TSM 244
TOURISTS SITES PRODUCTS AND OPERATIONS II

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INTRODUCTION

The tourism industry is often cited as an attractive agent of development or redevelopment, generating employment and foreign exchange in a destination. However, the degree to which tourism has the potential to contribute to the broader socio-economic development of a destination is, to a large extent, conditional on the nature environment that exists in the destination and the management decision taken by the industry and local government. External linkages beyond the destination, such as globalization, also affect potential development. At the same time, tourism development itself can bring change, complexity, uncertainty and conflict, creating opportunities and problems for analysts, planners, managers, decision makers, and members of the public (Mitchell, 1997).As Mitchell (1997) suggests, the challenge is to recognize the importance of these forces and to function in their presence, as well as knowing how to manage them so that the become agent for positive change.

WHAT YOU WILL LEARN IN THE COURSE

During this course, you will be learning about:

- Managing Tourism for Development
- Tour Operations Management
- Managing Tourism distribution
- Managing Tourism Businesses
- Strategy for tourism management
- Managing urban tourism
- Managing the countryside for tourism: a governance perspective
- Tourism and the environment
- Marketing management for tourism
- Managing finance for tourism
- Ethics in tourism management
- The role of government in the management of tourism
- Information and communications technologies for tourism
- The management of crisis in international tourism

COURSE AIMS

This course aims at:

- Knowing how to manage tourism for development
- Understanding tour operations management
- Teaching students on how to manage tourism business

- • Examine strategy for tourism management
- • Managing urban tourism
- • Managing the countryside for tourism: a governance perspective
- • Understand tourism and the environment
- • Knowing marketing management for tourism
- • Managing finance for tourism
- • Examine ethics in tourism management
- • The role of government in the management of tourism
- • Information and communications technologies for tourism
- • The management of crisis in international tourism

When all the above aims are considered, we can conclude that the major aim of the course is to expose you to various methods and techniques of managing tourism operations.

WORKING THROUGH THIS COURSE

For you to complete this course successfully, you are required to read the study units, reference books, and other resources that are related to the unit. Each unit of the course contains Tutor Marked Assignment.

The Tutor Marked Assignment (TMA) is to be done immediately and submitted to your tutorial lecturer/course facilitator for assessment. .

The medium to be used and the time to submit the TMA will be specified to you later. This course is a 2-credit course. As such you are expected to spend a minimum of two hours every week studying the course. You are expected to complete the entire course outline within a period of 18-25 weeks.

STUDY UNITS

In this course, we have discussed the topic of the course content titled Tourist Sites: products and operations under different topics. Based on this, the following units have been designed for the course.

Module 1

Unit 1   Managing Tourism for Development
Unit 2   Tour Operations Management
Unit 3   Managing Tourism Distribution
Unit 4   Managing Tourism Businesses
Unit 5   Site and Visitor Management at the Natural Attractions

Module 2

Unit 1	Strategy for Tourism Management
Unit 2	Managing Urban Tourism
Unit 3	Managing the Countryside for Tourism: A Governance Perspective
Unit 4	Tourism and the Environment
Unit 5	Marketing Management for Tourism

Module 3

Unit 1	Managing Finance for Tourism
Unit 2	Ethics in Tourism Management
Unit 3	The Role of Government in the Management of Tourism
Unit 4	Information and Communications Technologies for Tourism
Unit 5	The Management of Crisis in International Tourism

These units must be treated sequentially as a logical link exists in the arrangement. Every previous unit lays a foundation for subsequent ones. A maximum period of one week is required for every unit.

MAIN COURSE

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MODULE 1

UNIT 1   MANAGING TOURISM FOR DEVELOPMENT

Unit Structure

1.1   Introduction
1.2   Learning Outcomes
1.3   The Nature of Tourism in Development
1.4   Nature of Destination
           1.4.1 Case Studies: Niagara Falls Casino and Resort
1.5   Government   Regulatory   Framework   for   Development
           Optimization
1.6   Industry Management Decisions for Development Optimization
1.7   Summary
1.8   References, Further Readings, and Web Sources
1.9   Possible Answers to Self-Assessment Exercises

 1.1   Introduction

National development initiatives after World War II were centered on achieving rapid economic growth. The achievement of industrialization was the primary goal in the early phases. It wasn't until much later, starting in the 1950s, that eradication of poverty rose to the top of the agenda. It quickly became clear that the degree of poverty and economic progress did not directly correlate with one another. To achieve growth-with-equity, new tactics were developed. Non-economic, physical quality-of-life markers of development have been considered in several cases. Although some writers began focusing on the non-material aspects of growth in the 1970s, the emphasis has remained on the material aspects of development. Today, it is believed that growth should be viewed in terms of an individual's state of consciousness, particularly in connection to how they perceive their abilities and rights to act in the world. Furthermore, it is becoming more and more clear that the community, rather than the nation or the person, is the natural unit of development. Community consciousness growth is necessary for social progress. Development is best described as an increase in one's ability to see, comprehend, and resolve problems on one's own at any level of society. The aim is more about reducing helplessness than it is about reducing poverty. The tourist and hospitality industries, as well as the responsibilities they play in the general development of a country, have all been identified as sectors relevant to development in the development paradigm.

This unit will examine management strategies for maximizing tourism growth potential.

1.2   Learning Outcomes

After completing this unit, students should be able to:

- recognize how development in the context of tourism is evolving
- be aware of how the destination environment, governmental regulatory structures and frameworks, and industry management choices and decisions affect a destination's ability to develop.
- recognize the competing ideologies and forces at play in a tourist destination

1.3   The Nature of Tourism in Development

The contribution of tourism to a country's growth is universally acknowledged. Through the evolution of human history and consciousness, the concept of development—here understood to be approximately comparable to social progress—has undergone numerous significant alterations. The most fundamental beliefs about where humanity fits in the universe and what growth means are intimately related. With different authors, the development context seems to change. A separate definition of development exists for practically every writer. However, it is crucial to differentiate between the two ideas of development: development as a static state or condition and development as a dynamic process or course of change.

It is critical that we have a working definition or fundamental understanding of what the term "development" means because various people may have varied interpretations of what it means. Without this viewpoint and certain established measuring standards, it would be impossible to tell which nations were genuinely developing and which ones were not, and the contribution of the tourist and hospitality sectors to development would be unclear. The phrase is difficult, contentious, unclear, and elusive. However, the simplest definition of development is bringing about societal change that enables individuals to fulfill their potential as human beings.

Development has historically been defined in strictly economic terms as obtaining sustained rates of growth in income per capita to enable a country to increase its output at a pace faster than its population growth rate. The overall economic well-being of a population is then determined

by the levels and rates of growth of "real" per capita gross national income (GNI), which is calculated as the amount of real goods and services that the average citizen has access to for investment and consumption after deducting the rate of inflation.

Development is a multifaceted process that involves the restructuring and reorientation of the entire economic and social system rather than being just an economic event. It is a method for raising the standard of all human lives. Development is a state of mind as well as a physical reality in which society has established the means to live a better life through a variety of institutional, social, and economic processes. Regardless of the particulars of this better existence, all communities must strive to achieve at least the following three goals:

1.   To increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection.
2.   To raise levels of living, including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and human values, all of which will serve not only to enhance material wellbeing but also to generate greater individual and national self-esteem.
3.   To expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence not only in relation to other people and nation-states but also to the forces of ignorance and human misery.

The tourism industry's growth and influence has often helped societies change for the better. Compared to other industries, tourism has a number of advantages:

•   The communities that produce the items are directly benefited because it is consumed at the point of production.
•   Communities that are lacking in material prosperity but rich in culture, history, and tradition are given the opportunity to leverage their distinctive qualities as a competitive advantage that generates income.
•   It builds networks of various businesses, ranging from lodging facilities and dining establishments to adventure sport providers and food distributors. Due to this, tourist destinations are able to create intricate and diverse supply chains for goods and services, supporting a flexible labor market with a range of occupations for tour guides, interpreters, cooks, cleaners, drivers, hotel managers, and other service sector workers. Many professions in the tourism industry are asynchronous with other occupations, like farming, and are flexible or seasonal.

- In addition to the hotels and upscale eateries that cater to tourists, it usually promotes the development of multipurpose infrastructure that helps the local population, such as roads, healthcare facilities, and sports facilities.

The United Nations created the Millennium Development Goals (MDGs) at the beginning of the twenty-first century. These are eight objectives that UN Member States have agreed to aim to accomplish by the year 2015. In September 2000, world leaders vowed to fight against poverty, hunger, sickness, illiteracy, environmental degradation, and discrimination against women in the United Nations Millennium Declaration. From this Declaration, the MDGs are derived. Each MDG has goals for 2015 as well as measures to track advancement from 1990 levels. The 2030 Agenda for Sustainable Development, which consists of 17 Sustainable Development Goals (SDGs), was endorsed by the General Assembly in September 2015.

With these advantages in mind, the UN has recognized tourism development as one of the means poorer nations may employ to achieve the Sustainable Development Goals (SDGs). The United Nations operates under the principle of sustainable development. The 1987 Bruntland Commission Report defined sustainable development as "development that meets the demands of the present without compromising the ability of future generations to meet their own needs."

Society, environment, culture, and economics are the four interconnected, not distinct, components of sustainable development. Sustainability is a paradigm for thinking about the future in which societal, economic, and environmental concerns are balanced in the quest of a higher standard of living. For instance, a flourishing civilization depends on a healthy ecosystem to provide its residents with food and resources, safe drinking water, and clean air. In particular, sustainable development is a technique of structuring society so that it can endure over the long haul. This entails taking into account both current and future imperatives, such as the protection of the environment and natural resources and social and economic equality.

Figure 1: Sustainable Development Goals
Source: The United Nations

Self-Assessment Exercises 1

1. The primary goal of national development initiatives after the World War II was………………………
2. Development is best described as …………………………..
3. What was development historically associated with?
4. The four components of sustainable development are

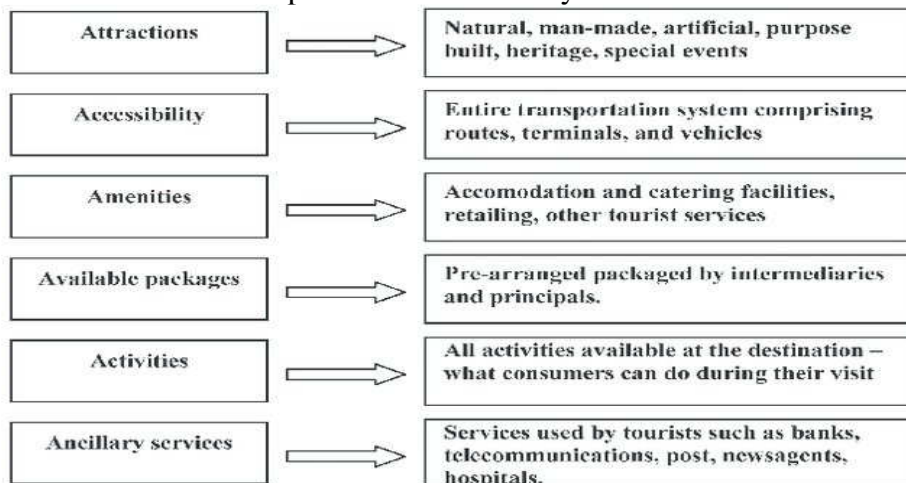## 1.4   Nature of Destination

The focal point of tourism is a destination, which is also one of the most challenging things to promote and run efficiently. A destination is made more complex by the variety of components that go into its creation, the intricacy of the relationships that link them, and the involvement of several stakeholders. When the consumer is considered, the complexity is further raised. A tourist destination, often called a tourist resort or a tourist destination, is a non-residential region that attracts tourists to stay and visit for a short period of time.

Six components are required to create a tourism destination: food, accommodation, transportation, tourism, shopping, and entertainment. A tourism destination is a particular geographic area that is controlled by a unified destination management organization. It might be a town, a particular picturesque area, a region of a country, the entire nation, or even a bigger area. Attraction, comfort, and accessibility are the common traits of tourist destinations. These attributes describe a certain place with particular tourism resources, facilities, and transportation conditions, which can draw a certain number of people to engage in tourism activities.

A physical space where a visitor stays at least one night is referred to as a tourism destination. It contains travel-related goods, such as accommodations and attractions, as well as travel-related resources close to the point of origin. Its management is defined by administrative and physical boundaries, and its market competitiveness is determined by perceptions and images. Local destinations can nest and network to build larger destinations by incorporating a variety of stakeholders, frequently including the host community. More than other economic sectors, the tourism industry relies heavily on environmental resources for its "production function. Such resources, which are typically non-reproducible and play a crucial role in establishing a destination's tourist attractiveness, also have a significant impact on a region's social and economic development outside of its potential as a source of tourism.

The degree to which tourism may be properly handled to promote development will depend on the environment of the location. Tourism destinations have stages of development that are articulated in time that allow them to be seen in the context of spatio-temporal phenomena, one of the indivisible characteristics of geographical space. As is further known, the philosophical concept of the unity of space and time necessitates that the attribute of dynamism be assigned to geographical space as a necessity for the continual growth of geographical objects.

The capacity to contribute to the overall development of the destination depends on the destination's location along a continuum from a developed region/country to a developing region/country, as well as its rural, urban, mountainous, coastal, island, and wilderness characteristics. Are there enough resources, including human resources, in the area, or do they need to be imported? The decision made by the local community, government, and industry has a significant impact on how the destination develops and who ultimately has control.

Attractions	→	Natural, man-made, artificial, purpose built, heritage, special events
Accessibility	→	Entire transportation system comprising routes, terminals, and vehicles
Amenities	→	Accomodation and catering facilities, retailing, other tourist services
Available packages	→	Pre-arranged packaged by intermediaries and principals.
Activities	→	All activities available at the destination – what consumers can do during their visit
Ancillary services	→	Services used by tourists such as banks, telecommunications, post, newsagents, hospitals.

Figure 2: Tourism destination attributes
Source: Gaffar *et al.,* 2011.

Table 1: Components of tourism destination

Attractions	Public and private	Accessibility	Human resource	Image and character	Price
Natural (e.g. beaches, mountain, parks, weather). Built (e.g. iconic buildings such as the Eiffel tower,	Basic infrastructure such as utilities, public transport, and roads as well as direct services for the visitor such as accommodati	Via road, air passenger services, rail or cruise ships (to in within destination). Visa requiremen ts, ports of	A well-trained tourism workfor ce and citizens (local).	Uniquenes s, sights, scenes, environme n- tal quality, safety, service levels, and the friend-liness of people	The cost of transport to and from the destination as well as the cost on the ground of accommodati on, attractions, food and tour services.

