UNIVERSITY OF PÉCS
Faculty of Science
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THE ROLE OF INTERMEDIARIES IN THE TOURISM OF THE EUROPEAN UNION

PHD THESIS

Abridged Thesis

Jordán Tütünkov-Hrisztov

Thesis Advisor:
Professor Dr. habil Antal Aubert CSc

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Name of doctoral school:	University of Pécs, Faculty of Sciences, Doctoral School of Earth Sciences
Leader of doctoral school:	Dr. Zoltán Dövényi DSc. Professor
Topic:	Geography of Tourism
Leader:	Dr. Antal Aubert Professor Department of Tourism, Institute of Geography, Faculty of Sciences University of Pécs
Branch of Science:	Geography
Thesis advisor:	Dr. Antal Aubert Csc. Professor Department of Tourism, Institute of Geography, Faculty of Sciences University of Pécs

1. INTRODUCTION

The so-called intermediary sector connects the two sub-systems of tourism, demand and supply that is tourists and tourism products. Recent literature defines intermediaries as the persons, companies, information offices and all the links that are suitable to book tourism services (LUBBE, B. 2000). They include the traditional travel agency sector, global distribution systems (GDS), online (OTA) and mobile travel agencies (MTA), tourism destination management (TDM) organizations and clusters in addition to coupon web pages, social media and sharing community websites that have been gaining popularity over recent years.

The digital transformation of tourism is taking place at an increasingly rapid rate. The opportunities offered by the internet together with the widespread application of information and communications technologies (ICTs) have given rise to new business models, new types of enterprises, novel products and activities. By selecting the desired services, users are now able to create their own dynamic packages without drawing on intermediaries. At the same time, however, the internet also provides travel agents with opportunities to reach users.

The aggressive expansion of low-cost airlines, i.e. the external competitors of the travel agency sector took place partly at the expense of traditional tour operators and intermediaries. They were striving towards gaining increasingly larger shares of the traditional mass tourism sector, they launched flights to destinations targeted by classical charter tours but they gradually reached their limits to growth. Then they discovered that they could sell their unused transport capacity more efficiently by including it into travel packages, thus they stove off the European Union directive by founding travel agencies.

For the time being, online travel agencies need to resort to offer simpler services, more complex service packages are still very much the domain of the traditional travel agency sector. In other words, a certain type of division of labour has developed.

The author of the thesis worked for a renowned domestic travel agency for more than three decades and has been engaged in the teaching of related subjects such as *Travel Organisation and Sales*, *Travel Agency Management* and *Information Technologies in Tourism* for more than 15 years.

2. OBJECTIVES

Globalization, the explosive development of information and communication technologies as well as the changes occurring in travel and booking habits have a combined effect on the development of the intermediary sector. In the past decade, the travel agency had to face serious challenges emerging from both within the sector (competing travel agencies, global online travel agencies) and outside the sector (e.g. low-cost airlines). In addition, it has also had to manage crises arising in the external environment, issues related environmental damages and the political instability due to the current crisis of the European Union.

The aim of the research is, on the one hand, to reinterpret the narrow and broad definition of the intermediary sector, to reveal, analyse, summarize, update and identify trends that influence the development and transformation of intermediaries as well as to investigate the changes that have occurred in consumer behaviour. In addition, the research aims at drawing conclusions, testing hypotheses and offer recommendations to foster the development of both the European and Hungarian intermediary sector with a primary focus on the latter. If Europe wishes to retain its competitiveness against the rest of the continents, it needs to assign a priority role to the intermediary sector and its development including the support of the sector's digital transformation.

Research questions have been identified as follows:

- The impact of globalization and information and communications technologies on the development and accelerating transformation of the intermediary sector.
- Potential trends and directions of development in the near future with regard to intermediaries.
- The examination of new consumer behaviour and changing booking habits.
- A critical review of the regulations related to the intermediary sector.

To establish an interpretive framework for the research questions, it is imperative to understand and expound on the key terms of the main research objective.

Thus, the notion of the intermediary sector shall be interpreted in accordance with the following:

- Updating the definition;
- An overview of the evolution of the sector;
- An investigation of the role and evolution of intermediaries in the tourism of Hungary and the European Union;
- An investigation of novel terms introduced by the so-called package travel directive related to new forms of travel arrangements approved by the European Parliament on 27 November 2015.

2.1. Hypotheses

The main objective of the present research is to introduce the evolution and operation of the intermediary sector and to outline a vision of the future for

the traditional travel sector. To achieve the above aim, hypotheses have been formulated on the basis of previous studies, professional experience, selected pieces of academic literature and trade journal articles. Hypotheses will be confirmed or, if needed, rejected in accordance with the research findings.
Main hypotheses:
H1: The intermediary sector is undergoing constant transformation at an increasingly fast rate with a growing number of new business models being developed with the aim of offering travel opportunities to people of all ages;
H2: The position of the travel agency sector appears to have been stabilized;
H3: Within the intermediary sector, the processes of concentration and specialization are taking place at the same time;
H4: Despite the decreasing turnover, the number of travel agencies has been increasing in Hungary and the expansion of inbound tourism can be observed with outbound tourism losing ground;
H5: European tour operators with strong traditions have been moving to the forefront of sustainable travel.

