

# Analysis of Incentive Travel Supply Chains

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**Abstract**— This research aims to study overview of the incentive travel supply chain in Thailand, which includes all stakeholders. The study uses survey for empirical investigation. An in-depth interviews were conducted from stakeholder who are service business profession in incentive travel. From our study, the process of operate have 3 process. Each process has main activities to management include: corporate, Incentive organization/Incentive house, TMC, DMC and supplier. Then, we show a diagram of incentive travel. Information flow form customer to destination by pass intermediary: DMCs who are the important player within incentive supply chain. They will plan and design program for incentive traveler.

**Keywords**— *Incentive travel, Supply chain, Stakeholder*

## 1. Introduction

Incentive travel has been very popular and important to the economy of Thailand increased steadily. It is the one segments of MICE industry: Meeting, Incentives, Conventions, and Exhibitions. Thailand is the one of popular destination for incentive traveler (TCEB, 2015). Most Asians are dealer, employees and other award incentive travel. Incentive travel is a global management tool that uses an exceptional travel experience to motivate and/or recognize participants for increased levels of performance to support organizational goals (SITE, 2010). It consists of a variety of activities, such as accommodation, transportation, dining, meeting, CSR, team building, tourist attractions, etc. These activities indeed form complex supply chain in organized incentive travel. Supply chain of incentive travel includes the suppliers of all the goods and services which has 3 main actors: producers, intermediaries and suppliers. (SITE,

2015) Each actor has different role for organized incentive travel. The downstream players include the producers as end customers. They are coordinator as intermediaries between producers and suppliers. Destination Management Companies (DMCs) as intermediaries design a travel program. DMCs officiate communicate with player in upstream such as hotel, airlines, restaurants, team building, ground transportation and other service providers at destination. DMCs are responsible for program of incentive travel, deliver choice of destination and sale at appropriate prices to produces. Each of these DMCs pricing of the incentive travel package differs based on activity and tour itinerary. The producers who organize the program were determined by bidding (TAT, 2016).

This research aims to understand the system of incentive travel supply chains and the cooperative relationships in supplier and able to identify a group of entrepreneurs is an element key as well. Then, study the information to identify the associated activities among stakeholders within incentive travel supply chain in Thailand.

## 2. Literature Review

The literature on incentive travel supply chain is very limited. Piboonrunroj and Disney (2009) studied tourism supply chains in Thailand. The cooperation of enterprises in the tourism supply chains includes hotel, tour operators and supplier. They have Information sharing together, establish group for them and investment to development personnel involved in tourism and technology for support tourism. The collaboration in tourism supply chain was transaction cost decrease. Xinyan Zhang, Haiyan Song and George Q. Huang (2008) studied tourism supply chain management. They

focus on the cooperative relationship and performance of tour operator within tourism supply chain. GaingEdge (2013) studied comparing between MICE industry supply chain and tourism supply chain. Within MICE industry supply chain include: DMCs (for travel, transport, social programs), PEOs (for exhibition expo, stands, drayage, cleaning, marketing), EMCs (for entertainment, staging, designers,) PCOs (for food and beverage, security, venues). Srisomruk, Laddawan and Peter (2014) to studied supply chain and data model of tourism industry in Thailand. they found that 6 groups of relevance stakeholder that consist of hotel and accommodations, travel agents, tourism government agents, recreational activities companies, food and restaurants and transportation companies. There are only 2 groups within the tourism supply chain that extensively share relevance information with one another.

### 3. Research Methodology

This research is qualitative research by in-depth interview with stakeholders related to incentive travel supply chain. A research framework as in figure 1 will be framed in order to firm the research objective. First, the researcher study from literature review and enterprises involved with incentive travel for find scope of incentive travel. Second, researchers have discussion with enterprises groups. Next, researchers have In-depth interview with Destination Management Companies (DMCs) to form diagram of incentive travel and analysis the cooperative relationship of enterprise.

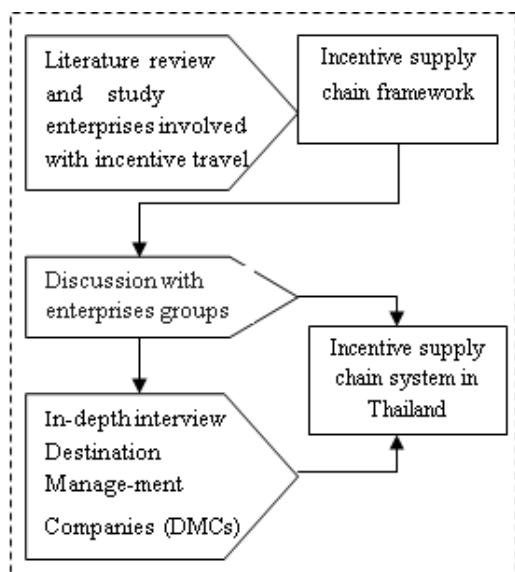


Figure 1. Research Framework

The semi structure interview form was established to answer research questions. The samples were asked about the general information about their company, and were asked about the relationship between stakeholders in incentive travel industry to find supply chain of incentive travel.