 Source: World Tourism Organization, 2007.

1.4.1 Case Studies: Niagara Falls Casino and Resort

One of the largest capital projects built in Ontario, Canada is the Niagara Falls Casino and Resort. The project cost $1 billion when it was first launched in 2001. The Falls Management Company was chosen by the Ontario Lottery and Gaming Corporation to finance, develop, construct, and run the new casino and resort complex. This coalition of five gaming and real estate corporations also includes the Hyatt Hotel Group. The former transformer station building for the Ontario Power Company station at the base of Niagara's Horseshoe Falls is now the location of the new casino.

There are 2.5 million square feet of floor space in the casino/hotel complex. The complex includes a 368-room Hyatt hotel with 32 storeys, a 50,000ft2 conference, convention, and exposition center, a theater with 1,500 seats, 10 restaurants, a complex of shops called Galleria, a wedding chapel, a 15,000ft2 (1,400m2) health and fitness center, and a 3,000-space parking garage. The complex's entertainment and retail area offers 100,000 square feet of floor space. With a little more than 200,000 square feet of floor space, the casino can fit 150 gaming tables, 3,000 slot machines, and a theater with 1,000 seats.

The Ontario Lottery and Gaming Corporation, a Crown agency, owns the casino (a large portion of the profits are returned to the Ontario government). The Ontario Casino Corporation began developing the resort as soon as Casino Niagara, a temporary structure built on the site of the former Maple Leaf Village amusement park, opened in 1996. More than 5,500 full- and part-time permanent direct jobs as well as 5,000 indirect jobs have been created as a result of the Casino Gateway

Project. One of Canada's largest commercial ventures, the project. The project undoubtedly contributed to the local economy's growth and brought in between $100 and 125 million in contracts for concrete, electrical, and mechanical construction.

A key component of the project, specifically the casino's design, was to protect the Niagara escarpment's ecosystem and natural beauty while promoting the usage of both existing and future planned local tourism services. This is in keeping with global trends, which emphasize making the most of the space that already exists and enhancing the connections between developments and the natural and built environments around them. A 12,000-seat indoor and outdoor amphitheatre is one of the many neighboring attractions in the area. Future off-site construction related to the project will include a 12,000-seat amphitheater, an extension of Marineland's "River Country," and funding for a new people-mover system.

Figure 3: Casino Niagara
Source: Hotel Management and Design Build Networks

Self-Assessment Exercises 2

1. The six components that are required to create a tourist destination are …………
2. Tourism industry relies heavily more than other economic sectors on ……………
3. A physical space where a visitor stays at least one night is referred to as ………

1.5   Government Regulatory Framework for Development Optimization

The elements of a regulatory framework are those that pertain to policy and are often governed by the government. The government has taken several initiatives to create responsive actions. It outlines numerous laws, rules, decrees, and policies that the government has formally designed and adopted for regulatory purposes. A regulatory framework is an accountability mechanism—a way for the regulator to hold itself accountable for the duties assigned to it. It also refers to any adjustments or amendments made to the rules, decisions, directives, regulatory policies, guidelines, suggestions, and processes made from time to time by the authorities. The definitions above demonstrates that a regulatory framework involves statutory and constitutional measures that are necessary for the efficient growth of a sustainable tourism industry.

Tourism activity is planned, managed, and coordinated by a plethora of various government departments and agencies operating at various levels. Due to the industry's multi-sectoral character, planning interferes with numerous sectors and policy jurisdictions at once, leading to problems with duplication of goals, objectives, and duties.

For countries to manage, run, and maintain a sustainable tourism sector, regulatory framework is crucial. Like other economic sectors, the fortune of the tourism industry depends on the effectiveness of the regulatory environment. This suggests that the legal and regulatory framework has the greatest positive influence on a nation's tourism business.

Many nations throughout the world depend heavily on the tourist industry, and governments are creating proactive and creative policies to encourage inclusive and sustainable tourism growth. There are numerous connections between tourism and other policies, and it is important to weigh the trade-offs and synergies while making decisions. A supportive government framework is widely regarded as needing an integrated, whole-of-government approach to tourism. Governments must make sure that the appropriate policies and delivery systems are in place in order to sustain tourist growth and the benefits that go along with it. Many nations now have multi-year plans and policies in place to boost the travel and tourism industry as well as give national and local government policy a strategic direction and focal point.

Governments must overcome many obstacles to create a coherent, successful tourist policy, yet this is a crucial function for the central government. This is partially attributable to the fragmented character of tourism, which necessitates the involvement of numerous ministries at

the federal level and various levels of government in order to respond to political, social, environmental, and technical developments that have an impact on tourism. Governments are involved in the tourism industry, for instance, in a number of capacities, such as marketing and promotion, border security, market regulation (e.g., aviation), planning regulations, controlling or managing tourist attractions (e.g., national parks), skill development, and funding the construction of roads and other infrastructure. The fact that the central government does not always have full authority over tourism adds another layer of complexity in many nations. As a result, there is frequently a big part to play in subnational tourism governance.

Seven government responsibilities in the tourism industry have been identified. Coordination, planning, legislation, regulation, business, stimulation, social tourism, and interest protection are a few of these. Governments might work to draw particular hotels or tourist sites, or they can compete to host a big international event like the Olympics or World Cup. The management and policy choices made by various levels of government will affect the kind of tourism that develops in a location. Policy can be as broad as a national tourism development plan or as precise as a zoning by-law, allowing or discouraging tourism development.

Government can have an impact on development through fiscal and investment policies, including investments in infrastructure for both general and niche tourists, investment incentives, and control over exchange rates. Government incentives for attracting firms include tax breaks, site and infrastructure support, low-interest loans, training for the labor force, regulatory relief, sale-leaseback, and technical support. A government can mandate the use of local goods in the sector (import substitution) or the employment of locals in the industry in addition to giving subsidies.

The most significant factor affecting global tourism enterprises is the government of the home (or parent) country. The requirement to comply with national laws, regulations, statutory requirements, exhortations, and special procedures will limit the company's ability to pursue its goals. Complicity in areas of taxation, anti-trust (anti-monopoly or cartel) legislation, accounting procedures, trade rules, product liability, and the numerous other government policies is a critical component of carefully formulating a strategy.

When designing marketing and development strategies, a government may benefit from external connections with other levels of government (regional, state/provincial, national, or worldwide) as well as with the industry. Additionally, governments are able to promote the growth of

clusters. A cluster is defined as "geographic concentrations of interconnected businesses, specialized suppliers, service providers, businesses in related industries, and associated institutions (for example, universities, standard agencies, and trade associations) in particular fields that compete but also co-operate."

As regions and governments compete more fiercely in the tourist industry, clusters are becoming more and more crucial. The most obvious example of this increased competitiveness is the struggle for the right to host major events. As an illustration, the Niagara Economic and Tourism Development Corporation (NECTOR) in the Niagara Region of Ontario, Canada, makes an effort to draw in investors.

Self-Assessment Exercises 3

1. What is regulatory framework?
2. List eight government roles and responsibilities in the tourism industry
3. The most significant factor affecting global tourism enterprises is …….
4. What is tourism cluster?

1.6   Industry Management Decisions for Development Optimization

Different decisions, both simple and difficult, are made every day. On the business market, choices are made about which goods and services to buy. It has been noted that the tourism business is competitive, and a decision made by one firm may conflict with a government's overall development strategy. It is important to situate the discussion within the political economics of the tourism industry when reviewing management decisions made in the industry.

There are external links that transcend national boundaries, particularly in the case of multinational firms. At a global and regional level, transnational tourism businesses have risen to a position of increasing dominance, and market forces' structural influence has increased. Decisions could be made to maximize profits for the entire international business rather than for the local destination.

Environmental practices have recently risen to the top of many industry agendas, incorporating environmental, social, and economic principles, in line with the sustainability movement. In a number of areas, such as environmental impacts, relationships with local communities, investment policies, and relationships with suppliers and marketing

intermediaries, companies are under increased public and political pressure to act more ethically. These include promotion strategies like honest advertising, pricing policies, product safety, and human resources like equal pay and opportunity. These components are a part of sustainable tourism.

Similar to this, businesspeople have made efforts in many organizations to support moral and ethical choices; nevertheless, they note that not all have done so, considering such corporate activities to be poor investments. A potential list of markers for both social and cultural sustainability has been put forth. The extent of cultural commodification, local reactions to tourism, in-migration linked to tourism, local patronage of tourist sites and amenities, criminality related to tourism, distribution of jobs by wage level and equity, and social carrying capacity are a few of these. Although they point out that businesses may steer clear of more complicated topics, such social fairness, in their sustainability programs, they also suggest that there may be a variety of management choices that may be made to lessen adverse effects and advance global development.

Self Assessment Exercises 4

> 1. Decision made by one firm may conflict with a government's overall development strategy. True or false?
> 2. In reviewing management decisions in tourism industry, it is important to situate the discussion within the ……………..
> 3. ……………. have recently risen to the top of many industry agendas

1.7   Summary

In this lesson, we looked at how the destination, industry, and government can all affect how much tourism advances the destination's larger socioeconomic objectives. It is important to reiterate that no one business, such as tourism, should or can be in charge of overall growth and that it can only contribute in a limited way to a bigger development plan. Since the tourism industry is also profit-driven, it is frequently better from a business standpoint to take initiatives that may benefit the sector but have less of an impact on the destination's overall development. Since the tourist sector is frequently influenced by factors outside of the destination, management choices made elsewhere might not always be consistent with goals for destination growth. It has been shown that people voluntarily connect to a wider global system that affects their way of life and means of subsistence. Beyond its own

economics, the tourism sector might not be able to make a significant contribution to the overall growth of a place.

1.8   References, Further Readings, Web Sources

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1.9   Possible Answers to SAEs

Self-Assessment Exercises 1

1. Achieving rapid economic growth
2. One's ability to see, comprehend, and resolve problems on one's own at any level of society
3. Strictly economic terms
4. Society, environment, culture, and economics

Self-Assessment Exercises 2

1. Food, accommodation, transportation, tourism, shopping, and entertainment.
2. Environment
3. Destination

Self-Assessment Exercises 3

1. Those that pertain to policy and are often governed by the government
2. Coordination, planning, legislation, regulation, business, stimulation, social tourism, and interest protection
3. The government of the home (or parent) country
4. Geographic concentrations of interconnected businesses, specialized suppliers, service providers, businesses in related industries, and associated institutions (for example, universities, standard agencies, and trade associations) in particular fields that compete but also co-operate

Self-Assessment Exercises 4

1. True
2. Political economics of tourism industry
3. Environmental practices

Unit 2   TOUR OPERATIONS MANAGEMENT

Unit Structure

 2.1   Introduction

The tour operating sector of the travel and tourism business has a large but occasionally unrecognized impact on a variety of themes connected to tourism studies. Travel agents are the main conduit between accommodation establishments and transportation companies in order to plan a trip. The matching of transportation options with hotel options and other related land services at the destination is the main aspect of a package tour or vacation. Individual travel plans created through personal connections are flexible, but all-inclusive getaways are well-planned and the purchasing procedure is strictly controlled. The international independent tour, which travel agencies arrange for lone travelers or small groups known as parties, is in the between of unorganized travel and individual travel. When traveling alone, the customer makes the purchase by getting in touch with the seller directly. When taking an independent international tour, a single traveler or a small group of travelers schedules a portion of their trip through a travel agency. Therefore, overseas autonomous travel arrangements organize semi-flexible vacations and, in some circumstances, business trips. Organized group tours are either sold to the general public directly by the tour operator or through independent or tour operator-owned travel companies.

Tour operators collaborate closely with hotels, transportation companies, and attractions to buy in bulk from each and package the items at a lower cost than the traveler could if they did it individually. Tour operators typically cater to leisure consumers. For instance, a tour operator might buy in bulk airplane tickets, hotel rooms, meal plans

from restaurants, and sightseeing excursions for a certain location like Rome. The tour operator then develops several packages that are specifically designed for families, individuals, and couples wanting to visit Rome within a given time frame.

This unit explores tour operations management within the context of sites' operations.

2.2 Learning Outcomes

At the end of this unit, you should be able to:

•   recognize current issues in the dynamic tour operations industry
•   identify strategic approaches adopted by the sector
•   appreciate the sector's interaction with and impact on its consumers

2.3   Tour Operating Industry: UK Travel Industry as a Case Study

A travel agent offers packaged vacations that include the hotel, the flight, the local tourist excursions, and all other costs. A second name for tour operators is "destination management companies" (DMCs). A manufacturer of a tourism product is a tour operator. He designs, coordinates, and markets the tours. He is the one who organizes everything, including transportation, insurance, entertainment, and other details, and he sells this package for a fixed price. A tour is created specifically for a group of tourists and can involve trekking, animal viewing, tours, etc. It can also be escorted. It covers things like travel, food, and sightseeing. The escort is in charge of making all the arrangements. The success of a tour operator hinges on how little she charges for the best package.

The UK travel business has experienced fierce competition for a number of years, which has led to numerous mergers and acquisitions. The "actual" balance of power hasn't shifted much over the past years. The list of the UK's Top 50 Tour Operators, based on ATOL-authorized passenger levels (Table 1) shows that the top ten firms control 79.3 percent of the entire capacity, with 64.9 percent held by the top five. TUI UK had over five million licensed passengers, making it the largest tour operator in operation in the UK with an ATOL license.