3. RESEARCH METHODS

Primary and secondary research was carried out in order to give a definition of the intermediary sector, to describe trends in demand and supply, to offer a comprehensive overview of the sector and to formulate hypotheses.

With regard to the collection of appropriate information, an important consideration was to study the research question from as many angles as possible. The qualitative part of the research was based on the Delphi method, personal, in-depth and telephone interviews. The quantitative phase included a small and a large-scale representative survey conducted by questionnaire. Results thus gained were evaluated using statistical methods. In the course of the secondary research, data and information related to international tourism, the tourism sector at large and the intermediary sector were studied in addition to relevant international and national literature and materials published by various institutes.

3.1. Secondary data and information collection

Within the framework of secondary research, various definitions of the intermediary sector, national and international statistical figures and EU projects related to the sustainable development of tourism were reviewed:

- The analysis and study of the various definitions of the intermediary sector based on relevant national and international articles. Data processed included the works of internationally and nationally renowned researchers: Holloway (2002), Buhalis (2001), Lubbe (2000) as well as

Lengyel (2004), Michalkó (2012) and Tasnádi (2006) respectively. The definitions of the package travel directive related to new forms of travel arrangements (effective as of 1 January 2018) were also included in the analysis;

- The literature review focused on the investigation of the place and role of the intermediary sector within the tourism system and the analysis of the external environment of the sector using the STEEP method (analysis of Social, Technological, Economic, Ecological, Political factors);
- The thesis draws on important international sources including the research findings and publications of leading international tourism organizations such as the World Tourism Organization (UNWTO), the European Travel Commission (ETC), and the European Travel Agents' and Tour Operators' Associations (ECTAA);
- The databases of Eurostat and KSH (Hungarian Central Statistical Office);
- The evaluation of the performance of Hungarian tour operators based on the amount of their compensation security bonds;
- Articles published by *Euromonitor* and other tourism journals of relevance;
- Lectures by MUISZ (Association of Hungarian Travel Agencies) and the articles of the journals *Turizmus Panoráma* and *Turizmus Online*;
- For the analysis of the competition environment of the travel agency sector, Porter's Five Forces Framework was used on the basis of which a vision of the future of the travel agency sector was outlined;
- Finally, two European Union projects are introduced: the joint initiatives of **EOS CODE** and **TRAVELIFE** that aim to inspire tour operators to participate in programmes related to the sustainable development of tourism. Represented by associations of international tour operators and intermediaries and with the collaboration of the Travel Agents' and Tour Operators' Associations, five countries, Bulgaria, Croatia, Greece, Italy and Poland took part in the pan-European EOS CODE project. The project ended in 2013 but now it continues at the Member State level under TRAVELIFE. A brief case study then focuses on the 'Better holidays, better world' initiative launched by the TUI Group. The project outlines the sustainable tourism strategy of the world's top tourism business until 2020 offering answers to the major challenges intermediaries are now facing.

3.2. Primary research

Primary research was based on both quantitative and qualitative methods. The first step was to set the research objectives, then to formulate the hypotheses followed by the compilation of online questionnaires for the quantitative research. The distribution of the questionnaires and data processing took place via the http://kerdoivem.hu/ website. Demand and supply trends were studied through quantitative and qualitative analysis respectively.

The qualitative research was done by conducting personal, electronic and telephone interviews. Aims were achieved by completing the following research:

1. A study based on the Delphi method to determine and reinterpret the definition of the intermediary sector. Using an additional question addressed to each participant, the research also aimed to rank the most important tendencies with an impact on the sector. The number of participants in each panel was between 11-21 depending on the question group.
2. A small-scale questionnaire of 10 questions conducted among students studying tourism. The survey completed by 133 respondents aimed to test the general understanding of the travel agency sector.
3. A representative survey conducted with the help of students to investigate travel and booking habits among regular travellers. Sample size: 1525 persons.

3.3. SWOT analysis

A SWOT analysis was drafted on the travel agency sector and the components of the intermediary sector from a single approach based on their operating and business models. The results of the analysis are in line with the findings of both the quantitative and qualitative research.

4. FINDINGS

4.1. Qualitative research

4.1.1. Results of the Delphi study

Each panel member received the same two written questions: one on the definition of the intermediary sector and the other on the key factors that would influence the demand and supply of intermediaries within the upcoming ten years. The select members of the panels were all experts both in theoretical and practical issues related to the travel sector.

In order to reach a consensus about the reinterpreted definition of the term, two rounds of questions were needed. Following the facilitation process, the narrow and broad definition of the intermediary sector was formulated based on the previously referenced literature: *A broader understanding of the intermediary sector includes all natural and legal persons, enterprises, links and internet surfaces that connect tourism products and tourists as well as all those tools that may influence the decisions made by tourists. The narrow definition of the above term refers to all the tools that are directly related to commercial activities, i.e. travel organisation, booking and arrangements.*

4.1.1.1. A detailed analysis of the responses to further questions in the Delphi study

The position of the domestic travel sector

In the second round of the Delphi study experts were asked to give their opinion on the questions they received and to rank the major tendencies that have an impact on the domestic travel sector. The present and future of the international and national travel sector and the trends in demand and supply were researched in the period from September to December 2016 related to ten specific issues.

