may not be worth it in the end [...] with the TOs they get their commission and they do it for you and you do not have the headache and costs to do this yourself.” (TV:2)*

*“[...] we don't do any promotions as an individual until we do our contracts and give brochure contributions to the TOs.” (HA:2)*

Accordingly, due to high costs and difficulties in reaching the right market, the majority of the AP participants mainly depend on the TOs to promote their product. The TOs, as intermediaries, exist to help the transaction between the tourist and the supplier (APs) to be more efficient and effective by minimising the transaction costs (Calveras 2006; Clerides et al. 2008). Calveras and Orfila (2014, p.729) explored the role of TOs in the Balearic Islands and found that TOs act as “[...] providers of reputation” for the APs to distribute their capacity. They explained that, in terms of purchasing a holiday, quality is unobservable for the tourist, thus the tourist is unsure about the true quality of a unit. Therefore, the good reputation and brand of the TO indicates the quality of the product in a credible manner. Hence, within the study's context, the APs utilise the reputation and customer base of the TOs in order to effectively and efficiently reach their target market. In turn, the TOs' promotional ability enables them to control the tourism flow in the ROC and consequently the volume of sales for the APs thus restricting their bargaining power.

However, three AP participants stated:

*“[...] we also use online databases to promote our hotel and it has been very beneficial, and in this way I can also change the price of the room myself.” (SH:2)*

*“[...] things are gradually changing. For example, this year 20% of our arrivals are from online bookings, so we are gradually becoming more independent from the traditional TO. Therefore, if this 20% that*

*I have now becomes 30% next year and then moves to 40% or 50%, some independence from the TOs will be evident.” (SH:10)*

*“[...] you can use online databases although most Internet bookings go through online TOs again, you cannot avoid it.” (SH:9)*

As the statements indicate, the Internet has had a considerable impact on the APs' ability to promote their product, be flexible on price and reach their target markets. Kracht and Wang (2010) and Ling et al. (2014) argued that the advent of Information and Communications Technology (ICT) and the Internet has transformed the traditional distribution channel giving an opportunity to the accommodation sector to connect with the customer. Ling et al. (2014) found that, by using online distribution channels, and particularly online travel agencies (such as Expedia), an accommodation unit can increase its occupancy rate.

Conversely, DiPietro et al. (2010) noted that the adoption of ICT and effective online strategies required considerable investment by the accommodation unit, including investment in the hardware needed and employee training. Thus, it can be difficult for some APs to effectively implement online strategies to increase their distribution channel, hence online distribution may not be a viable strategy for all APs. Nevertheless, it can be argued that the effective use of online distribution channels can offer an opportunity for the APs to increase their bargaining power in relation to the TOs in negotiations since their dependence on the large TOs for their tourism flow decreases.

In contrast, in relation to online channels one AP participant stated:

*“[...] if you search on Google for hotels in the ROC you will see millions of results come up so the competition is fierce [...] as a customer you can see everything about the hotels, the product, price, reviews, so you have to offer a good product for a good price.” (SH:5)*

A travel agent also noted:

*“[...] the only thing that the online TOs say to the APs is to have an attractive price in order to sell, because with online TOs it is the APs who take the risk. For the online TO it makes no difference; if this specific unit does not sell then other units will sell.” (TA:1)*

That is to say, although the Internet has been beneficial it has also increased the competition between the APs in terms of offering a good value product with an

attractive price because it is easier for the consumer to compare the prices of various units. The advent of Internet enabled transparency between various tourism providers, particularly with regard to price, and has resulted in tourism providers often competing on price to attract the consumer (Kracht and Wang 2010; Standing et al. 2014). Further, online intermediaries have strong bargaining power and are extremely price sensitive, since they focus on achieving the most profitable commission rates (Lee et al. 2013; Standing et al. 2014). DiPietro et al. (2010, p.62) found that the low prices that online intermediaries offer encourages consumers to search for the “[...] best deal” which reduces the profit margin for APs. Therefore, it can be suggested that although online channels may offer more flexibility for the APs in terms of controlling their prices they can also face similar challenges to the large traditional TOs, including price sensitivity. Thus, an AP’s profitability may be lower.

Porter (1980) also stated that buyers have a high durable bargaining power when an industry is highly concentrated and organisations have a high market share; such high bargaining power allows the dominant organisations to enforce discipline and price. Hence, although the Internet provides an opportunity for APs to diversify their supply sources, the large market share that large TOs control and their ability to contract rooms in bulk in advance enables them to retain their strong bargaining power. In turn, during negotiations the TOs have the upper hand in relation to the APs.

Moreover, most industry participants maintained that tourists in the ROC favour the traditional packaged holiday arrangement further contributing to the bargaining power of the TOs. For instance, a travel agent asserted:

*“[I]n the UK, tourists travelling with the traditional TOs and dynamic packaging are about 50-50, however in Russia about 90% of tourists travel with a packaged holiday. In Germany most tourists prefer to travel with the traditional TOs.” (TA:3)*

Two AP participants also affirmed:

*“[...] we need the TOs. Even though we have the Internet. [...] people are still geared towards the idea of a TO. Secondly, booking through a TO gives the customer some kind of a guarantee if anything goes wrong.” (HA:3)*

*“[T]he majority of the tourists that we have in the ROC will not book through the Internet directly with us, because they have to pay for an expensive flight to come. On the other hand, the TO who operates a charter flight gives the tourist the opportunity to come with a more cost-effective package.” (SH:2)*

The above statements suggest that the ROC’s major source markets (UK, Russia and Germany) predominantly prefer to travel with a packaged arrangement given that it facilitates their holiday. This was a view shared by fifteen industry participants. For instance, for the UK the packaged holiday is the most popular type of holiday arrangement (ABTA 2014). Further, in 2013 over 58% of tourists visiting the ROC travelled on a packaged arrangement (CYSTAT 2014). Hence, it can be argued that the large TOs are, critical to the tourism industry in the ROC despite the opportunities for promotion and bookings that the Internet and ICT provide.

Kracht and Wang (2010) claimed that, on the one hand, the Internet enables the consumer to connect and compare various offers from a number of tourism providers. On the other hand, it has made independent travel and price-comparison very challenging and time consuming for the consumer (Kracht and Wang 2010). Further, Calveras and Orfila (2014) argued that due to the information asymmetries over the Internet in terms of uncertain quality regarding the accommodation unit bought by customers, intermediaries will always have a major role in the tourism industry.

Hence, the TOs ability to guarantee quality and security at the destination, and promote a cost-effective package for the tourist, gives them a critical role in the tourism industry in the ROC in terms of controlling the tourism flow and type of tourist (packaged tourist). Furthermore, this control restricts the ability of some APs to diversify their sources of supply and increases the TOs’ bargaining power to negotiate lower prices with APs. Following the above discussion, it is not surprising that the majority of AP participants seek to achieve a contract with a large TO in order to maintain their business.

However, the analysis reveals that some APs are able to diversify their sources of supply and reduce their dependency on a small number of TOs. For instance, two AP participants maintained:

*“[...] having different source markets is not always possible for all the hotels, but our unit has been in operation for the last 23 years.*

*Over the years you can enter other source channels and not be dependent on 2 or 3 market players.” (SH:7)*

*“[W]e have different channels that we receive our guests from. We do not only receive them from one source. We have a lot of repeaters from different channels through TOs, Internet, loyalty programmes and direct bookings.” (SH:5)*

This difference can be attributed to the firm-specific resources and location of the units. The findings indicate that high quality units, and units associated with branded international chains, appear to have more diversified distribution channels enabling them to achieve satisfactory tourism flow. However, independent accommodation units appear to rely more on the TOs' distribution channels. Calveras and Orfila (2005) found that, in the Balearic Islands, large and reputable hotel chains had a lower dependence on large TOs for their tourism flow. This was because they were able to build and create their own reputation and brand. Branded accommodation chains can share resources, distribution channels, loyalty programmes and the likelihood of more commercial accounts achieved at the corporate level leading to a higher occupancy rate (O'Neil and Carlbäck 2011). Hence, it can be suggested that these branded units are better able to diversify their source markets and lessen their dependency on the TOs, thus increase their bargaining power during negotiations.

On the other hand, a very small number of independent units are also able to diversify their supply, as two AP participants noted:

*“[...] to disentangle our unit from the TOs we started a marketing campaign targeting special interest groups, such as religious tourism and conferences.” (SH:8)*

*“[W]e made a strong effort to reduce our dependence on the large TOs by targeting business and conference tourism and we have invested considerably in facilities and the technology needed to offer these services.” (SH:1)*

That is to say, niche special interest markets such as conferences presented an opportunity for some AP participants to lower their dependence on large mass price sensitive TOs. Such action can also enable the unit to charge higher prices given that business tourists are less price sensitive (since typically the trip is paid for by their employer) and have softer budget restrictions (Figini and Vici 2012).

However, the location characteristics can restrict the APs from diversifying their sources of supply. As identified in section 6.2.1, location characteristics influence the contractual and non-contractual negotiations given that differences exist regarding the type of clientele. Two AP participants from Paphos noted:

*“[...] maybe if we had other sources of tourists apart from leisure tourists we would have more bargaining power to negotiate with the large TOs.” (SH:11)*

*“[...] our hotel in Limassol has a variety of customer sources, such as through the Internet, TOs and travel agents as well as different types of tourism. It is not just leisure tourism as it is in Paphos.” (SH:3)*

An AP participant in Limassol highlighted:

*“[...] we do not target mass tourism. Given that large TOs mainly work with mass leisure tourists their financial interests for our unit are low so they do not put a lot of pressure on price.” (SH:5)*

To be precise, the above statements indicate that the degree of pressure that the APs have from the TOs on price restrictions is influenced by the type of target market. Therefore, the focus on leisure mass tourism in Paphos can restrict the ability of participant APs to negotiate price and diversify their supply. This is because mass tourism is a highly competitive sector that is dominated by large TOs that place emphasis on low price holidays and large numbers (Falzon 2012). In order to be competitive, TOs push APs to achieve a competitive price and a satisfactory volume of sales.

Nevertheless, the analysis indicates that any attempts by the APs to diversify the sources of tourism supply are hampered by insufficient flight accessibility. More specifically, three AP participants commented that:

*“[...] if you had 100% direct business [...] you can control your rates and the quality of your clients.” (HA:2)*

*“[T]he majority of repeat clientele are through TOs and they have no other option to come to our hotel due to the flights but some do come directly.” (SH:10)*

*“[T]here are also individual guests who visit our hotel and usually they book their tickets directly on their own without the assistance of the TO. However, I still think there is no hotel that can survive only with individual customers [booking directly with the hotel], because*

*there are not enough cheap flights and our tourism product is more attractive to tourists travelling on package arrangements.” (SH:13)*

In other words, the inadequate number of flights from independent air carriers, and the lack of direct flights from source markets restricts the available options for tourists to access the island and book directly with the APs. This is also supported by the fact that as reported in section 6.2.2, insufficient flight connectivity constrains the APs’ bargaining power in relation to the TOs. Specifically, participants (industry and government sector) highlighted the need for flight deregulation for non-EU markets in order to improve accessibility to the ROC (section 6.2.2). Hence, inadequate flight connectivity further enables the large TOs to control the tourism flow and the type of tourists visiting the ROC, namely price conscious packaged tourists.

The insufficient flight connectivity is particularly restrictive in terms of attracting tourists on an independent basis, for instance through direct sales, since there are limited options for tourists to find seat-only tickets. Improving flight connectivity by attracting low cost carriers could increase the number of tourists visiting on an independent basis. For instance, an increase in scheduled air services saw a growth in independent travellers in Mallorca (Jacobsen and Munar 2012). Hence, it can be argued that this could in turn help the APs to increase their alternatives for tourism flow, thus diversifying their supply sources. Accordingly, the dependence of the APs on the TOs for tourism flow might then decrease, thus increasing their bargaining power during contractual and non-contractual negotiations. In the absence of seat-only tickets, other destinations may look more appealing to tourists, and the TOs’ control on tourism flow, and the dependence of APs on packaged tourism that goes hand in hand with low pricing, is maintained. The power balance between TOs and APs thus remains unchanged.

This reliance on mass price sensitive packaged tourists, and the oligopolistic TO industry, enable the TOs to push for lower prices. Four AP participants claimed:

*“[T]he TOs want to operate in a monopolistic structure. What I mean by this is that the TOs want to exercise their leverage on a businessman that ultimately results in a take it or leave it attitude thus getting the price they want.” (SH:8)*

*“[T]he TOs are now more demanding, more sensitive to price. If it is possible they want you to give them the lowest price.” (HA:1)*



*“[I]n our unit we have the Russian market, like most hotels. We just go along with whatever they [the TOs] ask. We are forced to do that; we don’t want to lose them and we will give them the price they ask.” (SH:2)*

*“[...] a lot of the time [large TOs] try to dictate the price that you have to give them. What I mean is that they might come and tell me that ‘The company has decided that this year they will not give any increases on the price’ or ‘The company has decided that this year we will achieve a decrease of X% [in prices]’. And you start negotiating and you try to negotiate the best deal for you.” (SH:11)*

Moreover, a travel agent stated:

*“[...] the TOs will always put a lot of pressure on price when it comes to the APs, they always put pressure.” (TA:2)*

The majority of the AP participants operate in a very disadvantaged power structure in relation to the large TOs given that there are only a small number of TOs. This restricts the AP’s ability to negotiate a more profitable price leading them to accept the price proposed by the TOs. Therefore, it is common practice and expected for the large TOs to apply pressure to the APs and to try to dictate prices in negotiations. One reason for this pressure on APs is that accommodation plays a principal role in determining the price of a holiday package (Thrane 2005; Aguiló et al. 2001). Aguiló et al. (2001) examined the prices of German TOs in Mallorca and asserted that hotel category, hotel location and type of board had a significant effect on the overall price of the holiday package offered by the TO. Since accommodation is a strategic product for the TOs, and has a considerable influence upon the price of the holiday, the analysis reveals that the TOs use their bargaining power to put pressure on APs to achieve their expected profitability and be competitive in the market.

Furthermore, two AP participants noted:

*“[...] in exclusivity contracts the TO can set the prices at a point where as a company they are comfortable with and implement the pricing policy that they want. [...] But not many TOs can do this. For the ones that can it’s due to the volume that they bring to the ROC.” (TV:3)*

*“[T]he TOs demand low prices for high quality services, and they achieve this based on the large number of tourists they are able to bring to the units.” (IG:2)*

In other words, the large TOs, exploiting their financial resources and ability to control a large tourism flow, are advantageously placed to contract a large number of rooms to gain a more beneficial price. This is in line with Aguiló et al. (2003) who examined TO package holidays in the Balearic Islands. They found that the TOs with high market power and ability to contract a large number of beds, due to their control of large tourism flows, were able to negotiate lower prices than others through their wholesale negotiations. Similarly, it can be argued that in the ROC the large TOs have the necessary bargaining power to make large wholesale agreements through exclusivity and commitment contracts and negotiate low prices with the APs.

On the other hand, three AP participants highlighted:

*“[W]e make agreements and we do negotiate on price. However, sometimes it might be better not to ask a higher price and go with a low price in order to have a higher volume of guests.” (SH:10)*

*“[...] the way the TOs promote the hotel is more important for us than asking them about a little bit of increase in the price and a little bit of this, and that, this is irrelevant. The point is to keep your occupancy high and the TOs can do that.” (HA:1)*

*“[B]ookings and reservations, we need nothing else but these two things. [...] you just need to have tourist traffic and an agreement to keep you going and to have a profit; we need nothing else.” (IG:3)*

The above statements demonstrate that APs focus on achieving a high volume of sales, and thus high occupancy rates, rather than seeking to gain a small increase in price from the TOs. This was a view shared by the majority of the AP participants, particularly AP participants who operate with large agreements. Sard et al. (2002) pointed out that, given the price sensitivity of the TOs, the APs' mark-up is low and therefore the APs' profits are dependent on the volume of tourists that the TOs bring to the unit, further strengthening the bargaining power of the TOs. Hence, within this study, the APs concentrate on maintaining a consistently high occupancy rate rather than on gaining an increase in price.

Two AP participants managing large room capacities also stated:

*“[T]he secret is to maintain a high occupancy rate. [...] so when you have large guaranteed contracts even if you might have periods of crisis, such as lower bookings, if you make some price adjustments*

*with your partner, you are still going to fill up your beds and make a profit.” (IG:1)*

*“[I]f you have a contract that gives you at least a high occupancy percentage, you get a certain percentage of the profit to keep your business going.” (TV:1)*

That is to say, for AP participants managing large sized units maintaining a steady occupancy rate is vital, therefore TOs with the ability to provide a consistent tourism flow are even more important to the continued operation of these units. Consequently, volume of sales takes precedence over achieving a higher price. This is supported by Sard et al. (2002) who found that chain accommodation units in the Balearics that had an agreement with a TO were more anxious to attain high occupancy rates than higher prices. Espinet et al. (2003) also explored TO brochure prices in Costa Brava, Spain, and identified that the size of the unit has an influence on the price. More specifically, the larger the capacity of a unit the lower is the price. This can be attributed to the fact that a higher price can also mean a low occupancy rate (Sard et al. 2002). Further, given the perishability of the tourism product which means that, as one AP participant stated, “[...] an empty room is lost money”, the ability to sustain a high occupancy rate is key. For this reason, participant APs focus on offering a lower price and generating high occupancy rather than a higher price to make a profit.

In contrast, two AP participants operating with an allotment contract highlighted:

*“[W]e have two rates, one is for the individual customers and the other one is the TO rate. If we do not sell at these prices we cannot make any profit.” (SH:6)*

*“[W]e have our prices that we go through vigorously based on our costs and demand. I will never do anything that will have a negative effect on the hotel, because, if you sign a contract with a low price, and you disregard the costs, that are still very high, our profitability will go down. Why should our profitability reduce? [...] The TOs don’t care about my costs, why should I care about theirs?” (SH:4)*

The above statements indicate that some AP participants follow a pricing strategy that aims to achieve a certain profit margin for each room with higher prices rather than a low price strategy to generate volume of sales. This is because these APs operate with an allotment contract that typically entails higher prices than

commitment and exclusivity contracts, due to the lower volume of sales that the TOs generate for the units. Although higher prices can offer a higher profitability in the short-term there is a risk of losing in volume of sales what is gained in high prices (Pellinen 2003). Thus, more often than not, these APs have lower occupancy rates. However, as one AP participant commented:

*“[...] although we have a lower occupancy rate our profitability some months is higher than when we had commitment contracts with the TOs.” (SH:3)*

The pricing strategy that the TOs often impose on the majority of AP participants, namely low prices to generate volume, is not viable for some units in the ROC, a view that was supported by five APs. Hence, the analysis indicates that this often leads these APs to discontinue large agreements in order to be able to cover their costs and achieve higher profitability.

The viability of the decision by these AP participants to operate with allotment contracts as a means to achieve higher profitability can be attributed to the unit's size and their respective tourist target markets. These APs are small size units (with a capacity of less than 150 rooms) and thus require a smaller volume of tourists to achieve minimum occupancy rate. Consequently, it is possible for them to generate sales through smaller distribution channels such as using online channels or smaller, niche TOs. Further, large TOs mainly focus on the mass price sensitive tourist (Aguiló et al. 2005) whereas these APs target less price sensitive tourists, such as the luxury and business segments. Therefore, facilitated by their size, their target market and their lower dependence on the TO, these AP participants are able to increase their bargaining power in relation to the TOs and are able to offer higher prices to the TOs using allotment contracts.

However, given the ability of the TOs to guarantee a high occupancy rate most AP participants still preferred to give a lower price to the TOs to be competitive and generate sales. TOs seek to offer a good value holiday for their customers by utilising mark-up pricing formulas, where the price of the holiday is determined by the cost of the packaged components plus a margin (Davies and Downward 2007; Alegre and Sard 2015). Hence, large TOs focus on maximum return on investment in order to increase their profitability (Falzon 2012). As a

result, it can be argued that price competition between the APs is high to achieve their organisational objectives. Five AP participants stressed:

*“[I]n business it is all about competition, we have the same product so we are working towards getting our share of the market; this is what it is all about, you do what you can.” (SH:7)*

*“[...] due to the high supply the TO knows that if he goes a little bit further down the road he will be satisfied.” (SH:8)*

*“[I]f you give a TO a good price they prefer to promote and sell your unit.” (HA:4)*

*“[I]t is all about supply and demand. They know that in the ROC they can find a number of units with room availability. They believe that they can negotiate the prices, and they do.” (HA:2)*

*“[...] for example in the ROC we have a lot of 4 star hotels. If you visit and see all these 4 star hotels you will realise that they are more or less the same; there is no wow factor in any of them. [...] so in order for the TOs to have a price where they can make a profit they push for lower prices and they do achieve them.” (IG:3)*

Due to the highly substitutable product, namely the accommodation unit, and the evident oversupply (Chapter 4, section 4.4), most of the AP participants are pushed to adopt a lower price, higher volume strategy in order to be competitive and achieve a contract with the TOs.

Scholars have argued that accommodation units are not perfect substitutes and that they can be differentiated for instance through quality (such as star category), brand values, location and the units' attributes (Espinete et al. 2003; Thrane 2005; Lee and Jang 2013; Becerra et al. 2013; Alegre et al. 2013). Cirer-Costa (2013, p.454) identified that in Ibiza, Spain, “[...] each type of unit is a bad substitute for the rest” and a variety of units share a large market with each individual unit targeting specific demand. Put differently, the APs have some control over the prices due to the fact that differentiation exists between the units. This thesis agrees with this stance given that firm-specific resources can increase the bargaining power of a specific hotel in negotiating contractual and non-contractual agreements.

On the other hand, two AP participants asserted:

*“[I]f I was the general manager of a 5 star hotel in the same area on the same stretch of beach, there you have to be competitive you have*

*to use the strong points of your hotel in order to get the better rate from the TO.” (SH:5)*

*“[W]e do not have any bargaining power, the only way you could have some [bargaining power] is if you have a unit by the beach and in a location with limited development, then you can get the price you are asking for. If there are, for example, only 10 hotels by the beach that sell well, you will get what you want. However, here in Paphos, we have around 200 licensed accommodation units and they are still building 3 new units. We have already self-destructed and now things will get even worse.” (SH:11)*

In other words, geographical location plays a critical role in increasing competition, in general and price competition in particular between the APs. Equally, Lee and Jang (2013) found that geographical distance between accommodation units, meaning the concentration of competitors in certain areas, increases the likelihood of substitutability between units and cross-dependence in their pricing strategies. Additionally, competition in the accommodation industry is steered by the number of direct competitors offering similar products (for example, accommodation category) and contributes to price formation (Becerra et al. 2013; Cirer-Costa 2013).

Within the context of the ROC the majority of the accommodation units at the most popular resorts – namely, Paphos, Limassol, Ayia Napa and Protaras – are located along the same stretch of beach. This is a typical characteristic of mature sun-and-sea destinations (Sasidharan and Thapa 2002; Andriotis 2006). From the researcher’s knowledge, in Limassol there are three five star accommodation units in close proximity to another on the same stretch of beach. In addition, Paphos has the highest number of beds in operation in four star accommodations; that is, 8,159 beds (CTO 2014b) in accommodation concentrated on two stretches of beach. Therefore, in the ROC, a number of accommodation units can be considered as direct competitors. This is because they offer a similar product within a close geographical distance thus strengthening price competition between the APs in their negotiations with the TOs. This is in line with Sharpley (2003, p.256) who commented that the oversupply of accommodation units in the ROC “[...] has played into the hands of the TOs” giving them the power to demand heavy discounts. Hence, it can be argued that due to the oversupply of accommodation units the bargaining power of the APs in relation to the TOs is restricted since the TOs have many alternatives from which

to choose. In turn, the price competition between APs further intensifies their effort to achieve a contract with the TOs.

Conversely, three AP participants highlighted:

*“[S]trong competition has always been present and this is a healthy phenomenon. Price competition is helpful because we want to get nearer the price offered by other destinations such as Greece and Spain.” (HA:1)*

*“[...] it is an open free market and healthy competition should exist. It can make you better.” (IG:1)*

*“[...] to visit your competitor and see what he/she is offering it is a good thing, because competition is good and it should exist. [...] we are all a big family and we have to know what our competitors are doing in order for everyone to improve. [...] When you see that your competitor is doing much better than you, then you strive to reach him and become better.” (SH:13)*

The above statements indicate that AP participants perceive that the strong competition has a positive impact upon their operations allowing them to become more competitive in the domestic and international market. This was a view supported by twenty of the AP participants. Competition can have positive impacts such as product innovation, identification and development of new sources of supply, increased effort by management and the removal of inefficiencies (Cook 1977; Carlin and Seabright 2000). This is particularly relevant for mature Mediterranean destinations that are in direct competition with other similar sun-and-sea destinations (Kozak and Martin 2012). All businesses operate within the same open system where interdependencies exist and competition can enhance the efficiency of the market as a whole, improving the competitiveness of the destination and in turn the APs.