Table 2: ATOL holders and the number of passengers authorized

ATOL Holder and Rank	The number of passengers authorized	ATOL Holder and Rank	The number of passengers authorized
!.TUI UK Ltd	5,555,145	26. Secret Escapes Ltd	97,859
2. Jet2holidays Ltd	4,804,809	27.Moresand Ltd	92,600
3.On the Beach Travel Limited	1,223,667	28.Balkan Holidays Ltd	92,100
4. We Love Holidays Ltd	1,085,769	29.Brightsun Travel (UK) Ltd	85,691
5. British Airways Holidays Ltd	1,010,148	30. James Villa Holidays Ltd	81,595
6. Expedia Group, Inc.	874,208	31.Voyage Prive UK Limited	81,317
7. easyJet Airline Company Ltd	793,874	32. Travelbag Ltd	78,642
8. easvJet Holidays Ltd	726,000	33. Skvlord Travel PLC	75,34 1
9. BravoNext SA (lastminute.com)	640,555	34. Villa Plus Ltd	73,223
10.Travel Republic Ltd	555,060	35.Riviera Tours Ltd	71,748
11. Southall Travel Ltd	364,500	36. Holiday Gems Limited	66,657
12.Trailfinders Ltd	282,680	37. PH Travel Ltd	65,750
13.Travel Up Ltd	*256 ,400*	38.Barrhead Travel Service Ltd	61,900
14. Carnival PLC	180,656	39. Flight Centre UK Ltd	61,735
15. Gold Medal Travel Grouo Limited	174,384	40. Cresta World Travel Ltd	57,244
16.Truly Travel Ltd	154,500	4 1.Travelworld Vacations Ltd	56,202
17. Havs Tour Oneratin11: Ltd	149,724	42. Best At Travel plc	55,842
18.The Global Travel Group Ltd	140,005	43. Lotus International Ltd	55,235

19. Lotus Travel Ltd	129,450	44. Newmarket Holidays Limited	53,827
20. Virgin Holidays Ltd	119,911	45.DER Touristik UK Ltd	50,393
21.Travel Counsellors Ltd	117,681	46. Jetline Travel Ltd	50,073
22. Travel 2 Ltd	116,351	47. Alfendo Ltd	48,600
23. ST & H Limited	102,839	48. Hotelplan Ltd	47,921
24. Dnata Travel UK Ltd	102,139	49.TheMidcounties Cooperative Ltd	47,600
25. Classic Package Holidays Ltd	102,132	50.Audley Travel Group Ltd	44,488

The revenue of enterprises in the tour operator industry in the United Kingdom grew overall between 2008 and 2019. In 2019, tour operators generated a revenue of approximately 17 billion British pounds, the highest value over the time period.
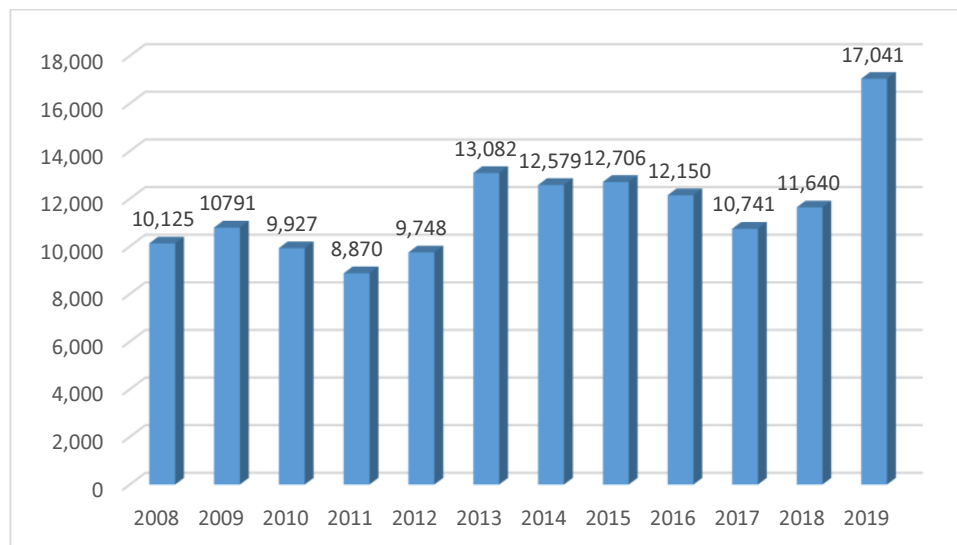

Figure 4:Revenue earned by tour operators from 2008-2019 (Millions GBP)
Adapted from Statista

Self-Assessment Exercises 1

> 1. What is another name for tour operators?
> 2. Who is a tour operator
> 3. What percentage of entire capacity of passengers' volume is controlled by the top ten ATOL authorized tour operators?

2.4   Tour Operating Value Chain

Value chains define the structural activity and output of the transactional process and "assist all organizations increase their competitive character" across all industries where the transaction of a good or service is present between customer and business. Value chains separate a company into the individual operations it undertakes in the design, production, marketing, and distribution of its product. They are described as a "tool to diagnose and develop solutions to strengthen competitive advantage." In the end, consumer happiness (or discontent) when they utilize the product "becomes part of the value added" at each individual stage from raw material extraction and input to product creation and manufacture to distribution.

Value added in this context refers to "the sum of the benefits that the client receives, less the perceived expenses by him, when obtaining and using a product or service" and is derived from every step in the chain of production. It can be compared to the multiplier effect, where each step increases the value of the product or service, requires more resources, and results in the finished product being used by the customer. It has been said that the gain and loss impact is that "value is generated through reducing stocks, accounts receivable, and so on, while value is lost via raw material acquisitions and other liabilities." Although this process takes place internally within the business, the value chain actually begins with the client, "who should set the tone to deliver the value" of every stage the business goes through. As a result, paying attention to and documenting customer requests, complaints, and difficulties promotes value addition by drawing attention to specific elements of operations that may require improvement.

A value chain is categorised into two (i) primary and (ii) support.
Primary activities consist of five components, and all are essential for adding value and creating competitive advantage:

1.   Inbound logistics include functions like receiving, warehousing, and managing inventory.
2.   Operations include procedures for converting raw materials into a finished product.
3.   Outbound logistics include activities to distribute a final product to a consumer.
4.   Marketing and sales include strategies to enhance visibility and target appropriate customers—such as advertising, promotion, and pricing.

5.   Service includes programs to maintain products and enhance the consumer experience—like customer service, maintenance, repair, refund, and exchange.

The role of support activities is to help make the primary activities more efficient. When you increase the efficiency of any of the four support activities, it benefits at least one of the five primary activities. These support activities are:

1.   Procurement concerns how a company obtains raw materials.
2.   Technological development is used at a firm's research and development (R&D) stage—like designing and developing manufacturing techniques and automating processes.
3.   Human resources (HR) management involves hiring and retaining employees who will fulfill the firm's business strategy and help design, market, and sell the product.
4.   Infrastructure includes company systems and the composition of its management team—such as planning, accounting, finance, and quality control.

As shown in Figure 2 below, the integration of these activities generates profit for the firm and creates value for customers in the form of a value chain.

Figure 5. Porter's value chain.
Source: Adapted from Porter, 1985.

A company's value chain reflects its history, its strategies, and its level of execution success. One significant distinction is that a company's value chain may have a different competitive scope from that of its rivals, which could be a source of competitive advantage. A company may be able to decrease costs or differentiate itself from rivals by solely serving a certain industrial segment and tailoring its value chain to that area. Increased or decreased geographic market coverage may have an impact on competitive advantage.

Competitive advantage is significantly influenced by the degree of integration into activities. A competitive advantage can be gained through partnerships by competing in linked industries with coordinated value chains. A company can use a bigger reach internally or by forming alliances with other companies. Long-term partnerships with other businesses, such as joint ventures, licensing, and supply agreements, that stop short of a full merger are referred to as coalitions. Through coordination or sharing of value chains, coalitions can increase the useful range of a firm's chain.

Within each category of primary and support activities, there are three activity types that play a different role in competitive advantage:

- Direct. Activities directly involved in creating value for the buyer, such as assembly, parts machining, sales force operation, advertising, product design, recruiting, etc.
- Indirect. Activities that make it possible to perform direct activities on a continuing basis, such as maintenance, scheduling, operation of facilities, sales force administration, research administration, vendor record keeping, etc.
- Quality Assurance. Activities that ensure the quality of other activities, such as monitoring, inspecting, testing, reviewing, checking, adjusting, and reworking. Quality assurance is not synonymous with quality management, because many value activities contribute to quality.

Direct, indirect, and quality assurance value activities are included in every business. Not only are all three types prevalent in primary activities, but they are also present in support activities. For instance, in the creation of technology, actual laboratory teams are engaged in direct activities, whereas research administration is done indirectly. Since the roles of indirect and quality assurance activities are frequently unclear, drawing a difference between the three activity categories is crucial for identifying competitive advantage.

Through their impact on direct activities, indirect activities can play a key role in differentiation in many industries where they represent a sizable and quickly expanding share of cost. Despite this, managers frequently mix indirect and direct activities together when thinking about their businesses, even though the two frequently have very distinct economics. Between direct and indirect activities, there are frequently trade-offs; higher maintenance expenditures result in reduced machine costs. Additionally, indirect activities are commonly combined into "overhead" or "burden" accounts, which hides their price and contribution to distinction.

Self-Assessment Exercises 2

1. What type of tool is value chain?
2. A value chain can be categorized into………….and …………..
3. How can competitive advantage be gained by a company?

2.5 Tour Operators' Strategies

2.5.1 Industry-Specific Concerns Affecting Strategic Decisions

The formulation of a strategy is impacted by the industry's underlying complexity. The planning, negotiating, contracting, marketing, and successfully managing a package vacation are all sophisticated management tasks that take a lot of time. Planning can begin up to two years in advance, with price fixing and brochure production occurring over the course of that time. No other consumer sector or service requires pricing to be set so long in advance. There is a lot of risk involved in this approach.

Consider the outside factors that the operator cannot control that may have an impact on their business: competition, mergers and acquisitions, political shifts, war, terrorism, economic downturns, disease outbreaks, to name just a few disasters that could jeopardize even the best-laid plans. An excellent, albeit extreme, example of this is the terrorist assault on America on September 11, 2001, which led to a loss in passenger reservations and staff layoffs. The entire impact was not immediately obvious because there were still a few weeks of the summer season to go when the accident occurred. However, in response, travel agents kept their projected, upcoming capacity more flexible.

2.5.2 Expansion or Growth Strategy

The term "expansion strategy" also refers to the growth strategy. Here, efforts are being made to achieve significant growth or expansion. This technique will be used when a company sets higher-level goals that are far higher than what it has previously accomplished. The company may create new product lines or market segments in order to reach higher targets than in the past. Compared to the stability plan, it is more difficult and risky.

The expansion strategy is divided into two parts namely:

i) Internal growth strategy and

ii)   External growth strategy.

Internal growth strategy mainly consists of diversification strategies and intensification strategy. External growth strategy consists of merger, takeover, foreign collaboration and joint venture.

The major objectives of adopting of growth strategies are –

i)   **Survival:** This is natural tendency of every business to grow. If it does not then new entrants will be there in the market and its life will be in danger. Survival is also necessary to face challenges of business environment.

ii)   **Innovation:** Innovation is important to business as it gives new product, new methods, new schemes with which business can grow to a desirable extent. With this business gets high performance, high results which are indication of growth.

iii)   **Motivation to employees:** Growth strategy generates higher performance and it enables the firm to motivate employees with monetary and non-monetary incentives.

iv)   **Customer satisfaction:** Growth strategy enables the firm to give more satisfaction by providing good quality products at reasonable price.

v)   **Corporate image:** Corporate image means creating good image of the organization in the minds of the all stakeholders. This will be made possible only with growth strategies of the firm as it gives quality goods to people, good return to investor, fair wages and salaries to employees with its increased volume of output and enhance performance.

vi)   **Economies of scale:** Due to growth strategy there is increase demand to a products which results in large scale production, which in turn brings economies of large scale. It may be in saving labour cost or material cost.

vii)   **Efficiency:** Efficiency is the ratio of returns to costs. Due to growth strategy there is innovation, up gradation of technology, training and development of employees and research and development all these leads to improvement in output and reduction in cost and increases profit.

vii)   **Optimum use of resources:** Due to growth strategy there is increased demand to a product. This leads to large scale production and distribution. Therefore the firm can make optimum use of resources.

viii)   **Expansion of business:** The growth strategy facilitates expansion to business unit. Because the performance of business units improves in terms of sales, market share and profit. Therefore, the business unit can move from its local level function to national or international level.

ix)   Minimize risk: Due to the expansion of business there is change in term of product sales, market areas. In this case if business suffers a loss in one product or market then it will be compensated in another market or product. Therefore, the business will be minimize the risk.

Expansion strategies are also classified into three main categories:
Market penetration: This entails gaining a larger portion of the already-existing market via strategies including advertising, TV program sponsorship, price reductions, and other promotions. The clients of tour providers are familiar with many of these.

Product development: This typically involves creating new products or expanding an existing product range. A travel agency might choose to provide all-inclusive vacations, cruises, etc. in addition to the standard hotel deals. Offering banking services to make it easier for customers to pay for vacations or sell products like beach towels and bags is another development that is becoming more and more frequent.

Market expansion: This focuses on creating new markets for already-existing products and frequently entails doing so on a worldwide scale. Free trade agreements and the accessibility of electronic communication over the internet are making this strategy simpler.

Through horizontal integration, where a firm strives to expand its product range through a merger with or acquisition of another company, we can see a mix of product and market development. This strategy has been adopted by all of the major tour operators to broaden their appeal to a wider spectrum of customers.

2.5.3 Diversification Strategy

Diversification is one type of internal growth strategy. It is changing product or business line. In this case business enters into in the new business service or product which is extension of existing activity or there could be a substantial difference in skill technology and knowledge. There are certain reasons because of company go for diversification.

The reasons are as under:

a.   Spreading of risk: Diversification enables to spread the risk. In this the business operates in a different markets where in one market business suffer a loss, that can be compensated in other market and the levels of profit will be maintained.

b.   **Improves corporate image:** Corporate image is creating mental picture of the company in the peoples mind. Through the diversification company as changes products and knowledge gives better quality product and services with which it creates positive impact on peoples mind.

c.   **Face competition effectively:** Due to the diversification company introduce wide range of products and services. This enables company to maintain it's a sale in the market.

d.   **Utilization of resources:** Diversification enables company to use the resources optimally as it has excess capacity manufacturing. If facilities managerial man power and other resources to production department and other activities.

e.   **Economies of scale:** Diversification brings economies of scale especially in the area of diversification. The company can combine the distribution old product as well as new products with the help of same distribution chain.

f.   **Customer satisfaction:** When the company entered into new business it assured to give qualitative product and good services. This leads to customer's satisfaction.

g.   **Synergistic advantages:** Synergistic advantages are those which are gained by putting little bit improvement in the same product or process which are related to old product and gain new products. This will be easily attained in diversification.

There are four major types of diversification knows as:

I)   **Vertical diversification:** Vertical diversification is the extension of current business activities. Such extension is of two types known as:

a)   **Backward diversification:** It is a diversification where company moves one step back from the current line of business for example cupboard manufacturing unit enter into it's a raw material supply unit (Color and Hardware)

b)   **Forward diversification:** In this case company enters into the activity which is extension of its current business for example cloth manufacturer enter into garment manufacturing.