SITE (2016) provided the key players in incentive supply chain into 3 groups; the producers, the intermediary or third party, and the supplier as in table 1. The researchers will adapt these key players as a sample of this study.

Table 1. Incentive Travel Players

The Producer	The Intermediary	The Supplier
- Corporations - Other organizations	- Incentive fulfillment house - Travel agency - Incentive planner	- Hotel - Airline - DMSs - Restaurant - Production company - Ground transportation - Tech provider - Awards - Team building - Motivational speakers - Giveaways - Other service providers

### 4. Research Results

From the literature review and in-depth interviews with enterprise in the real estate service business profession, the researchers show the process for incentive travel including 3 processes: Plan, Coordinate and Operate (or delivery the products and serviced) as in figure 2 and 3.

In plan process, the owner or corporate will reward to their employee (from the selection of HR division) or dealer (from the selection of marketing division) who have good performance. The travel award is personnel in company which selected by HR, or dealers who selected by MKT. The company organized incentive travel for quality improvement of personal in company. The main activity of this process is to plan the incentive trip

for the company. The planning is not only for travel, but also for realized employees to their company. Almost the owner hire the company such as Incentive organization/Incentive house to plan the incentive trip.

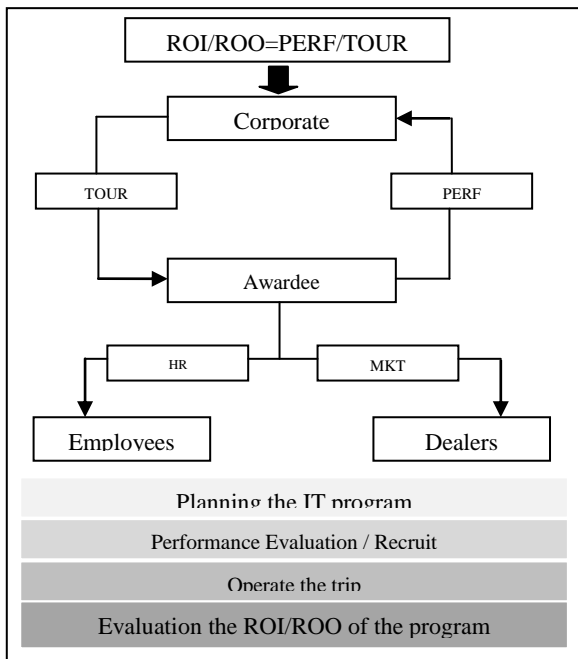


Figure 2. Plan process

The important issue is that incentive travel is awarded for the employee or dealer by thinking about their Return on Investment (ROI) and/or Return on Objective (ROO). Corporate will evaluate the worthiness by evaluate the performance of employees and total cost of the incentive travel trip for them (Figure 2).

In coordination process, the corporate will give the information about their needs and also basic information about the company to the intermediaries who create the packages. There are intermediary between corporate (customer) and supplier in each destination. TMCs or DMCs are the main key to create program or package for incentive travel, after that they offer price to customer. The relationship between first process and second process occur from the origin, may be either domestic corporate or international corporate.

At last process called delivery, the main activity is to serve the product and/or services to the corporate (customer). The services providers which is airline, hotel, food and beverage, venues, etc., will offer their services to intermediaries to create the whole incentive package within the possibility and suitable. The process between the middle process and this process may occur in that destination.