The survey conducted among experts focused on the present and the future of the travel sector and the characteristics of supply and demand. Answers to the most important questions are illustrated by the figures below.

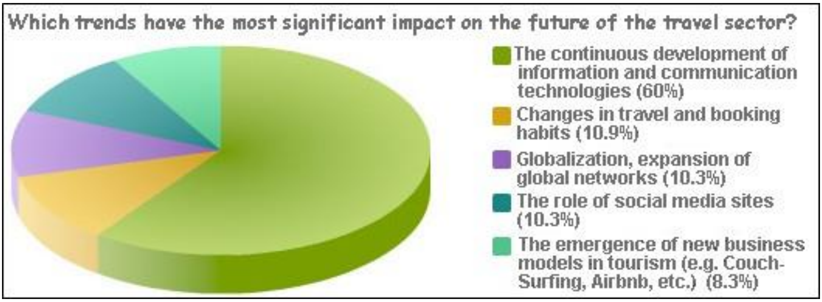

Figure 1. Trends with an impact on the future of the travel sector
Source: own research

Most respondents marked the continuous development of information and communications technologies as the most important trend shaping the future of the sector. The significance of all the other trends listed were found to be more or less equal (Figure 1.).

With regard to the future of the supply trends in the intermediary sector, experts' assessment is illustrated by *Figure 2*. According to the large majority of respondents, some sort of division of labour will develop between traditional and online travel agencies. On the other hand, the panel thought it was likely that they would merge in order to reach a wider audience thus arriving at a greater market concentration. With only 0.9% of the votes, the number of those forecasting the increase of travel agencies in support of sustainable and green tourism was surprisingly low *(Figure 2.)*.

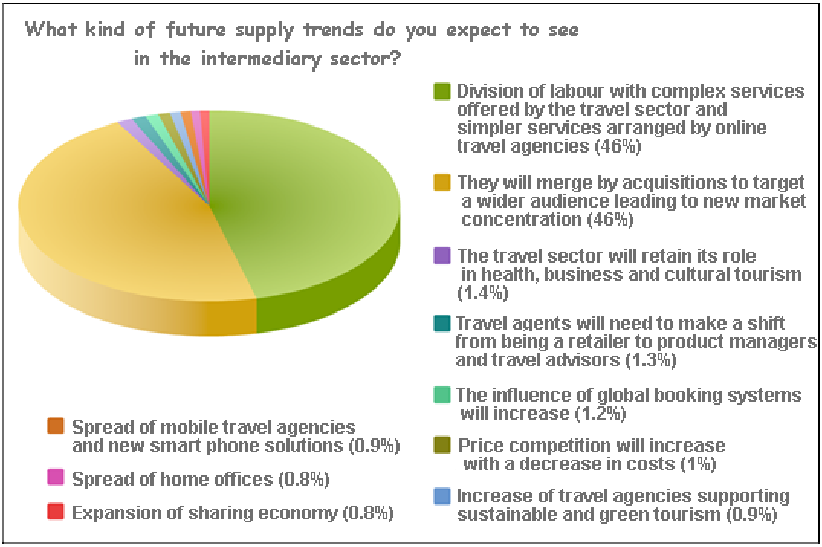

Figure 2. Future supply trends in the intermediary sector

Source: own research

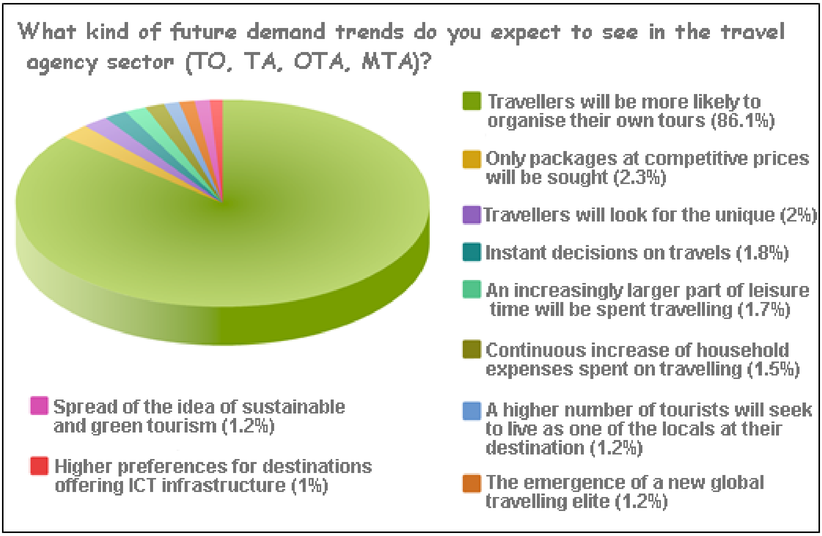

Figure 3. Future demand trends in the travel agency sector
Source: own research

Figure 3 gives an overview of the answers related to future demand trends. About 86% of respondents forecast that an increasing number of travellers will organize their own travels. Another important suggestion was that only packages offered at a competitive price would be in demand. In addition, respondents claimed that looking for the unique would be the new trend (Figure 3.).