II)   **Horizontal diversification:** In this case company enters into a new business which is very closely related with existing line of business and it is with the help of the same technology and the market. For example gent's garments manufacture enter into ladies garments manufacturing.

III) **Concentric diversification:** In this new business is linked to the existing business which is indirectly related. For example a car seller may start finance company to increase his sale.

IV) **Conglomerate diversification:** In this type of diversification, the attempt is made to diversify the present market or product in a totally new product of market. There is a no linkage between old and a new business. For example Transport operator entered into furniture manufacturing.

Self-Assessment Exercises 3

> 1. The term expansion strategy is also referred to as………………
> 2. The expansion strategy is divided into …………….. and ………..
> 3. The four major types of diversification strategies are ……………

2.6   Summary

Tour operations employ a variety of strategies, including expansion and diversification methods, as well as industry-specific issues that may influence strategic choices. Consequently, the players' performance will improve when the aforementioned strategies are applied to the tourism sector.

2.7 References, Further Readings, and **Web Sources**

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2.9   Possible Answers to SAEs

Self-Assessment Exercises I

1.   Destination management companies (DMCs)
2.   A manufacturer of a tourism product
3.   79.3 percent

Self-Assessment Exercises 2

1.   A tool to diagnose and develop solutions to strengthen competitive advantage
2.   Primary and support
3.   Through partnerships by competing in linked industries with coordinated value chains

Self-Assessment Exercises 3
1.   Growth strategy
2.   Internal growth strategy and external growth strategy
3.   Vertical, horizontal, concentric, and conglomerate diversification

Unit 3   MANAGING TOURISM DISTRIBUTION

Unit Structure

3.1   Introduction

Distribution, which refers to the entire process needed to get a product from its place of production to its point of consumption, is a crucial component of the marketing mix. A distribution channel or middlemen are typically required because a good or service cannot be delivered directly to the consumer. Because industrial items relate to physical characteristics and are tangible, as opposed to the intangible tourism products, the distribution process is reversed. In recent years, administrative decision-making has placed a far greater emphasis on distribution. This has been influenced in part by the profitability and competitiveness that this field of marketing can have. Indeed,

distribution has evolved into a crucial component of strategic management for many tourism-related organizations. The tourist system as a whole depends on distribution. The distribution function links the supply and demand of tourism by delivering messages and services to the travel industry.

The reasons for the importance of successful tourism distribution are as follow:

1) **Narrow profit margins:** Many tourism businesses make only small profits yet distribution costs can be high.
2) **Highly competitive sectors:** Several sectors of the tourism industry are highly competitive and distribution has become an area of competitive advantage for some companies.
3) **Intermediary power:** Intermediaries can have a powerful influence over consumers and their decision-making, so where middlemen are used, careful management of this aspect of the marketing mix is important.
4) **The global market place:** The challenges posed by the global market place offer further incentives to manage distribution appropriately. With new and often desperate markets now available, tourism marketers need to consider effective way of reaching them.
5) **Perishability of the product:** A more traditional reason for the importance of successful management of the distribution function relates to the perishability of the tourism product and the associated requirement to remove an excess 'stock' at the last minute.
6) **Information intensity:** Tourism is highly dependent on information provision to aid the decision-making process for the consumers and this partly helps to overcome difficulties stemming from the intangibility of the product.

3.2   Learning Outcomes

Having completed this unit, you should be able to:

•   identify the particular problems in relation to the distribution of tourism products and the major issues confronting tourism managers in relation to distribution
•   recognise how change within the tourism industry and its environment has impacted upon tourism distribution
•   appreciate ways in which appropriate distribution channels can be selected and managed more effectively.

3.3   Problems in Relation to the Distribution of Tourism Services

Tourism services or products have peculiar or unique characteristics that differentiate them from other services. The distribution of tourism services could be aided or impeded by these characteristics. The characteristics are:

I) Intangible: When a tourism product is purchased, the consumer does not receive a tangible product. Rather, it is a service that is offered for consumption. It is impossible to see, feel or taste tourism products prior to the purchase. As a result, tourism marketers are often portrayed as being challenged with selling 'dreams'. While this applies to some tourism products more than others, it leads to difficulties as it is merely information about tourism services that can be distributed in advance of participation in the service delivery.

II) Highly Perishable: Tourism product is perishable when it is not consumed at the time and point that it is provided. Let us say, for example, that a bus tour from Ibadan to Lagos in Nigeria has been arranged and tickets have been sold out. If a passenger is unable to be present on time to board the bus, the product perishes. That particular product cannot be consumed again. It is lost. Similarly, if a tourist books a hotel at Lekki in Lagos but for some strange reason is not able to sleep in that room on the said date, that service is lost. He has to pay again to get another room on another day.

III) No ownership: The ownership of a tourism product is not transferable to the consumer. The consumer only owns the right to use the product because he has paid for it for a predetermined period of time or days. If a tourist pays for a hotel room, he or she has the right to use the room for the days that he or she paid for. After that he or she must vacate the room or pay for additional days if he or she wants to prolong the stay. The hotel continues to belong to the owner even if it is booked and paid for. Ownership does not transfer to the renter because he or she has paid for the room.

IV) Inseparability: Another feature of tourism product is that it cannot be separated from the provider, that is, it is inseparable. If a tourist enters a restaurant and orders food or drink, the person who is bringing the food or drink cannot separate him or herself from the food or drink being brought to the customer. The service provider and the service itself are conjoined

V) Expensive and high-risk product: For many consumers, holidays represent a costly purchase with financial risk attached to their consumption. There is also inherent risk in purchasing a product that is not possible to see in advance, let alone try out. This is clearly linked to the intangibility factor described above.

VI) Heterogeneous: In tourism, tourists make use of several services, including transport, hotels, restaurants, car rentals, and many types of indoor and outdoor recreational activities. However, what a tourist experiences at one place is not similar to the one experienced at another place. Even in the same restaurant, since there are many servers, the way one customer is served may not be the same as the way another is served. The element of the human factor creates a difference between one product and the other. Two different bus companies could transport tourists to the same destination but the tourists would have different stories to tell just because the drivers are different.

VII) Immovability: Another feature of tourist product is immovability. A tourist attraction such as a waterfall, mountain, beach, flora and fauna cannot be moved from where it is originally located to another place. Heritage sites have to remain where they are because that is how the tourist will enjoy and have value for his money. It is practically impossible to move a hotel or restaurant from where it is to another place without destroying the edifice.

VIII) No stock holding/display by middlemen: Travel agents and other middlemen do not purchase stock. Only information is provided at the point of purchase. The risk remains with the producer rather than the distributor. The only display that is possible is that of brochures or other information relating to the product.

IX) Largely Psychological in Attraction: The tourism products are largely psychological in their attractions since when a tourist buys a package tour abroad, he buys more than a simple collection of services, i.e. aircraft seat, hotel room, three meals in a day, opportunity to sot on a sunny beach. In addition, he also buys the temporary use of a strange environment, novel geographical features, tropical landscapes, culture and heritage of the region and other intangible benefits.

X) Customer participation: In the tourism industry, the customer by all means would have to partake in the delivery of the service being offered, otherwise, the service delivery would never be complete. In the industry, a product is being sold and a product is being consumed; there is no way this can happen without the customer getting involved. A tourist must be on a bus otherwise the service is not being consumed. If one pays for a hotel or a hotel is booked on a person's behalf, the person

must of necessity sleep in the hotel room for the product to be consumed.

Self-Assessment Exercises 1

> 1. Tourism services or products have peculiar or unique characteristics that differentiate them from other services. True or False?
> 2. Which of these is not a characteristic of tourism services? a. Intangible b. Highly perishable   c. Highly efficient   d. Heterogeneous

3.4   The Role of Information in Tourism Distribution

Tourism activity is of strategic importance for a country's cultural, economic and social development, and constitutes in both emerging and developing nations and/or regions a privileged field of revenue. It is an activity with intensive information production and needs, which need a huge amount of communication technology to keep the development sustainable and at the same time economically viable. To have access to the most important information in real-time is also the primordial element among the various actors in the value chain of this business.

In tourism distribution, information management must be efficient and effective, since it must provide points of sale and access facilities to tourists, allowing for immediate reservation and purchase; the distribution and display of information about travels through the publication and dissemination of brochures, and the answering of questions posed by customers; provide assistance and advice to tourists through the planning of itineraries and presentation of products at destinations; organize transport between the airport and the hotels designated for transfers, provide complementary services, such as insurance, passports or visas; provision of marketing information to suppliers and other entities; sales management and purchase travel opportunities, among other functions.

The efficient management of information in tourism distribution is only possible through the introduction of systems that allow for a quick establishment of a vast information network between the various stakeholders, due to the increased number of trips, their nature and complexity and the variety of relationships that it implies. These systems, designated as Information Systems (IS), must have the capabilities to store, manage and present information, according to the needs of each actor in the tourism activity and must provide competitive advantages for all decision makers involved in this economic sector, from tourists to tourism organizations. Today they are of fundamental

importance for the tourism industry, which permits the management of all electronic distribution channels. These distribution channels help hoteliers to position their hotel or hotel chain in the front of the demand channels and enables electronic consumers to make electronic booking quicker and at lower costs. With the emergence of ICT, the Computer Reservation System (CRS) also appeared. Its main function is to facilitate organisations' inventory management and to make it accessible to its partners in the tourism distribution channel. The technology associated with these information systems is primarily a database with features that enable the management, storage, processing and communication of information belonging to a particular sector, such as, for example, airlines and hotel chains. Management of information flow is thus a crucial aspect of tourism distribution.

Self-Assessment Exercises 2

> 1. The main function of Computer Reservation System is ………………
> 2. Management of information flow is a critical aspect of

3.5 Intermediaries in Tourism

The tourism industry has traditionally been characterized by its use of intermediaries. Tourism intermediation is a business activity that consists of mediating in the sale and organization of tourism services. This activity includes organizing and marketing packaged trips, one-day tours, selling tickets, booking seats on all means of transportation, and booking or contracting tourist accommodation, in addition to booking services and activities offered by tourism companies. Tourism intermediaries are distribution agents that participate in a tourism-product sales process from its creation until the time it is consumed by final clients. Most intermediaries are wholesalers, tour operators, bed banks, booking centres, DMCs and OTAs (online travel agencies). Specifically, tourism intermediaries have been categorised into following types: travel agencies, wholesalers, retailers, inbound tour group operators, outbound group operators, corporate client travel agencies, and sightseeing tour companies.

Travel agents have long been the friendly face of travel distribution. Despite the dominance in the past of travel agents as middlemen to tourism business, other type of intermediary have also come to be associated with the industry, for example hotel marketing and booking schemes, travel clubs, incentive travel organizations and sales representatives. More recent developments have included the ICTs such as the internet, computerized reservations systems (CRS) and global distribution systems (GDS). Taken together, these represent a greatly

increased choice of distributive methods than was available in the not so distance past. There are, however, problems associated with the use of middlemen. Controlling distribution, for example, has been a major issue for principals in the tourism industry. The more an organization uses intermediaries and the more distance these are from the organization, the more difficult it can be to control them. Cost issues have also emerged as some principals within the tourism industry have adopted a low-cost strategy and shown a preference for direct sales (any sale made without the use of intermediary service can be said to be a direct sale).

Table 3: Types of intermediaries in tourism

Intermediaries	Description
Travel agencies	Appointed representatives such as tourism service suppliers or wholesalers are authorized to sell customers a series of tourism-related products and services such as airline tickets, cruise liner berths, hotel rooms, car rentals and train tickets etc. Their role is to provide guests with relevant tourism consultant services, book travel products on behalf of customers and provide special services for customers in accordance with their needs etc. Their income is mainly derived from agency commissions. Travel agencies can be divided into inbound travel agencies and outbound travel agencies.
Wholesalers	Wholesalers buy large volumes of products at a relatively low price from tourism service suppliers such as transport companies, hotels and tourist attractions, and then sell them to tourism retailers that then sell to the retail market. They won't normally sell travel products directly to the general public. However, some powerful travel agencies will also establish retail departments to sell these products directly to customers. There are also some wholesalers that are operated by a number of airlines and chain hotels, and promote package tours put together from their own products.
Retailers	Retailers order large volumes of various different types of travel products from tourism service suppliers or wholesalers such as transport company, hotel and tourist attraction products and services, then design and combine these individual products and add in their own services such as tour guide services etc., turning them into

	packaged travel products, which are then sold to customers. They differ from wholesalers in that they will open branches in each district as their sales channels and arrange for attractive travel brochures to be printed and produced, then given to customers.
Inbound tour group operators	Inbound tour groups are normally domestically (locally) operated tour groups that specialize in looking after individual tourists or tour groups when they arrive at a local destination. They provide services to all sorts of tour groups (including sightseeing groups) on an individualized or group basis, or provide tour guides. In addition, various types of promotional pamphlets for local tour groups will be displayed at the service desk in the lobby of hotels.
Outbound tour group operators	Outbound tour groups will take locals to another city or country and provide travel products such as transport, accommodation and tickets to tourist attractions. Generally speaking, this type of intermediary will regularly organize groups to take people from Nigeria all over the world, wherein they will be accompanied by a group leader or tour guide from the very start.
Corporate client travel agencies	This type of travel agency mainly caters to business or corporate clients rather than the general public. This kind of client often travels for meetings or exchanges, or to discuss business etc. This type of client's travel mode involves a lot of flying, usually requiring late bookings and short stays. Most companies appoint one travel agency to arrange all air tickets for business trips undertaken by their staff. Some companies that have staff with extensive travel requirements have independent travel departments that handle travel arrangements and provide other special services, such as applying for travel documentation and visas etc.
Sightseeing tour companies	These companies provide travel products such as tourist attraction visits and entertainment for

| | customers, and will also provide services such as tour guides, transport and catering. |
| | The relevant services will either be sold directly to customers or provided to customers via different tourism retail channels such as inbound tour group operators, travel agencies or hotels, etc. |

Self-Assessment Exercises 3

> 1. Define tourism intermediaries
> 2. Mention 7 types of tourism intermediaries

3.6   Channel Management Issues

Channel management refers to the different methods of communication businesses use to promote and distribute their products and services to the public market. In advertising, businesses use channel management to publicize marketing campaigns through mediums like TV commercials, social and digital media advertisements, radio programs and print media, such as newspapers and magazines. These platforms make up the channels that companies use to communicate their products to their target market. In addition to channel management for marketing, companies use channel management for product distribution. Product distribution refers to the processes by which a business delivers its products and services to its customers. In terms of channel management, organizations establish partnerships with third-party companies like agents, vendors, manufacturers, wholesalers and retailers, which make products available for public purchase. The channel management needs of a company depends on its size and structure. A business that sells products directly to its customers may not have any channels to manage, but a business with extensive marketing needs and distribution chains may have many.