However, in relation to the competition between the APs in the ROC, four AP participants commented:

*“[T]he competition that exists is about ‘How can I gain from the other?’ [...] In small societies [...] I think we are happy when somebody takes a wrong turn. But it shouldn’t be like this.” (IG:1)*

*“[...] if I tell another AP that a TO visited me and I accepted this specific price they think that you are showing off, that you are better than them. There is jealousy in the [ROC] market in general.” (SH:13)*

*“[N]obody cooperates with each other, everybody follows their own path, however, this is not right. Each business follows its own path and only sees its targets and goals.” (SH:3)*

*“[...] due to the competition everyone is only interested in his or her own pocket. [...] that is the reason why the hotel associations did not succeed or reach a point of unanimous decision even after so many years.” (SH:1)*

The statements above indicate that the mentality of Greek-Cypriot people, characterised by individualistic behaviour and jealousy, may restrict APs from benefiting from the positive impacts of competition. This is because each AP focuses on achieving their individual organisational goals. The view that the individualistic mentality of the ROC contributes to competition was supported by twenty-two other participants, from both the industry and government sectors. When individualism is present, people perceive that they are independent from others, focusing on attaining their personal aims rather than on group aims (Cannon et al. 2010). Hence an environment that endorses autonomy, competition and independence exists (Cannon et al. 2010). However, within the study’s context, such competitive and individualistic behaviour limits the ability of the APs to cooperate in order to improve their bargaining ability in relation to the TOs.

For example, in the past attempts were made by the APs to counteract the high bargaining power of the TOs by safeguarding their interests through shared goals and informal agreements. As two AP participants commented:

*“[W]e have the associations – Cyprus Hotel Association and Association of Cyprus Tourist Enterprises. Sometimes these associations also meet together. And we go in these meetings and we discuss about the increases that we would have and so on, but the moment you leave those meetings, do not believe anything that has been said. And this is everywhere, not only here in Paphos. [...] it is the same in Greece, anywhere you go it is the same. We agree in the meetings that we will add a 7% increase next year and then an individual will go and give a 2% increase, 5% and so on; everyone does his/her own thing.” (SH:8)*

*“[U]nfortunately, there is no unanimous policy between the APs, every AP cares for himself/herself and his/her company. Even though we have associations and we meet and agree on various issues, still everyone does his/her own thing. For example, we [the APs] might agree that we will not give discounts of more than 10%, but one AP might decide to give more than a 10% discount and destroys the market.” (TV:4)*



While such informal agreements regarding pricing issues are not commended the above statements are indicative of the inadequate cooperation that exists between the APs. The analysis reveals that the relationship is characterised by competition, opportunism, self-interest and mistrust, hindering cooperation. Equally, Papageorgiou (2008) found that the amalgamation of individualistic and egotistical characteristics of Greek APs in their business relationships created an impossible barrier to cooperation due to the fact that this behaviour hinders an environment of collegiality and cooperation between APs. Therefore, it can be argued that the individualistic mentality of the ROC restricts the APs' ability to effectively cooperate and improve their bargaining power.

Collective bargaining power (cooperation) and a congruent voice can aid all members when dealing with institutions in power (Luo 2007), such as large TOs. For instance, Wu and Choi (2005, p.127) identified that the dominant buyer in the buyer-supplier-supplier triad, where suppliers were “coopeting<sup>42</sup>”, was dissatisfied with the cooperation between the suppliers since the suppliers behaved in a collective way, strengthening their bargaining power. Accordingly, it can be claimed that the congruence of competitors (for example, of APs) to lobby for a shared aim or address a challenging situation, could solidify and increase their bargaining power.

However, when firms are locked in competitive relationships individualistic behaviour is not unexpected. This is because, despite the fact that strategic or tactical goals are set separately, they are also similar (Bengtsson and Kock 1999). Thus due to the similarities in their strategic aims APs still have to access critical resources from the same buyer, namely the TO in order to attain these goals. Therefore, it can be suggested that the high dependence that the AP participants have on the TOs' resources coupled with the volatile tourism environment causes this opportunistic behaviour, leading the AP participants to accept the price of the TOs rather than follow any informal agreements with other APs.

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<sup>42</sup> Coopetition refers to “[...] the simultaneous pursuit of cooperation and competition between firms” (Raza-Ullah et al. 2014, p.189). In other words, when two organisations cooperate in some business activities and simultaneously compete in other business activities.

Short-term opportunistic behaviour, however, may create long-term effects, which can hinder an organisation's performance, increase transaction costs and terminate advantageous relationships (Dahlstrom and Nygaard 1999; Hawkins et al. 2008). In successful collaboration processes, trust, commitment and a focus on pursuing mutual benefits are critical factors (Fyall et al. 2012). Consequently, it can be argued that the individualistic short-term mentality of Greek-Cypriots hinders the ability of the APs to cooperate in order to gain long-term benefits and instead intensifies competition and constrains their bargaining power in relation to the TOs.

Still, some cooperation is observed, as an AP participant asserted: "[...] the associations unite and lobby about certain things that are of shared interest" (SH:4). Two AP participants also noted:

*"[W]e cooperate in certain areas in case of overbookings [...] I will call my associate in the other hotel, say that 'I have 5 rooms overbooked can you help me with this?' and he/she will also do the same. There is some kind of cooperation." (HA:3)*

*"[...] we will cooperate on some things, but if for example, we are both trying to book a certain tourist group, then, each to their own; every hotel manager will try his/her best to get that booking. There is a good relationship, a cooperation, and camaraderie, however at the same time everybody is doing their best for their business, because this is their job. It is a fair and open relationship in my opinion, others may see it differently." (IG:2)*

Accordingly, there is a level of cooperation in terms of operational issues such as dealing with overbookings or to lobby for issues relating to the whole accommodation sector, as long as this does not conflict with individual interests. As a travel agent stated:

*"[...] when the personal interests of either party come into play then there will definitely be conflict. And this is not just my belief, I have experienced this strongly in my 50 years of work." (TA:2)*

From the above statements it is evident that the relationship context changes. For example, from competition, to coexistence or coopetition or cooperation at another point in time according to the needs of the firm (Bengtsson and Kock 1999). This is because organisations are embedded within a business network of interdependencies, so on the one hand they must compete to guarantee that the network is effective but on the other hand they must cooperate to develop long-term

relationships. Within the study's context, in the relationship between the APs in the ROC, essentially competition and pursuit of short-term individualistic goals prevail over cooperation and attainment of long-term common goals. This is also supported by the findings reported in section 6.2.2, where the individualistic culture of Greek-Cypriots restricts cooperative actions at the destination level.

Nevertheless, this competitive individualistic behaviour enables the TOs to play the APs against each other. Three AP participants highlighted:

*"[T]hey [TOs] might say you are a bit expensive so I will say, 'OK tell me what are you looking for, help me to help you'. They might say, 'that hotel is giving me X for what you are offering'." (SH:7)*

*"[...] the TOs may say 'I have found a hotel which is a higher category than yours that gave me a lower price, so you are giving me a higher price.' I will think about it and say 'OK, tell me the price you are looking for.' and you as the manager decide what you will do, if it is beneficial or not." (SH:9)*

*"[...] we are a three star hotel and a TO told me that there is a four star hotel down the road that offers a lower price than me. [...] they will tell you this is what others offer and the market wants." (SH:8)*

Large TOs exploit the competition that exists between the APs to achieve their organisational goal, a lower price that can give them an advantage over their competitors. The TOs use an antagonistic model of supplier management. This model aims to gain the best out of their relationships but also enhances the competition among them (Choi et al. 2002; Moeller et al. 2006). In turn, this leaves the APs in a more unfavourable bargaining position to negotiate their contractual and non-contractual agreements. The findings demonstrate that more often than not, in order to secure the contract, the APs reduce their asking price and follow the TO's suggestion regardless of the impact that this will have on their expected profitability.

It is natural that competition, rather than cooperation, is observed between AP participants since they operate in a challenging and volatile environment. Still, as one AP participant asserted, "[...] it's not so much the cooperation, but what is needed is respect towards each other and mutual understanding" (SH:5). This is because firms engaging in excessive competition may dedicate unnecessary time and resources to gaining market share from one another and may risk disengaging from the rest of the business network (Bengtsson and Kock 1999). Thus, APs may miss

out on advantages, such as resource exchange, that can help to improve their business.

Conversely, one reason for the strong self-interest and short-term opportunistic behaviour of APs is their high level of financial insecurity. For instance, three AP participants stated:

*“[...] due to cash flow issues some APs are willing to drop their trousers and give the TOs whatever they want. They have to pay the banks [...] they have high fixed costs; so a bird in the hand is worth two in the bush.” (HA:4)*

*“[...] if someone approaches you and says, ‘I want exclusivity and I have the power to give you 100% occupancy, however this is the price I want,’ then you as a businessman begin your calculations to decide if you are going to accept or not. So you start thinking, OK this is the price he/she gave me, I might not make as much as with another TO, however, this money is guaranteed, of course I will accept. It is a matter of need.” (SH:12)*

*“[P]articularly, if you have been managing a large chain of units and operating with the large TOs for years, you may contact the top people of a large TO, and say: ‘We really need your help, money’s tight. How about giving us X amount of money in advance and what I’ll do is promise you a 3% increase next year instead of 10% which would be the normal price increase we would ask?’, because the TOs have money and every business needs cash flow.” (IG:2)*

The above statements indicate that the financial insecurity that the APs experience has a major influence on the price that is agreed between the APs and TOs. This was a view shared by all the AP participants. Further, all participants (industry and government sectors) noted that the majority of the businesses in the tourism and hospitality industry are financially insecure, particularly the accommodation sector. APs have high operational costs deriving mainly from labour costs, which may account for up to 40% of the total revenue of a unit, energy and power costs (CHA 2014). The majority of the accommodation units also have large bank debts. In fact, in 2014 it was recorded that the tourism sector owed 2.39 billion Euro to banks and societies in the ROC (Fragos 2014). Hence, it can be argued that these factors deepen the financial insecurity of the APs and intensify their need for cash flow and in turn their dependence on the large TOs, thus restricting their bargaining power.

Moreover, delayed payments further increase the financial insecurity of the APs. As two AP participants asserted:

*“[A] key problem that presents itself with the TOs is that they might not pay you on time. This is important.” (TV:3)*

*“[P]ayment is always an issue. There are delays in payments of around 3-4 months. When you have a commitment contract you receive an advance payment but after that it is an uphill battle to get paid.” (SH:7)*

Payment for the services that the APs provide frequently occurs long after the service has been consumed and delays in payment are often a critical issue in the relationship between the AP participants and TOs. Ivanov et al. (2015) found that, despite the fact that payment timings are regulated by contractual agreements, delayed payments are a major area of conflict between APs and agencies in Bulgaria, that constrain the capability of the APs to pay their suppliers. The delay in payment creates major problems for the AP participants, restricting their cash flow and ability to follow through with their own fiscal responsibilities towards their bank, suppliers and employees, further increasing their financial insecurity.

Hence, AP participants prefer to accept a lower contractual price and receive an advance payment, that often comes with large commitment and exclusivity contracts, rather than refuse this offer. Two AP participants commented:

*“[M]oney is power. At the end of the day that’s what happens, when deals are struck we need them more than they need us. They have the power, because like many businesses our main problem is cash flow.” (SH:10)*

*“[...] the relationship between the APs and TOs is complimentary. The APs need to pay the banks and the TOs need lower prices to be competitive.” (SH:1)*

That is to say, a contract with a large TO offers them the security that they need (a certain level of cash flow) to continue their operations regardless of the fact that they receive a lower price. Equally, Bastakis et al. (2004) maintained that large TOs give the ability to the APs to sell their perishable product in bulk, thus transferring some of their organisational risk to the TO as well as improving their ability to plan in the medium and long-term. Therefore, it can be claimed that the financial insecurity of the APs (deriving from high operational expenses and high bank debts) increases the bargaining power of the TOs, enabling them to negotiate a lower price with the APs and to be more competitive.

The findings also indicate that, to a certain extent, the APs depend on the TOs to maintain their competitiveness in the market, as two AP participants stated:

*“[T]he Russian TOs stirred things up a bit when they started operating in the ROC. They helped us because they brought a very high volume of tourists, they gave us advance payments in order to renovate our hotels and they asked for price decreases; so it had both its advantages and disadvantages.” (SH:12)*

*“[...] to maintain a good relationship with the TO you have to provide the things that you have agreed on in the contract such as high quality facilities, customer service and so on. You must also provide services that are not in the contract but are expected of you, for example operational issues such as cleanliness, the food, keep your product up-to-date and so on. You must provide these things.” (HA:2)*

The APs depend on TOs not only for their tourism flow and financial viability but also for their significant contribution to the APs' ability to maintain their competitiveness in the domestic market through product improvement. Mattsson and Orfila-Sintes (2014) explored innovation in hotels in the Balearic Islands and noted that hotels working with TOs were more likely to take decisions to improve their service scope (such as service expansion or reduction) and management innovation (such as introducing quality and environmental management). They stated also that adequate financial resources are critical before any decisions are made for service innovation such as changing the characteristics of a unit or incorporating new service. This is because the financial investment needed to bring about these changes might have an impact on the short-term profit of a unit.

Hence, within the study's context the pre-payments that the TOs give to the APs allow them to maintain their competitive position through improvements to both their tangible and intangible services. Accordingly, in line with Mattsson and Orfila-Sintes (2014) Orfila-Sintes and Mattsson (2009) the APs' cooperation with the large TOs contributes to their competitiveness in the market. However, it can also be argued that the APs' dependence on the TOs increases the bargaining power of the TOs in contractual and non-contractual negotiations. Consequently, this enables the TOs to exert pressure and achieve a lower price from the APs.

Another factor found to deepen the financial insecurity of the AP participants as well as increasing the bargaining power of the TOs is the seasonality evident in

the tourism industry. Seasonality within the context of this study refers to two dimensions of fluctuation of demand. Firstly, seasonality denotes the concentration of tourist flows in somewhat short periods that reoccur in about the same period of each year (Koenig-Lewis and Bischoff 2005), resulting in the high and low seasons. Secondly, within this study, seasonality refers to the fluctuation of demand that occurs during the high or low season, due to demand uncertainty, that is a typical characteristic of the tourism industry.

Attention is first paid to the high and low season seasonality that is evident in the tourism industry in the ROC, where April to October is considered the high season (summer season) and November to March is the low season (winter season) (Chapter 4, section 4.3). As noted in Chapter 4, seasonality mainly derives from over reliance on the one-dimensional tourism product of sun-and-sea that the ROC has promoted over the years (Farsari et al. 2007; Karyopouli and Koutra 2012). As a result, a number of accommodation units in the ROC close during the off-peak season (winter season) because they find it difficult to generate sufficient income to cover their operational costs (Boukas and Ziakas 2013).

The findings indicate that the seasonality of the tourism industry (low tourism flow during the winter season) deepens the financial insecurity of the APs and has a negative impact upon their bargaining power. Three AP participants asserted:

*“[...] the APs focus on the monetary aspect of the business I believe because the season is very small.” (SH:4)*

*“[...] due to the diminishing tourism season you need the support of the TO even more in order to have customers.” (SH:8)*

*“[W]hen you only have six months to work and generate enough income to maintain your business, and then during those six months you start having problems, you have to give special offers and so on, you are in a weaker position.” (TV:1)*

In other words, due to seasonality, that often forces some APs to close down during the winter, the APs become incredibly conscious of generating the necessary demand to make some sort of profit during the high season. This was a view supported by twelve AP participants. In turn, it can be claimed that seasonality increases AP participants' financial insecurity and their dependency on the TOs

during the high season given the fact that the TOs can guarantee a certain income for the APs. Similarly, Buhalis (2000) discovered that, in Greece, TOs often exploited the agony of APs by negotiating contracts during the low season, thus easily convincing the APs to reduce their prices to stimulate demand. Hence, within the study's context, the seasonality evident in the ROC increases the need of the APs to have a good high season in order to generate a profit, thus the APs may be easily persuaded to offer a lower price. This finding also explains the short-term opportunistic behaviour that is evident in the industry (mentioned earlier in this subsection), since seasonality increases the APs' need to be profitable during the high season to cover losses from the low season.

On the other hand, in relation to the accommodation units that continue their operations during the low season, three AP participants stated:

*"[...] when APs accept pre-payments, with a pre-requisite to give exclusivity to the TO, in theory it is a mistake. However, in practice one will think 'If a TO offers me 1 million Euro for the winter season, how can I say no? Should I just wait to make this money during the summer from all the other TOs?'" (TV:2)*

*"[N]o unit in ROC can declare that it makes a profit during the winter season. If there are units that make a profit you can probably count them on the fingers of one hand, but I actually believe that there are none." (SH:7)*

*"[T]he problem is that during the winter season the unit usually experiences a loss [in profit], and the profit that you make during the summer season is invested back in the hotel to survive during the winter season. Seasonality is a big problem for us." (SH:9)*

That is to say, due to the reduced demand in the low season APs need the security of tourism flow that the large TOs can offer, in order to have a certain level of occupancy and stay operational. This is in line with Cuccia and Rizzo (2011) who investigated seasonality in Sicily and noted that during the winter season APs chose to enter contractual agreements with the TOs to reduce their risks of staying empty. Manasakis et al. (2013) also identified that accommodation units in Crete that worked with a TO experienced less seasonality. Therefore, it can be asserted that during the winter season AP participants (who remain operational) are more dependent on the TOs and enter contractual agreements to achieve a minimum occupancy rate.



However, it can be argued that due to the higher dependency that the APs have on the TOs during the low season, their bargaining power considerably decreases during contractual and non-contractual negotiations since demand is low. In turn, more often than not the APs are forced to accept very low prices to maintain a minimum occupancy rate and generate revenue to stay operational. Espinet et al. (2012) investigated seasonality in prices in Spain and found that lower prices during the low season can translate to higher revenues for businesses, but may damage the perception of quality and/or exclusivity for potential clients, putting the future profits of the business at risk. They further stated that an emphasis on improving the quality of the accommodation and increasing the services offered (such as entertainment activities or refurbishments) can smooth seasonality in prices. Consequently, it may be more beneficial in the long run for the APs to improve their offering for the winter season rather than to follow a low price strategy. Such action could also increase their bargaining power during negotiations with the TOs given that APs will offer a more attractive and competitive product to the TOs.

Furthermore, as stated earlier, fluctuations in demand can occur during the season following the making of contractual agreements. Fluctuation in demand often leads to special offers and discounts. As two AP participants affirmed:

*“[T]he TO wants to make some money by operating in the ROC, like in any other destination, so if demand is low of course they are going to ask for discounts and special offers.” (HA:4)*

*“[T]Os do not have loyalty to destinations. TOs are businesses [...] they have to make a profit for their shareholders, they are not charities. And we must help them succeed.” (IG:3)*

A travel agent stated:

*“[T]he TOs take risks; it is a risk to organise packaged holidays, you have to charter flights, have your offices and so on. [...] and if demand is low they are losing money.” (TA:2)*

The above statements indicate that the TOs focus on achieving their expected profit from each unit or destination. Hence, if demand is not as expected then special offers and discounts are given by the AP participants to stimulate demand and help the TOs reduce their loss. This is because the majority of the AP participants recognise that the loyalty of the TOs towards the destination and the APs in particular is limited. Falzon (2012) maintained that one of the characteristics of large

TOs is that they have a low degree of loyalty to the destinations and thus will choose another destination if the possibility of higher profits is evident. Therefore, within this study's context, the APs perceive that they must assist the TOs to make their expected profit by offering discounts and special offers during the season. Subsequently, the TOs will continue their operations in the ROC and thus with the APs.

However, the findings reveal that constant price fluctuations due to changes in demand further reduce the financial viability of the APs. As three AP participants highlighted:

*"[D]on't, don't, don't.... drop, drop, drop... decrease, decrease the price! This is all we hear; in the end this will end up reducing the quality of the product because on the other hand we are also a business, we also want to make a profit." (SH:2)*

*"[I] think this price war has to stop because it's affecting the products in the various countries." (SH8)*

*"[...] it is good to be competitive but not to the point that it can be detrimental to the product. The TOs want both quality and price which is very difficult." (HA:1)*

Due to their restricted financial capacity this constant pressure to decrease the price makes it difficult for AP participants to continue to offer the quality of product that the TOs require. This is in line with Santos et al. (2014) who argued that oversupply and competition on price to increase demand have led to a number of mature tourism destinations losing their financial vitality.

Falzon (2012, p.1092) examined the price competitiveness of several competitive Mediterranean destinations, such as the ROC, Malta, Greece and Spain, and concluded that the intense competition within the countries and between Mediterranean destinations creates "[...] an ever competitive spiral of downward pressure on prices." Therefore, it can be asserted that the strong price competition that occurs in the domestic market of the ROC, the TO market and competitive destinations results in a vicious cycle of constant price competitiveness that constrains the economic viability of the APs. This constraint also restricts the ability of AP participants to improve their firm-specific resources. Firm-resources enable a firm to create efficiently and/or effectively a product that is of value for another organisation (Hunt and Morgan 1995). However, the constant price competition

restricts the resource capacity of the AP participants to substantially increase the value of their proposition through product development or improvement. Thus, it can be argued that strong price competition reduces the attractiveness of the AP's product and in turn their bargaining power in relation to the TOs during contractual and non-contractual negotiations.

#### **6.2.5.3. Conclusion**

The analysis reveals that external structure – namely the industry characteristics and culture – constrains the bargaining power of the APs in relation to the TOs. This is mainly due to structural constraints that lead to dependencies of the APs on the TOs' resources to achieve their organisational objectives. For example, the expensiveness and substitutability of the ROC product results in APs facing severe price competition from similar destinations with a lower cost structure. These competitive destinations are able to offer a more appealing product in terms of value for money to the price sensitive package tourist that predominantly visits the ROC. This leads to the APs' dependence on the TOs due to the TOs' ability to guarantee a consistent tourism flow and in turn a certain volume of sales for the APs. Hence, the bargaining power of the APs in relation to the TOs decreases and the ability of the AP to negotiate pricing is restricted. Furthermore, cultural factors, such as the individualistic short-term mentality of APs and the oversupply of accommodation units increases the competition between the APs enabling the TOs to play them off against each other to attain a lower price. More often than not the APs offer a discounted price to win the contract with the TO disregarding the impact of this price on their profitability. Other factors from the external structure that influence pricing and volume of sales outcomes between the parties, are seasonality, insufficient flight connectivity, the oligopolistic TO market in the ROC and visitor trends.

The above discussion focused on the influence of the external structure, culture and industry characteristics, on the negotiation outcomes in terms of pricing and volume of sales. The next proposition investigates relationship-specific factors, such as negotiation characteristics, relationship constructs and emotions, that influence pricing and volume of sales outcomes.

**6.2.6. Proposition 6: Negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales**

**6.2.6.1. Introduction**

Bearing the above discussion in mind, and notwithstanding the importance of cultural and industry related characteristics that influence pricing and volume of sales, the findings also indicate the significant influence of relational factors, namely, negotiation characteristics, relationship constructs and emotions, all of which have an impact on outcomes in terms of price and volume of sales during negotiations. As stated in section 6.1 all propositions are interconnected. Hence, although the focus in this proposition is pricing and volume of sales outcomes, the sub-categories emotions, negotiation characteristics and relationship constructs, from previous propositions (6.2.3 and 6.2.4), are also included since they can also influence pricing and volume of sales during negotiations. Specifically, negotiation characteristics, such as flexibility, information and control, relationship constructs such as cooperation, reciprocity, trust and personal relations, and emotions such as fear, pressure and deviance influence the pricing and volume of sales outcomes agreed between the parties. As stated earlier (section 6.1), Grounded Theory analysis often leads to new themes not taken into account prior to data collection, thus supplementary literature is reviewed to support the findings. To critically analyse this proposition, the additional literature draws on buyer-supplier pricing research in B2B marketing management and strategic management. Also taken into consideration are tourism and hospitality context pricing research and revenue management literature.