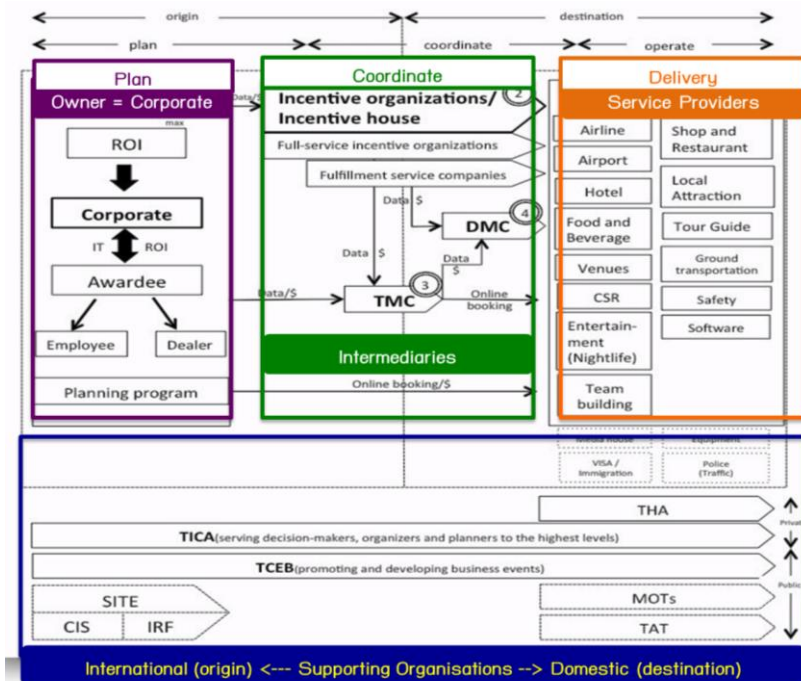


Figure 3. The Holistic Perspective of Value Chain of Incentive Travel

**Table 2.** Process of incentive travel

<b>Plan</b>	<b>Coordinate</b>	<b>Operate</b>
<b>Main activities: Corporate</b>	<b>Main activities: Incentive organization/Incentive house, TMC and DMC</b>	<b>Main activities: Service providers</b>
<ul style="list-style-type: none"> <li>- the target group will be awarded : employees or customers</li> <li>-Objectives for award (incentive travel)</li> <li>-Budget for incentive travel</li> </ul>	<ul style="list-style-type: none"> <li>- coordinator with service provider in destination</li> <li>- create program or package for incentive travel</li> </ul>	<ul style="list-style-type: none"> <li>- Hotel and accommodation Food and Beverage, Shopping venues, Guide</li> <li>- Activity: Team building ,CSR</li> <li>-Transportation: VISA, Ground transportation</li> </ul>

The table 2 shows the main key players and main activity in each process of incentive travel supply chain. The researchers found that the main issue is that each player have to make a relationship together for exchange the information smoothly.

Then, researchers create the diagram of incentive travel supply chain as in Figure 4. This diagram shows starting point of information flow from customer to destination. The flow of service for service customer by across intermediary: Destination Management Companies (DMCs).

DMCs will get 3 ways to contact with customer from government, foreign companies and direct contact from customer. Almost government and foreign companies will choose the company which offers the lowest price for them. Some customers are walk in to contact DMCs. After that, DMCs will plan program for incentive travel that customer need. They will go to survey and book each service in destination includes: airline, airport, hotel, food and beverage, venues, meeting room and ground transportation. In addition, they will organize amazing entertainment and activities for customer.

The cooperative relationship between DMCs and service providers within incentive supply chain are only buyer with seller. They have a few agreements for their business. They get offer price of each

service that lower than normal price. So that, the cost of operate of DMCs are decrease they choose the right and luxury service to customers. They underline good quality service because almost customers are quality person. A security is the one thing that DMCs pay attention for their incentive traveler.

Last step, There are duty of each supplier to service customer which DMC contact or book them. When incentive traveler arrives at airport destination, DMC will welcome and take them to hotel and accommodation by bus or van. Sometime, customer request show welcome for their group at airport, DMC coordinate with airport officials to use space used to perform. DMC will take care incentive traveler since start trip to last trip. Now, in the market has many DMCs, the competition between DMCs are moderate. DMCs are develop their company, they try to create incentive travel program to impress for customer and loyalty, next time the customer back again.

So that, the incentive travel are complex operation. Every process should have plan what they want to do. The information flow through step by step, DMCs recipient heavy role in this chain. They are teamwork for one incentive travel project. Every step has cost, so that they will plan carefully for service flow back to customer.