A channel manager is anyone involved in making distribution channel decisions, regardless of his/her job title. Channel management comprises eight decision areas or issues: (1) designing marketing channels, (2) selecting channel members, (3) managing channel conflict, (4) assessing channel member performance, (5) power in distribution channel, (6) formulating channel strategy, (7) motivating channel members, and (7) coordinating channel strategy with channel members. All seven areas are critical to superior market performance and long-term customer loyalty.

A distribution channel is considered to be a vehicle that is utilised to make a product or service available to the consumer. The concept of distribution channels is not limited to the distribution of physical goods. Tourism services require simultaneous production and consumption, meaning the product is not normally 'moved' to the consumer. A tourism distribution channel may be defined as a total system of linkages between actual and potential tourists and the suppliers. Distribution in tourism is transfer of tour and related facilities from supplier to tourists through a system. Distribution channel is used for indirect selling and it involves all those who are providing the product from the supplier to tourist. The distribution system consists of consumers, online travel agents, web-able corporate travel agents, web-able tour operators, Global Distribution System (GDS) incoming travel agents, switches, destination marketing organizations (DMOs), web browser, other search engines, suppliers website and meta-search engines.

Basically, there are two major types of distribution channels that are used in tourism: direct and indirect distribution channels. A direct distribution channel allows consumers to buy and receive goods directly from the manufacturer. An indirect channel moves products from the manufacturer through various intermediaries for delivery to the consumer.

Direct Distribution: A direct distribution channel is organized and managed by a company that sells directly to consumers. In such a case, the company keeps all aspects of delivery in-house (instead of using vendors) and is solely responsible for ensuring that customers receive their purchases successfully. Direct channels require more work and can be more expensive to set up. In fact, they may require significant capital investment. Warehouses, logistics systems, trucks, and delivery staff must be put into place. However, once that's done, the direct channel is likely to be shorter, less involved and less costly than an indirect channel. A direct channel between a company and its customers may be a smart way to build and secure customer relationships. By managing all aspects of the distribution channel, manufacturers retain more control over how goods are delivered. They can cut out inefficiencies, add new services, and set prices.

Indirect Distribution: An indirect distribution channel involves intermediaries that perform a company's distribution functions. Indirect distribution frees the manufacturer from certain startup costs and responsibilities that can cut into the time it needs to spend on running the business. Plus, with the right vendor relationships, it can be much simpler to manage than a direct distribution channel. It can give a company welcome support and distribution expertise that the company may not have. However, indirect distribution can also add new layers of

cost and bureaucracy which can increase costs to the consumer, slow down delivery, and take control out of the manufacturer's hands.
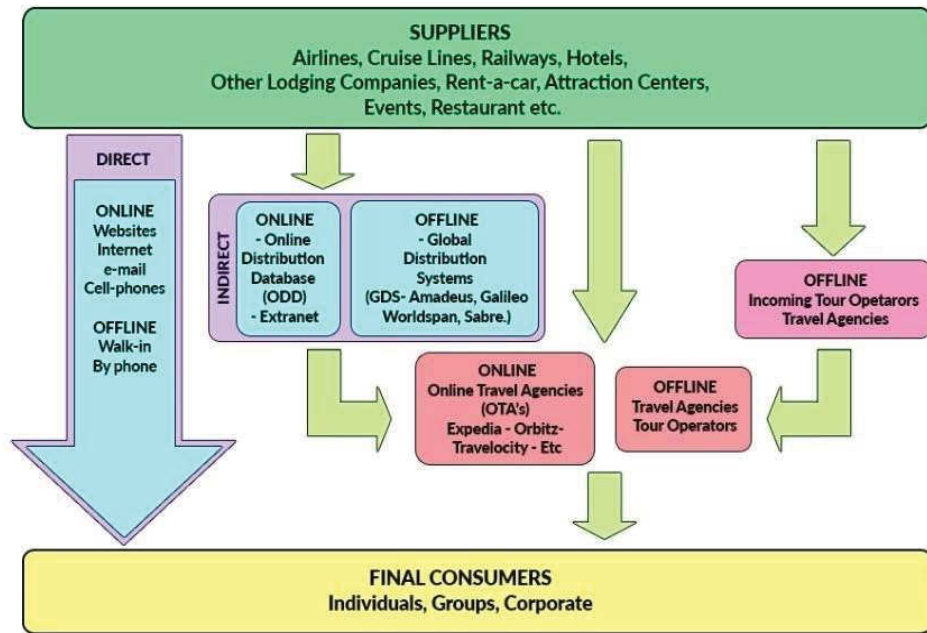

Figure   6: Travel & Tourism Distribution Channels
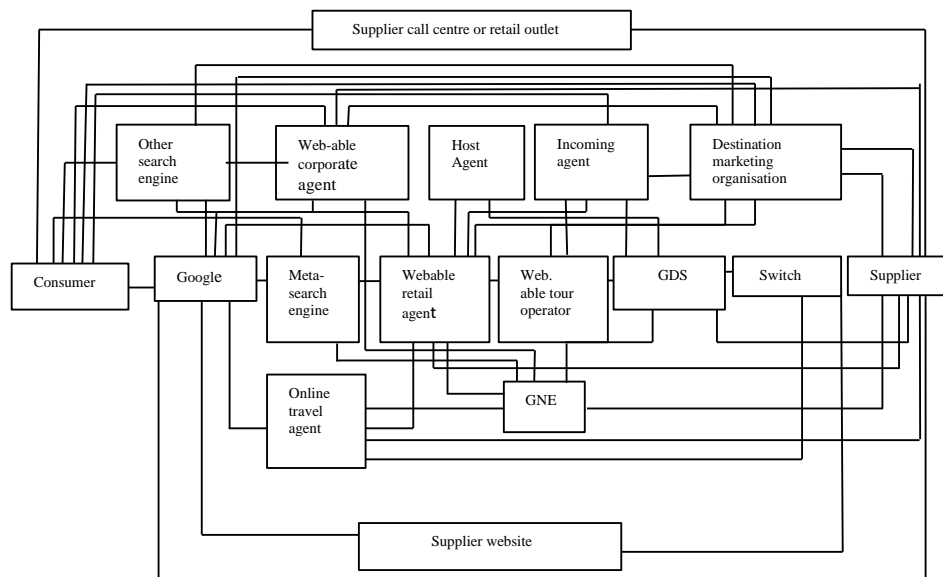Source: Kracht and Wang, 2010.

Figure 7: Structure of Tourism Distribution Channels
Source: Kracht and Wang, 2010.

3.6.1 Designing Channels

Channel design refers to the development of new channels or the modification of existing channel structures. Marketing channels must be aligned with the firm's overall objectives and competitive strategy. Devising the structure or ''architecture'' of the marketing channel system entails four key channel design dimensions: (a) number of levels in the channel, i.e., the number of intermediary levels between the manufacturer and ultimate users, (b) intensity at the various levels, i.e., the number of intermediaries at each level, (c) types of intermediaries, i.e., particular kinds of middlemen, and (d) number of channels, viz., single, dual, or multiple marketing channels. The foregoing dimensions typically produce a number of possible channel alternatives. These alternatives must be evaluated in light of an array of variables, such as served markets, product types, and germane environmental and behavioral factors. Analyzing the channel alternates can be extremely complex because several approaches and quantitative models may be utilized in identifying and then implementing the optimal channel structure.

3.6.2 Selecting Channel Members

Once the marketing channel has been designed, channel members are selected to represent a firm and resell its products to final customers. Initially, prospective channel members are found and assessed for ''fit.'' To do this, a prospective channel member's credentials (e.g., credit history, reputation, number of product lines, market coverage, and number of salespeople) need to be examined for congruency with the manufacturer's marketing objectives. Ultimately, the producer secures and converts prospects to formal channel members by offering them various motivational inducements.

3.6.3 The Management of Conflict

Marketing channels can be viewed as social systems influenced by behavioural dynamics (such as channel conflict) that are associated with all social systems. Conflict between different organizations within the distribution chain can occur. Indeed, a degree of conflict is almost inevitable where intermediaries are used, and it is necessary to manage this in an appropriate manner. Conflict in marketing channels, refers to goal-impeding behaviour by one or more channel members. Thus, when one channel member takes actions that another channel participant believes will reduce its ability to achieve its objectives, conflict is present. As conflict can have an adverse effect on channel member performance, channel managers must make conscious efforts to detect and resolve it.

3.6.4 Evaluating Member Performance

Channel member performance represents the degree to which the channel member engages in behaviour that contributes to the fulfillment of the channel leader's objectives. Firms have become increasingly reliant upon channel members for the efficient and effective performance of marketing functions. Moreover, the level of performance attained by channel members is pivotal for a firm's achieving a competitive advantage. Thus, by assaying the performance of channel members, manufacturers can discern how successful they have been in implementing channel strategies as well as achieving their distribution objectives. The investigation of performance measurements by some tour operators, for example, has led to a withdrawal of certain companies' brochures from particular travel agents' shelves. Organizations must ensure that the evaluation criteria they select (e.g., selling skills and attitude) are suite to the organization's needs.

3.6.5   Power in Distribution Channels

Power is the ability of one channel member (A) to get another channel member (B) to do something it otherwise would not have done. Power is the potential for influence. It can cause great damage because it can force another channel to generate some value, without granting it equitable compensation for that effort. But can also represent potential for influence, great benefits can be achieved through its judicious use, to drive a channel toward more efficient, more coordinated operations. The five most common and important power bases are:

I)   Reward power, based on B's perception that A has the ability to bestow rewards on him;
II)   Coercive power, based on B's perception that A has the ability to mete out punishments on him;
III)   Legitimate power, based on the perception by B that A has a legitimate right to prescribe behaviour for him.
IV)   Referent power, based on B's identification with A.
V)   Expert power, based on the perception that A has some special knowledge or expertise.

3.6.6 Formulating Channel Strategy

Channel strategy refers to the broad set of principles by which a firm seeks to achieve its distribution objectives. It focuses on devising channel tactics pertaining to issues such as the role that distribution should play in the firm's overall corporate objectives and strategies, the role distribution should play in the firm's marketing objectives and strategies, and the congruency that exists between channel strategy and

the marketing mix. Locating new markets in which the firm's products can be marketed and suggesting new technologies that can make marketing channels more efficient are examples of channel strategy decisions.

3.6.7 Motivating Channel Members

As independent institutions, channel members are not under the direct control of the firms they represent; as a result, they do not automatically cooperate and comply with manufacturer requests. Thus, producers need to take administrative actions to secure channel intermediaries' cooperation as well as to maintain and improve channel effectiveness. So, motivating channel members plays a strategic role. In essence, a manufacturer devises various motivational programs to induce channel intermediaries to exert higher levels of effort in serving the firm's target market. Some motivational strategies commonly used by firms to induce channel member cooperation include paying higher slotting allowances, offering higher trade discounts, providing strong advertising and promotional support, training channel members' salespeople, and offering superior logistical support.

3.6.8 Coordinating Channel Strategy

Marketing channels have conventionally been viewed as a network of dissimilar but interdependent institutions that have coalesced together for purposes of trade. Marketing channel scholars have long promulgated the need for coordinating and integrating channel activities with other departments of a firm. Coordination in an interorganizational setting of marketing channels includes relaying information on new channel policies or communicating the launch of sales promotion programs to its channel members. Such efforts are undertaken to ensure that all channel participants are cognizant of the manufacturer's marketing activities with respect to channel members. Despite the differing goals of independent channel participants, coordination of the channel is necessary to reduce the redundancy of work effort and the inefficient allocation of distribution tasks among channel members.

Self-Assessment Exercises 4

> 1. What is distribution in tourism
> 2. What is a distribution channel?
> 3. The two types of distribution channels used in tourism are…………….

3.7   Industry   Restructuring   and   its   Effect   on   the Management of   Distribution

Restructuring can be defined as the most crucial method to redesign the organization, and to focus on re-configuring the organizational units (specifically the large units). Restructuring results in increasing the operating efficiency and cost saving. However, it also may result in negative outcomes such as demoralization and traumatization of employees. Due to restructuring, employees' commitment towards the organization maybe affected. There are many possible implications that may affect them financially and non-financially. To the employees, this strategy may include additional costs on relocation, changes in the mode of commuting, new job scope and responsibilities, acquiring of new skills, learning of new organizational cultures and the impact on family matters.

A great deal of change has been occurring in the tourism distribution environment and reasons for this include: Increased levels of integration leading to consolidation in the industry and different ownership profiles (i.e., acquisitions, networks, mergers, consortia); Exponential growth in the use of electronic media; and the fact that tourism organizations are becoming more international. These factors all point to a restructuring within the tourism industry in recent years. This section continues with a brief consideration of management implications of such changes.

3.7.1 Integration and Consolidation

In tourism industry, the process of merging is called integration. There are two types of integration:

Horizontal Integration, where businesses at the same level in the chain of distribution merge together or are purchased by another. There are many reasons that a company in the tourism industry may choose to integrate horizontally, such as:

When the industry is growing
When merges allows better value for money to be achieved
When competitors lack expertise
When the company can manage the operations of the bigger organisation efficiently, after the integration

Vertical Integration, where a business at one point on the chain of distribution purchases or acquires a business at a higher or lower level of the chain of distribution. An objective of vertical integration has long been to control distribution. Many companies choose to opt for integration to allow for total control of all aspects of their business. This

may include the manufacturing of their products right through to sales, for example.

Both integrations can help the companies increase their economies of scales. Horizontally integration can improve the market share by merging with small tour operators.

The consolidation stage means full development of the tourist function in a given area. This is characterized by a decrease in the growth rate of the number of tourists, and tourism becomes the main area of the local economy. Next, the separation of therapeutic and tourist functions (health resorts, hotels, restaurants) from social functions (for example, households) takes place in the city space. Attempts are made to extend the tourist season and expand the territory in which the services are rendered. Antagonism on the part of locals can intensify, along with an intensification of obstacles to carrying out business. In consolidation stage some good part of the destination are managed by the foreign tour operators only. In this stage almost all natives of the destination are engaged in any kind of tourist activity.