Pricing is a vital dynamic component of a firm's marketing and competitive strategy and a key management activity (Indounas 2009; Pellinen 2003). Within a buyer and supplier relationship, in the traditional economic perspective of a transaction, pricing has a distributive purpose: pricing reflects the way in which the value of an exchange is shared between the two parties (Voeth and Herbst 2006). More specifically, price is perceived as a way of sharing a fixed 'pie' of value that is developed during the transaction, and the primary perspective on pricing is the

win/lose or zero-sum game; that is to say, if one party wins the other loses (Brennan et al. 2007). Price setting in classical economic theory is based upon market-based elements of demand and supply, where surplus demand leads to higher prices and over supply decreases prices (Jobber and Shipley 2012).

On the other hand, literature in marketing and strategic management stresses the significance of the exchange instead of the transaction, adjusting the study of prices to the interests of customers (buyers) and competitors (Narangajavana et al. 2014). The shift of marketing theory from transactional marketing towards relationship marketing (Grönroos 1994; Morgan and Hunt 1994) traded the notion of price with the notion of value (Ingenbleek 2014). This shift led to pricing policies and strategies being set by considering the development and management of long-term customer (buyer) relationships (Vargo and Lusch 2004).

However, focus on value does not disregard the emphasis on the economic exchange; rather it complements it and enables the organisation to achieve long-term survival (Indounas 2009). Thus pricing should have a long-term focus, where the key goal is to understand environmental changes and needs, to recognise the behaviour of customers (buyers) and competitors and set or adjust pricing to maintain and enhance value for these customers (Narangajavana et al. 2014). Accordingly, both the economic and value perspective in the relationship as well as the influence of relationship-specific characteristics should be considered to fully explain the negotiation outcomes in terms of pricing and volume of sales between the APs and TOs. This is because each party has different resources that can offer diverse economic and non-economic benefits to the relationship, thus pricing policies and strategies should consider the long-term benefits of maintaining the relationship. Conversely, pricing is not only a vital long-term strategic tool, it can also influence short-term marketing decisions (Myers and Zondag 2010) through operational or short-term prices. Within a tourism context Narangajavana et al. (2014) found long-term strategic pricing policies focusing on relationship-building and the customer (demand), coexisting with short-term operational prices focusing on transaction.

Short-term and operational prices are a derivative of revenue management. Ivanov and Zhechev (2012, p.175) stated that revenue management is “[...] the

application of information systems and pricing strategies to allocate the right capacity to the right customer at the right price at the right time”. That is, it is a vital instrument for matching corresponding supply and demand, by separating customers into diverse segments depending upon their buying intentions, and assigning capacity to the different segments in order to maximise an organisation’s revenues (Ivanov and Zhechev 2012). Revenue management can contribute to businesses that have perishable inventories, fixed capacity, fluctuating demand, a low variable to fixed cost ratio, and availability of early bookings and segmented markets, such as accommodation businesses and TOs (Wirtz et al. 2003; Callego and Phillips 2004). Due to the perishability of the accommodation product, revenue management and pricing is a vital strategic lever with which to manage revenue and has a substantial impact on the accommodation’s profitability (Bull 2006; Noone and Mattila 2009). Hence, APs must alter their prices to influence demand, adjust to environmental changes and avoid being left with empty rooms and lost revenue. At the same time they must also consider their relationship with the TOs and the impact that pricing can have. Bearing in mind the above discussion, the following section critically analyses the proposition.

#### **6.2.6.2. Discussion of proposition 6**

Pricing issues during negotiations were identified as a key concern of all the AP participants. Three AP participants stated:

*“[...] the large TOs are tougher in negotiations than the small TOs. You have to spend hours with them negotiating in order to achieve a small increase for the coming year, if you can.” (SH:10)*

*“[...] we will negotiate on many issues such as how many rooms for the season, the allotment period [...] but negotiations usually come down to price, and there is always pressure on the price.” (SH:9)*

*“[T]his is a game, bargaining for a better price that occurs every year and it will always occur year after year, it is part of the negotiations process. We would ask for an 8% increase, the TO will want 2% or no increase at all and negotiations begin. It is healthy in terms of the business to occur; we have a free market economy.” (SH:3)*

In other words, determining a satisfactory price is key to negotiations for both parties and due to its critical importance more often than not it leads to tension and pressure between the AP participants and TOs. Similarly, Buhalis (2000) and

Bastakis et al. (2004) explored the relationship between APs and large TOs and found that price was a major source of conflict, particularly during contractual negotiations. This is because large TOs exert pressure on APs, in order to achieve the lowest price possible and increase their profitability. Ivanov et al. (2015) argued that the relationship between the APs and TOs in terms of prices and commissions has a ‘zero-sum’ pattern. To put it differently, because of the restricted tourist budget, one Euro more for one of the parties is one euro less for the other party, therefore both parties are very price conscious and profit-maximisation is at the forefront.

Despite the importance of profit-maximisation, however, two AP participants stated:

*“[W]e always try to maintain the good relationships that we have with the TOs, so to the best of our abilities we are cautious with the increases in price that we add each year and to negotiate so that we achieve high occupancy rates.” (IG:2)*

*“[...] we have had examples where the APs tried to negotiate a higher price and ended up losing out. For example, we know of a case where a hotel was renovated in 2012, and the owner/manager asked for a much higher contract price for the coming year, namely 2013. However, eventually the price he received from the TOs was much lower than the price he had in the first place, in 2011, [before the renovation] and the year after the hotelier had no option but to go back to his original pricing. We’ve had a lot of such examples and we take them into consideration when we negotiate with the TOs.” (SH:11)*

As such, notwithstanding the importance of financial benefits in general and profit-maximisation, it is evident that the majority of the AP participants’ pricing objectives concentrate on maintaining their long-term relationship with the TOs on one hand and increasing their sales in the short-term on the other. This was supported by eighteen of the AP participants.

Avlonitis and Indounas (2005), in their study of pricing between buyer and supplier, identified that buyer related aims, such as maintaining existing buyers and buyer satisfaction, were two major objectives for organisations. They interpreted these findings in terms of the manager’s focus on customer relationship management, a means of protecting the long-term survival of the organisation through customer satisfaction and retention. There is a significant link between

buyer retention, buyer profitability and buyer lifetime value, hence an organisation's buyers are a valuable asset (Wang 2012a). The longer an organisation can retain its buyers the more profit it can achieve from them in the long-term (Wang 2012a). Consequently, the findings indicate that APs adopt pricing policies that build and enhance their relationship with the TOs by determining a price that is appealing for them in order to protect a profitable relationship and ensure their long-term survival.

Accordingly, two AP participants mentioned:

*"[S]ome TOs have a different price from others. If you have a TO that is responsible for a few rooms then you can ask for a higher price and you can say that the increase in price applies to all the TOs, apart from the TOs that have a very high volume." (SH:7)*

*"[...] we have different prices for each of our associates. The prices we offer are dependent on the volume of tourists that each TO transfers to the accommodation unit." (SH:12)*

The majority of the AP participants typically negotiate different prices for each TO based on their volume of sales. Indounas (2009) examined the pricing policies of service organisations in Greece and identified that within a supplier-buyer context differentiated pricing is the most commonly adopted pricing policy. Differentiated pricing refers to prices for diverse buyers based on criteria such as size of organisation, time and size of consumption and percentage contribution to the organisation's turnover (Indounas 2009). Similarly, in sun-and-sea destinations APs negotiate prices with the TOs based on the demand or sales that were generated in previous years (Espinete et al. 2003). Hence, it can be argued that APs negotiate a price based on relationship-specific factors, such as the volume of sales the TO generates, and on the long-term potential value of the relationship, such as the expected profitability and financial security that the TO offers.

Competitive forces are also considered by the AP participants in relation to pricing, as three AP participants stated:

*"[...] even if the TOs give you 20% increase, this increase may push you out of the market, people do not want to buy or they [TOs] do not promote you. So, in theory you are offering the suite for 300 Euro per night but you never sold it." (SH:2)*

*"[...] it is not about asking for a crazy price it is about offering a price that reflects the market, that is value for money for the TO and the tourist, to have demand and sell it." (IG:3)*



*“[...] you must always consider what your competitors are offering. If you don't then you can easily price yourself out of the market and then what's the point if you can't sell.” (SH:12)*

The statements suggest that, in relation to pricing, most of the APs consider their competitors' prices, to stimulate sales and to satisfy the TOs in terms of the perceived value of the product and price paid. As noted in section 6.2.1, value for money refers to the perception of the TOs that the unit's product offering is worth (value of) the price paid. Pellinen (2003) examined pricing in tourism in Finland and found it to be largely based on competitors' prices, but also on customer value, which in practice are intertwined. Competition based pricing is common in extremely competitive markets (Hinterhuber 2008), such as that of the ROC; markets which are characterised by an oversupply of accommodation units with the majority fiercely fighting for a contract with a large TO (section 6.2.5). Hence, it can be asserted that it is crucial to an AP's relationship with a TO that they consider the market and the needs of the TO when pricing their product. This is because the advantageous intermediary position of TOs in the distribution channel and their high bargaining power enables them to access the prices of various APs. Therefore, it is vital that the APs offer a competitive price in order to sign a contract with a TO and generate sales.

On the other hand, the analysis indicates that the TOs focus on achieving the lowest price. As one TO participant highlighted:

*“[W]e would stop offering a hotel if they want too much of an increase year on year in terms of price and they are not meeting what we need them to be, if they don't have the profit potential.” (TO:1)*

Two AP participants also commented:

*“[...] if you enter the negotiations asking for a high increase and the TO believes that your product is not value for money they will just leave and go somewhere else. So you have to keep them happy.” (TV:4)*

*“[T]he TOs want to make a profit from their operations and if the price is not what they are looking for they will go somewhere else. [...] thus, we try to negotiate.” (HA:4)*

In other words, for the TOs the key objective is profit-maximisation adopting cost-based pricing. As stated in the proposition above (6.2.5), large TOs operate with

mark-up criteria to determine package prices, by adding a profit-margin to the cost of the package products, such as accommodation and transportation. Ryals (2006) investigated key customer accounts of suppliers in various industries including travel, and stated that customers mainly concentrate on cost reduction resulting in suppliers offering a tactical price forced by the need to win the contract. Therefore, it can be argued that the emphasis of the TOs on cost reduction and the high dependence of the APs on the TOs, leads APs to offer a tactical short-term price to satisfy the needs of the TOs and win the contract.

Furthermore, the analysis indicated that the fact that the TOs control or own the tourism flow that they transfer to the unit intensifies the need for the APs to offer a tactical price. For instance, four AP participants affirmed:

*“[T]he TOs take a lot of risks but at the end of the day they are still the ones calling all the shots because they have the customers.” (SH:12)*

*“[T]his is exactly what happened with the hotel I told you about earlier, the TO was not happy so he just moved his customers from one hotel to another.” (SH:11)*

*“[T]he TOs play games. If they have more profit from a specific hotel they will shift the business to that hotel without telling you anything, thus gaining a higher profit.” (SH:9)*

*“[...] the rule of trade is supply and demand, more profit less expenses; these are the facts, the rules don't change. So all companies including the TOs act accordingly in order to gain this profit.” (SH:1)*

That is to say, the majority of the research participants (industry and government sector) often referred to tourists as being owned by the TOs. In particular, the AP participants perceived that the TOs' pursuit of profit-maximisation and ownership over the tourists meant that the TO could transfer 'his' (the TO's) clients to any accommodation unit that the TO chooses, indicating a low level of loyalty on the part of the TOs towards the APs. Budeanu (2009) commented that the TOs' focus on meeting demand for affordable holidays results in low levels of loyalty towards destinations, people and services. Hence, it can be asserted that the low level of loyalty increases the pressure for the APs to offer a low price, to reduce the cost to the TO, in order to win the contract given that they are dependent on the TOs for tourism flow.

One reason for this pricing behaviour from the APs is their fear of losing the contract. For instance, two AP participants affirmed:

*“[W]e have many examples where APs tried to increase their price and it resulted in TOs discontinuing their relationships. For example, one AP that I know tried to increase his prices but the TOs did not agree and left, despite cooperating with the hotel for a number of years, and in the end the AP was not able to even gain the previous year’s prices. [...] he took a risk and lost.” (SH:3)*

*“[I]f you have a signed contract you shake hands and you say ‘thank you very much’. If you don’t have a signed contract you cry at night because you are losing your business.” (TV:2)*

The statements indicate that, regardless of the length of the relationship and successful cooperation, the price agreed in the contract is a vital factor that determines the continuation of the relationship. Thus the majority of AP participants feared the likelihood of losing their contract, particularly those with large commitment and exclusivity contracts, because it could have a detrimental effect on their business viability. As noted in section 6.2.4, fear of losing a contract and risking their viability causes APs to agree to the demands of the TOs in negotiations. This is due to the high concentration of the TO market and the small number of TOs who can guarantee a consistent tourism flow.

Similarly, Guo et al. (2013) argued that pricing is an important tool for developing and improving cooperation between accommodation units and third parties. This is because successful cooperation between accommodation units and third party organisations (such as TOs) relies upon the benefits that each party receives from the other (Guo et al. 2013); that is, whether the APs have a satisfactory occupancy rate and profit and the TOs (third party) receive the expected profit and offer a good service to tourists. Therefore, it can be argued that when an AP accepts a lower price that satisfies a TO it ensures the continuation and increases the long-term potential of their relationship.

Most of the AP participants stressed the importance of generating sufficient sales for the TOs in influencing pricing issues. Three AP participants stated:

*“[A] hotel that has a good name and is easy to sell is a good product for the TO. What I mean by that is that if the unit has a good reputation, it is value for money for the TO, and where the TO can gain a good profit [...] the TO can easily sell it.” (SH:2)*

*“[...] if your hotel is really good and it sells a lot, all TOs want it and it always has 100% occupancy, you have to begin negotiations with this.” (HA:4)*

*“[I]f a TO is one of your bestsellers, meaning that they bring a high volume of tourists to the unit, it means that they want also to work with your hotel because it sells well, so it works both ways.” (SH:7)*

In other words, the price is influenced by the ability of the unit to generate sales for the TOs, and also for the APs. As such, the saleability of the product is critical. Within this study's context, the saleability of a unit can be explained as offering a good quality product (in terms of service and infrastructure) with a good profit margin for the TOs. This will enable the TOs to promote the unit with a price that is value for money for the consumer and in turn generate sales. Increasing the sales volume of a business is closely related to low prices which enable it to compete in the market by creating demand (Pellinen 2003). AP participants who operate with the large TOs, in particular, focus on offering a low price that will help the TOs to increase their volume of sales. As noted in the proposition above (6.2.5), given the price sensitivity of the TOs, the APs' mark-up is low, hence the APs are dependent on the volume of tourism flow that the TOs transfer to the unit. Therefore, AP participants that operate with TOs typically offer a price that can generate adequate sales volume and consequently the TOs can offer a competitive price in the market, to earn a profit.

The saleability of the product is particularly relevant for APs who operate with commitment and exclusivity contracts. Two AP participants noted:

*“[T]here are hoteliers who say ‘I am full for the whole season because I gave the hotel to one TO’ but if you do that as a commitment it means you give a lower rate but it's guaranteed, theoretically.” (HA:2)*

*“[...] when you have a large commitment contract you always receive a lower price than an allotment contract [...] if you are negotiating a large agreement they are so difficult on any price increase, but you still try [to negotiate]. But sometimes at the end you have to accept the price that the TO says to continue your relationship.” (SH:10)*

The above statements indicate that AP participants who operate with large contractual agreements with the TOs, and are able to generate high volumes of sales, are under stronger pressure to agree to low prices. Zhang et al. (2014) investigated

pricing between buyer and supplier in the manufacturing sector. They found that in negotiations where the quantity ordered is high the buyer is more price sensitive both in the relationship and more sensitive to market prices by competitors, because the stakes are high. Hence, it can be asserted due to the high stakes that large TOs have in accommodation units that generate a strong volume of sales, they become more sensitive to price, putting pressure on the APs to offer a lower price. The AP participants must be sufficiently flexible to accommodate the TOs requests for discounted prices in order to continue the contract, but this reduces their ability to increase their profitability. Consequently, due to the APs' high dependence on the TOs their bargaining power is restricted.

The level of repeat clientele is also identified as an important firm-specific resource that can aid price negotiation. As two AP participants noted:

*"[I]t is all about the standard of service and the facilities that you offer. That allows you to gain an increase in price and continue your cooperation with the TO." (HA:3)*

*"[I]t is about supply and demand; when you have repeaters then there is a foundation for the expected sales. [...] Repeat clientele give you a guaranteed occupancy. I'm definitely not in the same position as someone that does not have repeaters." (SH:2)*

The above statements reveal that having a unit that is considered a good quality product with a certain percentage of guaranteed sales due to repeat clientele can increase an AP's ability to negotiate a price increase and continue the business relationship with their TO. Espinet et al. (2003) argued that although the TO may enforce the price, the attributes of each individual accommodation unit are still taken into account by TOs. This can be ascribed to the fact that, as identified in section 6.2.3, an AP's firm-specific resources (such as product quality, repeat clientele and value for money) can increase that AP's bargaining power in relation to the TO given that they reduce the risk to the TO when a large agreement exists. Repeat clientele are an important resource that can lend competitive advantage to a hotel since they reduce the possibility that a guest will switch to another hotel (Tavitiyaman et al. 2011). Therefore, the repeat clientele that a unit has, provides a basis for guaranteed sales both for the AP and the TO. This represents an increase in the AP's bargaining power which enables them to negotiate a better price during contractual and non-contractual negotiations.

A differentiated product also plays a critical role in price negotiation. Three AP participants stated:

*“[I]n the case where your product is similar to others you will find it difficult to convince the TO that it is worth the extra money, so you have to look at your positioning. For the TOs, very often it comes down to price. However, over the last two years, the products that we have have helped us to gain price increases in a time where TOs have tried to attain price reductions.” (IG:2)*

*“[T]he TOs want to distinguish themselves from the competition. We [as a company] have some types of hotels that competitors do not have. Thus, if an AP is selling something unique that the TO cannot find somewhere else you can sell it at a better price.” (IG:3)*

*“[...] therefore, the large TOs want that product and they will pay for it, because there are not many units that offer this family oriented product, they are limited.” (SH:8)*

As the participants above note, APs are in a better position to negotiate a price increase, firstly, when they have a good quality product that is perceived as offering something unique in the domestic market, and secondly when their product can enhance the variety of a TO's portfolio of units. Thirteen APs supported this view. As emphasised in section 6.2.1, a differentiated product increases the bargaining power of the APs since it can create barriers to entry and a competitive advantage for the AP.

Becerra et al. (2013) explored how differentiation influences the pricing strategies of accommodation units in Spain. They claimed that differentiated units charge higher prices than undifferentiated ones and are more protected from competitive forces within the domestic market. This is because differentiated units focus their efforts on attracting certain market segments whereas undifferentiated units focus on operating at full capacity with lower prices to lower their average costs (Becerra et al. 2013). Therefore, it can be asserted that a differentiated product, owned by the APs, decreases price competition in relation to their domestic market, that is the ROC. Consequently, it can be claimed that having a differentiated product increases the bargaining power of the AP and reduces the pressure from competition, enabling them to negotiate a price increase.

On the other hand, the analysis indicates that although the specific attributes of a particular unit can increase an AP's bargaining power the large TOs are key to determining any price increase. As two AP participants stressed:

*"[I]f you work with an important TO, for example responsible for 20% or 30% or even 40% of tourist arrivals for your unit, you must ask his opinion before going forward with any substantial increase in price. [...]. If a hotel wants to increase its quality and increase its price it is better to contact the TO that he usually cooperates with, to hear the TO views on the matter and then consider the price increase. Even if a hotel undergoes renovations again this does not justify a substantial increase in price because you must renovate your product regularly." (SH:7)*

*"[I]n the past the TO would come to you for a contract and you would impose your demands, nowadays the TOs come and impose their demands. [...] so you accept the price that they are comfortable with." (SH:3)*

The above statements raise two issues for consideration: first, the control that the TOs have in the relationship regarding pricing decisions made by the APs; and second, they demonstrate the TO's importance as an information source regarding price, particularly when large agreements exist. Zhang et al. (2014) argued any price increase by the seller can have a long-term impact on their relationship with the buyer. This is because buyers use both external and internal reference prices (Bruno et al. 2012; Zhang et al. 2014). External reference prices refer to prices offered by other firms and prices proposed by the seller, whilst internal reference prices are often determined by previous interactions (Bruno et al. 2012; Zhang et al. 2014). Zhang et al. (2014) asserted that a price increase that is considerably above the internal reference price (previous contractual price) can be considered as a loss by the buyer and thus can increase the buyer's rigidity and price sensitivity damaging a favourable relationship. Therefore, it can be argued that APs who operate with large agreements, and for whom high dependence exists, should be extremely cautious regarding their pricing strategies. This is due to the fact that the TOs may perceive price increases as a loss thus harming or even leading to the discontinuation of the relationship. As such, the analysis reveals that due to their strong bargaining power, the large TOs act as sources of information on price and often determine price in contractual negotiations.

However, as the AP above noted, communication between the APs and TOs regarding any intention to alter price can be beneficial for the APs and help to maintain the relationship. Extensive, open and honest communication between a supplier and its major buyer is critical for the performance of the relationship reducing uncertainty, improving its efficiency and contributing to its long-term maintenance (Ryals and Humphries 2007). Large TOs have critical information regarding supply and demand due to their position and large distribution networks, and APs can exploit this information to identify product improvements that will help them achieve a price increase. Consequently, it can be suggested that open communication with the TO can have a positive impact on the relationship between the parties and help APs to sustain their profitable relationship with the TOs.

With regard to the non-contractual negotiations that occur to mitigate fluctuating demand, four AP participants commented:

*“[...] during the season the TOs might want a lower price because they have a lot of available seats on the plane and they need to sell them to reduce any financial losses from unsold seats. Or they may ask us to give a special offer in certain periods.” (SH:12)*

*“[...] sometimes the prices change during the season. Despite having a commitment or performance guaranteed contract, if TOs come to me and tell me that they have a number of empty seats in the plane and tell me ‘you have to help me to fill up the flight’ I never say no. They make some special offers and we help also by giving offers so as to maximise our sales to the highest degree possible. We use yield management to manage these changes.” (IG:2)*

*“[W]e might help the TOs by giving them some free upgrades, of rooms with a sea view or a better price on the H/B supplement. There are a lot of things that you can do to help a TO, if demand is low and they need to sell.” (SH:10)*

*“[T]he TO tells you ‘I have a price of 100 Euro and I cannot sell, if you leave it like this then I will not be able to sell’. So we both reduce the price in order to sell.” (TV:3)*

That is to say, contractual flexibility is evident and price renegotiations are common often leading the AP participants to offer reductions in contractual prices or soft concessions during the season in order to increase demand. These price fluctuations



are a result of revenue management<sup>43</sup> practices that are used by both APs and TOs. This practice often leads to erratic fluctuation of price to help organisations to adapt to demand changes and maximise their revenue (Wang 2012b). Therefore, the use of revenue management by the TOs requires that the APs are sufficiently flexible to offer either discounts on contract prices or special offers in order to help the TOs to generate sales.

However, when demand is low offering a price discount can be beneficial both for the AP and the TO given that it can generate sales for both parties. Ivanov et al. (2015) claimed that, in relation to prices, the interests of APs and TOs in the long-term are shared since both parties aim to increase the tourism flow and revenue for both sides, therefore a more cooperative relationship is evident. This is also the case in the current study, where following the contractual agreement between the APs and TOs, a more cooperative relationship in terms of price develops aligning their interests in order to increase sales for both parties. This is particularly relevant in large commitment and exclusivity contracts. Two AP participants asserted:

*“[I]f you have a large commitment agreement and you are dependent, of course you are going to give a discount if demand is low or the TO has unsold seats.” (HA:1)*

*“[...] because we have a commitment contract we are both dependent on the sales, so we will give a discount to help each other to sell.” (SH:7)*

As such, due to the fact that the AP participants are locked into large contractual agreements with the TOs, they must follow the TO's signal with regard to offering a price reduction to improve demand. Guo and He (2012) investigated pricing decisions between APs and TOs using game theory<sup>44</sup> and showed that, in a centralised scenario where the AP and TO focus on maximising joint revenue and decisions are made by one party, the revenue is higher. They explained that the low

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<sup>43</sup> As noted in section 6.2.6, revenue management is a tool that assists organisations to manage their capacity and pricing to sell to the right customer at the right price to maximise their revenue (Ivanov and Zhechev 2012).