The following question aimed to find out how experts see the major obstacles hindering the development of the domestic intermediary sector *(Figure 4.)*. More than half of the respondents (54.6%) highlighted the lack of support, economic and other incentives. This was followed by the non-existence of an act on tourism and the contradictions characteristic of national regulations (13.9%). Both the lack of a national airline and insufficient demand were underlined by 10.9% while the issue of the weak competitiveness of the domestic intermediary sector at an international level was identified by 9.7% as an issue *(Figure 4.)*.

Figure 4. Major problems hindering the development of the domestic intermediary sector
Source: own research

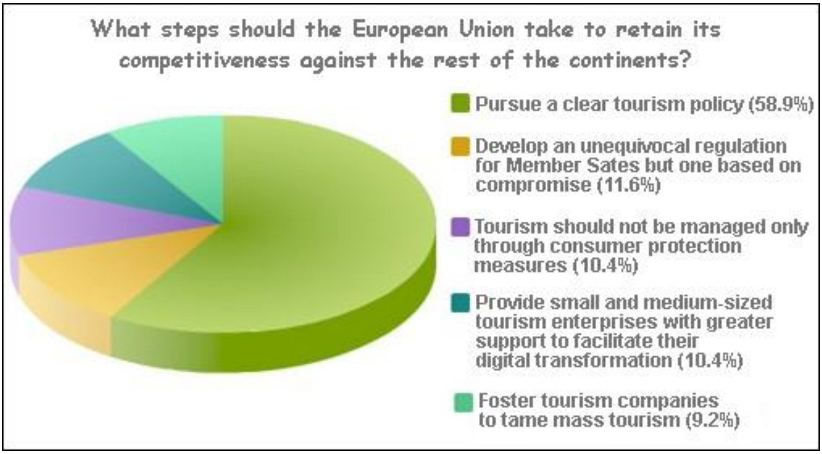

Figure 5. Recommendations to improve the tourism of the European Union
Source: own research

Figure 5 above summarizes the opinions regarding the necessary steps the European Union should take in order to enhance its competitiveness. According to 58.8% of respondents, the EU should pursue a clear tourism policy while 11% suggests that it needs to introduce an unequivocal regulation for Member Sates which is nevertheless based on compromise. 10.4% of participants claimed that consumer protection should not be the single means to manage tourism. About the same number of respondents thought that the Union should offer small and medium-sized tourism enterprises greater support to facilitate their digital transformation. Finally, 9.2% of respondents would have the EU assume a role in encouraging tourism enterprises to tame mass tourism *(Figure 5.)*.

4.2. Findings of the quantitative research

4.2.1. The results of the representative survey

When compiling the sample, the main consideration was to recruit experienced and regular travellers. The survey was conducted by means of personal, telephone and e-mail interviews.

The total of 1,525 respondents was comprised of 671 males (44%) and 885 females (56%) with an average age of 33.2 years.

The answers given to the question on how participants plan to organise their next travel are summarized in *Figure 6*.

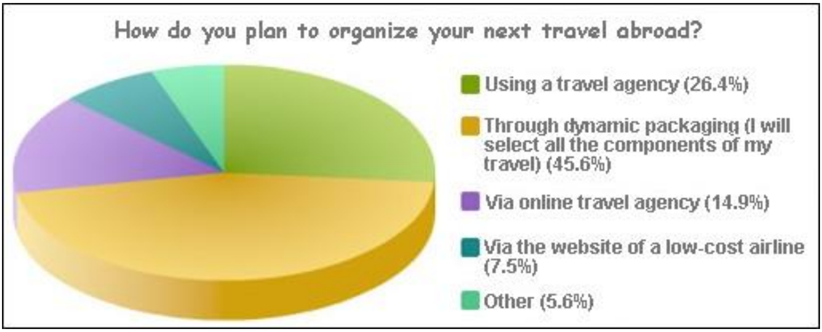

Figure 6. Arrangements for next travel
Source: own research

The majority of participants (45.6%) preferred to choose dynamic packaging. 26.4% planned to use the services of a traditional travel agency in contrast with 14.9% keen on online travel agencies. Low-cost airlines were a popular choice for 7.9% of respondents and 5.6% were intent on resorting to other means *(Figure 6.)*.

4.2.2. Confirmation of hypotheses

H1: The intermediary sector is undergoing constant transformation at an increasingly fast rate with a growing number of new business models being developed.

The chapter entitled *The History of the Development of the Intermediary Sector* clearly reveals that in addition to the already existing travel agency sector, one can witness the emergence of online travel agencies, metasearch engines and online offices based on a community sharing system as a result of the development of ICT. It is imperative to note that today there is not a single intermediary that can be identified with the intermediary sector itself.