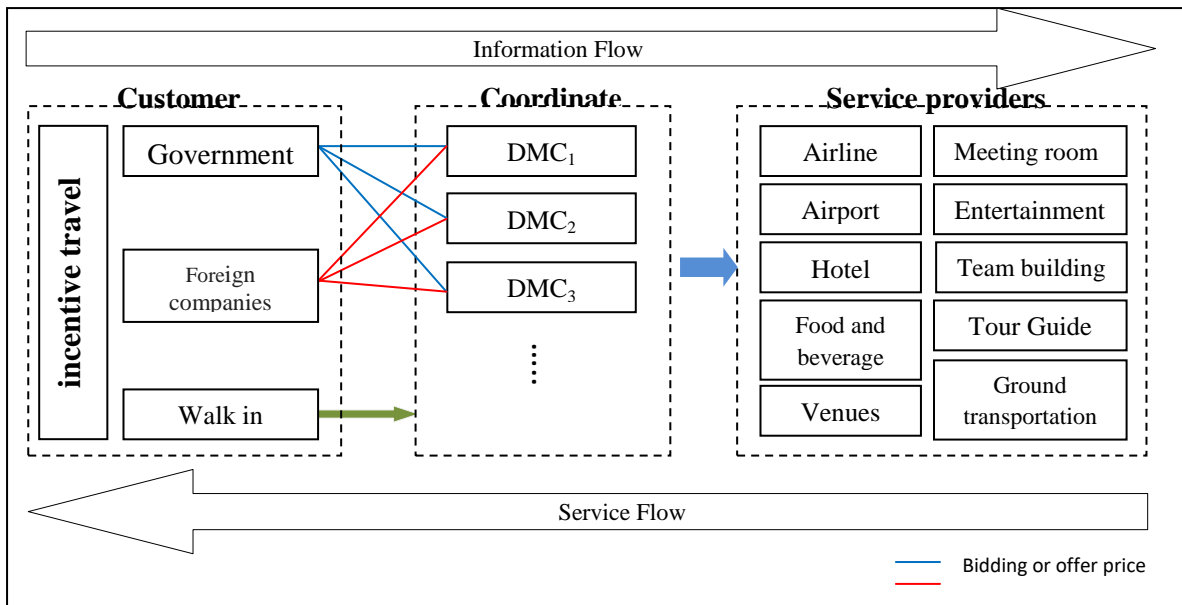


Figure 4. Incentive travel supply chain

In addition, researchers found that the incentive supply chain operation was divided into 2 types; direct contact and operate through the intermediaries. However, there are pros and cons of each way. With the direct contact, corporate or customer will contact service providers directly. They will decide the package of the trip themselves. It is suitable for customer who has good connection with service providers and they will get better offer price than operate through the

intermediary. Although this way could make more time to do it and it may be difficult if they do not have connection with service providers before.

While if customers have indirect contact with intermediary, they could not lose their time, but they may costly by operate cost. Furthermore, if they operate through the intermediary, more contact may have more mistakes rather than direct contact (Figure 6).

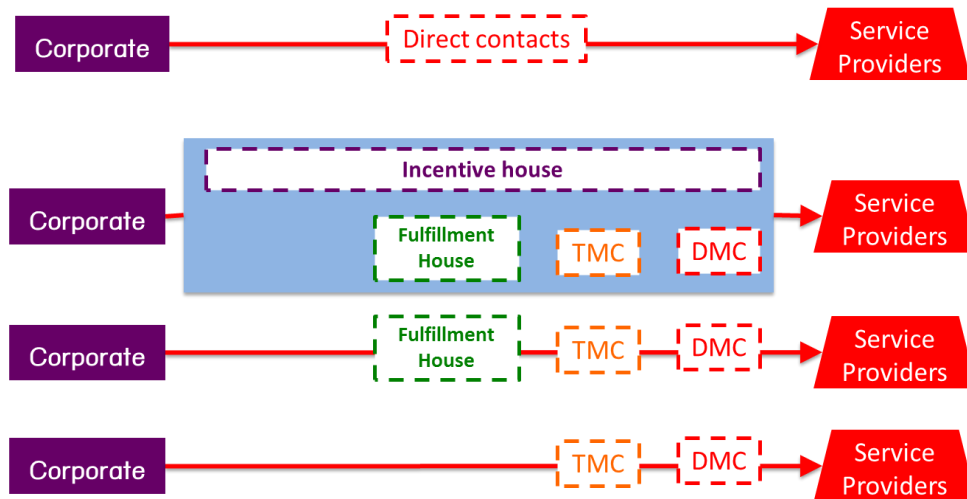


Figure 6. Operation of Incentive Travel Contact

5. Conclusion

This research found the operate incentive travel has complicated. Within incentive supply chain has many players. They are not strong relationship for

their business. The good quality is the important point for service customer. DMCs usually choose service providers that used to service their customer. They think that they can negotiations easy and get extras from service providers,

especially discount of service. The research for future, will study policy favourable to stakeholder within incentive supply chain and guidelines business for competitive advantage.

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