<sup>44</sup> Game theory examines conflict and cooperation strategic decision-making between rational decision makers using mathematical models (Myerson 1997).

price for the holiday package increases demand and the increased demand results in higher total revenue for the cooperating parties.

Consequently, it can be argued that APs and TOs with large commitment and exclusivity contracts have a more cooperative approach to price changes signalled by the TO due to the closer relationship that exists to increase their revenue. Conversely, as mentioned in section 6.2.1, large commitment and exclusivity contracts between the APs and TOs, often result in the TOs taking control of the majority, or even all of the unit's capacity, to manage to their benefit. Thus, the TOs are the decision-makers with regard to price changes, and in order for both parties to increase revenue, the APs have little alternative but to agree to such price changes in situations of low demand.

Moreover, the APs' desire to engender reciprocity in the relationship also influences the pricing, as two AP participants stated:

*"[A]lthough at times I might think that I helped him by giving him a lower price or something, you create a good basis for the relationship and he will return the favour one way or another at some point." (SH:9)*

*"[...] if someone constantly helps you when you need something when he asks for something you must help him and not the person that has never helped you. You are always going to need the help of the TO to promote unsold stock or to ask for stop sales [...] you need to have a good relationship." (SH:12)*

That is to say, the APs also give price reductions and special offers in an attempt to promote reciprocity in the relationship which might help to increase their occupancy in situations of low demand or assist them when faced with excess demand (which could lead to overbookings). Twelve other AP participants highlighted the important influence of reciprocity in negotiations, particularly in non-contractual negotiations. Ivens and Pardo (2008), within a buyer-supplier context, identified that the relationship of major buyers (referred to as key accounts) with their suppliers was not based on increasing prices but on developing value, which could mean keeping prices stable (or even lower) but attaining high volumes or accessing the knowledge of their respective partners. The emphasis is on securing and sustaining the relationship between the parties. Therefore, given the dependence of the majority of the AP participants on the TOs, unsurprisingly the APs concentrate first on building

relational factors such as reciprocity into the exchange and second on pricing. In this way, within this study context, the AP's aim is to attain a higher volume of sales and two protect the relationship in order to secure the renewal of the contract.

In contrast, not all APs accept a request to offer a discount, as two AP participants mentioned:

*"[A]nother thing that the TO might use is to say, 'This period your unit is not selling so we have to drop the price because we are not selling.' So you can say, 'Yes, but this period all other TOs are asking for my unit, I'm not going to drop my price. I don't want to drop my price, so I will give you less rooms and I will give the other [TO] more rooms'." (TV:2)*

*"[O]ur unit is small and niche market and there is no margin for special offers or anything like that. So we simply have two sets of rates; TO rates and public rates. We offer the same rate to all the TOs we work with. If one TO cannot cover the allotment we just allocate those rooms to another TO, or agents." (SH:4)*

The above statements show that having a diversified supply, for instance having more than one TO for the unit or having direct sales, gives the unit the flexibility to sell rooms through other buyers, targeting other source markets and increasing their occupancy without reducing their rates. Thus some APs interviewed stated that they might refuse to reduce their price. Dong et al. (2014) used game theory to examine the cooperative contract between TOs and a hotel. They ascertained that a hotel with a high occupancy rate will lead the TO to offer a higher bidding price since the hotel has satisfactory occupancy and wants to avoid revenue loss from the lower wholesale price of the TO. Hence, the occupancy rate of a particular unit influences the AP participants' willingness to reduce their price if the sales of one TO are poor, because the AP can recover the occupancy gap and revenue from other sources. Accordingly, the analysis reveals that APs that do not solely depend on one TO are in a better position to refuse to give a discount and protect their revenue.

However, in relation to pricing policies through other channels two AP participants highlighted:

*"[T]he TOs could complain about online prices. They check the online prices and they may become aware that you have given a lower price online. It is not a usual occurrence but if you do it they will notice it. If a competitor of the TO is cheaper or you give a lower*

*price they will notice and it can be a difficult situation. So we are careful.” (SH:11)*

*“[...] you must be cautious about how you manage the prices you give to other agents, TOs, or the prices you add on the Internet through online channels [...] nowadays with the advent of the Internet everyone can check the prices of all the providers and if your buyers notice that someone has a lower price they will complain about it. [...] I remember once a travel agent called me and started shouting at me that I had given a lower price to his competitor. I told him that I gave them the same price but the other agent was able to reduce other costs of the package and offer a lower price; it had nothing to do with me.” (SH:3)*

In other words, due to the competition that exists between the TOs and to avoid harming existing relationships, the AP participants' pricing policy with regard to other channels is influenced by their pricing approach with their current key partners. Hence, some APs interviewed are cautious regarding the prices they offer through other channels. This cautiousness was mentioned by eight other APs. Vich-i-Martorell (2004) examined the attitudes of tourism suppliers (accommodation units and airlines) towards adopting the Internet as a distribution channel in the Balearic Islands, where the large TOs have a strong presence. Vich-i-Martorell (2004, p.36) ascertained that some tourism suppliers, which he labelled “fearful”, believe that actively adopting the Internet to sell their products, bypassing the TO, is a risky strategy. He stated that a “boycott” by the TOs was a strong risk factor for suppliers that wanted to promote their products online.

Thus, despite the fact that the Internet can offer flexibility and control over pricing strategies (Romero and Tajeda 2011), within this study's context it can be argued that in the ROC the situation may be analogous to that of the Vich-i-Martorell (2004) study. More precisely, although all the AP participants have adopted online practices to promote and often sell their products, for some there is still a feeling of fear and caution about harming their long-term relationships with their key TOs. Such a reaction by the APs is to be expected since, as explained in section 6.2.4, due to the concentration of their sales with certain TOs and asymmetric bargaining power, a fear exists regarding losing the contract or of retaliation. Therefore, even if the AP participants use online distribution channels to promote and sell their product some are still cautious about the prices offered, preferring to protect their relationships with the TOs.

In addition, some of the AP participants noted that they had observed deviant behaviour by the TOs in relation to price promotions (discounts). For instance, two AP participants stated:

*“[W]e give discounts but there are cases where we drop the price but the TO does not, so the TO benefits from the difference in price.” (SH:2)*

*“[...] we give special offers and discounts to the TOs if demand is low because we want to generate sales [...] we always check on the websites and brochures to make sure that the customer can see also and knows about our offer, [...] especially in periods when sales might be low.” (SH:3)*

That is to say, although AP participants frequently offer price reductions to stimulate demand, there is a level of suspicion on the part of some APs towards the TOs, whether these price reductions reach the tourist. Alegre and Sard (2015) investigated pricing management of TOs in the Balearic Islands following the economic crisis and discovered that TOs are more inclined to follow commercial strategies that do not influence prices to deal with shocks in demand. They attributed this to the strict profit margins with which the TOs work. These make it difficult to reduce prices, thus TOs prefer to offer quality and flexible products to the consumer rather than enter into a price war (Alegre and Sard 2015). Equally, Davies and Downward (2007) stated that UK TOs prefer price stability to engender goodwill with their customers, and changes in demand levels or competitive shocks are tackled through non-pricing decisions.

Following on from the findings of Alegre and Sard (2015) and Davies and Downward (2007), the suspicions of some AP participants that regarding price reductions during the season reaching the customers could be justified. This is because in this study APs stressed price reductions that occur during the season to stimulate demand, whereas the above studies claimed that TOs often choose non-pricing tactics to adjust to changing demand levels. Of course, this is not to say that all TOs adopt these deviant practices in their relationships but interview findings indicate that such practices do exist, as one AP participant affirmed: “[S]ometimes they [TOs] lower their price sometimes they don’t.” (HA:1). Moreover, as discussed in section 6.2.3, information asymmetries exist between the APs and TOs. Hence, the TO can use this information asymmetry to manipulate demand levels to achieve

price reductions and soft concessions. The majority of the AP participants perceived that the TOs take advantage of information asymmetry to increase their profit from the sale by reducing their costs, namely the cost of the accommodation unit.

In contrast, two AP participants asserted:

*“[T]Os have prepaid flights [...] if the TOs realise that the seat will stay empty and the opportunity to sell will be lost they will reduce their price or find a way to reduce the costs to reduce the loss.” (TV:4)*

*“[...] if the TOs are losing money due to low demand, they will come to you and tell you, ‘You know I’m losing 25 Euro on each package, and since I’m generating a good volume of sales for your unit, you have to help me reduce this loss’ [...] and you give a discount to help them out.” (IG:1)*

Some AP participants perceive that such practices (asking for price reductions) occur in order for the TO to reduce the losses that may arise due to lower than expected demand. This view was supported by eight APs. This diversity in opinions can be attributed to the individual professional experiences and perceptions of the APs regarding the TOs. People can subjectively resolve their own understanding of specific situations (Watkins and Bell 2002). Thus, whether the TOs ask for price reductions to increase their profit or to recover losses from unsold stock is difficult to establish since this is sensitive business information and will not easily be discussed with outsiders.

Nevertheless, the fact remains that such practices reduce the expected revenue for the APs. Three AP participants highlighted:

*“[W]ith allotment contracts you have a release period where the TO must release the rooms back to the hotel fifteen days or seven days before the arrival of the guest. Thus if the rooms are not released early you are in danger of having the rooms empty [...]. However, with such a limited time to sell to others the rooms are in real danger of staying empty, thus the TOs have started another trend ‘last minute bookings’.” (SH:9)*

*“[S]ometimes I believe that the result of negotiations is always illustrative, virtual. Despite thinking that you have signed a good deal in terms of price, by the time you get paid it is a different story, particularly due to last minute bookings.” (SH:3)*

*“[U]sually, if we have a problem [low demand] we go and discuss it with the TO; we see if it is possible to give them some sort of*

*[special] offer to help us. Now all the TOs also have Internet companies that operate on a B2B and B2C basis, and we use these companies to put out last minute stock, and we play with yield management in order to see what we can get.” (HA:1)*

The above statements indicate that uncertainty in demand levels and information on the booking situation lead AP participants to discount even further at the last minute in order to sell their rooms either through the same TO or through different channels. Similarly, Buhalis (2000) investigated the relationship between APs and TOs in Greece. Buhalis (2000, p.133) ascertained that, due to information asymmetry and the very short-release period for rooms under commitment and allotment contracts, APs were being forced to offer further last minute discounts to stimulate demand in the “[...] price-sensitive last-minute market.”

However, whilst discount pricing and last-minute pricing may stimulate a small level of demand, the damage to revenue will be greater (Enz 2003; O’Connor and Murphy 2008). Thus, it can be asserted when APs offer last-minute price reductions to stimulate demand and sell perishable unsold capacity, this can be to the detriment of their revenue. The analysis demonstrates that such occurrences are mostly evident in allotment contracts due to the fact that in commitment contracts pre-payments occur. Last-minute deals are, however, also evident in large commitment and exclusivity contracts. Additionally, considering that the expected revenue of the APs is reduced, their financial insecurity is increased which, as noted in the proposition above (6.2.5), can lead to the acceptance of lower contractual prices. Hence, it can be asserted that information asymmetry in terms of demand levels between the APs and TOs, can lead to price reductions during the season that can restrict the expected revenue of the APs.

Moreover, as noted in section 6.2.3, manipulation of demand levels by the TOs and price reductions requested by them create mistrust in the relationship. As two AP participants stated:

*“[W]e also have hotel representatives in two source markets and these representatives will visit the TOs in the source market to check on the promotions that we might offer in periods of low demand to ensure that these offers are available online, that they are promoting them to the customers.” (HA:3)*

*“[...] you always have to check that the discounts you give and promotions reach the end customer [...] if it happens to you once*

*then you tend to check that everything is going according to plan.”*  
(SH:2)

In other words, the information asymmetry and volatility in prices that occur in the relationship can influence the relational exchange between the parties. For example, Wang (2012b) examined the influence of the revenue management practices of an accommodation company on its major buyers and discovered that price fluctuations or opportunistic pricing damaged the relationship, eroding trust between the parties and the long-term potential for profitability. Although Wang's (2012b) study emphasised the perspective of the buyer (namely the TO) it can be deduced that price fluctuations in the relationship can erode trust between the parties. Within this study, it can be argued that asymmetry of demand information along with requests for price reductions created mistrust that can harm the long-term potential of the relationship. However, as stipulated in section 6.2.3, higher levels of trust exist in relationships that operate with large commitment and exclusivity contracts due to the more relational long-term approach adopted by the parties. Despite the diminished trust that the AP participants have towards the TOs, however, they still offer a discount in order to engender the goodwill of the TOs.

Nonetheless, trust is a critical mediating factor that influences the cooperative behaviour of the parties and development of the relationship (Morgan and Hunt 1994). The appropriate management of price fluctuations between the APs and TOs is critical to protect the relationship and attain its long-term value. Perhaps APs would be more trusting of TOs if the price reduction process used by the TOs were more transparent.

Conversely, the revenue management practices of the APs which focus on price strategies do not influence the relationship from the TOs' perspective given that TOs operate with fixed contract rates. However, one TO participant highlighted:

*“[S]o if a unit actions stop sales that would mean we then need to rely more on other suppliers to supply more beds to match the number of available flight seats we have.[...] In overbookings some TOs might not ask a supplier for compensation for the guest, if the guest is overbooked to an identical unit of the same standard, in the same resort and offering exactly the same facilities [...] but we will still penalise the supplier because as a company we will still be losing out from a contract rates point of view.”* (TO:2)



The statement above demonstrates that, although revenue management practices emphasising inventory control, such as overbookings<sup>45</sup> and stop sales,<sup>46</sup> can have a positive impact on the APs' revenue, they can also lead to APs incurring costs because they are often liable for changes in the contract. For instance, in the case where an AP does not have sufficient rooms in his unit, customers need to be taken to other units and the AP can incur costs such as those required for the customer to stay in a unit that is more expensive (Todorov and Zhechev 2010). However, revenue management practices in terms of inventory control can negatively influence an AP's relationship with a TO. TOs operate with strict and complex forecasting of tourism demand, capacity and pricing where "[...] one contracted bed is related to one contracted flight seat", taking very high risks (Čavlek 2006, p.165). Hence, it can be asserted that any contingencies such as overbookings or stop sales can have an important impact on a TO's forecasted sales and expected revenue. As such, as discussed in section 6.2.3, overbookings and stop sales can result in TOs using threats and legalistic pleas to deter AP participants from using these practices in their relationship.

However, the analysis reveals that relationship-specific factors, such as personal relationships influence revenue management practices, two AP participants commented:

*"[I] would never overbook or disturb the customers of a TO who has helped me out in the past, for example by accepting stop sales, and whom I have a good relationship with, and it is an important TO for our hotel." (SH:12)*

*"[...] if we have overbookings we always try not to overbook [transfer to another unit] the customers of our major TOs, because they will complain. If we have no choice and we need to overbook these customers, we will send them to a higher category unit so the customers will be happy and the TO will be happy as well. In a way you buy your way out of the problem." (HA:1)*

As the above statements show, the APs consider the relationship-specific factors in managing overbookings, such as personal relationships and the importance of the

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<sup>45</sup> Overbooking is based on the supposition that clients who have a reservation will not arrive (referred to as a 'no show'), while others may cancel or change their reservation at the last minute, while other clients may leave early (Ivanov and Zhechev 2012).

<sup>46</sup> A stop sale situation occurs when an AP asks a TO to stop selling rooms in certain periods due to high demand.

TO to the unit. This is done to avoid negative impacts on their relationship with the TOs. It is a common practice adopted by the AP participants and was mentioned by fifteen APs. Wang (2012b) examined revenue management practices adopted by APs in their relationship with key buyers and found that, although major buyers operate with a fixed contract rate they feel that some practices, such as unavailability of rooms at the agreed rate during high season, or inconsistent contract rate in high-demand seasons, result in irritation of key buyers. Wang and Bowie (2009) identified also that the focus of the accommodation company on short-term behaviour, deriving from revenue management practices, comes at the cost of disregarding long-term valuable relationships with key buyers leading to mistrust between the parties.

However, within this study most APs are aware of damaging their relationship with their major TOs in the application of revenue management practices. As noted in section 6.2.5, this awareness can be attributed to the asymmetric dependence that exists leading the AP participants to consider the long-term potential of the relationship. This is particularly relevant to relationships with large commitment and exclusivity contracts due to the concentration of APs' sales on one or two key TOs. Although it must be noted that analysis reveals that in large commitment and exclusivity contracts, where the TOs contract the unit as a whole, overbooking practices and problems do not commonly occur since the TOs essentially control and manage the unit as a whole. Nevertheless, despite AP participants adopting revenue management practices that mainly advocate short-term actions, their focus is still on protecting the long-term relationship with the TOs rather than on short-term gains.

Still, these actions can restrict the ability of the AP participants to take decisions that could increase their revenue and gain more profit in the short-term. For instance, Villanueva et al. (2007), using game theory in a buyer-supplier context, ascertained that in competitive environments organisations focusing on maximising profits in the short-term (that is period-by-period) had higher profits than organisations focusing on the long-term (maximising profits over multi-periods). Villanueva et al. (2007, p.101) clarified that this occurs due to the "[...] shadow of the future." That is to say, as organisations compete to gain a contract and capture the buyer, they over-invest in attaining and maintaining those buyers, for

instance through lower prices, thus competing potential profits away and reducing the lifetime value of the buyer.

Hence, within this study's context, the price discounts that most APs offer to the TOs and the long-term relationship management approach that they adopt may limit their profitability. APs must carefully consider and evaluate the profitability of each of the TOs with whom they cooperate and assess the pricing strategies that they adopt to gain the highest value from their relationships. However, adopting a more short-term approach is easier said than done. This is because the asymmetry in dependence that exists in the relationship and the small number of TOs often leads APs to agree to the decisions and consider the potential reactions of the more powerful TOs in their operations in general and pricing in particular. Despite the dominant role that the TOs play in their relationships AP participants typically feel satisfied with those relationships and believe that they have a win-win situation which achieves a satisfactory volume of sales and profit. However, the majority of the AP participants recognise that, as one AP participant commented, "[T]Os today kill us with a velvet glove [are an iron fist in a velvet glove]" (IG:1). Put differently, although the large TOs offer strong benefits for the APs in an atmosphere of cooperation, in the end the TOs control and dominate the tourism and hospitality industry and thus the APs. Furthermore, when the interests of the TOs are harmed and circumstances demand it, the TOs will exercise their iron fist, namely their bargaining power.

#### **6.2.6.3. Conclusion**

The analysis indicates that in contractual and non-contractual negotiations the pricing policy of the majority of the APs, was strongly influenced by the pricing policies and strategic aims of the large TOs with whom they operate. The large TOs predominantly focus on generating a high volume of sales and profit-maximisation. As a result, APs typically offered lower prices to the TOs and concentrated on the saleability of their product in order to achieve maximum sales for both parties. This pricing behaviour is mainly due to the APs' strong dependence on two of the TOs' key resources, namely financial security and a consistent occupancy rate that can secure the viability of the unit. Furthermore, a feeling of fear from the APs regarding losing a contract with the large TO acts as a major constraint on their bargaining

power in negotiations. Thus, more often than not, the APs offer a lower price to the TOs rather than risk losing a contract. This is particularly important for APs operating with large commitment and exclusivity contracts due to the APs' higher dependence on the TOs. Moreover, the APs seek to offer value to the TOs through reducing their operational costs by accepting a lower price, and offer good quality product (service and facilities). For example, during non-contractual negotiations, the APs are flexible and cooperative in offering price discounts and soft concessions to the TOs to generate sales. This is because the APs perceive that such actions engender reciprocity between the parties and help to maintain their relationship with the TOs. The analysis also indicates that, for some APs, firm-specific attributes (such as diversified supply and differentiation) increase their bargaining power in relation to the TOs and put them in a better position to negotiate pricing. This is because these APs predominantly operate with an allotment contract and thus have a lower level of dependence on the TOs. Lastly, it is observed that despite the dominant position of the TOs during negotiations the APs receive important benefits (such as a consistent volume of sales) and perceive that they achieve a win-win situation in their relationships.

The above section (6.2) critically analysed the six propositions developed during axial coding (second stage of analysis process). Accordingly, the next section presents the final stage of the analysis process, selective coding.

### **6.3. SELECTIVE CODING**

#### **6.3.1. Introduction**

Following on from axial coding (Chapter 5, section 5.7.4), and from constant comparison of the data with existing literature, selective coding takes place. As mentioned in Chapter 5 (section 5.7.5), selective coding is the final stage of the analysis process where all the sub-categories and core categories developed are integrated to explain the relationships that exist between them. This selective coding leads to the development of the Grounded Theory. To aid the development of the Grounded Theory a detailed storyline was developed. This storyline connected all concepts, sub-categories and core categories together and narrated all key issues and the relationships that were evident in the research. Hence, the developed storyline

provided an explanation of the key phenomena that influence the contractual and non-contractual interactions and negotiations that occur between APs and TOs. This storyline is presented below.

### **6.3.2. Storyline**

The ROC accommodation sector is highly dependent on a small number of large European TOs. The small number of TOs and the large numbers of tourists they bring into the ROC mean that they are well placed in terms of bargaining power in contractual and non-contractual negotiations in relation to the APs. This is because the bargaining power of a party stems from the relative dependence that one party has on the resources of the other to achieve its organisational objectives. The strong bargaining power of the large TOs allows them to dominate their relationships with the APs in general and in contractual and non-contractual negotiations in particular. As a result, the interests of the APs are often ignored during contractual and non-contractual negotiations, restricting their profitability and threatening their economic viability. The APs must, therefore, increase their bargaining power in relation to the TOs in order to enhance their ability to influence negotiation outcomes and improve their economic viability. For the APs to increase their bargaining power, they must seek to increase the level of dependence of the TO on the AP in order for the TO to attain its organisational objectives. This can be achieved by the APs first increasing the attractiveness of their resources to the TOs, and second by reducing the TOs' alternatives for accessing those resources outside their relationship with the APs. The more desirable the resources of the AP are to the TO, and the smaller the number of alternatives for the TO there are, the higher the level of dependence on the AP and therefore the higher the APs bargaining power in relation to the TO during their contractual and non-contractual negotiations.

The analysis indicates that APs have both firm-specific and destination-specific resources that determine their bargaining power. This is due to the fact that the tourism product is embedded in the specific nature of the destination. Consequently, firm-specific resources, such as size-of unit, product quality and differentiation and destination-specific resources, destination characteristics and destination attractiveness, contribute to the bargaining power of the APs in relation to the TOs. Hence, structural factors, government policies/regulations, culture and

industry characteristics, as well as relationship-specific factors need to be addressed for the APs to increase their bargaining power in relation to TOs and in negotiations in particular.

Indeed, tangible and intangible firm-specific resources of the APs determine the type of contractual agreement between APs and TOs. This is because parties are dependent on each other's resources in order to achieve their organisational objectives, therefore, the contracts between APs and TOs are determined by the dependence structure that exists between them. The AP resources that influence the type of contract are size-of-unit, product quality (facilities and service), infrastructure, location, repeat clientele, reputation, value for money, reliability and differentiation. These resources are regarded as important sources of power for the APs and help to determine their bargaining power. However, some resources are more valuable and desirable than others and can increase or decrease the dependence between the APs and TOs.

More specifically, as stated above, the level of dependence of the TO on the AP is determined by how attractive the APs' resources are perceived to be by the TO, and the number of substitutes that the TO has to access those resources. The more attractive the resources of the AP and the smaller the number of substitutes, the greater the TO's dependence on the AP. A higher level of dependence often leads to a commitment or exclusivity contract, whereas a lower level of dependence between the parties results in an allotment contract. Size-of-unit (room capacity) is identified as an important resource which influences the type of contract. This can be attributed to the large tourism flow that the bigger TOs control and their subsequent need to access large room capacities to fulfil their operational needs, hence TOs often operate with accommodation chains. On the other hand, APs controlling large room capacities require a consistent tourism flow to achieve a satisfactory occupancy rate. Hence, size-of-unit considerably raises the dependence between the parties and often results in a commitment or exclusivity contract.

Other resources also play an important role in increasing the dependence between the parties. Good product quality (service and facilities), good unit infrastructure and differentiation in terms of offering a unique product for a TO's portfolio are all such resources. Offering value for money to the TOs and being a

reliable partner also increase the dependence between the parties. This increased dependence results in commitment and exclusivity contracts.