Rather, intermediaries represent various manifestations of the sector. It is noteworthy that many of the novel business models have been created as an electronic offspring of a traditional business. Examples include online and mobile travel agencies that have developed from the traditional ones or online rent-a-flat services that have grown out of businesses providing commercial accommodation *(Table 1.)*.

The services provided by the intermediary sector are summarized in *Table 1*[1]. The first column on the left lists traditional travel agency/tourism services. The ones in the second column are based on the direct involvement of the travel agency sector but do not exclude a B2C relation. The rest of the columns offer a detailed list of the services of novel type of providers. Services rendered are ticked, blank cells mark uncovered service areas.

[1] Key

Tour operator	TO
Travel agent	TA
Computer reservation system	CRS
Global distribution system	GDS
Online travel agency	OTA
Mobile travel agency	MTA
Business-to-business	B2B
Business-to-consumer	B2C
Consumer-to-consumer	C2C

Table 1. Services offered by the intermediary sector

Travel agency businesses /Tourism services	Travel agencies and tour operators	CRS/GDS systems B2B	Service providers with own website B2C	OTA/MTA travel packages B2C	OTA/MTA mediated services B2C	Metasearch engines B2C	Coupon websites C2C	Sharing community web pages P2P
Travel organisation, national and international								
National (leisure and business)	√		√	√				
Inbound (leisure and business)	√		√	√				
Outbound (leisure and business)	√		√	√				
Domestic travel package sales								
To domestic travellers	√	√	√	√	√		√	
To international travellers through foreign agencies	√	√	√	√	√		√	
To international travellers without the direct involvement of foreign agencies	√	√	√	√	√		√	

Outbound travels	√	√	√	√	√		√	
Independent organisation and sales of programmes	√	√	√				√	
Mediation of programme offers	√	√	√	√			√	
Event organisation	√							
Ticket Sales								
Railway	√	√	√					
Traditional (IATA) airlines	√	√	√	√	√	√		
Low-cost airlines	√	√	√	√	√	√		
Scheduled coaches	√		√	√	√			
Mediation of non-package accommodation								
Domestic (hotel)	√	√	√	√	√		√	
Abroad (hotel)	√	√	√	√	√		√	
Commercial accommodation	√		√	?	√		√	√
Tourist guiding, interpretation services	√		√					√
Money exchange activities	√							√
Car hire	√	√	√	√	√			√
Travel insurance	√		√					

Source: own compilation (based on MOLNÁR, G. 2008)

H2: The position of the travel sector appears to have been stabilized.

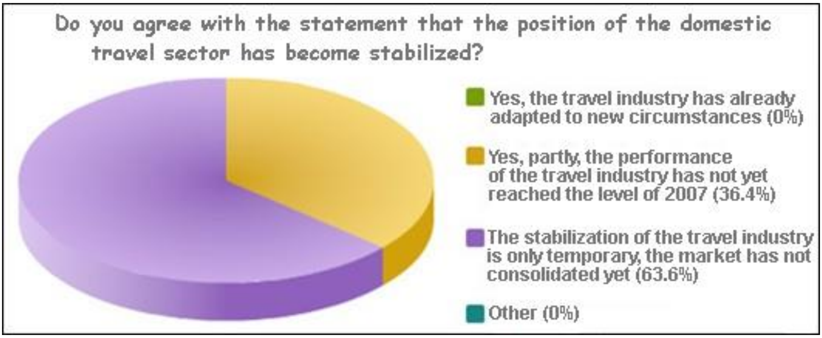

Figure 7. The position of the domestic travel sector
Source: own research

Although expert opinions summarized in Figure 7 take a cautious approach in their forecast for the domestic position of the industry, data related to both the European and Hungarian travel sector evidence that its performance is on the increase both nationally and internationally.

H3: Within the intermediary sector, the processes of concentration and specialization are taking place at the same time.
Primary and secondary research clearly reveals that at an international level both the decrease in the number of traditional businesses and the increase in income evidence that a higher turnover is controlled by fewer market players, thus the market is becoming more concentrated.

The above statement is only true of the charter sector in Hungary.

Specialization within the Hungarian travel sector can be confirmed by looking at the turnover based on the compensation security bonds of agencies.

Table 2. Changes in round and charter tours

Year	National 3%	International 12%	International 20%	Total
2011	10 371 775 300	44 956 574 692	49 742 945 000	105 071 294 992
2012	10 295 209 700	46 149 921 575	49 985 660 000	106 430 791 275
2013	11 112 207 900	50 507 016 275	46 644 490 290	108 263 714 465

Source: excerpt from Table 14 of the thesis

Data in *Table 2* underline that the category of coach and cultural tour supply (city tours, round tours) has surpassed that of charter tours since 2013.

Unambiguous statistical data to justify a higher concentration and specialization of travel agencies focusing on inbound travel is not available.

According Gábor Bajna (2015), head of the Car-tour travel agency, „the multi-level communication and increasing online trading of products permeate everything. Those who are prepared and have the appropriate technical infrastructure will survive and the rest will be forced out of the market. On the other hand, more and more market niches are opening and small travel agencies may exploit these opportunities." (BAJNA G. 2015)

H4: Despite the decreasing turnover, the number of travel agencies has been increasing in Hungary and the expansion of inbound tourism can be observed with outbound tourism losing ground.