3.7.2   The Growth of Electronic Media

Electronics media are media that use electronics or electromechanical device to access the content. The electronics media not only provides access to information where people view or listen to digital video, photographs, music and stories but also allows people to produce and disseminate their creative materials to mass audiences. The development of Information and Communication Technologies (ICTs) has dramatically transformed the tourism industry. At the tactical level, ICTs enabled e- commerce and helped tourism organisations maximise efficiency and effectiveness whereas at the strategic level, ICTs have helped to restructure the travel and tourism value chain as well as the relationships between tourism organisations and their stakeholders. Modern travellers are exigent and constantly in need of information during the entire process of travel. Information is the lifeblood of the tourism industry, and the uses of ICTs have always played a critical role in distribution and management. It's from the development of Computer Reservation Systems (CRSs) in the 1970s to the Global Distribution Systems (GDSs) in the 1980s until the advent of the Internet in early 1990s, the tourism industry has always been confronted with the rise of new developments that posed as both opportunities and challenges. The tourism industry became one of the leaders in the use of the Internet as this new tool was enabling them to communicate easily and effectively with their existing and potential customers. Every Almost all the tourism organizations have developed their own websites today, and many have gone through the evolution from a simple 'electronic brochure' to highly

interactive systems that supported reservations, search and even virtual tours; importantly, the website had become the primary (and in many circumstances, the only) source of contact with potential visitors.

3.7.3 Internationalization

Internationalization processes have resulted in significant changes on the supply side in many fields of the economy and specifically in tourism. Particularly in the tourism industry, the internationalization of business activities can be viewed as a constitutive moment in the entrepreneurial identity of a company because in many respects, tourism embodies internationalization par excellence. Hence, not only supply and demand are internationalized to the greatest possible extent, but the services provided are per se increasingly based on the overcoming of boundaries (here, innovative technologies in transport and communication play an essential role because they cause space and time to shrink).

In the past decade, there has been a significant shift towards cross-border operations in the travel distribution industry. Mergers and acquisitions have been greatly responsible for the internationalization of the industry. Dominant international groups have either emerged or consolidated their positions within Europe where international expansion of the major tour operators has been great. In the UK, for example, Thompson Travel Group, which has long been a main player in the industry, is now under German ownership. This change in the industry has in part been fuelled by the larger organizations outgrowing their domestic markets.

3.7.4 Management Implications

While certain consequences of the altered distribution environment are problems that all organizations must deal with, others are unique to the tourism industry. The establishment of sustainable competitive advantage, the acquisition of new skills, and investment in technology are among the management problems facing travel brokers, the traditional intermediaries. Since travel agents play a significant role in the tourist marketing system, it is important for marketers to understand the variables that may affect travel agency recommendations.

3.7.5 Value Chain Approaches

The term 'value chain' describes the linear process of creating a product or service. Actors in the value chain are linked with the value chains of suppliers, who support the value creation process by means of various products and services. Value creation system' applies to a complex system with cross-links between actors at various levels of the value chain. The term 'value chain' covers a range of different content matter. On the one hand, it encompasses the value creation process of products

or services, and on the other, a management approach that helps to systematically achieve strategic objectives. Adding value is a process that covers the entire creation of a product, from raw material extraction to consumption by end customers. Ideally in fact, it continues beyond this to include the recycling, upgrading or reuse of a product. The concept of a value chain was first introduced by Porter (1985), according to whom "every firm is a collection of activities that are performed to design, produce, market, deliver, and support its product". The integration of these activities generates profit for the firm and creates value for customers in the form of a value chain. This can be used at the micro level to trace the key source of a firm's competitive advantage.

With the division of labour and specialization of firms, value is created not only by the firm itself but also by different companies located across different areas or even countries. Consequently, in addition to Porter's micro value chain, the concept of the macro value chain has also emerged. The macro value chain involves the full range of value-added activities required to bring a product or service from the conception or design stage, through the different phases of production, delivery to the ultimate consumers, and then to final disposal or recycling after use. Players in the macro value chain are bundled together to co-create and co-deliver use value to customers. At the same time, with sales of use value, players seek to capture the exchange value and generate profit for themselves if this exceeds the collective costs of performing all the required activities. Instead of firm-specific activities, the concept of a macro value chain has been applied mainly to industry activities, with much interest in the relationships between different actors participating in the value chain.

The tourism value chain represents the process of value-adding activities when creating the tourism product, e.g. a hiking trip. These services taken together form the first level of the value chain. Individuals, organizations, and firms involved in the tourism industry can be seen as nodes in a tourism value chain, collaborating to co-create and co-deliver sustained value for tourists and at the same time generating profits for themselves. Although, it is difficult to profile all the actors along a value chain, a typology may be beneficial in understanding its different components. Generally speaking, actors along a tourism value chain can be categorized into four tiers: planners or designers of the basic tourism product, suppliers of products and services, tourism intermediaries, and tourists themselves. Figure 1 presents a simplified typology of these actors.
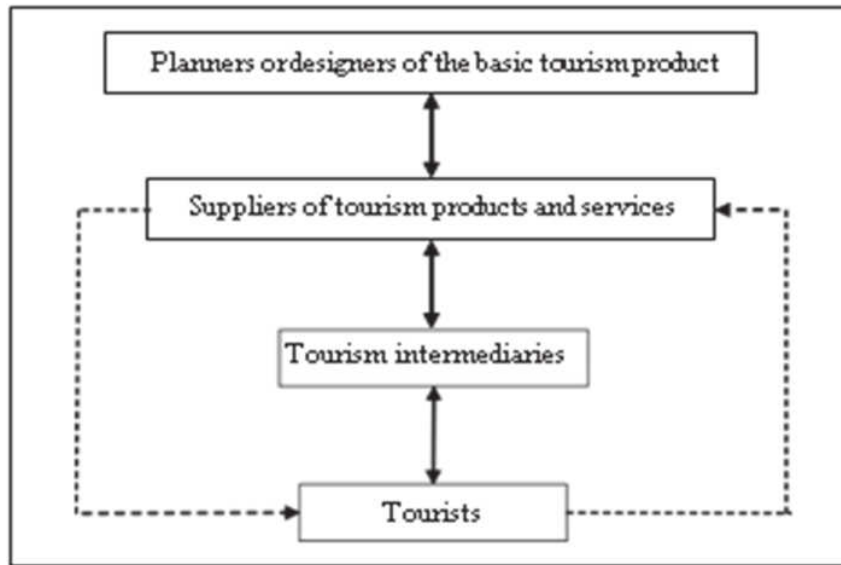
Figure   8: A simplified typology of actors along the tourism value chain

Source: Song *et al.,* 2013.

3.7.6   Outsourcing distribution in the Airline Industry

Today's competitive business environment has forced companies to identify methods to improve efficiency. A common solution is to outsource certain nonstrategic business functions. The company thus removes distractions and focuses managerial attention on operations within the scope of its core competencies. Many airlines are embracing outsourcing as a method to control costs, improve efficiencies, and hopefully increase profitability. While airlines continue to outsource Outsourcing in the aviation industry has taken place primarily in three areas: outsourcing of assets ownership; aircraft operations; and maintenance, repair and overhaul services. Because most outsourced functions are performed by the contracting company for many airlines, with employees being paid relatively low salaries, one would not expect the employees to value their services to the airlines nor would they demonstrate loyalty and pride. Outsourcing some airline functions, such as baggage handling and cabin cleaning, appears to have impacted levels of service and passenger satisfaction. The increasing trend in outsourcing has prompted the Federal Aviation Administration to establish a program to monitor airline compliance with safety standards and regulations. However, several independent reviews have concluded that oversight of aircraft repair stations is poor. Current regulations require that airline-affiliated technicians be subject to a pre-employment background check, but foreign and domestic independent contractors are not covered by these requirements. Additional security concerns arise from the fact that some foreign contractors are located in areas where terrorist groups are known to operate. Airline such as British Airways

have opted to outsource core systems, including inventory, in-house reservations and departure control systems.

3.7.7 Managing Hotel Reservations Systems

A hotel is an establishment that provides lodging paid on a short-term basis. A hotel reservation system is a software application that is implemented by hotels to allow guests to create secure online reservations. The rapid development and commercialization of information and communication technologies (ICTs) for the travel and tourism industry has prompted hotels and other enterprises in this sector to increasingly adopt Hotel Reservations Systems. The ICT based products and processes help the hotels to enhance the operating efficiency, improve the service experience as well as provide a means to access markets on a global basis.

The main function of the reservation process is to match room requests with room availability. Below is the detailed process of reservation:

a)   Conduct the reservation inquiry
b)   Determine room and rate availability
c)   Create the reservation record
d)   Confirm the reservation record
e)   Maintain the reservation record
f)   Produce reservation reports

There are two types of Hotel Reservations Systems: Guaranteed and Non-guaranteed Reservations.

Guaranteed reservation insures that the hotel will hold a room for the guest until a specific time following the guest's scheduled arrival date [i.e. Check-out time or start of the hotel's day shift or any time the lodging property chooses]. On return, the guest shall guarantee his/her reservation of room unless reservation is properly cancelled. In order to guarantee a reservation, guests might opt for one of the following methods:

a)   Prepayment guaranteed reservation
b)   Credit card guaranteed reservation
c)   Advance deposit or partial payment
d)   Travel agent guaranteed reservation
e)   Voucher or Miscellaneous Charge Order
f)   Corporate guaranteed reservation

Non-guaranteed Reservation: Insures that the hotel agrees to hold a room for the guest until a stated reservation cancellation hour on the day of arrival.

Guests can communicate their reservation inquiries in person, over the telephone, via mail, through facsimile, telex, e-mail… Moreover, reservation inquiries can be made through a Central Reservation System. While getting a reservation inquiry, the reservation system shall obtain the following guest-related information:

a)   Guest's name, address and telephone number
b)   Company or travel agency name
c)   Date of arrival and departure
d)   Type and number of rooms requested
e)   Desired room rate
f)   Number of people in the group, if applicable
g)   Method of payment and/or guarantee
h)   Any other special requests

Most of the above mentioned information is used to create a reservation record.
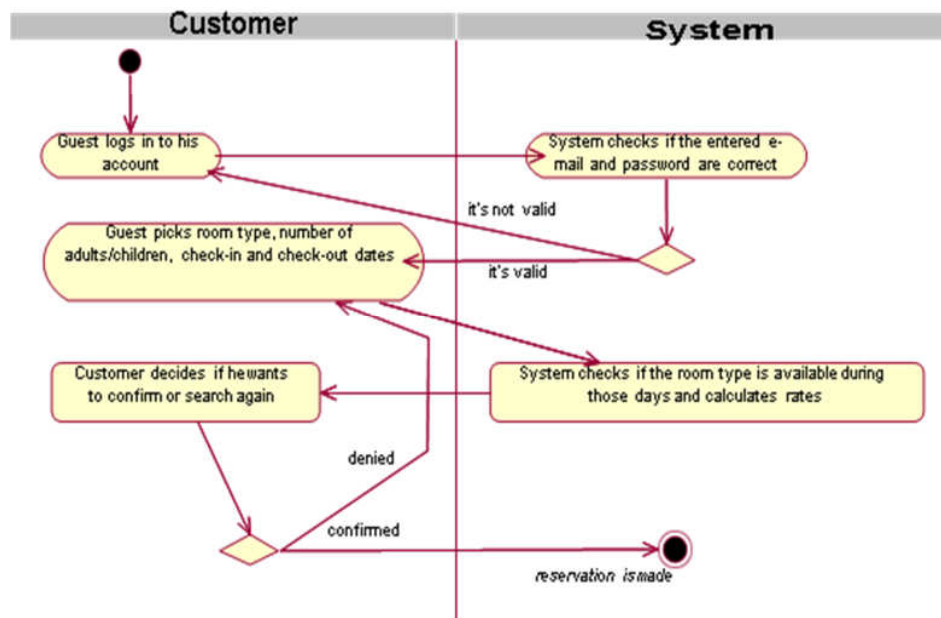

Figure 9: Hotel reservation system account registration activity diagram

3.7.8 Managing the Costs of Distribution

Distribution cost or the distribution expenses are the costs that a company incurs to make its goods or services available to the end-users or resellers.

Distribution costs in the tourism industry are high and so reducing these has necessarily become a key management concern. The effectiveness of GDS at reaching the travel agent market, for example, has to be measure against its high capital and transaction costs. O'Connor (2001) describes the transaction cost of electronic distribution as potentially problematic due to the number of intermediaries. A central reservations system (CRS), a switch company and travel agent may facilitate a booking and so wish to be compensated. EasyJet is one of several airlines to manage distribution costs effectively.

3.7.9   Commission Capping

One method for reducing the cost of distribution is commission capping. The amount of pay and/or rate a representative can receive when they close a contract is constrained by a sales commission cap, a sort of compensation structure. As an illustration, you might create a tiered commission system with a base rate of 6% on each deal sold. This rate rises to 7% once a sales representative has made $50,000 in sales. When sales reach $100,000, the rate rises to 8%.

The decreased level of commission that travel agents are currently experiencing is in reference to IATA's estimation that selling costs have grown to be the largest expense for international airlines, with distribution accounting for 23 percent of their members' operating costs, including 11 percent for commission and 4 percent for CRS fees. Additionally, according to IATA, Europe will adopt commission caps like the US has done, which is saving its airlines an estimated US$1 million every day. According to Poon (2001), seven US carriers have banded together to set a limit on travel agent commissions, setting it at $25 for domestic round-trip tickets costing more than $250 and $50 for those costing more than $500. It is predicted that doing so will save the seven carriers a sizable sum in commission payments by preventing commission on expensive tickets from subsidizing the high volume, low commission business of low-cost competitors. In reaction to commission capping, many of the biggest business travel agencies moved swiftly to switch their compensation from a commission basis to a management fee-based payment. It appears likely that this trend will persist.

3.8   Summary

We were able to explore a variety of issues about the distribution of tourism, distribution channels, the function of intermediaries in distribution, value chain distribution, and cost management throughout the course of this study.

In order to effectively handle the growing variety of distribution routes now accessible, managers at all levels in the tourism sector must be aware of them. Members of the tourism distribution channel are connected by a web of interdependent relationships. Undoubtedly, technological developments have contributed to the rise in popularity of distribution as a component of tourism marketing. Both as a practical area of business management and as a discipline within academia, the application of services marketing theory to the tourism distribution area has aided in the advancement of this profession. Now that these two discoveries have occurred, additional study on the management of the distribution function in tourism is anticipated.