In addition, to firm-specific resources contributing to the bargaining power of the APs in relation to the TOs, the findings indicate that destination-specific resources, that is destination characteristics and destination attractiveness, also influence the APs bargaining power. The analysis reveals that the ROC has the necessary destination characteristics (such as favourable climate, natural scenery, location and safety) to offer an appealing tourism product and fulfil the tourists' needs. Therefore, it has important resources that contribute to its attractiveness as a destination for both the tourist and the TOs, and is thus considered to be a competitive destination. These resources contribute also to the tourism product that the APs offer to the TOs and in turn to the APs' bargaining power in relation to the TOs.

However, the analysis reveals that the ROC is not differentiated in terms of any specific attribute and it is dependent on a highly substitutable sun-and-sea product, restricting its competitiveness in relation to destinations offering a similar product. The insufficient differentiation and reduced competitiveness can drive both tourists and TOs to choose other similar destinations. A highly substitutable destination consequently contributes to the substitutability of the APs, restricting their bargaining power in relation to the TOs, and in negotiations in particular. This is because the substitutability of the ROC increases the TOs alternative sources (destinations) to achieve their organisational objectives outside their relationship with the APs in the ROC. In other words the TOs can choose amongst various other destinations, and thus APs, to fulfil their objectives.

Therefore, developing a more attractive, and therefore competitive, destination could enhance the bargaining power of the APs in relation to the TOs. However, governmental ineffectiveness is identified as a structural constraint on the APs' bargaining power. This is because government policies/regulations have an impact upon the destination-specific resources (destination attractiveness) of the APs. In particular, a centralised Government model, characterised by rigidity and bureaucracy, is considered to be a critical obstacle to the planning and implementation of tourism policies that can increase destination attractiveness. For

example, in the ROC, the rigid Government system delays the development of new products, of Government policies to increase the available source markets, and fails to address obsolete and irrelevant policies that hinder tourism development, which can improve destination attractiveness. New product development, for instance, could help the destination to diversify its product from over-reliance on the packaged price sensitive sun-and-sea market that is the focus of the large TOs. However, such actions are hindered by the current rigid Government system, hence, this over-reliance enhances the bargaining power of the TOs since they control a large share of that market.

One specific external factor that reduces the bargaining power of the APs is the accessibility of the destination. The ROC, and by implication the APs, is hampered by insufficient deregulation of flights from non-EU markets. This was a result of an action the Government took to protect the national airline due to its financial interests in the company. However, this limits the ability of the destination to improve its accessibility, and to develop new source markets, that would help to reduce over-reliance on the small number of European markets controlled by the large TOs, including the UK, Germany and the Scandinavian countries. The current low levels of flight deregulation serve to increase the bargaining power of the TOs because the TOs have a large distribution network and are able to offer a cost-effective way for tourists to visit the ROC. As a result the APs are dependent on the TOs for their tourism flow.

Additionally, another key structural constrain highlighted is the inadequate government intervention that exists. For example, government intervention in the form of tax reliefs and subsidies could help the APs to decrease their high operational costs and enable them to improve their product, thus increasing their bargaining power in relation to the TOs during negotiations.

Other external structural factors that constrain and create delays to successful policy making and implementation to improve the destination attractiveness identified during the interviews are: clashes between individual interests, clientelism, inadequate accountability of Government officials, inadequate governmental devolution, insufficient cooperation between Government and industry sectors, insufficient tourism knowledge and experience of Government



officials, short-term perspective and the passive approach of tourism leaders with regard to tourism development. All these factors restrict and create constant delays to decisions and actions that need to be taken to assist tourism growth and improve the attractiveness and competitiveness of the destination. As a result these structural factors constrain the bargaining power of the APs in relation to the TOs in contractual and non-contractual negotiations.

Finally, in terms of external structural factors cultural issues and specifically, the individualistic mentality that exists in the ROC hinders actions that might harmonise the interests of the various stakeholder groups. This is because tourism actors focus on achieving their individual or commercial interests and ignore policies that may be in conflict with their own interests. In turn, this hampers actions that could lead to the planning and implementation of successful tourism policies, and strategies, that can enhance destination competitiveness, which could consequently increase the bargaining power of the APs in relation to the TOs in contractual and non-contractual negotiations.

The resources of the APs and the TOs influence their relational exchange between the parties. This is because these resources influence the type of contract agreed between the APs and TOs, which in turn determines the context of the relationship. That is to say, commitment and exclusivity contracts denote a closer more relational exchange between the parties with APs and TOs adopting a more long-term approach to the relationship, where high levels of trust, cooperation, openness, and frequent communication are evident. On the other hand, allotment contracts are a more distant discreet exchange between the APs and TOs. This relationship is characterised by a more short-term approach, emphasising the transaction of a specific exchange and partial communication, lower information sharing and lower trust between the APs and TOs. These characteristics have a direct influence on the contractual and non-contractual interactions evident between the parties.

Shared behavioural patterns of the APs and TOs are observed regardless of the type of contract. However, the type of contract influences the relative effort that each party makes to accommodate each other's demands within contractual and non-contractual negotiations. For instance, most APs are more flexible in their

contractual and non-contractual negotiations with the large TOs, often adopting non-coercive influencing strategies to sway negotiation outcomes. APs typically use non-coercive strategies such as rationality (or rational persuasion), recommendation and promises, as well as following a more cooperative negotiation style focusing on a win-win situation for both parties. This is due to the high dependence that the APs have on the TOs, particularly in large agreements, leading them to comply with their TO's requests in order to ensure the continuity of the relationship. Indeed, in large commitment and exclusivity agreements, where the dependence of the APs on the large TOs is considerably increased, APs are more flexible and cooperative in their exchange relationships than is the case for APs operating with smaller allotment contracts. Still, APs focus on a cooperative strategy to gain the goodwill of the TO and protect the future of the relationship.

Although the TOs adopt non-coercive influence strategies such as rationality and recommendations, they are typically inflexible, using more coercive strategies in their contractual and non-contractual negotiations. Coercive influence strategies such as pressure, legalistic pleas and threats are often used by the TOs to achieve their objectives. Moreover, the TOs intermediary position within the tourism distribution channel, as the link between supply and demand, enables them to gain important information on demand and supply. As a result, the TOs, may use deviant practices by manipulating information on demand levels and sales for a specific unit to attain special offers or discounts from the APs and gain a higher profit.

Consequently, slight mistrust is evident between the parties that may engender opportunistic behaviour and lead to detrimental effects for the future of the exchange – namely discontinuation. A higher level of mistrust is evident in relationships operating with an allotment contract due to the emphasis on a short-term discreet approach rather than a long-term approach. Still, coercive influence strategies are evident in all types of relationship. However, due to the fact that the APs are highly dependent on the TOs for survival they have limited options other than to comply with the TOs' requests. Additionally, the asymmetric dependence that exists between the APs and TOs discourages the APs from reciprocating with coercive influencing strategies as they do not wish to endanger their relationship and seek to avoid stimulating retaliation from the TOs.

The adoption of both coercive and non-coercive influencing strategies during the contractual and non-contractual interactions between the APs and TOs is suggestive of a relationship characterised by coopetition. In other words, the strategies of the parties centre on both achieving a collaborative advantage and attaining individual firm objectives. However, in closer more relational exchanges where large agreements exist, a more cooperative relationship is evident than when APs and TOs operate with an allotment contract. This is attributed to the higher dependence that occurs between parties operating with such contracts (commitment and exclusivity). In other words, such contracts necessitate high levels of investment (time and economic) from both parties. Therefore, the discontinuation of the relationship will result in greater losses (time and economic) for both parties. This leads the parties to behave in a more cooperative manner in their interactions. Nevertheless, considering the influence strategies adopted and relational impact, both relationships show competition and cooperation.

Additionally, positive and negative emotions evident in the relationship affect the contractual and non-contractual negotiations between the APs and TOs. Indeed, a dynamic tourism environment characterised by high demand uncertainty and high dependence on the TOs for consistent tourism flow leads APs to have an internal emotion of fear during their negotiations. The reason for this fear is that losing a large contract with a TO can have damaging effects on the accommodation unit's financial viability, threatening its survival.

The APs perceive that a contract with a large TO reduces their business risk since the APs sell their product in bulk and frequently receive advance payments. Fear of losing the TOs operates as a major self-regulating emotion for the APs during contractual and non-contractual negotiations. That is to say, fear of losing the TOs frequently results in the APs regulating and coordinating their behaviour to comply with the TOs' demands in order to avoid any financial loss. Fear of punishment and/or loss of contract also guide the APs to regulate their opportunistic behaviour to prevent negative sanctions being imposed by the TOs. This contributes to the creation of a positive emotional atmosphere engendering trust in the relationship. In relationships where large contractual agreements exist the AP's fear of losing their TO contract is greater since they are highly dependent on the TOs for their survival.

This fear often results in APs experiencing feelings of powerlessness in relation to the TOs because the APs feel they have inadequate control over interactions with the operators. Such feelings lead to alienation of the APs from the TOs, provoking feelings of separation that can result in dissatisfaction and decrease the loyalty of the APs in their relationship with the TOs. However, in highly relational exchanges, where personal relationships, trust, reciprocity and respect are observed, feelings of powerlessness are less marked. This is because these relationships induce a sense of comfort and security for the APs where APs feel confident and secure to make requests of the TO during contractual and non-contractual negotiations.

Furthermore, it is observed that, to an extent, the APs have legitimised the requests and behaviour of the TOs: that is, APs have accepted the TO as an authority figure, both in the tourism industry in general and their relationship in particular. This can be ascribed to the higher bargaining power of the TOs in relation to the APs, motivating them to rationalise the asymmetric power structure and to perceive the TOs as a legitimate authority in order to 'feel better' about the status quo. This legitimisation allows the TOs more discretion to be the decision making party and stimulates the compliance of the APs in negotiations.

Perceptions of unfairness are also apparent in the relationship inducing an internal feeling of bitterness for the APs. This is because some APs perceive that firstly an unfair distribution of benefits (economic) exist in the relationship in comparison to the APs efforts, and secondly the feeling of powerlessness that the APs have stimulates a feeling that they have limited control over decisions that influence their outcomes. Conversely, due to the financial security that the TOs provide to the APs, some APs disregard negative emotions, such as bitterness and unfairness, given that financial needs take precedence.

Regardless of these negative emotions, APs characterise the TOs as friends and partners. APs are satisfied in their relationship with the TOs and continuously invest to engender a positive emotional atmosphere, for example by offering incentives to the TOs and forming emotional bonds through personalised service. Positive emotions, such as happiness, respect and a sense of security in their

relationship with the TOs, are therefore observed within the exchange, with close emotional bonds that can form a successful relationship.

The above mentioned challenges and factors have a direct influence on the contractual and non-contractual outcomes regarding the two main concerns of both parties: pricing and volume of sales. Structural factors in particular constrain the bargaining power of the APs when negotiating pricing and volume of sales outcomes with the TOs. The ROC as a destination is over reliant on a highly substitutable sun-and-sea tourism product fiercely competing with other similar sun-and-sea destinations that operate with lower cost structures, such as Turkey and Greece. The high cost structure derives from high airport taxes, taxation at the destination, the cost of fuel and the high salaries of tourism employees. Consequently, it is considered an expensive destination and faces strong price competition from other similar destinations that can offer a better value for money proposition to a price sensitive mass package tourist.

Due to the strong competition that the APs face their dependence on the large TOs increases. This is because the TOs' large distribution network enables them to offer the most cost-effective channel for tourists to visit the ROC, and in turn a consistent tourism flow for the APs. The TOs also offer the most cost-effective method for the APs to promote their product to their key source markets, such as the UK and Germany. The promotional ability of the TOs stems from their reputation, which represents credibility and security to the tourist, and from their large market share. Consequently, this increases the dependence of the APs on the TOs.

The goal of the majority of APs is to generate the highest possible volume of sales in order to achieve a satisfactory occupancy rate and earn a profit. This can be attributed to the low prices that the APs accept during their negotiations with the TOs. The TOs operate with very tight profit margins, therefore they focus on achieving the lowest possible price during contractual and non-contractual negotiations and the highest possible volume of sales in order to maximise their profit. Hence, the APs focus on volume of sales to generate a profit, so are highly dependent on the ability of the TOs to offer a consistent tourism flow.

Moreover, the financial insecurity of the APs intensifies their dependence on the TOs. Despite the fact that the TOs demand low contractual prices they provide financial security through their agreements. This is because large commitment and exclusivity contracts with the TOs involve pre-payments for future bookings. The financial insecurity of the APs arises from the difficulty of earning a sufficient profit from their operations owing to high operational costs, large bank loans, the low prices that they offer and seasonality. Indeed, during the low season (November to March) a number of units close down, while the APs who continue their operations struggle to earn a profit, thus increasing their dependence on the TOs. This situation increases the bargaining power of the TOs in relation to the APs. As a result of this asymmetric bargaining power APs are unwilling to negotiate price with the TOs, particularly in the case of large agreements. Thus, more often than not the APs comply with the TOs' demands regarding pricing issues.

Further, oversupply of accommodation units and the short-term and individualistic mentality that characterises the island's inhabitants results in fierce competition between the APs. The advantageous position of the TOs that allows them to gain information on prices for each unit enables the TOs to play the APs off against each other to attain a lower price during contractual agreements. Additionally, the competitive relationship that exists between the APs and the short-term individualist mentality of Greek-Cypriots constrains their ability to cooperate and enhance their bargaining position in relation to the TOs. For instance, cooperation could occur through collective bargaining, promoting resource sharing to increase the value of the product offered to the TOs as well as the international tourism market.

Although slight cooperation is observed between the APs this is only in so far as the interests of each party is not threatened; for instance in cases of overbookings or lobbying for common goals in the current regulatory environment. However, in terms of their contractual and non-contractual negotiations, APs often reduce their asking price and accept the TOs' demands in order to win a contract from another AP, regardless of the impact that this can have on their expected profitability.

Asymmetry of information about demand constrains the bargaining power of the APs during non-contractual negotiations with the TOs. The reason for this is that the TOs may manipulate information concerning demand, for example, by holding bookings until the last minute in order to achieve a discount on the contract price to increase their profit. Such practices further restrict the expected profitability of the APs. The constant price competition which is evident in the industry restricts the APs' financial capacity to improve their product, for instance through renovation, without assistance from an external party. As a result, the bargaining power of the APs in relation to the TOs is restricted because the APs depend on financial input from the TOs for major renovations in order to improve their product and increase their competitiveness.

Despite their challenging relationship with the TOs, and the low prices that they receive in contractual and non-contractual negotiations, the APs' fear of losing a major TO is high. Large TOs have the resources to provide financial security and stability in sales to the APs due to their ability to contract large room capacities, offer pre-payments to the APs and generate a consistent tourism flow. Considering these critical benefits, it is not surprising that the APs determine their pricing policies based on the TOs' pricing and strategic objectives, focusing on sales volume and profit-maximisation.

More specifically, APs concentrate on attaining a high occupancy rate, highlighting the importance of the saleability of a product to generate the highest possible sales volume both for the APs and the TOs. As noted earlier, the APs often accept prices with low profit margins during contractual and non-contractual negotiations, thus they are highly dependent on the volume of tourists that the TOs transfer to the unit. This dependence restricts their bargaining power to negotiate price. This is particularly relevant for APs that operate with large commitment and exclusivity contracts. APs operating with an allotment contract agree to higher prices but receive less volume from the large TOs. However, APs with allotment contracts typically maintain a diversified supply, operating with various TOs, in order to achieve a satisfactory occupancy rate.

Given the price sensitivity of the large TOs in contractual agreements the APs focus on offering value by reducing the costs to the TOs; that is, by offering a

lower price, and high product quality (service and facilities). The APs' key purpose is to comply with the price demands of the TOs in order to safeguard their profitable relationship and ensure its continuity. On the other hand, APs possessing valuable firm-specific characteristics, such as a diversified supply (operating with various TOs), differentiation and repeat clientele, are in a stronger position to negotiate price. This is attributed to their decreased dependence on a single TO and the attractiveness of their resources, which enables them to increase their bargaining power. Still, inadequate flight connectivity and the small number of large TOs limit the APs' bargaining power since there are only a small number of alternative TOs available to them through which they can achieve sufficient occupancy and earn a profit. Therefore, APs typically adjust their pricing strategy based on the TO's pricing demands in order to avoid damaging their relationship. This in turn significantly restricts their ability and willingness to negotiate price.

In conclusion, the asymmetric dependence between the APs and TOs, which leads to asymmetric bargaining power, enables the TOs to dominate the relationship with the APs in general and during contractual and non-contractual negotiations in particular. Regardless of the dominant role of the TOs, APs feel satisfied that their relationships provide good economic and non-economic benefits within a positive emotional atmosphere resulting in a win-win situation. While the APs recognise and accept the bargaining power and control of the TOs in negotiations and their ability to determine the outcomes, APs still perceive that there is an opportunity to negotiate. This may be the case for a small number of APs offering a highly differentiated product within the ROC market and/or possessing a diversified supply of tourism flow. However, the APs often have to accept the TOs' demands. APs acknowledge the TOs' ability to use or misuse (as in the case of coercive influence strategies or when inducing fear of retaliation) their power to safeguard their interests, if those are threatened or harmed, as any profit-making firm would do. All of the above mentioned factors and challenges lead to the APs' high levels of resource dependence on TOs, since the majority of APs would not be able to survive without accessing the resources of the TOs. As such, the APs are trapped in a vicious cycle from which it is hard to break free.

Based on the above findings the substantive theory developed was:



*“The APs’ and TOs’ control of resources (destination and firm-specific) governs contractual and non-contractual negotiations, as it determines each party’s bargaining power and the type of contract. In turn, this influences the relational factors, namely negotiation characteristics, relationship constructs and emotions. Consequently, the type of contract and the relational characteristics determine market characteristics in terms of pricing and volume of sales.”*

The theory developed specifies the factors that have a significant impact upon the bargaining power of the APs and TOs and in turn the contractual and non-contractual negotiations between the parties.

## **6.4. CONCLUSION**

The chapter has analysed and evaluated the key findings of the study generated through the data analysis process focused on developing a Grounded Theory that explains the contractual and non-contractual bargaining power relationship and negotiations between the APs and TOs. The discussion focused on the critical analysis and discussion of the six propositions developed under the three core categories; resources, relational factors and market characteristics. The six propositions were: (a) *firm-specific tangible and intangible resources determine the type of contract during contractual negotiations*; (b) *government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources*; (c) *contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs*; (d) *emotional factors influence contractual and non-contractual negotiations*; (e) *culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations*; and (f) *negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales*. All the propositions together explain the contractual and non-contractual negotiations that occur between the APs and TOs in the ROC, a relationship that is characterised by bargaining power asymmetry.

To critically analyse the findings, current literature was utilised to elucidate the issues identified and to help develop a theory to explain the bargaining power relationship within negotiations of the APs and TOs. Aside from the literature

reviewed in Chapters 2, 3 and 4, additional literature was reviewed and employed in this chapter to provide a richer explanation and support for the findings. This was because the exploratory and inductive characteristics of grounded theory analysis frequently guide the researcher to themes not taken into account prior to data collection, thus additional literature must be reviewed to fully explain the data.

The analysis of the findings and discussion was followed by the final stage of Grounded Theory analysis, that is selective coding. The selective coding section presented the storyline developed to aid in theory development. The storyline connected and identified the relationships between all the concepts, sub-categories and core categories discovered during data analysis and in turn delineated the main phenomena of the study. The storyline helped the researcher in the development of a substantive theory that fully explains the factors that influence the bargaining power asymmetric contractual and non-contractual negotiations of the APs in the ROC and large European TOs.

# **CHAPTER 7 - CONCLUSION AND RECOMMENDATIONS**

## **7.1. INTRODUCTION**

This chapter offers an overview of the study and discusses the conclusions and implications of the key findings. This is followed by a discussion on the study's contribution to knowledge and implications for practice. Subsequently, recommendations for tourism and hospitality practice are provided, specifically for accommodation providers (APs), tour operators (TOs) and Government officials. Lastly, suggestions for future research are outlined, final remarks are made and the researcher's reflections on the research experience are presented.

## **7.2. OVERVIEW AND MAIN FINDINGS**

### **7.2.1. Introduction**

The aim of this study was to provide an understanding of the influences on, and the implications of, the bargaining power of the Republic Of Cyprus (ROC) accommodation providers (APs) when undertaking contractual and non-contractual negotiations with large European tour operators (TOs). This was done in order to fill gaps in knowledge regarding bargaining power relations and interactions that arise, and influence, negotiations between B2B tourism buyers and suppliers, whether contractual or not (Chapter 1, section 1.2 and Chapter 5, section 5.2). The study provides insights and developed a substantive theory to fully understand and explain the buyer-supplier contractual and non-contractual bargaining power relationship in negotiations within a service context, namely tourism and hospitality industry.

Accordingly, to tackle the aim, three objectives were addressed: Objective 1 was: to discover the sources of power of both the APs and the TOs in order to determine their bargaining power in contractual and non-contractual negotiations. Objective 2 was: to investigate the way bargaining power is employed within the relationship, from the APs perspective, in order to establish the influence strategies adopted by both parties during their contractual and non-contractual negotiations. Objective 3 was: to examine, the way that bargaining power is exercised within the

relationship, from the APs perspective, in order to ascertain the consequences on the contractual and non-contractual negotiation outcomes.

A qualitative exploratory study was adopted utilising a Grounded Theory methodology and design, combining elements from two versions of Grounded Theory: classic and evolved. Specifically, the epistemological interpretivist perspective of evolved Grounded Theory that the study adopted permitted the researcher to use a level of interpretation, based on her own understandings, to make the text meaningful, while also recognising the influence of the researcher on the process and seeking to uncover the participant's concerns. Further, evolved Grounded Theory provided useful guidelines and clarifications regarding the research process, during data collection and analysis. On the other hand, classic Grounded Theory highlighted the significance of allowing the data to tell their own story. Thus it provided the researcher insights in understanding the need to be flexible and open throughout the research. This was particularly pertinent in the data analysis during the coding process where the researcher adopted a more flexible and spontaneous approach to uncover the participant's concerns. The analytical procedures of evolved and classic Grounded theory, coding strategies (open, axial and selective), constant comparative method and memos were utilised in order to analyse the data (Chapter 5, section 5.8). This process assisted the researcher to develop a substantive theory to understand and explain the bargaining power in negotiations of the APs with the TOs.

Additionally, the exploratory and inductive nature of Grounded Theory led the researcher to identify themes and issues that were not considered prior to the data collection, prompting the researcher to utilise additional literature to support the findings of the study (Chapter 6). This further enhanced the understanding of the situation offering a richer explanation of the contractual and non-contractual bargaining power relationship in negotiations between APs and TOs. The main findings of the study have fully addressed the aim and objectives of the study. The main findings are presented below.

### 7.2.2. Main findings

This section revisits the three objectives of the study and discusses the propositions developed for each highlighting the key findings. These propositions indicate the interrelationships between each category and its sub-categories induced from the data during the analysis process (Chapter 5, section 5.8.5). These propositions assisted in the development of a theoretical explanation (substantive theory) of the bargaining power in negotiations of APs with the TOs

In response to Objective 1, two propositions were developed: (a) firm-specific tangible and intangible resources determine the type of contract during contractual negotiations; and (b) government policies/regulations, culture and industry characteristics influence contractual and non-contractual negotiations through their impact on destination-specific resources. This study's findings indicated that the bargaining power of the APs is determined by firm-specific and destination-specific resources. This is because the tourism product is an amalgamation of activities, services, attractions and destination characteristics that shape the tourist's travel experience. Hence, destination-specific resources, that is destination attractiveness and destination characteristics, are sources of power for the APs and contribute to their bargaining power in relation to the TOs.

First, APs tangible and intangible firm-specific resources are considered sources of power and contribute to their bargaining power. For instance, the tangible resources identified were size-of-unit, product quality (facilities), infrastructure, location (geographical), while the intangible resources were repeat clientele, reputation, value for money, reliability, product quality (service) and differentiation. On the other hand, firm-specific resources for the TOs were the tangible resources, financial and flight capacity, and the intangible resources, promotional ability and information. Further, both the tangible and intangible resources that the parties command determine the type of contract negotiations. This is because parties are dependent on each other's resources for survival and the resources that each party controls create specific patterns of dependence that determine the type contract agreed, namely exclusivity, commitment or allotment. The findings suggested that a commitment or exclusivity contract was often agreed when there was a higher level of dependence between the parties. An allotment contract was often agreed between

parties when there was a lower dependence on each other's resources. An organisation commanding desirable, valuable and unique resources, as perceived by the other party, has greater bargaining power during contractual and non-contractual negotiations.