Based on the responses given to the open-ended question of the survey conducted among experts (Q7: How would you explain that inbound travel is gaining ground while outbound travel is on the decrease?), the following can be stated: domestic travellers are making use of online booking services which in turn is decreasing the performance of outbound travels. Regarding inbound travel, foreign tourists are attracted by the growing popularity of the country, a weakening forint, special offers by airlines and hotels, party tourism and the online availability of domestic tourism products. The hypothesis can also be justified by secondary data.

H5: European tour operators with strong traditions have been moving to the forefront of sustainable travel.

Case study

TUI is a global leading tourism company with about 3,500 offices on five continents, a fleet of more than 140 airplanes, 12 different hotel brands and 300 hotels. Their cruises are served by several sea and river ships covering ten routes and more that 210 thousand beds can be booked via TUI travel agencies. The number of its customers is over 30 million persons.

The TUI group (TUI, 2015) uses its home page to persuade customers that each type of their products contributes to the making of a better world and the only way to achieve that is by working hard on increasing the positive and decreasing the negative effects during each travel. The actions to take to meet the above objectives are identified as follows:

- Reduce the carbon emissions of the businesses of the group;
- Promote greener and fairer trips and journeys;
- Reduce the carbon emissions of European air transport to the greatest extent possible;
- Sustain biological diversity and provide for the welfare of wildlife;

- Operate sea cruise ships in a more efficient way;
- Involve customers in sustainable tourism;
- Support the hotels of the group in their efforts to meet the requirements of sustainability;
- Invest into the teaching of tourism and the more efficient acquisition of tourism-related knowledge and skills;
- Provide TUI staff the opportunity to become ambassadors of sustainable tourism;
- Cooperate with target areas to foster sustainable tourism;
- Create sustainable tours;
- Ensure that local community members profit from tourism.

4.2.3. The functions and significance of the intermediary sector

The operation of intermediaries is indispensable due to several factors such as the distance between demand and supply, the opacity of the market, the insufficient free time of passengers, the expertise accumulated within the sector and accessibility to restricted capacities. By creating a market, intermediaries make profit for the producers of tourism products as well as both for consumers and destinations. They are responsible key actors within the tourism system and they have a major role in its development.

4.2.4. Exploring the intermediary sector based on Porter's Five Forces Framework

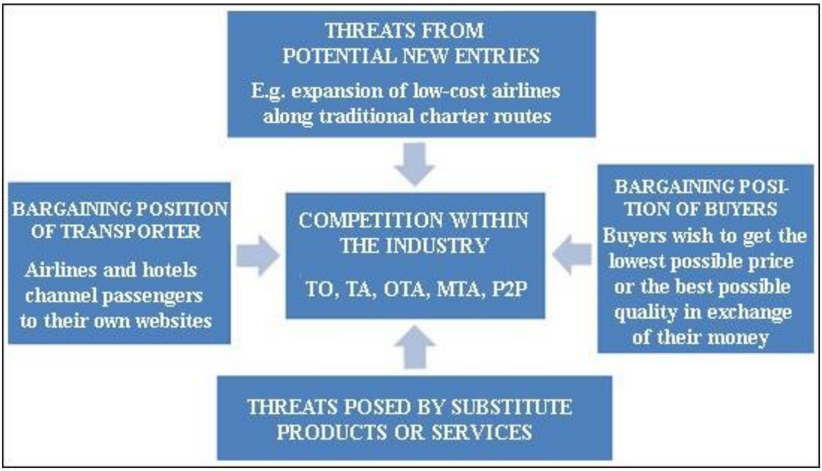

Figure 8. Competitive forces based on Porter's Five Forces Framework
Source: own compilation (based on PORTER, M. 1998)

With regard to the future of the travel sector, an analysis of the microenvironment was carried out based on Porter's Five Forces Framework (PORTER, M. E. 1993; TÜTÜNKOV, J. 2013) considering the following threats: potential new entries, substitutes, the bargaining position of buyers and transporters (KOTLER, P. 1998) *(Figure 8.)*.

The above method was used previously by Wilhelm Pompl (2000) to analyse the internal competition of travel agencies and tour operators. The analysis was carried out back in the 1990s when the electronic market was still in its infancy. At the time, Pompl was focusing on the traditional intermediary sector in the context of the political, technological, socio-cultural and economic environment.

The model was now used to investigate the future of the traditional travel sector, however, its conclusions hold equally valid in the case of any actor within the intermediary sector. Therefore, all of the intermediaries are understood as internal competitors but actors on the online market may also be interpreted as substitute products or services.