Self-Assessment Exercises 5

> 1. Define value chain
> 2. List two types of hotel reservation systems
> 3. What are distribution costs?
> 4. One method for reducing the cost of distribution is

3.9   References/ Further Readings/Web resources

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3.10   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   Yes
2.   Highly efficient

Self-Assessment Exercises 2

1.   To facilitate organisations' inventory management and to make it accessible to its partners in the tourism distribution channel
2.   Tourism distribution

Self-Assessment Exercises 3

1.   Tourism intermediaries are distribution agents that participate in a tourism-product sales process from its creation until the time it is consumed by final clients or Tourism intermediation is a business activity that consists of mediating in the sale and organization of tourism services
2.   Travel agencies, wholesalers, retailers, inbound tour group operators, outbound tour group operators, corporate client travel agencies, sightseeing travel companies

Self-Assessment Exercises 4

1.   Distribution in tourism is the transfer of tour and related facilities from supplier to tourists through a system
2.   A tourism distribution channel may be defined as a total system of linkages between actual and potential tourists and the suppliers
3.   Direct and indirect distribution channels

Self-Assessment Exercises 5

1.   The term 'value chain' describes the linear process of creating a product or service
2.   Guaranteed and non-guaranteed reservations
3.   Distribution cost or the distribution expenses are the costs that a company incurs to make its goods or services available to the end-users or resellers
4.   Commission capping

UNIT 4   HUMAN RESOURCE   MANAGEMENT IN TOURISM

Unit Structure

4.1   Introduction

The World Travel and Tourism Council attests to the significance of tourism and hospitality jobs in both developed and developing countries. The quality of many of these occupations is a major worry for academics and policy-makers alike, despite the fact that the quantity of jobs is undeniably high. Many individuals are still skeptical that this belief is supported by empirical data, despite the rhetoric of policymakers and business leaders who claim that people are the industry's most valuable asset. For instance, when the renowned cultural analyst Douglas Coupland disparages the term "McJob," which he defines as "a low-pay, low-prestige, low-dignity, low-benefit, no-future position in the service sector," he captures the zeitgeist for many.

People who have never held one are frequently of the opinion that it is a fulfilling profession. The difficulties of surviving and working in a service society, which they claim is defined by two types of service occupations: a big number of low-skill, low-pay jobs and a smaller number of high-skill, high-income ones, with few jobs falling between these two extremes. A situation like this prompts labor analysts to

wonder what sorts of jobs are being created and who is filling them. This is also valid for the tourism and hospitality sectors.

It has been noted that, in some geographical and sub-sector areas, tourism and hospitality offers an attractive, high-status working environment with competitive pay and conditions, which is in high demand in the labour force and benefits from low staff turnover, reflecting the diversity of employment within the sector. Poor working conditions, low pay, a high staff turnover rate, difficulties finding qualified candidates in a number of crucial fields, a sizable percentage of labour coming from socially disadvantaged groups, low status, and the near lack of professionalism constitute the flip side of the coin.

The recruitment, development, and maintenance of a dedicated, qualified, well-managed, and highly motivated workforce who are focused on providing a high-quality "product" to the increasingly picky and demanding customer present significant challenges for businesses and managers in the tourism and hospitality sector. In order for enterprises to maintain such an environment, a number of critical human resource (HR) concerns must be addressed. These challenges are the focus of this unit.

4.2   Learning Outcomes

After completing this unit, you should be able to:

- identify characteristics of tourism as they impact on the management of human resources
- appreciate the impacts of globalization and development of ICTs on human resource management (HRM) in tourism
- recognize the importance of quality, cultural context and the emergence of aesthetic labour in the management of human resources

4.3   The Characteristics of Tourism as a Sector and their Impact on the Management of Human Resources

The key factor to success, competitiveness and survival on the tourist market is definitely a human factor. Human resources with its knowledge, skills, abilities and motivation contribute to creation of new values on the market. Human resources management in a certain business system includes all activities from planning, making choices, arrangement of human resources to certain positions depending on the

needs and the strategy of work and development in the company, to influencing positive interrelationships between employees, creation of pleasant and motivating work environment, different incentives for increase of efficiency and giving its workers the possibility of constant professional training, advancement and making a career within the company.

In many ways, how we approach this quite broad topic of human resources in the tourism industry will depend on how the sector's unique qualities will affect how those resources are managed. One could argue that the structure and operational characteristics of tourism are the cause of almost all the difficulties the industry faces. As a result, we'll focus on this aspect to set the stage for others. It is challenging to identify the conventional travel, tourist, and hospitality organization, which is a major challenge in the tourism industry. This is due, in part, to the fact that the tourism industry is made up of a number of diverse sub-sectors, including transportation, lodging, attractions, services, and tourism facilitation. The transport sub-sector, for instance, consists of businesses that run airlines, railways, ferries, cruise ships, bus and coach companies, car rental businesses, and taxi services in addition to businesses that supply the necessary infrastructure, such as ports, bus terminals, and airports.

Additionally, it covers private transportation by vehicle, bicycle, and foot. In addition to this variation within each subsector, there are differences among tourism firms in terms of size (from huge corporations to small, one-person businesses), ownership (public, private), and location (local, national, international).

Organizations in the tourism industry also differ widely between nations. The tourism industry is affected by movements toward globalization in business, such as the main airline alliances such as Star and Oneworld, as well as some newly forming global or international enterprises. However, the vast majority of operators are significantly influenced by the national or local political, economic, sociocultural, and technological context in which they are located. Due to various political environments, industry and consumer legislation, and the impact of cultural factors, such as the perceptions of alcohol in Islamic nations, they are vulnerable to change.

Tourism businesses likewise operate in a highly variable demand environment, which is typically represented by seasonality but may also be seen in demand variations within the week (business hotels and airlines experience significant declines during the weekends), as well as within any given working day. The management of human resources in

the tourism industry is severely constrained by this distinctive demand curve, which also serves as the foundation for many of the problems.

Most tourism services include a significant intangible component:

i.   Tourism services   cannot be inventoried
ii.   Tourism services are time dependent
iii.   Tourism services are place dependent
iv.   Consumers are always involved in the production process
v.   Tourism services cannot be quality controlled at the factory gate
vi.   A different concept of marketing is required for tourism services as a total organizational function (relationship marketing).
vii.   There is human role in tourism service delivery or mediation which creates a degree of uncertainty and unpredictability.

These characteristics of services in general apply within the tourism sector in particular and contribute to the manner in which tourism organizations are structured and operate. They influence the operational culture of organizations and also how they market their services, how their finances are structured and, in particular, the management of people within organizations.

Self-Assessment Exercises 1

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1. A key factor to success, competitiveness, and survival on the tourist market is ……………………
2. Most tourism services include a significant ……………………….

4.4   Tourism's Image as an Employer

Being a labour intensive sector, tourism offers opportunities for employment for persons entering the labour market for the first time or having difficulties in finding employment elsewhere. Thus tourism plays a role in providing opportunities for low-skilled workers and workers with little qualification in general, ethnic minority groups and migrants, unemployed youth, long-term unemployed, as well as women with family responsibilities who can take only part-time jobs. Also, these types of job opportunities are an important supplemental income component for retired people and others who are experiencing work transitions.

There are many different jobs in the tourism industry, from everyday ones like gardening, cleaning, and retail to more technical ones like maintaining theme park rides and aircraft, as well as senior managerial

positions (corporate executives in multinational organizations). As a result, generalizations about the sector's reputation as an employer are challenging. There is a propensity and risk in assuming that tourism's image is established by the lowest common denominator, which would lead to the association of tourism with monotonous, hospitable labor in hotels and restaurants.

The glamorous side of tourism does, however, include jobs with airlines, as tour guides, and in the heritage industry. In general, tourist work suffers from a lack of mystery caused by the accessibility of the place where tourism is produced. In contrast to factories, we can participate in and see tourism activities on a daily basis, which undoubtedly harms the industry's reputation. This is made worse by the fact that, for some structural reasons, some nations view the tourism industry as a source of low-paying, temporary employment. Its efforts to attract qualified applicants are hampered by the perception that tourism is a frivolous pastime that shouldn't be given serious career consideration in some cultures.

Self-Assessment Exercises 2

1. Tourism is a labour intensive sector. True or false?
2. Tourism is seen as a sector of ……….pay and ……..work in some countries

4.5   Skills Shortages in Tourism

Currently skill shortages and gaps are predominantly concentrated among elementary occupations, and mainly around customer service skills. The tourism sector faces a number of key skills challenges including:

• Raising productivity levels
• Securing sufficient supply of skills to the sector to meet expected high levels of expansion and replacement demand
• Improving employee engagement and motivation and minimising labour turnover, so that employers and employees can reap the benefits of training and improved customer service
• Continually improving the skill base of existing staff to minimise skill gaps and make up for skill shortages. This will include investing in management skills and customer service skills

Several different factors converge to create a labour shortage in the hospitality industry.

i.   One is wages, where employees in roles that traditionally pay low or have tipped wages, such as the restaurant segment of the industry, tend to leave jobs at higher rates than employees in other sectors, because wages are low.

ii.   Another is technology: Hotel employees are increasingly expected to use technology, and some workers (including older workers and those who have less familiarity with technology due to income barriers) are pushed out.

iii.   Generational factors contribute too, as older employees who have decades' worth of experience in hospitality skills near retirement age.

Some hotels are turning to technology to fill the gap. Hotel culinary teams have been especially hard-hit by the skilled labour gap, so many are turning to cooking technologies that increase efficiency, such as pre-portioned, vacuum-sealed menu items. Others are scaling down the complexity or burdening existing team members with extra duties–tasking a prep cook to make bread instead of hiring a baker, for instance.

While these solutions have enabled industry players to keep up despite the labour gap, they are essentially stopgap measures. Technology can replace some amount of human labour, and workers can take on some amount of additional duties, but everything has its limit.

Speaking of tourism as a low-skills industry may have some merit in industrialized nations, but it has no real meaning in many developing nations. In the industrialized world, it is also vital to discuss the severe lack of skills in the tourism industry. There is usually no labour scarcity in underdeveloped nations, but the economic skill base may not be able to be effectively applied to tourism work. Due to the industry's reputation issues, demand considerations including seasonality, and changes in the technical emphasis of education and training programs within the college system, skills shortages exist in industrialized countries.

Self-Assessment Exercises 3

1.	List 3 factors responsible for labour shortage in the tourism and hospitality industry
2.	In developing countries, there is no shortage of labour in tourism industry but skills. True or false?

4.6   Education and Training in Tourism

Tourism education is one of the main sub-sectors of the multi-faceted tourism phenomenon. Its manifestation could directly or indirectly impact the tourism sector, opportunities, and resilience towards an economic crisis. The tourism industry is a high labour-intensive service industry that relies on qualified personnel to operate and manage it. As a result, private and public universities and training colleges have seen this as an opportunity to invest in tourism education by providing students with skills and knowledge. Tourism education is a money mint investment in itself, not only to the graduates but to the double-fold stakeholders. However, to achieve development in the national economy, it is not enough to provide professional education; the quality is also crucial to meet different market actors' skill demand needs.

The exponential and continuing growth in tourism reveal demand for competent personnel. Consequently, the number of tourism education courses has grown significantly in the last decades to meet the qualified workforce's demands. With the apparent advancement in tourism training and education growth, there are still significant gaps in several areas in the industry. Among the most notable are the changes in tourist tastes and preferences, service quality issues, environmental concerns, advanced use of technology, uncoordinated tourism education, and inadequately qualified staffs. This scenario leads to the polarisation of the job market, which renders a shortage of personnel in the tourism job market. The already available ones are costly-requiring on-job re-training to adapt to changing trends and customer preferences. Though the training institutions aim to equip students with quality skills to meet the industry's needs, they cannot articulate the skills instilled in them to work. The tourism industry has criticized tourism training for inadequately preparing graduates for the industry and lack of involvement in curricula development. If the tourism curriculum neglects the tourism industry needs, tourism education will not be sustainable and ultimately not benefit the tourism industry's development. Therefore, the gap between tourism educators and the tourism industry needs a refill to ensure sustainable development. Thus, this study addresses the industry expectations in terms of skills set and the imbalances in industry-educators nexus in curriculum expectations.

For more than a century, the public sector (schools, colleges, universities, and training boards) and private businesses have shared the financial burden of developing education and training for the tourism industry. The previous emphasis was on the growth of technical expertise in key tourism sectors, and this still serves as the foundation and top objective of many countries' programs. Over the past two decades, a recognition of the need to combine technical abilities with

generic ones has grown, and topic criteria for the industry are well-representative of this. Due to the industry's small firm structure and geographic heterogeneity, investments in skill development in the tourist sector are typically warranted.

Self-Assessment Exercises 4

> 1. Exponential and continuing growth in tourism demand for
>   …………….

4.7 Flexibility and Innovation in the Management of Human Resources

People is the more important resource for any organization, flexibility is a highly desirable attribute for all companies; organizational flexibility is possible through people. The term "flexibility" refers, among other things, to the disposition to change the shape of an object, to the easy adaptation of a person to the opinion of others and to the susceptibility of variation according to needs or circumstances. Flexibility is an important ability of an organization to provide adaptation to changes in the business environment, for example, changes in customer needs, business processes, market demands, competitors, and technology. To maintain a competitive advantage, a holistic vision of flexibility is required, which means taking into account the various aspects involved in the product or service development process, because making an aspect more or less flexible can affect the flexibility of another aspect.

Human resources flexibility is present in its three main components, the employee skills, the employee behaviour, and the human resources practices. The three components can be adaptable, for example, an employee can use its skills in more than one way, an employee can be adapted to more than one job situation, and the human resources practices are adaptable to get the personnel motivation. It is earlier noted that flexible human resources management, including the fact that human resources (staff) with self-confidence can do better in terms of skills and functional and behaviour, this means that self-confidence people are more flexible. Organizational flexibility practices, led to labour flexibility, have been shown to impact organizational performance by providing the organization with a more productive and competitive workforce; this, because human capital is a key resource for the success of the organization, so its correct management is very significant for the company, in which the Human Resources area plays an important role.

Human resource management innovation is any program, policy, or practice designed to influence employee attitudes and behaviour that is

perceived to be new by members. Human resources innovation is the implementation of new ideas, methods, and technologies to better meet the ever-evolving requirements of the organization and its workforce. It's about anticipating future needs and circumstances rather than simply finding a response to a changing present situation.