Second, the study also found that the destination-specific resources of the APs, which contributed to their bargaining power in relation to the TOs, were influenced by the external structure, that is government policies/regulations, culture and industry characteristics. This was because these structural factors created and often intensified the dependence of the APs on the TOs resources, thus influencing the APs' bargaining power during negotiations. For instance, the ROC is a destination that is over-reliant on the packaged sun-and-sea market, a market where the TOs control a large share. Diversification of the tourism product could reduce the dependence of the destination, and the APs, on the TOs. However, the highly rigid centralised Government system in the ROC hindered diversification of the current sun-and-sea product that would reduce the destination's dependence on the packages offered by the large TOs. Thus, due to the increased dependence of the destination and APs on the TOs, the APs bargaining power in relation to the TOs is restricted.

Further, the findings revealed that cultural factors, such as the individualistic mentality that is evident in the ROC delayed actions that may have resulted in the successful planning and implementation of tourism policies and strategies that will improve destination attractiveness. For instance, accessibility to the destination has been restricted by the clash of individual interests between the Government and Hermes Airports (a private company operating both airports in the ROC). Reduced accessibility has further increased the destination's, and the APs', dependence on the small number of already established large TOs. These structural factors often hinder tourism policy-making and implementation that could improve tourism development on the ROC and in turn the attractiveness of the destination to the TOs. If the attractiveness of the resources of the ROC to the TOs is reduced that makes the bargaining power of the TOs stronger and if the attractiveness of the resources is increased that makes the bargaining power of the TOs weaker.

Moreover, the study found that the type of contract, commitment, exclusivity and allotment, agreed between the APs and TOs, influenced the relational factors, namely negotiation characteristics, relational constructs and emotions, in the contractual and non-contractual negotiations. Specifically, in response to Objective 2 two propositions were developed: (a) contractual and non-contractual negotiations are influenced by negotiation characteristics and relationship constructs; (b) emotional factors influence the contractual and non-contractual negotiations. This study's findings indicated that APs and TOs exercised their bargaining power by adopting diverse influence strategies in their contractual and non-contractual negotiations. Due to their high dependence on the TOs the APs were more flexible and frequently use non-coercive influencing strategies in their negotiations with the TOs and emphasise a win-win situation. In contrast, the analysis indicated that large TOs were often inflexible and utilised their bargaining power through adopting more coercive strategies to achieve their objectives. Such coercive strategies resulted in competitive interactions focusing on the profit-maximisation of the TO rather than a win-win situation. However, the high dependence of the APs interviewed on the TOs deterred the APs from reacting or reciprocating with coercive strategies because they did not wish to damage the relationship as that could lead to its discontinuation. Although common patterns of behaviour regarding the influence strategies used by parties were identified, it is evident that the interactions between the APs and TOs were influenced by negotiation characteristics and relationship constructs (such as trust, reciprocity and personal relations). For instance, due to their higher dependence the APs interviewed who were operating with a commitment or exclusivity contract were more flexible and cooperative in their negotiations with the TOs, in comparison to APs with an allotment contract.

Furthermore, APs emotions, (fear, pressure and bitterness) have had an impact on their interactions with the TOs. For example, the high dependence of the majority of the APs interviewed on the TOs, as a result of the limited alternatives for the APs, has resulted in a fear of losing the TO and has put pressure on the APs to protect their relationship with the TOs. For instance, fear of loss of contract stimulated the AP participants to regulate their opportunistic behaviour in order to avoid any negative consequences for the relationship as well as creating a positive emotional atmosphere promoting trust with the TOs. At the same time this fear has

created a sense of powerlessness given that APs interviewed felt that they have limited control over their decisions. Such fear can stimulate feelings of separation creating dissatisfaction and reducing the loyalty and commitment of APs to their relationship with the TOs which threatens the long-term survival of the relationship. Further, perceptions of unfairness were observed that led to the negative feeling of bitterness for some APs interviewed and that could harm the relationship in the future since it can increase opportunistic behaviour. Further, due to the high bargaining power of the TOs, the majority of AP participants perceived the TOs as an authority in the industry and in their relationship. As a result this meant that the TO had more scope in decision-making and in stimulating compliance and acceptance by the APs during negotiations. However, despite these negative emotions the analysis indicated that APs were satisfied with their relationship describing the TOs as friends and partners and commenting that positive interpersonal emotions arose in the relationship, such as happiness, and confidence in the TOs and those emotions led to successful long-term relationships.

In relation to Objective 3, two propositions were developed: (a) culture and industry characteristics are influential factors in pricing and volume of sales during contractual and non-contractual negotiations; (b) negotiation characteristics, relationship constructs and emotions during contractual and non-contractual negotiations determine market characteristics in terms of pricing and volume of sales. The findings demonstrated that all the above issues influence the bargaining power of the parties and the negotiation outcomes in terms of pricing and volume of sales. Specifically, structural factors, culture and industry characteristics, have been influential factors on pricing and volume of sales during contractual and non-contractual negotiations. For instance, one structural constraint was the fact that the ROC is considered to be an expensive destination due to the high cost structure that stems from high airport taxes, taxation at the destination, the cost of fuel and high salaries of tourism employees. This has made it difficult for the ROC, and its tourism suppliers (APs), to compete with similar destinations offering the same product, but having a lower cost structure, such as Turkey. Therefore, the APs interviewed have experienced fierce competition on price from destinations that were able to deliver a more attractive value for money offer to the price sensitive package tourist that the TOs dominate. Hence, this situation has increased the



dependence of the APs on the TOs because the TOs are price sensitive and have low loyalty, to both destinations and APs, if they cannot generate their expected profit. This in turn has led the majority of AP participants to focus on generating a high volume of sales in order to have an adequate occupancy rate. This was frequently achieved by the APs interviewed accepting a lower price per room and offering discounts when demand is low in order to have high occupancy and generate some profit. Consequently, as the APs were highly dependent on the TOs capacity to guarantee a consistent tourism flow, through their ability to offer a cost-effective way for the tourists to travel to the ROC, their bargaining power in negotiations has been restricted.

Moreover, the study found that the majority of APs interviewed were financially insecure, which stemmed from the difficulty of earning an adequate profit due to high operational costs, large bank loans, low prices earned and seasonality. This increased their dependence on the TOs and restricted their bargaining power in negotiations. This was because although TOs demanded low contractual prices they also offered financial security, particularly through their large commitment and exclusivity contracts that entail advance payments for future bookings.

Further, other industry-specific factors were the oversupply of accommodation units and the self-interest, short-term, mentality observed in the ROC which resulted in strong competition between the APs. At the same time, the position of the TOs in terms of knowledge of prices for each unit enabled the TOs to play the APs against each other in order to achieve a lower price. This often resulted in the APs interviewed offering a discount on their price to gain the contract with the TO regardless of the impact on their profitability.

Additionally, relational factors (negotiation characteristics, relationship constructs and emotions) influenced negotiation outcomes, in terms of pricing and volume of sales. For instance, notwithstanding the challenges that the APs interviewed faced with the TOs, the fear that the APs have regarding losing a large TO has acted as key constraint on their bargaining power. The TOs offered financial security and a consistent tourism flow which were two key resources for the APs. Consequently, the pricing policies of the APs interviewed were often determined by

the pricing policies and strategic aims of their partnering TO, which concentrated on maximising volume of sales and profit. This was specifically important for AP participants in large commitment and exclusivity contracts because the dependence of the APs on the volume of sales of the TOs was higher. These APs were more cooperative in offering discounts and focused on the saleability of their product to generate high volume of sales for TOs and for themselves. However, this higher dependence on the TOs may have restricted their ability to negotiate pricing and volume of sales due to their fear of losing the TO.

In their relationship with the TOs most APs interviewed concentrated on offering cost-reductions and product quality (service and facilities) in order to offer value. For instance, the APs interviewed provided value by reducing the operational costs of the TOs. That is the APs accepted a lower price. Further, the majority of the AP participants preferred to accept the price demands of the TOs and have often modified their pricing policies to meet the TOs preferences. This was due to their dependence on a few TOs and their need to protect and maintain their profitable relationship. However, it has been observed that, owing to important firm-specific characteristics such as a diversified supply (operating with various TOs) and differentiation and repeat clientele, some APs had a higher bargaining power when negotiating price. This was due to their decreased dependence on one TO and the attractiveness of their resources. Nevertheless, for most APs the TOs dominated the negotiations, whether contractual or not. Despite this, the APs broadly felt satisfied with their relationship because they gained strong benefits within a positive emotional atmosphere resulting in profit and a win-win situation.

Based on the above, and the related propositions for each objective, a substantive theory was developed that explains the contractual and non-contractual bargaining power relationship of the APs and TOs and its implications on the negotiation process and outcomes. This is presented in section 7.3.3 below.

## **7.3. CONTRIBUTION OF THE STUDY**

### **7.3.1. Contribution to knowledge and implications for practice**

This study has contributed to current knowledge of B2B buyer-supplier research within the tourism and hospitality field. Furthermore, the findings of the study also led to important implications for practice. In the subsections below first, the contribution to knowledge is explained, secondly the contribution to theory is considered, and thirdly, the contribution to, and implications for, practice are discussed.

### **7.3.2. Contribution to knowledge in the B2B buyer-supplier relationship between TOs and APs**

This thesis has contributed to knowledge in four ways.

First, this thesis has contributed to the understanding of emotions within a buyer-supplier context under asymmetric bargaining power. Current research on emotions in a B2B context, and particularly in B2B buyer-supplier relationships, is limited (Anderson and Kumar 2006; Donada and Nogatchewsky 2009; Tähtinen and Blois 2011). This is particularly true within the tourism and hospitality field where the role of emotions in a B2B context has been largely ignored (Papageorgiou 2008). This study has offered new insights on the role and implications of emotions on the negotiation process and the outcomes for B2B tourism buyers and suppliers. Empirical evidence was offered that business decisions, and negotiations in particular, did not rely only on cognition (reasoning) but were also influenced by emotional factors. This contribution is pertinent for the tourism field since due to the dynamic tourism and hospitality industry owner/managers are called on to deal with emotionally challenging situations during negotiations.

Second, this thesis has also contributed to knowledge pertaining to the management of pricing between B2B buyers and suppliers within the tourism and hospitality field. Pricing research in the tourism and hospitality fields has mainly focused on the demand side (Hung et al. 2010; Wang 2012; Guo and He 2012; Guo et al. 2013). The majority of current B2B research on the supply side primarily follows an economic perspective examining optimal pricing between the parties

(Dong et al. 2014; Guo et al. 2013; Ling et al. 2014; Guo and He 2012; Song et al. 2009). However, this study has advanced current knowledge in pricing management by indicating that pricing between buyers and suppliers (B2B) is not only determined by rational decision making and market characteristics, as is commonly assumed by economic models. This study has found that B2B pricing is also shaped by culture, relative bargaining power and relational factors such as emotions and relationship constructs (for example cooperation, reciprocity and personal relationships). This supports Papageorgiou's (2008) contention that tourism and hospitality research must acknowledge the influence of the human aspect in a B2B context. As such the study contributes to pricing management knowledge in a B2B buyer-supplier tourism context.

Third, this thesis has contributed to knowledge by extending the bargaining power concept and resource-dependence perspective within a service sector, that is the tourism and hospitality industry. Hence, it has advanced current understanding regarding the power relations of B2B tourism suppliers and buyers and the implications of asymmetric bargaining power in their contractual and non-contractual negotiations. Furthermore, by adopting a resource-dependence perspective to investigate bargaining power this study has advanced knowledge on the B2B buyer-supplier relationship in the tourism and hospitality field. This is because the patterns of dependence between tourism suppliers and buyers, and particularly the APs and TOs, were identified. Understanding the degree of dependence that exists between suppliers and buyers is critical given that it influences the behaviour of the parties and the interactions that occur in numerous aspects of their relationships, including negotiations.

Fourth, the extension of the bargaining power concept within a B2B buyer-supplier relationship in the tourism and hospitality field, has also identified a link between the destination-specific resources, the external structural constraints (government policies/regulations, culture and industry characteristics) and the bargaining power of APs in relation to the TOs in negotiations. Specifically, this study has demonstrated that the bargaining power of B2B tourism suppliers and buyers goes beyond firm-specific resources and embraces the destination as whole. This is an issue that should be taken into account to better explain the negotiation

outcomes between the tourism buyers-suppliers and this advances current knowledge in B2B buyer-supplier bargaining power interactions and negotiations.

### **7.3.3. Contribution to theory: the substantive theory**

The substantive theory developed was:

*“The APs’ and TOs’ control of resources (destination and firm-specific) governs contractual and non-contractual negotiations, as it determines each party’s bargaining power and the type of contract, which in turn, influences the relational factors, namely negotiation characteristics, relationship constructs and emotions. Consequently, the type of contract and the relational characteristics determine market characteristics in terms of pricing and volume of sales.”*

This substantive theory explains the contractual and non-contractual bargaining power relationship of tourism buyers and suppliers in their negotiations. This substantive theory reveals influencing factors and how they constrain or enable the bargaining power of APs and TOs and impact of these factors on contractual and non-contractual negotiation process and outcomes. As a result it advances current understandings of buyer-supplier contractual relationships, power relations and negotiations within the tourism and hospitality field. Although this substantive theory is developed within a tourism and hospitality industry in the ROC it could offer insights to other B2B buyers and suppliers dealing with power asymmetry.

#### **7.3.3.1. The transferability of the substantive theory**

Bearing in mind the qualitative approach adopted the current study is contextually tied to the tourism and hospitality industry in the ROC. However, it can be argued that the substantive theory developed could be of relevance to B2B buyers-suppliers in other tourism destinations and economic activities that operate in similar bargaining power asymmetric relationships. That is to say, that although qualitative studies are contextually bound, they could also be an example of a wider group, thus the potential of transferability and the likelihood that coinciding and similar understandings embedded in similar experiences may exist must not be instantly precluded (Shenton 2004; Misco 2007). Furthermore, the Grounded Theory process adopted, that enabled the researcher to generate broad and abstract categories, and propositions that led to the substantive theory, further contributes to

the potential for transferability (Chapter 5, section 5.8). As Morse and Singleton (2001, p. 846) argued “[C]oncepts, by definition, are abstract and not context bound.” Hence, as noted in Chapter 5, section 5.9, if a problem is comparable and relevant in other settings then the theory developed should be meaningful and pertinent to those certain settings as well (Morse and Singleton 2001). Accordingly, in the subsections below the transferability of the findings and the substantive theory developed is discussed, first in relation to other tourism contexts and second to in relation to other economic activities.

#### *Transferability to other tourism contexts*

As stated in Chapter 5, section 5.9, the findings of the study may be pertinent in other similar destinations. That is, mature sun-and-sea destinations in the Mediterranean that are highly dependent on the large European TOs. However, the reader must also consider the similarities in context in deciding transferability. For instance, the fact that the ROC is an economically developed European destination, politically stable, and the tourism and hospitality industry are significant for its economy. Two sun-and sea Mediterranean destinations that are highly dependent on large European TOs, and experience similar challenges, are the Greek islands such as Crete or Malta (Chalkiti and Sigala 2010; Chapman and Speake 2011). Hence, the study’s findings and substantive theory could be applicable and relevant to those destinations as well. These findings and theory could assist in explaining bargaining power relations and contractual and non-contractual negotiations between perceived weaker suppliers (such as APs) and the large European TOs.

#### *Transferability to other B2B situations*

In addition, to the tourism and hospitality industry, another economic activity that is characterised by strong power asymmetries between B2B buyers and suppliers is the retail grocery industry. The retail grocery industry has high market concentration. The industry is dominated by a few large retail organisations and operates with high power asymmetric relationships between the supermarkets and their suppliers (Hingley 2005; Hingley et al. 2015; Sutton-Brady et al. 2015; Rindt and Mouzas 2015). This has been identified in countries such as the U.K., Finland, Australia and Germany (Hingley 2005; Sutton-Brady et al. 2015; Rindt and Mouzas

2015). Hence, suppliers, providing goods to grocery retailers, are highly dependent on their retailers (buyers) in order to reach the consumer market, resulting in retailers being seen as ‘gatekeepers’ (Sutton-Brady et al. 2015; Dobson and Inderst 2008).

The strong position of large supermarket chains has resulted in them having more power than their suppliers enabling these dominant parties to exercise their power to achieve their objectives (Sutton-Brady et al. 2015). This could be attributed to the fact that a large number of suppliers must negotiate with a small number of large powerful grocery retailers (Rindt and Mouzas 2015). This is similar to the tourism and hospitality industry where there are a large number of suppliers (APs) who are highly dependent on a small number of buyers (large TOs) to achieve their business objectives. Further, in this study of a tourism and hospitality context, large TOs have a large market share and control access to the tourists that the tourism and hospitality suppliers need (APs). This is similar to the control of large supermarkets have of the consumers which restricts the access of the suppliers to the market.

Considering the above it can be argued that the substantive theory and findings of the study could potentially be pertinent to the grocery retail industry as suppliers within the grocery retail industry may face similar challenges to those in the tourism and hospitality industry. As such, some or all of this study’s findings could potentially assist in explaining the bargaining power relationship and negotiation process and outcomes of perceived weaker suppliers in their relationship with large grocery retail chains. However, the reader must decide on the potential of transferability based on the contextual similarities and sample of the study.

#### **7.3.4. Contribution and implications for practice**

##### **7.3.4.1. *Contribution and implications for APs, TOs, and Government officials***

This study’s findings and above contributions can be of value to tourism and hospitality practice both at the destination and firm level. This is because in order to fully explain the bargaining power relationship of APs in negotiations with the TOs, the study’s participants had various roles in the tourism and hospitality industry of

the ROC (Chapter 5, section 5.6.5). Hence, implications for APs, TOs and Government officials have arisen. It must be noted that although the study did not seek to directly explore the perceptions of the TOs, the study's findings also have implications for the TOs regarding their relationship management approach with the APs. These implications were derived from the research's participants and the analysis that followed. The key implications for AP, TOs, and Government officials are discussed below.

#### **7.3.4.2.        *Key Implications for APs***

This study has provided an in-depth explanation of the bargaining power relationship between the APs and the TOs during their negotiations, from the APs perspective. The findings can help APs achieve a better understanding of the interactions that occur and the factors that influence their bargaining power and negotiations with the TOs. This will enable them to take more informed decisions during their contractual and non-contractual negotiations with the TOs, which could lead them to a better negotiation outcome.

More specifically, the analysis revealed the sources of power (resources) of the APs and TOs and how they could constrain or enable bargaining power during negotiations. This is of great importance for the APs since the majority operate in a relationship characterised by power asymmetry. With this knowledge APs could determine the resources (such as value for money and product quality) they must focus on in order to improve the attractiveness of their offering to the TOs. This may then increase the TOs dependence on the AP, which could increase the APs bargaining power in relation to the TOs.

In addition, it was identified that emotional factors play a role in influencing the bargaining power of the parties in negotiations process and outcome (in terms of pricing and volume of sales). For instance, fear of losing the TO has been recognised as an important emotional constraint on the APs bargaining power in negotiations, whether contractual or not. If managers acknowledged, and did not minimise, the influence of emotions and they could use this knowledge to make more informed decisions during their negotiations. The role of emotions should also be considered in relation to their partners, such as the TOs. It has been revealed that the APs, as the



perceived weaker party, are already adopting actions to stimulate positive emotions in their relationship with the TOs, through personalised service. Hence, the role of emotions should be acknowledged and understood by managers in order to take more informed decisions and better manage their power asymmetric relationships.

Moreover, the study has provided insights on the implications and impact that revenue management practices have on the relationship of tourism buyers and suppliers. Although revenue management is a common occurrence in the tourism and hospitality industry the findings indicated that pricing practices influence both the profitability of the APs and TOs and relational factors (such as trust and opportunistic behaviour) between the parties. For example constant overbookings may reduce the perception of the APs reliability as an exchange partner, create mistrust and could lead to the discontinuation of the relationship resulting in the loss of future profits. This is particularly pertinent in relationships with bargaining power asymmetry given that perceived stronger parties, such as TOs, may simply find alternative suppliers.

Furthermore, the findings indicated that the majority of the APs focus on offering a low price to the TO in order to maintain their relationship. During contractual negotiations APs often offer a tactical price that is lower than intended in order to win the contract. This could create a precedent of low prices for the TO and could result in difficulties for the APs regarding future price increases, since the TOs have a low reference price. This could then restrict their bargaining power to increase future prices. This is an important implication for the APs that should be considered in future pricing decisions.

Structural constraints, culture and industry characteristics, have also been identified as influencing the bargaining power of the tourism buyers (TOs) and suppliers (APs). More specifically, the highly competitive relationship that exists between the APs poses a constraint on their bargaining power and ability to negotiate contractual and non-contractual agreements with the TOs. This is because the competitive relationship enables the TOs to play APs against each other leading to APs aggressively competing on price to win the contract reducing their profitability. This competition is intensified by their self-interest and short-term mentality seeking to achieve a contract. Extreme competition may lead APs to waste

resources (such as time and money) to gain a contract from the other APs and ignore the benefits from a more cooperative relationship. Therefore, it is important for tourism buyers and suppliers to be aware of how the external structure can restrict their bargaining power in negotiations in order to make more informed decisions.

#### **7.3.4.3.        *Key implications for TOs***

Although this study did not seek to explore the perspectives of the large TOs, the findings indicate implications for the TOs in terms of their relationship management practices in relation to the APs, specifically in negotiations. The often aggressive style and coercive influence strategies adopted by the TOs in their contractual and non-contractual negotiations has had negative impacts on their relationship with the APs. For instance, the coercive strategies of the TOs have created a sense of fear of negative sanctions in the APs. As a result frequent use of coercive strategies could have damaging effects on the relationship creating conflict, reducing coordination, decreasing loyalty and commitment. As a result it could lead to a decrease in satisfaction of the parties in the relationship and reduce their performance.

Further, this study identified that the price-focused strategies of large TOs have had a negative impact on the economic viability of the destination and the APs. Specifically, the APs are struggling in terms of operating a financially viable unit. Large TOs should consider how their pricing strategies influence the destinations and their partners.

#### **7.3.4.4.        *Key implications for Government officials***

The findings also have implications for the Government of the ROC and Government officials. The findings revealed that the ROC as a destination faces various challenges that constrain the ability of the majority of its tourism and hospitality suppliers, such as APs, to successfully operate their businesses. Policy-makers should be aware of the number of challenges that the tourism and hospitality businesses face as well as their role in hindering the competitiveness of the destination. This study uncovered various government related factors that negatively influence the ability of the destination to enhance its destination attractiveness and

thus competitiveness in the international tourism arena. This in turn restricts the bargaining power of the APs in relation to the TOs, since it reduces the attractiveness of the tourism product that the APs offer to the TOs and tourists alike. For instance, many of the participants in this study noted, the rigidity of the Government, and insufficient governmental devolution, has been a major restrictive factor that has impeded new product development leading to the overreliance of the destination on a highly substitutable sun-and-sea tourism product. Other factors, such as clientelistic relationships and clashing of personal interests, have been identified as restricting the successful policy-making and strategies that could aid to improve the destination's attractiveness, and in turn the bargaining power of the APs in relation to the TOs. This is because policy-making and strategies have focused on satisfying personal interests rather than the interests of the destination as a whole.

Insufficient accountability of Government employees has also been identified by the participants in the study as hindering actions that could be taken to enhance the competitiveness of the destination, since employees are not held accountable or responsible for unsuccessful planning and implementation of policies, strategies or projects that could enhance tourism development. In addition, the short-term mentality and passive approach of tourism leaders regarding tourism development has led to tourism development focusing on short-term actions to fulfil political goals rather than addressing long-term challenges of the destination such as overreliance on the sun-and-sea product and seasonality. The findings have demonstrated that the participants consider that there is insufficient cooperation between the Government and the tourism sector and that has constrained effective policy making and implementation in tourism development. Consideration of the above factors could be considered by policy-makers in the ROC when deciding on how to improve tourism development on the island. In section 7.4 this study also offered recommendations for the Government officials in order to aid in improving the destinations attractiveness, and in turn destination competitiveness. This would be likely to improve the bargaining power of the APs towards the TOs, as well as aid in creating a more successful tourism destination as a whole.