4.2.5. The significance of the intermediary sector in the tourism of the European Union

Table 3. Key economic indicators for the tourism industry, EU-28, 2013

Name	Number of enterprises	Turnover (million EUR)	Value added at factor cost (million EUR)	Number of persons employed
Total non-financial business economy	**22 579 017**	**25 956 037**	**6 234 879**	**133 054 900**
Total services	**10 836 131**	**5 708 767**	**2 565 100**	**55 342 769**
Total tourism industries	**2 228 899**	**941 075**	**344 198**	**12 004 500**
Tourism industries (mainly tourism)	346 351	428 126	121 198	3 122 700
Tourism industries (partially tourism)	1 882 548	512 949	223 000	8 881 800
Transport related (total)	345 120	255 956	88 542	1 968 200
Accommodation	272 508	149 717	69 374	2 365 900
Food and beverage	1 463 802	305 349	120 488	6 974 700
Car rental	51 552	68 714	37 278	202 300
Utazási irodai, utazásszervezői és hozzá kapcsolódó szolgáltatások	**95 917**	**161 338**	**28 516**	**493 400**
Utazási irodai és utazásszervezői tevékenységek	70 144	153 338	26 303	427 400
Other services	25 773	8 000	2 213	66 000
Travel agency sector/tourism industries	**4,3%**	**17,1%**	**8,3%**	**4,1%**
Tourism industries (total)/Services (total)	**20,6%**	**16,5%**	**13,4%**	**21,7%**

Source: own compilation (based on Eurostat, 2016)

Travel agency, tour operator reservation service and related activities

In 2013, there were almost 96 thousand travel agencies and tour operators providing jobs for half a million people which accounts for 0.4% of the total employment excluding the financial sector. The travel sector had a turnover of 161 billion euros, i.e. 17.7% of the total income of the industry. 74% of those employed by travel agencies and tour operators were working for small and medium-sized companies. Approximately half of the value added was provided by the British and German travel sector (Eurostat, 2017).
Furthermore, according to Eurostat data, Great Britain, Germany and France boast almost half of total employment. The significance of the travel sector is best illustrated by the fact that 0.4% of those employed produce 17.7% of the total turnover of the tourism industries.

Table 4. SWOT Analysis – European Tourism

STRENGHTS	WEAKNESSES
A diversity of natural attractions - holidays, water sports, winter sports, spa- and health tourism; Man-made attractions - European metropolises, city tourism - Rich cultural tourism, heritage tourism (453 sites, i.e. almost half of the UNESCO heritage locations are found in Europe) - Events, festivals, traditions; Excellent tourism infra- and superstructure; Strong domestic tourism; Developed tourism, the third most successful industry within the EU economy; High quality human resources; Highly developed digital culture	Lack of a unified tourism policy; Representation of tourism within EU institutions is still insufficient; Lack of separate tourism budget at EU level; Lack of economic incentives and unified regulation; Lack of tourism products at EU level; Overtourism, certain cities are overcrowded; Ageing societies; Relatively low level of innovation; Decreasing competitiveness compared with other regions across the world, unfavourable rate of value for money; Digitalization in Central Eastern Europe is lagging behind
OPPORTUNITIES Establishment of a separate tourism budget; Appointment of a commissioner for tourism for the upcoming EU budgetary period; Development of digital economy and digital infrastructure;	THREATS Terror attacks, migrant crisis; Climate change, natural disasters, volcanic eruptions; Competition within tourism on a global scale, global market players are outpacing European enterprises skimming off profit;

Supporting the digital transformation of small and medium-sized enterprises; Favourable VAT rates in the hotel industry and for travel packages; Development of a funding system for small and medium-sized enterprises; Harmonization of the marketing strategies at EU and national level, creation and promotion of common tourism products; Creation of a European brand, joint action in the area of inbound tourism from overseas, fostering inbound tourism rom China; More efficient visa policy	Conflict of interest between EU Member States (North-South, sender-host) in tourism; Overtourism in certain regions, tourism destinations; Too much bureaucratic red tape; Access to EU resources is laborious; Indifference and incompetence of MEPs with regard to tourism; Further expansion of online platforms at the expense of European small and medium-sized enterprises, the lack of unified regulation; According to forecasts, fewer than one third of tourists around the globe will choose EU Member States as their destination

Source: own compilation

Further conclusions

1. Antoni Tajani, President of the European Parliament defined four areas as of key importance in his speech given at the High-level Conference on Tourism in September 2017. In order to foster the competitiveness of the tourism of the continent, the following steps should be taken (Érsek M. Z. 2017):

- creating a more attractive environment for investment and taxation, offering loans to small and medium-sized enterprises on more favourable terms;
- supporting professional education and training;
- supporting digital transformation and making better use of synergies inherent in European tourism;
- fostering a closer cooperation of EU Member States to make Europe more successful on international markets, primarily in China.

2. The president of the EP also highlighted that the spread of online platforms was detrimental to European tourism enterprises since they had been hardly hit by the decrease in their revenues. To remedy this situation, a unified regulation should apply to all actors of the industry in the future, regardless their online or offline mode of operation.

Tajani also admitted that the biggest online service providers of today reached their dominant position by operating above or outside the law and paying very little tax while taking their locally gained huge profits out of the continent. Doing so, they undermine the competitiveness of European SMEs, decrease their profits and deprive not only local and regional authorities but also states of their income from taxes that could be used for further investments in development.