## **7.4. RECOMMENDATIONS**

### **7.4.1. Introduction**

The study provides several insights for tourism practice, both at the destination and firm level, since the bargaining power of the APs is influenced by both structural and firm-specific factors. Accordingly, recommendations are offered below on issues that need to be considered to improve the bargaining position of APs in relation to the TOs. In order to fully understand and explain the bargaining power interactions in negotiations, participants with various roles in the ROC tourism and hospitality industry were interviewed (Chapter 5, section 5.6.5). As a result the study's findings offer insights not only for the relationship of APs and TOs but also for the Government officials in the ROC and the tourism industry as a whole. These recommendations stemmed from the participants of the study as well as the study's subsequent analysis. Therefore first, recommendations for APs are offered, second recommendations for the TOs are made, and third recommendations for Government officials are set out.

### **7.4.2. Recommendations for APs**

#### **7.4.2.1. *Industry-specific and relationship-specific recommendations for APs***

Recommendations for APs are twofold, in terms of the industry and their relationship with the TOs. Hence, first recommendations for the APs are offered in terms of industry-specific issues and second, recommendations for APs operating with commitment and exclusivity contracts are provided, followed by recommendations for APs operating with allotment contract. This is because each type of contract has different characteristics that can influence negotiations.

#### **7.4.2.2. *Recommendations of APs in terms of industry-specific issues***

APs seeking to improve their bargaining position in their negotiations with the TOs should not merely focus on relationship-specific issues but also consider the influence of industry characteristics. The analysis has revealed that APs have a highly competitive relationship between each other that enables the TOs to play

them against each other. It is only natural that competition is evident in the relationship of the APs, rather than cooperation, since APs operate in a dynamic competitive environment. However, by APs developing a more cooperative relationship between them it could aid in enhancing trust and curbing short-term opportunistic behaviour. This could also help them to receive benefits from collective bargaining such as resource exchange or resource sharing that could improve their performance and bargaining power in relation to the TOs by improving their product offering. A more cooperative relationship could not only help the APs to increase their bargaining power in relation to the TOs but also aid them when lobbying for collective interests to the Government. One action that could contribute to the reduction of the antagonistic behaviour could be increasing the number of sources of supply for the destination. For instance, introducing new source markets for the ROC, thus, increasing the number of alternatives for the APs to gain the necessary tourism flow increasing their bargaining power.

Moreover, due to the oversupply of accommodation units, it is important that APs actively seek ways to improve and differentiate their product and service. This does not necessarily mean offering a unique product targeted at one market (for instance couples only luxury unit), but differentiating the unit competing on quality and service, which are aspects of a product valued by all consumers, which in turn will be of value to the TOs. As a result increasing their bargaining power in relation to the TOs in contractual and non-contractual negotiations. Such action does not require a considerable amount of financial resources to achieve, but could safeguard the unit from strong price competition (Becerra et al. 2013).

#### **7.4.2.3.      *APs operating with commitment and exclusivity contract***

APs could continuously endeavour to increase the value proposition that they offer to the TOs. For instance, improving the quality of the product (physical and service) while also investing in their relationship to better serve their key TOs. By providing access to more desirable resources the TOs dependence on the APs may increase, thus the APs bargaining power in relation to the TOs could also improve in their negotiations. Large TOs have low loyalty to the destinations, and high mobility, allowing them to change suppliers based on their profit-margin. Therefore, APs could invest in increasing the value of their offer and thereby the switching

costs for the TOs. However, increasing value should not be exclusively focused on offering cost-reductions but also on creating a more relational exchange improving the service for the TOs and their customers. This could be achieved, for instance through enhancing the communication and coordination between the parties, promoting openness in the relationship, enhancing reliability and creating close emotional bonds to increase trust. Such actions could help to reduce opportunistic behaviour not due to fear of losing the contract but because there is trust and a long-term view of the partnership engendering satisfaction.

By improving the value of their service to the TO APs could have a higher bargaining power than those APs that focus on providing the lowest price to offer value. A lower price can be easily substituted by another similar unit but a more personalised service with high emotional bonds between the parties can increase the TOs switching costs. Hence, the TOs dependence on a specific AP could increase and enable the AP to negotiate more favourable contractual and non-contractual outcomes in terms of price and volume of sales.

Moreover, AP pricing strategies that focus on retaining the relationship with the TOs in the long-term could be considered as beneficial since they engender relationship continuity and TOs satisfaction. However, APs should be cautious regarding constant price decreases in order to win the contract or increase the volume of sales, because it is difficult to alter the TOs reference price for future exchanges. Hence, price reductions should be considered carefully as this could restrict their bargaining power in contractual and non-contractual negotiations. Further, APs could consider the negative impact that revenue management practices can have on the relationship. For instance, not overbooking the clients of their key TOs, or asking for stop-sales, that could harm the operations of the TOs. A more efficient and effective application of revenue management practices could promote trust and increase the reliability of the AP, contributing to the relationship continuity and increasing the APs bargaining power in negotiations.

It could be argued that the above recommendations would increase the dependence of the APs on the TOs. However, they could also improve the value of the relationship promoting risk-sharing and cooperation between the parties preserving a profitable relationship. Accordingly, the APs increasing the value of the

relationship, as perceived by the TOs, could also increase the dependence of the TOs on the APs thus enhancing the bargaining power of APs in relation to the TOs. However, APs should also carefully consider and evaluate the profitability of each TO that they cooperate with, and the pricing strategies they use with their key TO, to gain the highest economic value from their relationships. At the same time APs could actively seek ways to increase their sources of supply and not solely depend on one TO through very large agreements. This could create a level of flexibility in their operations, reducing their strong dependence on the TOs while offering a good service and value to the TO.

#### **7.4.2.4.        *APs operating with allotment contract***

Similar to APs operating with commitment and exclusivity contracts with the TOs APs with an allotment contract should continually focus their efforts on improving their product and service in order to offer a competitive product in the market. The lower dependence that APs with allotment contract have on the TOs allows them to have a better bargaining position and more control over their product and decisions such as price. The findings have indicated that this lower dependence often creates a more competitive relationship with the TOs, emphasising the short-term nature of the transaction. However, this competitive and discreet exchange might lead to the APs losing out on benefits from a more cooperative relationship, which could be profitable for both parties. For instance, higher prices might decrease the ability of the unit to generate a higher occupancy rate, leading APs to offer lower prices to generate demand at the last minute hence restricting their expected profitability. Therefore, APs could consider adopting a more cooperative approach in their relationship and negotiations to avoid losing out on future benefits. A more cooperative relationship could create a more relational exchange engendering reciprocity, trust and personal relationships that could improve their bargaining power to negotiate contractual and non-contractual issues.

APs could also consider the impact that their revenue management practices such as overbookings have on their relationship with the TOs, since mismanagement of such practices can have a negative effect (mistrust and reduced reliability as partners). Hence, APs should carefully consider the impact of opportunistic behaviour in the relationship and take actions to improve information transparency

with the TOs to achieve the highest benefits in the relationship. Finally, APs with allotment contract should also continuously endeavour to expand their sources of supply for tourism flow. This could be achieved through, for example, finding new niche TOs to promote their product, or operating with online intermediaries. This could further reduce their dependence on the large TOs for tourism flow and hence further increase their bargaining power in relation to the TOs. However, the APs should identify the right distribution channel for their targeted market while also assessing the profitability of each intermediary to achieve the highest benefits from the relationship.

#### **7.4.3. Recommendations for TOs**

Despite the fact the study did not directly aim to explore the perceptions of TOs and offer recommendations, the findings offer insights to the TOs in terms of better managing their relationship with the APs, particularly in contractual and non-contractual negotiations. As a result it could contribute to the success of the relationship. The findings indicated that the TOs often adopt more aggressive styles and coercive influences in negotiations that create negative emotions (fear) for the APs, and could create conflict and decrease coordination. The TOs could consider adopting more non-coercive strategies to avoid negative impacts on the relationship. It must also be noted that due to the TOs higher bargaining power in relation to the APs, the majority of the APs interviewed focus on satisfying their demands irrespective of the use of coercive influence strategies. Consequently, non-coercive influence strategies could be even more effective, while avoiding the negative impacts deriving from coercion.

Further, TOs could address the APs feelings of unfairness because such feelings could be harmful for the future of the relationship, since such perceptions could increase conflict, opportunistic behaviour and mistrust inhibiting relationship success. Accordingly, TOs could take actions to reduce information asymmetry regarding demand levels and expected bookings, which are factors the findings indicated to create mistrust and could lead to feelings of unfairness. A more efficient and effective communication structure with the APs, specifically in large contracts, could help to reduce mistrust and build a stronger cooperative relationship between the parties hampering opportunistic behaviour. This could also reduce the feeling of



bitterness that the APs feel promoting a positive emotional atmosphere and engendering its continuity.

Finally, TOs could consider the impact that their price-focused strategies have on the destination and their partners, since the analysis suggested that it reduces the financial viability of the APs. Due to their strong power and large resources the TOs have the ability to take a more sustainable approach and help their suppliers in improving their market offering and become more competitive. In turn, they could aid the APs to improve their competitiveness not through price competition but through product differentiation.

#### **7.4.4. Recommendations for Government officials**

The recommendations for the Government officials discussed below stemmed from the fact that the Government and its tourism related activities can influence the APs and TOs business activities. These recommendations have arisen from both the study's participants and from the analysis. Changes need to occur to the tourism governance model of the ROC in order to improve the attractiveness of the ROC as a whole, and as a result its competitiveness and the bargaining power of the APs in relation to the TOs.

The centralised Government structure characterised by bureaucracy and rigidity is a key constraint for the destination's competitiveness, and thus on the APs' bargaining power. A more decentralised tourism model could facilitate tourism actors to be more responsive to tourism challenges as well as accelerate processes for tourism development. Further, the CTO, the Government body solely responsible for tourism, does not have the necessary authority and decision-making power to assist in tourism development. Hence, it could be beneficial for the Government to either appoint a new body or give the necessary authority and resource capacity to the CTO in order to enable the CTO take a more prominent role in the development and coordination of tourism in the ROC.

The Government could consider implementing a more effective Government control system to improve the behaviour of Government officials in terms of their responsibilities as well as facilitate the process of tourism development. For

instance, such action could facilitate the process for new product development and the improvement of the current products. This could aid the destination to reduce the existing overreliance on the mass sun-and-sea model and tackle seasonality thus increasing the destination's attractiveness. Indeed, for the APs interviewed, seasonality restricts their ability to be profitable during the winter (low) season, often leading them to accept a lower price in agreements with the TOs to recover financial loss from the winter season. Therefore, the Government could improve its governance model to facilitate actions to reduce the seasonality of the destination consequently also contributing to the financial viability of the APs. This could also improve the APs ability to enhance their product offering to the TOs, for example through renovations to improve their infrastructure. This in turn could increase their bargaining power in relation to the TOs in negotiations.

A more effective and efficient governance model could also prompt a more successful allocation of funds that can enable the destination to achieve its objectives. Accordingly, this action could also respond to the calls of APs for government intervention in the form of financial aid to improve their infrastructure. This could improve first, the attractiveness of the APs product for the TOs thus increasing their bargaining power. Second, this could contribute to the ROC competitiveness in the international market. This is because, successful and competitive businesses create a successful and competitive destination and vice versa. However, Government officials could take a more long-term approach to tourism planning and policymaking, moving away from focusing on the short-term policies and strategies determined by political agendas. Actions could be taken to address long-standing issues of the tourism industry such as seasonality and overreliance on four key markets.

It is critical to address the abuse of power, perceived by the participants, in the Government and clientelism that promotes goals that serve individual interests rather than the destination as a whole. This could increase the trust that the industry sector has in the Government. In turn, it could also encourage the engagement of industry actors in all tiers and not only economic elites thus improving the cooperation between the Government and the industry sector.

Moreover, Government officials could take strong steps to facilitate the process of diversifying the current source markets, moving away from being over dependent on a small number of TOs that control those markets. For years, the ROC has been reliant on the UK market, with Scandinavian countries, Germany and Russia to fill the gaps in tourist arrivals. Increasing the source markets could enable the destination, and in turn the APs, to diversify their sources for tourism flow since new TOs could enter the market. This can be done through enhancing flight connectivity to new markets and promoting visitation by independent travellers to move away from the overreliance on the packaged price sensitive tourist.

Improving the tourism governance model could increase the competitiveness of the destination, by offering a more desirable product both for the tourists and the TOs. Increasing the attractiveness of the destination could also contribute in improving the value for money proposition that the ROC, and subsequently the APs, offer to the TOs, hence increasing the bargaining power of the APs.

## **7.5. FUTURE RESEARCH**

Power is a relational concept, meaning that power is founded on the perception of one group (or actor) of the power of the other. Hence, future studies could also explore the TOs' perception regarding the APs power sources. This exploration could not only focus on identifying the sources of bargaining power the TOs perceive important but also their views on the contractual and non-contractual negotiations with the APs. Accordingly, this would provide much needed insights in two ways. First, it would offer more information on the resources the APs need to focus on to increase their bargaining power from the TOs perspective. Second, it would provide insights on the large TOs negotiation and relationship management practices. Relationship management practices of buyers towards their suppliers within a B2B context is still an area that needs further investigation.

Further, the role of emotions in B2B buyer-supplier relationships is still an area that needs further research. Anecdotal evidence obtained during the data collection suggests that emotions may be a stronger influencing factor on the behaviour of owner-managers during negotiations than is the case for managers employed to manage the unit. This is beyond the exploratory scope of this thesis and

the study did not account for this difference, therefore future research could investigate this issue further.

Additionally, a substantive theory to explain and better understand the bargaining power relationship in negotiations of the APs and TOs in the ROC was developed. Future research could explore bargaining power and negotiations between the APs and TOs in other similar destinations to examine whether the findings are applicable and support the transferability of the findings to other tourism destinations (section 7.3.3.1).

Lastly, the study's findings are context-specific, tied to the tourism and hospitality industry. However, future research could explore whether similar findings can be found in other industries when exploring contractual and non-contractual negotiations between B2B buyers-suppliers under asymmetric bargaining power. For example, as mentioned in section 7.3.3.1 the food grocery industry in the UK is dominated by a few large retail firms and operates in a highly power asymmetric relationship with their suppliers.

## **7.6. FINAL REMARKS**

This study's qualitative approach to research has uncovered contextual insights, in terms of the influence of the social setting and the human factor, that contribute to the explanation of the bargaining power relationship in negotiations between B2B buyers and suppliers in tourism and hospitality that are characterised by asymmetry. Specifically, the study developed a substantive theory that explains the implications of the bargaining power relationship of tourism buyers (large TOs) and suppliers (APs) within negotiations, taking into account both external structural influences, relational factors and firm-specific issues that influence these phenomena, within a service sector and particularly within a tourism and hospitality context. Furthermore, the consideration of both the contractual and non-contractual bargaining power interactions in negotiations, in this study, contributed to the understanding of how contracts are manifested and enforced between the buyers and suppliers within a tourism and hospitality context. This is particularly relevant within a dynamic tourism and hospitality industry, where environmental changes frequently occur and renegotiations between the parties are ever present.

## **7.7. PERSONAL REFLECTIONS ON THE RESEARCH EXPERIENCE**

My PhD journey has been an adventure which has taught me not only about ‘doing research’ but also about my self as an individual. Similar to the ever-changing business environment that the study’s participants deal with, my PhD experience has been an ever-changing process. It has been filled with highs and lows, moments of enthusiasm when inspiration struck and moments of contemplation and anxiety when difficulties were presented.

Each step of this journey has been an amazing learning opportunity. My PhD journey gave me the opportunity to explore interesting philosophical and sociological writings on power relations that I found fascinating and intriguing. In addition, the research gave me the opportunity to examine literature on B2B relationships within the marketing, management, strategic management, psychology, tourism and hospitality field. Reading through the theoretical and applied literature was thought-provoking and led me to be a deeper thinker by broadening my understanding of how society and social relationships work at large. It also led me to question my assumptions about people and my interactions with them in everyday life. This is knowledge that I will value for life.

I found the data collection and analysis stages fascinating but also the most challenging stages of the research process. The data collection stage gave me the opportunity to meet numerous individuals from the tourism and hospitality industry. I thoroughly enjoyed exploring each participant’s reality, through the interviews, hearing about their experiences and opinions. Furthermore, through my contact with the participants I felt the ‘buzz’ of the industry sector and that reminded me of why I find the tourism and hospitality industries fascinating and why I would like to continue to research to better understand these industries. However, as I adopted an interpretive epistemological Grounded Theory methodology I had, as a researcher, to be open to the data while also utilising my understanding of the phenomena (bargaining power in negotiations and tourism and hospitality industries) to make sense of the participant’s meanings and thereby bring out their voices. I found the task of understanding where the participant’s point of view was ending and where my own thoughts were beginning, very challenging. This task was aided by various

strategies to enhance the study's credibility, for instance constant debriefing sessions with my supervisors, that allowed me to check my thoughts regarding the data, and helped me to bring out the voices of the participants. Further, I was constantly being reflective in the writing of memos regarding my thoughts and ideas concerning the data. Although challenging, the data collection and analysis stages were stimulating and eye-opening experiences that have helped me to improve my research skills. The data collection and analysis stages taught me to question my assumptions, to be more perceptive of people and to be a better listener by taking a step back and allowing individuals to express themselves and take time to reflect on new information. These are lessons that I will apply in my life.

The data analysis process was difficult but it was also an intriguing process. Specifically, while it allowed me to explore new ideas, it also reminded me that in order to make sense of the data it was important to take time to contemplate and be patient. Patience, contemplation and various discussions with my supervisors about the data enabled me to generate the substantive theory which made me feel exhilarated when I achieved it. Patience was a skill I had to develop and I am still developing in my personal and professional life.

Another key challenge for me was achieving a balance between my work and my life. Achieving a work-life balance has been a catchphrase for many years, but I was only able to truly understand its meaning through the PhD journey. The PhD was a demanding process both in terms of time and mental effort that led me to forget the notion of work-life balance. However, the PhD journey has taught me the importance of accomplishing this in my life. I previously believed that working long-hours on a daily basis would be the most effective and efficient approach to academic success (PhD completion) and also success in life. However, I have realised that, while hard-work is important, giving myself time to rest, recharge and relax with family and friends increases my motivation, creativity and focus, helping me to perform better in my professional and personal life.

As a last remark I can only note that this research process has been both about the destination and the journey. Specifically, knowing the destination, achieving my PhD, helped to keep me motivated and determined to reach it. However, I view my PhD research process as being a journey filled with highs and

lows that made me a stronger person, as well as teaching me that I have to appreciate the little things in life such as spending time with family and friends, while pursuing my goals. My PhD journey can be embodied by P.C. Cavafy's poem, 'Ithaca' (1905-1915), as translated by Sachperoglou (2007, p.35), of which an extract is presented below:

*"[...] Always keep Ithaca in your mind.  
To arrive there is your final destination.  
But do not rush the voyage in the least.  
Better it last for many years;  
and once you're old, cast anchor on the isle,  
rich with all you've gained along the way,  
expecting not that Ithaca will give you wealth.*

*Ithaca gave you the wondrous voyage:  
without her you'd never have set out.  
But she has nothing to give you any more.*

*If then you find her poor, Ithaca has not deceived you.  
As wise as you've become, with such experience, by now  
you will have come to know what Ithacas really mean."*

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# APPENDICES

## APPENDIX 1: EXAMPLES OF MEMOS

### 1. Memo during data collection

Date: 10/07/2013	Number of Interviews Completed: 11	Participant Code: HA:2
Title: <b>Role of Personal relationships</b>		Stage: Data collection
<p><b>In the interview today the sales manager received a call during the interview process.</b></p> <p>At the beginning the conversation focused on conversational formalities such as asking how he/she was and how is work going.</p> <p>The sales manager seemed very relaxed and talking to the TO on the line in a very informal manner. He was smiling, joking and laughing in a sort of flirty way...</p> <p>He finished the conversation and hung up the phone and turned to me saying "[T]his is how you need to do it otherwise you will never get anything done. I had to give her the free room in a sort of a favour but If I need something I can also ask her for it."</p> <p>The interview then continued with the sales manager pointing out how important it is to have a good personal relationships with your partners.</p> <p>Therefore, the demeanour and attitude as well as personal relationship seems to be important in getting things done. Need to think about the role of personal relationships!</p>		

### 2. Memo during the analysis stage

Date: 14/11/2013	Number of Interviews Completed: 2	Interview Code: AP:1
Title: Coercion and Exploitation (concepts)		Stage of Coding: Open coding
<p>After coding 2 interviews from hotel chains I am now coding an interview by a manager running an individual unit. When asked about his opinion of TOs he said straight away that they 'take advantage' "<u>TOs take advantage of the situation and they push prices down.</u>"</p> <p>This is interesting as it seems that individual hotels that work under different conditions seem to have a completely different feeling from people in Hotel chains. <i>Exploitation was a concept that I felt was evident during the data collection but was not as obvious in the hotel chain interviews, although some reference was there.</i></p>		

For example, IG:1 said “[TOs] are now more demanding, more sensitive on price. If it were possible you have to go down in price as much as possible.” I added this as an attitude that they have when negotiating but maybe I need to rethink the phrase “have to” this is a strong word. And why do they HAVE TO? What will happen if they don’t? Is it coercion? Is coercion higher in individually owned hotels?

One participant said “TOs ask for reductions in price because for them it’s if you are not in my best interest I will take you out [from the programme]”(IG:1)

Maybe more coercion than exploitation... **or does coercion lead to exploitation?** What is the relationship between them and how it affects the relationship between TOs and AP? What level of coercion or exploitation do these participants feel as they work under different conditions? Have to rethink these two concepts??



# APPENDIX 2: CYPRIOT ACCOMMODATION INDUSTRY CAPACITY

Δυναμικότητα Ξενοδοχειακής Βιομηχανίας 31.03.2015  
Accommodation Industry Capacity 31.03.2015

Ξενοδοχεία Αστέρων / Star Hotels													Σύνολο / Total	
Περιοχή	5*		4*		3*		2*		1*		Ξενοδοχεία Αστέρων		Area	
	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds		
Λευκωσία	1	588	3	823	4	394	9	688	3	217	20	2.710	Lefkosia	
Λεμεσός	7	3.396	8	2.870	13	3.042	3	415	2	81	33	9.804	Lemesos	
Λάρνακα	1	386	6	2.316	4	643	10	803	2	45	23	4.193	Larnaka	
Αμμόχωστος	6	2.488	21	7.269	36	7.761	9	913	1	45	73	18.476	Ammochoostos	
Πάφος	11	5.106	19	8.161	15	3.347	5	401	7	303	57	17.318	Pafos	
Ορεινά Θέρετρα	1	280	1	280	6	715	6	350	7	284	20	1.629	Hill Resorts	
Σύνολο	26	11.964	58	21.719	78	15.902	42	3.570	22	975	226	54.130	Total	

Οργανωμένα Διαμερίσματα / Hotel Apartments													Σύνολο		Τουριστικά Χωριά / Tourist Villages		Σύνολο Ξενοδοχεια-Οργ.Χωριά - Total Hotels- H.Apartm.-T.Villages	
Περιοχή	De Luxe		A Τάξης A Class		B Τάξης B Class		Γ Τάξης C Class		Οργανωμένων Διαμερισμάτων Total Hotel Apartments		A Τάξης A Class		B Τάξης B Class		Area			
	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds				
Λευκωσία					2	130			2	130			1	128	22	2.840	Lefkosia	
Λεμεσός			4	288	8	330	4	212	16	830					50	10.762	Lemesos	
Λάρνακα			1	160	12	642	4	210	17	1.012					40	5.205	Larnaka	
Αμμόχωστος			32	5.906	55	4.952	9	506	96	11.364	8	2.520			177	32.360	Ammochoostos	
Πάφος			17	2.518	11	796	5	346	33	3.660	12	4.164			102	25.142	Pafos	
Ορεινά Θέρετρα															20	1.629	Hill Resorts	
Σύνολο			54	8.872	88	6.850	22	1.274	164	16.996	20	6.684	1	128	411	77.938	Total	

Άλλες Κατηγορίες / Other Categories													Σύνολο		Ξενοδοχεία Άνευ *		Ξενώνες		Κατασκηνώσεις	
Περιοχή	Tourists Villas		Παραδοσιακές Οικοδομές Traditional Buildings		Επιπλωμένα Δωμάτια		Τουριστικά Διαμερίσματα		Εξοδοχία Άνευ *		Hotels without *		Guesthouses		Campings		Area			
	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds	Μονάδες Units	Κλίνες Beds				
Λευκωσία			2	20														Lefkosia		
Λεμεσός			2	54			13	494	1	42					1	25		Lemesos		
Λάρνακα	1	48	2	37	55	468	4	94	3	66								Larnaka		
Αμμόχωστος	5	440	1	11	0	0	55	2.188	1	4								Ammochoostos		
Πάφος	117	780	2	47	34	230	14	1.236	3	34				1	21	2	988	Pafos		
Ορεινά Θέρετρα	1	8	8	173	54	330					5	120						Hill Resorts		
Σύνολο	124	1.276	17	342	147	1.070	86	4.012	8	146	5	120	2	46	2	988		Total		



ΚΥΠΡΙΑΚΟΣ ΟΡΓΑΝΙΣΜΟΣ ΤΟΥΡΙΣΜΟΥ  
CYPRUS TOURISM ORGANISATION

Source: CTO 2014a

### APPENDIX 3: EXAMPLE OF CODES AND CONCEPTS INDUCED FROM DATA

Selected codes are highlighted in italics.