The revision and modernization of Directive 90/314/ECC on Package Travel has become inevitable due to the digital revolution that started 15 years ago. Today, consumers are becoming increasingly interested in packages whose components they can select on their own, even if through mediated bookings. On the other hand, effective regulations either do not apply to these types of travels or they are less clear about them. Therefore, potential travellers are uncertain about the type of protection they might claim in case of problems while travel agencies are not fully aware of their responsibilities (European Council, 2015).

Observations on the new directive

In the course of the research, the positive and negative features of the directive were taken into consideration. As it was revealed, it was appropriate to review Directive 90/314/EEC since the traditional travel sector is suffering a competitive disadvantage when compared both with external (off-sector market players, e.g. low-cost airlines, cruises, hotel packages) and internal competitors (OTA and P2P sites). In addition to its new definition of tourism services, the key positive idea of the new directive is that the responsibilities of travel agencies now apply to other actors on the market as well. Potential problems might arise though in the area of execution and supervision. Who is going to monitor external and internal actors and check if they comply with the regulations? Who is going to penalize non-compliance and how? (GYENIZSE D. 2017)

5. SUMMARY

The literature review of the thesis and the results of the empirical research contribute to the novel interpretation and understanding of the operation and changing role of the intermediary sector. What makes the interpretation of the intermediary sector novel is that the thesis – while retaining a system approach – does not contrast its traditional and offline actors with new, online intermediaries but treats the intermediary sector as a whole, bearing in mind the natural tendency that tourism, similarly to other industries, will also undergo a fundamental digital shift within the upcoming decades.

The traditional intermediary sector that links supply and demand within the tourism system needs to face several challenges posed by globalization, information and communications technology (ICT), the ongoing digital revolution and the new ways of travelling. While the CRS/GDS booking systems introduced in the 1970s were able to strengthen the travel sector's hegemony that had lasted for almost a century and a half, with the advance of the internet in the last decades of the previous century new intermediaries were born that started to compete with traditional actors and since then we have been witnessing the emergence of new forms within the sector.

ICT has also influenced demand. Travel habits have changed, travellers are becoming increasingly prepared due to new technologies, their digital skills are improving thus they are taking a tighter control over their travels. The spread of mobile applications inspires tourists to use them more and more often. The role of consumer awareness is becoming more significant in tourism as well with the idea of sustainability being increasingly promoted. Social media plays an important role during the preparation phase of travels and traditional travel brochures and catalogues are being replaced by blogs. Travellers are trying to break away from mass tourism. They are looking for unique experiences and do not wish to be tourists any longer. They are now focusing on authentic local experiences wishing to become part of local life.

The development of online commerce in tourism was so fast that legal regulations have been unable to tackle the situation thus new actors in the intermediary sector have gained a competitive advantage over traditional businesses. This lack of regulation raises serious concerns about consumer protection and the extension of the new EU travel package directive to involve each actor in the tourism market will be hindered by extreme difficulties[2].

4.3. The theoretical significance of the research

Relevant literature and articles on the intermediary sector have been so far scarce in Hungary. Recently, there has been a new focus on internet sales and online solutions but primarily as part of marketing research or from the approach of information and communications technology.

The theory and practice of tourism have lately become detached from each other. Thus an important objective of the research was to re-establish their unity. The theoretical chapters explore and systematize the evolution of the intermediary sector including the main stages in its history. At the same time, business models of the sector are classified to tackle the challenges posed by

[2] Based on the in-depth interview with Dr. Éva Garán.

the information overload and proliferation of new technologies due to the ICT revolution.
The thesis also highlights deficiencies and contradiction in EU and Hungarian legislation offering recommendations on what issues need to be resolved by legislators in Hungary.

4.4. The practical significance of the research

The travel sector is a significant economic factor: it generates roughly a quarter of total tourism revenues, it offers massive employment and contributes to the Hungary's budget through its taxes. Furthermore, it has a central role in building the image of the country. Experts in charge of the management of national tourism tend to focus on inbound travels since it is generally considered to generate income as opposed to outbound tourism which takes it out of the country. They ignore the fact that the tax on added value remains here. When it comes to the support of the sector, this should be considered.

5. POTENTIAL USE OF RESEARCH FINDINGS

5.1. Proposals for future research

Research into the intermediary sector shall be increased which could be beneficial both to national higher education and the travel agency sector. Further studies could look into how the domestic intermediary sector could increase the performance of tourism more efficiently in Hungary and how it could make leisure and MICE tourism more popular internationally. Another important research topic is the EU and local funding of the digital transformation of the Hungarian travel agency sector.

More specifically, studies should include the following areas

The expected performance of the travel sector, online travel agencies and other market players during the upcoming decade, based on present trends using improved statistical methods.

The potential extra profit gained from increasing world tourism revenues by the players of the tourism market, traditional and new intermediaries, based on present trends.

The issue of the VAT margin of inbound travel packages. Since the VAT levied on service providers is part of the price of travel packages, the rate of the present VAT margin of 27% should be reduced which in turn would facilitate inbound tourism and improve Hungary's international competitiveness.

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