Concepts	Examples of code
Monopoly/Oligopoly	"[...] it is a <i>monopoly</i> so you can understand that when someone has the monopoly of something he/she has the upper hand so the tour operators in Cyprus have the upper hand."
Dependency	"[...] imagine if the tour operators do not succeed [surprised] and they leave Cyprus?! They are not the only ones losing out, we are losing as well, so for us it is very clear <i>we do need the tour operators and without them we cannot do much.</i> "
Interdependency	"[P]ersonally I think my company and the tour operators are <i>interdependent</i> [...]."
State of affairs	"[...] the status quo and rules were set at the beginning [of tourism industry in Cyprus] and the hotel managers know them and play the game."
Win-win situation	"[Y]ou always have to have a <i>win-win policy</i> , it suits me and it suits you, <i>you have to find the balance, that equilibrium to create the sense that it is a win-win situation.</i> "
Stagnation	"[I] believe that Cypriot tourism <i>has reached its limits</i> . If we don't change something I think we are done for it."
Pressure	"[D]on't, don't, don't... <i>down,down,down...decrease,decrease</i> [the price] this will end up reducing the quality of the product, because we are also a business we also want to make a profit."
Cypriot mentality	"[...] I don't know where the problem lies exactly, <i>we have the wrong mentality</i> , or is it due to the lack of strategy, or maybe <i>we just find it convenient.</i> "
Control	"[S]o by <i>controlling</i> accommodation units it means they can dominate markets this way they assure their future basis."
Uncertainty	"[...] <i>uncertainty</i> is always apparent in the tourism industry because it is a fragile industry."
Financial insecurity	"[...] with the current prices <i>it is extremely difficult to balance everything. [...] to keep your costs low and to give a low price, it is extremely difficult to keep your head above the water.</i> "
Inflexibility	"[...] there is control from the head office and <i>inflexibility in negotiations</i> [...]."
Flexibility	"[...] sometimes the <i>TO might be flexible</i> sometimes they might say no way I do not accept it, if you do this I will not pay you."
Expensiveness	"[...] the flights and the airports are <i>expensive, everything is expensive.</i> "
Price sensitivity	"[...] the tour operators are extremely <i>price sensitive</i> [...]."
Discounts	"[...] if the tour operators are losing money they will come to you and tell you <i>I'm losing 25 Euro per package, since I am sending you bookings you have to help me reduce this loss.</i> "
Soft Concessions	"[...] instead of giving the tour operators an inland room I offer to give him sea view which is considered <i>soft dollar concession</i> because I keep the price I wanted and I give to the customer

	something that he perceives to have monetary value but it does not cost me anything.”
Threats	“[S]ometimes the tour operators will have their arguments [in negotiations], sometimes they <i>threaten you</i> that they will stop the cooperation.”
Rationality	“[I] believe that by having the <i>right arguments</i> you leave no choice to the other party to tell you anything different.”
Profit	“[E]verybody is working for <i>profit</i> , [...] at the end of the day <i>you are looking at numbers</i> .”
Deviance	“[...] for example the tour operators might tell you that <i>your unit is not selling in England but in fact the TO might not actually promote it</i> because he might not have the desired profit from the agreement.”
Oversupply	“[I]n Cyprus <i>supply is higher than demand</i> , all the units [...] <i>have availability</i> .”
Size of unit	“[S] <i>mall units</i> do not really have a say in anything, <i>a large unit or a chain of hotels</i> that has a lot of rooms to offer has a stronger position.”
Flight connectivity	“[...] we always have a problem with the <i>flights and flights</i> play an important role because we are an island and people need a plane to come to this island.”
Fear	“[...] the owners are weaker and they are afraid of losing out on the future business with the tour operator.”
Incentives	“[...] as a accommodation provider you offer <i>incentives</i> , you tell the travel agent that with 7 bookings through [a specific tour operator] <i>you have a week free</i> .”
Differentiation	“[W]e want to <i>differentiate</i> ourselves from the other products in the Cypriot market.”
Direct sales	“[I]n order to be independent from the tour operators the tourists <i>must come directly to you</i> .”
Trust	“[...] if [the tour operators] <i>trust</i> you they will usually respond to your requests.”
Reciprocity	“[T]his is because the tour operator wants you to feel that <i>you owe him one</i> , thus when he asks for something you remembered that he helped you so <i>you owe him a favour</i> .”
Personal relations	“[...] our relationship [with the tour operators] is exceptional both on a business level and a personal level, <i>in this day and age it's not what you know but who you know</i> .”
Cooperation	“[A]s a unit we do <i>not cooperate</i> with small tour operators the tour operators that <i>we cooperate</i> with are the largest in market.”
Liability	“[S]ome tour operators might not ask a supplier <i>for compensation</i> for the guest if the guest is overbooked [...] but <i>we will still penalise the supplier</i> .”
Ownership	“[T]our operators should exist in the market <i>their clients</i> spend more money than other tourists.”
Short-termism	“[I]n Cyprus <i>we don't have long term planning</i> everything is about the profit you can make today, <i>we have to learn to consider the future as well</i> .”
Bitterness	“[...] deep down I personally believe there is always a <i>feeling of bitterness</i> between the parties; the bitterness goes from the weaker [party] towards the stronger [party].”
Supply diversity	“[...] in the last few years I have implemented a policy where <i>we differentiated our sources of business</i> .”

Seasonality	“[T]he only problem is the <i>winter tourism</i> this year 2013, every winter <i>we go from bad to worse</i> .”
Consistent tourism flow	“[...] this particular tour operator might give me a lower price but he has a <i>steady flow of business</i> .”
Visitor’s trends	“[...] in Russia <i>tourists mainly travel through the traditional tour operators</i> .”
Saleability	“[...] to perform according to what the tour operators <i>think they can sell</i> .”/” [...] if your hotel is really good and it <i>sells</i> , all tour operators want it.”
Tourist arrivals	“[I] am not sure if <i>the demand</i> for Cyprus is there because we are an expensive destination.”
Information	“[...] <i>they are very knowledgeable</i> . In the meetings we have you cannot fool them [...] what you have to achieve is what I mentioned earlier for both parties to win.”
Destination attractiveness	“[...] it is an expensive destination but it <i>sells security</i> [it is a safe destination] and it has <i>a certain tradition in tourism</i> .”
Infrastructure	“[I]nvestment in hotels also did not increase, we do not have <i>new hotels, new builds</i> .”
Destination characteristics	“[S]elling ‘ <i>the sun</i> ’ that Cyprus has is not enough, there are a lot of countries that sell a <i>sunny climate</i> .”
Obsolete and inadequate policy-making and regulations	“[...] where we have failed miserably is the factor that there <i>are no rules or regulations or criteria on how the units should operate</i> .”
Governmental cronyism	“[...] <i>the board of directors of the CTO always consisted of architects, lawyers, high school teachers, people that have connections with political parties</i> .”
Inadequate government intervention	“[...] so what the government should do is to <i>upgrade the tourism product and give incentives to the hoteliers to upgrade their product</i> .”
Governmental ineffectiveness	“[S]o if we judge according to the results of the CTO marketing wise, <i>they have failed, they did not managed to open a single new market, they have not managed to increase the business from alternative countries</i> .”
Clashing of individual interests	“[...] <i>fulfilling individual interests plays an important role in Cyprus</i> . In order for something to be implemented or solved in public sector there have to be <i>individual interests involved</i> .”
Insufficient leadership	“[...] <i>nobody is leading</i> [running] tourism in Cyprus.”
Insufficient government/industry sector cooperation	“[T]here are no collaborative efforts and cooperation [between the public and the private sector] to understand the problems that exist. The government does nothing.”
Inadequate governmental knowledge	“[B]ecause they [the CTO employees] do not care and they <i>don’t know how to do anything</i> . What is the strategy of the CTO? <i>Nobody knows. When we ask them what is the strategy of the year they don’t know</i> .”
Government sector insufficient incentives	“[government officials] have developed the mentality that since <i>they have no incentives and no goals to achieve I don’t need to do anything</i> .”
Governmental accountability	“[I]n order for things to improve in the CTO need to make a lot of changes, they need to take away the security of working in the public sector [job for life] they need to be assessed like in the private sector.”

Governmental centralisation	“[T]he governing party [...] <i>simplify the procedures</i> , as the CTO we are constantly asking for a <i>simplification of the current procedures</i> .”
Promotional ability	“[A]s a hotel <i>we do not do any advertising</i> , what we do is <i>our contracts with the tour operators</i> .”
Reliability	“[I] choose my associates based on [...], how reliable they are [...] this is a critical factor”
Product quality	“[I] think [the tour operator’s] main concert is <i>good quality products</i> .”
Repeat clientele	“[...] we have a number of people that come every year this base of <i>repeat clientele</i> that gives us a good occupancy.”
Reputation	“[W]e have a <i>good reputation</i> with the tour operators, <i>they know our product</i> .”
Location	“[I]n Paphos 90-95% of tourism is leisure tourists.”
Value for money	“[...] to offer <i>value for money</i> .”
Competition	“[T]here is also a war going on between the large tour operators.”
Allotment contract	“[T]he tour operator has the right to ask for the 50 rooms <i>an allotment contract</i> and you must provide these rooms as per contract.”
Commitment contract	“[...] we might have agreed on a <i>commitment contract</i> the year before but the tour operator may not be able to honour that agreement when the season begins.”
Exclusivity contract	“[...] <i>exclusivity contracts</i> allow them [the tour operators] to have absolute control over a product.”
Risk	“[D]ue to competition and the <i>risk</i> they are taking, large tour operators are much more careful and assertive when it comes to their contractual negotiations.”
Funding misuse	“[N]ow due to the decrease of our [CTO] budget we <i>must concentrate on making better choices</i> , that would have <i>return on investment</i> , and be more sensible.”
Inadequate governmental devolution	“[T]he CTO as it is today does not even have the power and was never given the authority that it needed to be able to implement things.”

## APPENDIX 4: MEMO: SUB-CATEGORIES INDUCED FROM THE DATA

Date: 12/07/2014	Memo No: 4
Title <b>Putting the concepts into categories</b>	Stage of Coding: Open coding stage 2
<p>Looking at the concepts discovered in the data it was apparent that the concepts could be grouped together under 10 sub-categories: <b>(1) industry characteristics (2) tangible resources (3) intangible resources (4) type of contracts (5) pricing (6) Volume of Sales (7) negotiation characteristics (8) relationship constructs (9) emotions (10) Governmental ineffectiveness (11) culture</b></p> <p><b>(1) Industry characteristics:</b> this category depicts the current state of the tourism industry in general and the Cypriot industry in particular. The concepts entail codes regarding the industrial (structural) factors that influence the bargaining ability of the accommodation providers, their dimensions and their consequences. These factors could either constrain or enable the accommodation providers in their negotiation processes (whether contractual or not) with the large TOs. Identifying the structural sources or constraints in bargaining ability of the accommodation providers provides information on the context (environmental) that surrounds this dyadic relationship. The concepts added in this category are: <i>Monopoly/oligopoly, dependency, interdependency, stagnation, oversupply, competition, flight connectivity, control, seasonality, visitors' trends and state of affairs.</i></p> <p><b>(2) Tangible resources:</b> this category depicts the tangible resources that the accommodation providers have that to an extent determine and influence their bargaining ability with the large TOs. Moreover it explain the most critical resources that the TOs need from the accommodation providers and how these resources influence the negotiation process and outcome. The category has both firm-controlled resources, in other words resources that are possessed by the accommodation providers as well as destination resources that are not controlled or possessed by the accommodation providers but influence their bargaining ability; since they provide information on the external tangible resources (structure) of the relationship. The tangible resources of a party partially (along with the intangible resources) determine its position within the industry and thus bargaining ability. This category includes the concepts: <i>infrastructure, product quality, location, size of unit, destination attractiveness, and destination characteristics.</i></p> <p><b>(3) Intangible resources:</b> this category explains the intangible resources that along with the tangible resources determine and influence their bargaining ability. These intangible resources that are time consuming and difficult to achieve are critical resources that the accommodation providers can possess and the TOs want to access through an agreement. Furthermore, these resources can decrease the dependency of the accommodation providers on the TOs thus improve their bargaining ability. These resources influence the outcome of the negotiations with the TOs. The concepts that comprise this category are: <i>reliability, differentiation, repeat clientele, reputation, value for money, information.</i></p> <p><b>(4) Type of contracts:</b> this category depicts the type of contracts that exist in the exchange relationship between the TOs and the accommodation providers. Specifically, this category explains, firstly the reasons behind the TOs choice of type of contract for each accommodation unit. Secondly this category offers information on the influence the type of contract has on the contractual and non-contractual negotiation process between the two parties. This is because the characteristics of each different contract that the parties have provide the context of the relationship, the data indicate that the type of contract that the parties have influences the negotiation process and outcomes. The concepts that are included are: <i>commitment contract, exclusivity contract and allotment contract.</i></p> <p><b>(5) Pricing:</b> depicts the critical importance that pricing has in the relationship the pricing can make or break the relationship. In other words, the profit-making primary goal of both parties prompted the category pricing to be developed since it has been pointed out by almost all participants as a key issue whether it is a contractual or non-contractual</p>	

agreement. Therefore the category pricing depicts the negotiation processes (whether contractual or not), the antecedents and the conditions that influence the current outcomes in terms of pricing between the two parties. This category includes the concepts: *financial insecurity, expensiveness, price sensitivity, soft concessions, discounts, profit, value for money, pressure, saleability, win-win situation and risk.*

\*however it is apparent that due to the bargaining power asymmetry that exists in the relationship it is extremely difficult for the accommodation providers to negotiate Pricing with the large TO (apart from a couple of units due to their higher bargaining power regarding their competitors). Therefore the data indicated that accommodation providers seem to focus on the **Volume of Sales** that they can achieve in this relationship and focus on the total volume of tourists that they can have in the unit (occupancy) during the season essentially their overall turnover. Therefore, the second category **Volume of Sales** that emerged from the data depicts this.

- (6) **Volume of Sales** depicts the key benefit (or source) that the accommodation providers need from the TOs, **Volume of Sales**. In particular, they need the tourism flow that the TOs can bring in order to operate. It is a critical issue that directly influences the negotiation process, whether contractual or not. The category includes concepts that explain the influencing factors, aspects and consequences on the negotiation processes and outcomes as well as the importance of volume of sales on the relationship as a whole. This category comprises of the concepts: *direct sales, saleability, promotional ability, consistent tourism flow, supply diversity, seasonality, tourist arrivals, flight connectivity and ownership (customer).*
- (7) **Negotiation Characteristics:** this category explains the characteristics that influence the negotiation process. In particular this category depicts the tactics and strategies used by both parties to influence negotiations outcomes. Moreover, it depicts information on the factors that influence these tactics and strategies as well as on their consequences, in other words the negotiation outcomes (contractual or not). This category includes the concepts: *inflexibility, flexibility, rationality, threats, uncertainty, pressure, deviance, control, information, risk, liability, and state of affairs.*
- (8) **Relationship constructs:** this category depicts information on the relational elements that influence the relationship in general and negotiations in particular between the two parties. They act as mitigating factors in the negotiations between the two parties and may indirectly influence the outcome of non-contractual negotiations. Moreover, in terms of contractual negotiations they could affect negotiation tactics that the parties might use. The category comprises of the concepts: *trust, reciprocity, personal relations, cooperation, incentives and competition.*
- (9) **Emotions:** this category depicts the emotions that the accommodation providers feel in their relationship with the TOs. These emotions are a consequence of the power asymmetry that exists in the relationship between the two parties as well as emotions that derive from the current tourism environment in the ROC. In addition they depict the emotional impact the negotiation processes have on the accommodation providers. These emotions directly influence the negotiation processes and outcomes between the two parties, whether contractual or not, however they are implicit to the relationship. The concepts within this category are: *fear, uncertainty, deviance, bitterness, pressure and control.*
- (10) **Governmental Ineffectiveness:** this category portrays the influence that the Government its activities and characteristics have on the relationship of the accommodation providers and the TOs. The Government, its activities and characteristics, give information on the (external) context that surrounds the relationship. This category provides information on how the Government can constrain or enable the bargaining ability of the accommodation providers with the TOs and influence the negotiation processes. The concepts included in this category are: *governmental ineffectiveness, funding misuse, inadequate governmental evolution, obsolete and inadequate policy-making and regulations, clientelism, inadequate government Intervention, clashing of individual interests, insufficient leadership, Insufficient public/private sector cooperation, inadequate governmental knowledge, public sector*

*insufficient incentives, accountability, governmental centralisation, flight connectivity.*

**(11) Cultural:** this category depicts the influence short-termism and Cypriot mentality have on the contractual and non-contractual negotiations. In particular, this category contributes in better understanding the context of the relationship, in other words how the culture of Cypriots influences their negotiations processes. This sub-category includes the concepts: *short-termism and Cypriot mentality*.

\* Some concepts are placed under more than one sub-category due to the interconnections of the data some concepts are placed under more than one category in order to fully aid to explain the data.

-The data also indicate some differences regarding the interactions in terms of whether the negotiations are contractual or not; Specifically it is apparent that during contractual negotiations the stakes are higher and negotiations more formal, with a higher inflexibility of the TO, whereas during non-contractual negotiations that have a more informal approach there is more flexibility on the part of the TO. Need to think how this will be incorporated in the analysis.

-The concepts that depict the type of contractual agreements that occur between the two parties, allotment contract, commitment contract and exclusivity contract, are critical since they provide the context of the relationship (Seshadri and Mishra 2004) therefore in order to have a more in-depth and rich understanding of the negotiation process the concepts referring to the type of contracts will be added in all categories.

-The fact that the accommodation providers see the tourists as the TOs customers, contributes in creating a barrier between the customers and the accommodation providers that could also strengthen their dependency, through their fear that they cannot have any customers without the TOs!

\*6/08/2014

Looking at the categories identified it is important to note that the sources of power and the external environment could either be constraints or enabling factors to the bargaining power of the APs in relation to the TO; this depends on whether these sources (or resources) are able to decrease or increase the dependency of the APs on the TOs. Since following the power-dependency framework the level of dependency that one party has on the other determines the power that one party has on the other. Following Emerson this level of dependency is determined by the value that one party has in the relationship and the number of alternatives.



## APPENDIX 5: EXAMPLE OF MEMO: REVISING PRICING CONCEPT

Date: 28/04/2014	
Title: <b>Revising- Pricing concept</b>	Stage of Coding: Open coding
<p>Train of Thought:</p> <p>Initial ideas on the concept Pricing on Pg.28. As the researcher progressed it was apparent that pricing is a critical issue between the TOs and the accommodation providers that can make or break the relationship between them. Following the importance that was noticed I decided that the Pricing concept needed be looked at more detail. Since the pricing process can directly affect the ability of the accommodation providers in investing their product and thus increase their bargaining power sources. Thus I revisited the pricing concept in order to see in more detail the factors that influence pricing and in turn the effect on the relationship and the bargaining ability of the accommodation providers. Four concepts were identified <b>expensiveness, discounts, price sensitivity and soft concessions</b>. The result of revising this concept led to pricing being promoted to a category given that Pricing was identified as a key concern by the interviews.</p>	

## APPENDIX 6: PARTICIPANT INFORMATION LETTER



### Participant information letter

*"Exploring the relationship of Cypriot accommodation providers and European large tour operators in terms of power relations"*

This research is undertaken by **Savvina Karyopouli** under the supervision of Dr. Christina Koutra and Professor Roger Vaughan, Bournemouth University

Before you decide whether to participate or not it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask if there is anything that is not clear or if you would like more information.

**What is the study about?** The study explores the power relations between Cypriot accommodation providers and large tour operators in order to help accommodation providers to improve their bargaining position in both contractual and non-contractual negotiations. It aims firstly to identify the sources of bargaining power of both the accommodation providers and large tour operators, secondly to examine how the bargaining power is used in the relationship, and thirdly, to determine the current and future consequences on their working relationship. This study requires approximately forty (40) minutes to one (1) hour of interview session, however this can be altered based on the time available.

**Why have I been chosen?** Your participation in this study is invaluable in addressing the study's purpose and achieving valid and reliable results due to your knowledge and experience regarding the Cypriot industry in general and tourism industry in particular.

**Is my participation voluntary?** Participating in this study is entirely voluntary. It will be greatly appreciated to answer all questions honestly, however you should not feel pressured in discussing any issues that you do not want or make you feel uncomfortable. If you do decide to take part you will be given this information sheet to keep (and be asked to sign a consent form) and you can still withdraw at any time without any negative consequences.

**What do I have to do?** During the interview session a discussion will be undertaken firstly with some short background questions and then the discussion will turn to more specific study topics regarding the Cypriot business industry in general and tourism industry in particular. All questions will depend on the individual answers.

**What will happen to the findings of the research project?** All the information collected during the interview and course of the research in general will be **strictly confidential** and kept **anonymous**. The researcher may use the information gathered for publication in professional journals, presentations at scientific conferences, and/or for additional or future research. However, such actions will not breach individual confidentiality and no participant will be able to be identified in any publications. Should you be interested a copy of the findings of this study can be sent to you.

**Will I be recorded?** The audio recordings made during your interview will be used only for analysis. No other use will be made of them without your written permission, and no one outside the project will be allowed access to the original recordings. You can refuse to be recorded at any time during the interview.

**What are the possible benefits of taking part?** Whilst there are no immediate benefits for those people participating in the project, it is anticipated that this study will offer tourism professionals and scholars a better understanding on how the current Cypriot tourism industry operates as well as its future development. Furthermore, a clearer view on how the current resources can be better managed to enhance the working relationship of tour operators and accommodation providers towards a successful future.

**Contact for further information.** If you have concerns or any other questions regarding the study or your participation please contact Savvina Karyopouli at [skaryopouli@bournemouth.ac.uk](mailto:skaryopouli@bournemouth.ac.uk) or 97873714. Any ethical concerns or complaints about the study please contact Dr. Christina Koutra at [ckoutra@bournemouth.ac.uk](mailto:ckoutra@bournemouth.ac.uk) or +44 (0)1202 968716.

Again, thank you for taking the time to participate in this study, your interest is greatly appreciated.

## APPENDIX 7: FORM OF CONSENT



### Form of Consent

Title of project: Exploring the relationship between Cypriot accommodation providers and large European tour operators

Researcher: Savvina Karyopouli, PhD candidate, Bournemouth University  
Contact details: [skaryopouli@bournemouth.ac.uk](mailto:skaryopouli@bournemouth.ac.uk) or 97873714.

Supervisor: Dr. Christina Koutra, Senior Lecturer in Corporate Social Responsibility  
Contact details: [ckoutra@bournemouth.ac.uk](mailto:ckoutra@bournemouth.ac.uk) or +44 (0)1202 968716.

Place initials here

I confirm that I have read and understood the participant information sheet for the above research project and have had the opportunity to ask questions.	
I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason and without there being any negative consequences. In addition, should I not wish to answer any particular question(s) I am free to decline.	
I give permission for members of the research team to have access to my anonymised responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the report or reports that result from the research.	
I agree to take part in the above research project.	

\_\_\_\_\_  
Name of Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Researcher

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