Innovation in human resource management has given all employees more authority and responsibility so they may contribute significantly to relationship marketing. This is reinforced by their crucial responsibility for guaranteeing customer's satisfaction, which means that they must take this obligation seriously if they want to carry out their duties in a way that is responsive to customer wants and prompt in finding solutions to customer concerns. The recruitment of qualified people and their training in both hard competencies (the ability to deliver the product component) and soft abilities, such as judgment, complaint handling, and problem resolution, demand a significant investment in innovation in human resource management. Such skill requirements might not be feasible for a seasonal tourism industry that experiences considerable staff turnover and provides little in the way of pay that is competitive.

Self-Assessment Exercises 5

> 1. What is flexibility in the management of human resources?
> 2. Name 3 components that flexibility is present in human

4.8   Recruitment, Retention and Turnover

Generally recruiting and selecting people to fill new or existing positions is a crucial element of human resource activity in all tourism and hospitality organizations, irrespective of size, structure or activity. Recruitment refers to the process of identifying, attracting, interviewing, selecting, hiring and onboarding employees. In other words, it involves everything from the identification of a staffing need to filling it. Recruitment is defined as 'the process of generating a pool of candidates from which to select the appropriate person to fill a job vacancy'. In essence, in the recruitment process organizations are seeking to attract and retain the interest of suitable candidates, whilst at the same time also seeking to portray a positive image to potential applicants. Of course, recruitment is a dynamic process as within organizations people are constantly retiring, resigning, being promoted or, at times, being dismissed. Equally, changes in technology, procedures or markets may all mean that jobs are re-configured and become available to the external labour and thereby trigger the recruitment and selection process. Having decided to recruit, organizations will ordinarily consider a range of

question to determine how they might approach filling the vacancy. Specifically, they might ask themselves the following questions:

What does the job consist of?

* What are the aspects of the job that specify the type of candidate?
* What are the key aspects of the job that the ideal candidate wants to know before applying?

Conventionally the answers to these questions will be provided by job analysis, the job description and person specification, which allow the candidates to gauge their chances of being appointed.

The cost of poor recruitment and selection being manifested in such things as:

* expensive use of management time;
* retraining performers;
* recruiting replacements for individuals who leave very quickly;
* high-labour turnover;
* absenteeism;
* low morale;
* ineffective management and supervision;
* disciplinary problems;
* dismissals.

Two types of recruitment has been described as internal and external recruitment:

Internal recruitment: Internal recruitment is seeking candidates for positions of those who are presently employed. Internal sources comprise current employees, the references of its employees, former employees and former applicants. It is also denoted as the practice of selecting candidates among company existing employees to occupy a vacant position. Employees in the organization get informed about the vacancies through different ways. Job vacancies are regularly published within the organization through a variety of media, such as Staff notice boards, Intranets, In-house magazines / newsletters (for a specific enterprise), weekly magazine devoted entirely to personal advertising jobs, and staff meetings.

External recruitment: The most complicated part of recruitment is to identify the most skilful applicants from the external environment, within the labor market. When jobs cannot be filled internally because they are very specialized or there are not sufficient executives from the company in order to meet the necessities of the job, attracting candidates

is achieved from the outside labor market. An efficient recruitment program therefore constitutes the determinant factor for a successful hotel company that aims to expand or fill many vacant job positions with specialized and skillful personnel. Precisely, external sources of employment are professional or trade associations, advertisements, employment exchanges, college/university/institute placement services, consultants, displaced persons, radio and television, acquisitions and mergers and competitors.

Retention is the percentage of employees who stay at an organization over a set period. It can also be measured in terms of the average or median tenure; the number of years that employees remain with an employer. Employee retention is a significant challenge in the hospitality industry. Some retention strategies include career development, improved benefits, a healthy work environment, and work-life balance. To remain more competitive, business organizations need to attract the best talents and retain them on the job for a long time.

The percentage of workers who depart a company during a predetermined time period is known as turnover. Staff mobility in the tourism sector is directly influenced by the industry's broader environmental, structural, and sectoral operating features. In some nations, particularly developed ones, it might be difficult to find qualified candidates for important roles in the tourism sector, both skilled and unskilled. They also struggle with keeping these employees on board and lowering what can be extremely high rates of employee turnover. Problems in this area are caused by the impact of cyclical demand (seasonality), concerns with compensation, unfriendly working conditions, and generally unfavorable impressions of the industry as a source of employment. In terms of its willingness to lay off employees in order to satisfy urgent financial needs, the tourism sector is similarly thought to be extremely responsive to short-term local and global events. A significant example of this is the effect that the events of September 11, 2001 had on the travel and transportation industries. Potential employees might not want to risk jeopardizing their long-term security in a workplace that is viewed as uncertain.

Self-Assessment Exercises 6

> 1. The two types of recruitment in human resources are……………….
> 2. What is retention in human resources management?

4.9   Rewards, Benefits and Compensation

Employees are the organization's key resource and the success or failure of organizations centre on the ability of the employers to attract, retain, and reward appropriately talented and competent employees. Employees' willingness to stay on the job largely depends on compensation packages of the organization. In an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results.

Many researchers have found tourism/hospitality employee's satisfaction is affected by both financial and non-financial rewards. To motivate the tourism/hospitality employee effectively, Total Rewards System is suitable to be implemented. Total Rewards System is an integrated reward system which encompasses not only compensation and benefits but also personal growth opportunities and a motivating work environment. The notion of the total rewards system provides a useful starting point to consider some fundamental issues and concerns in understanding reward practices in the tourism and hospitality industry. Studies found that availability of employer-provided benefits, such as retirement and insurance plans, helped increase employee job satisfaction and reduce employee turnover in hospitality services companies. Compensation packages entail some basic features that tend to make employees satisfies on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, and recognition.

Self-Assessment Exercises 7

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1. What is total reward system?
2. List 2 advantages of employer-provided benefits
3. Name 6 examples of compensation packages in human resource management

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4.10   Managing Quality through Human Resources

In an era described by rapid and continuous change, businesses are more aggressive and challenging. Setting of quantifiable standards or appropriate techniques to their management is required in order to be on top of the business competition. However, delivering quality services cannot be achieved without the maximum effectiveness of us, Humans. Human resource is considered the potential source of an organization, and for sure will represent also in the future. This is the reason why various organizations are aware of the importance of their human resources. The condition of the materialization of this prerequisite is an effective management of human resources, i.e. careful planning,

organizing, leading and controlling. Human Resource Management is often associated with the introduction of new and innovative forms of work for the effectiveness of organizations.

Human resource management practices are necessary of any total quality management achievement. The integration of these practices will improve the quality of the system of organization as well as employee performance towards achieving outstanding status. Research literature has shown that effective application of human resource management practices enables employees to support business functions as a whole. Refining the quality of management heightens the physical strength of competitive advantage, reduce production cost and escalate market share of the organizations.

The trend toward authentic experiences and today's quality-conscious visitors indicate that in order for the tourism business to thrive in a global marketplace that is becoming more and more competitive, it is crucial to offer high-quality goods and services. Tourism is a service sector, and the quality of a service encounter depends on a variety of human talents. As a result, ideas like controlling "moments of truth" and cultivating a "spirit of service" have been adopted. As the first point of contact between a client and a corporate representative, the moments of truth are argued to be the crucial moments that define a customer's pleasure with a service interaction.

Customers may not give businesses more credit for doing what they are supposed to do; rather, they place a higher value on those who impress them with uncommon levels of concern, dedication, and resourcefulness while providing services. Professionalism and skill, attitudes and behavior, accessibility and adaptability, dependability and trustworthiness, recovery, and reputation and credibility were all highlighted as characteristics for good, perceived quality service. The majority of these factors are purely human resource-related, but they are also pertinent to service quality, which is a crucial factor in the travel and tourist sector's competitive success. The sector's human resources hold the key to quality. Service sectors like tourism must view service quality as a strategic concern and a competitive potential given the increased focus on quality.

Self-Assessment Exercises 8

1. What is the 'moments of truth' in service quality?
2. What are the criteria of good, perceived quality service?
3. To be on top of tourism business competition, management is required to ………………..

4.11   The Impact of Globalization

Globalization is defined here as a set of economic and political structures and processes deriving from the changing character of the goods and assets that comprise the base of the international political economy—in particular, the increasing structural differentiation of those goods and assets. It has also been defined as a complex web of social processes that intensify and expand worldwide economic, cultural, political and technological exchanges and connections.

Globalisation is having a significant impact upon human resource management in tourism. The driving forces of globalisation have impacted upon human resource management in a variety of ways. For example, on 'the supply-side', the penetration of technology and particularly use of the Internet in tourism has demanded different skills and competencies on behalf of employees and also impacted upon education and training needs. As company mergers and strategic alliances have become the medium for internationalisation so this has demanded a response on behalf of human resource managers to deal with employment-related consequences. In particular, larger companies are developing HRM policies and plans to take into account the need for relocation of employees and both social and cultural sensitivities for those working away from the home base. On 'the demand-side' the emergence of the 'new tourist' also has implications for human resource management. For example, a more discerning and experienced consumer is demanding higher quality products and service, so impacting upon training, both in-company and also in pre-job preparation in colleges. With globalisation too, have come new forms of tourism that utilise both the natural and cultural environments as a base for their product.

Globalization has major implications for human resource management in tourism. These include:

i.   The need for different skills and competencies so that employees are able to deal with the wide spread use of technology, especially the internet;
ii.   Dealing with employment related consequences of mergers and strategic alliances;
iii.   Issues of the relocation of employees, and understanding the social and cultural sensitivities of those working away from home;
iv.   New forms of tourism, utilizing natural and cultural environments, that creates a demand for indigenous employees who can deliver high- quality and original products and services;

v.   Meeting the needs of highly skilled tourists who are more experienced and demand higher-quality products and service.

Self-Assessment Exercises 9

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1. Define globalisation
2. What are the major implications of globalization on human resource management in tourism?

4.12 Cultural Contexts

In tourism sector, people with diverse backgrounds work even more together and there are a great amount of new perspectives of executing events. In a corporate world this is an advantage in order to differentiate from other businesses within the industry. However, diverse cultural backgrounds can create a lot of conflicts. Tourism and hospitality industry, particularly, has great dimensions with cultural diversity. Cultural diversity can be referred to as the variety of human groups, societies or cultures in a specific region, or in the world all together. Cultural diversity indicates a mixture of both individuals and groups with dissimilar backgrounds, beliefs, characteristics, customs, traditions, and values. It categorizes people with diverse race, ethnicity, nationality, religion, or language among various groups within a community, organization, or nation. Due to its phenomenal dimensions, managing the diverse workforce in an effective way can be seen as successful tool to meet the corporate goals.

A major challenge resulting from these changes is the need to manage a culturally heterogeneous workforce. Human resource managers in tourism industry have to deal with multiculturalism, and multi-ethnicity in the workplace. They need to be sympathetic to, and sensitive of, individuals' or groups' origins and background.

The issues here include:

i.   Where a business in the tourism industry receives guests from countries, cultures and ethnic backgrounds that are different from that of the dominant culture in which the business is located (e.g., Japanese visitors staying in a Paris hotel);

ii.   Where guests are from a different culture, nationality or ethnic origin from that of the workforce (e.g., in a Chinese restaurant staffed by immigrant Chinese workers and catering for local demand in, say, Baucharest, Oslo or Rome);

iii.   Where a varying proportion of the workforce in a business or department are of different cultural, national or ethnic origins from that of the dominant local culture;

iv.   Where the management of the tourism/hospitality business is from a different culture or ethnic background from that of the majority of the workforce;

v.   Where the corporate culture of tourism business significantly different from that normally prevailing in the country or community in which it is based, which would mean that although there is little or no distance between the management and operational staff in terms of their original culture, corporate norms create new divides which must be addressed.

Self-Assessment Exercises 10

> 1. In tourism business, diverse cultural backgrounds can create a lot of …………
> 2. What is cultural diversity?

4.13   The Emergence of 'Aesthetic Labour'

Aesthetics means the science of sensation, of feeling. Aesthetic labour can be concluded as the commodification of embodied capacities and attributes which match with certain professional / corporate image. These capacities and attributes should be possessed by workers at the entry point of employment. Aesthetic labour is experienced by interactive service employees in the retail and hospitality industries. The examined issues are recruitment and selection, image and appearance, uniforms and dress codes, and skills and training, which extend the awareness of aesthetic labour so employee attitudes and appearances are empirically and conceptually revealed. It has also pointed out that aesthetic labour has largely been confined to "looking good". However, aesthetic labour also includes "sounding right", and excellent communication skills are a near mandatory component of job advertisements. Hence, companies want employees with the right look or who are just good looking, or both, in the belief that such employees help create a distinct corporate image on crowded streets or, more prosaically, attract more and repeat customers.

The emergence of aesthetic labour requires human resource managers to develop these abilities through the recruitment, selection, and training processes, turning them into aesthetically oriented competencies and skills that are designed to produce higher-quality service encounters with a strong emphasis on style. Incorporating aesthetic labor into the

human resource management of the tourism industry must obviously begin with recruitment and selection. The "correct" kind of looks and disposition must now be sought after by organizations.

Self-Assessment Exercises 11

1. Define aesthetics in tourism
2. What is aesthetic labour?

4.14 The Impact of Information and Communications Technologies

Tourism businesses need to enhance their competitiveness by employing the emerging tools and re-engineering all processes. Tourism businesses need to become more flexible, more efficient and quicker in responding to consumer requests. The ICT revolution offers a variety of tools and mechanisms that allow innovative and dynamic players to take advantage and strengthen their competitiveness. The use of ICTs in tourism businesses digitises all processes and value chains in the tourism, travel, hospitality and catering industries. All business functions - sales and marketing, finance and accounting, human resource management, procurement, research and development, and production, as well as strategy and planning for all sectors of the tourism industry, including tourism, travel, transport, leisure, hospitality, principals, intermediaries and public sector organisations – are influenced by the emerging capabilities of ICTs. Technological solutions are normally incorporated to increase efficiency and reduce the cost and time required for undertaking particular activities and processes. A wide range of information technologies applications is used in tourism and hospitality industries, as illustrated in Table 3.

The application of ICTs has created specific challenges with human resource management, such as raising training and development costs, improving the quality of training systems, and boosting participation in them. The growth of ICTs in the tourism sector and the inevitable demise of many service providers have significant effects on human resource management, including how to deal with potential mass layoffs. Although it causes a significant loss of comparative advantage for developing nations, workforce reductions bring forth new functional difficulties for human resource management.

Table 4: Information technology and applications used in tourism

Information technology and applications used in tourism
•   Internet/intranets/extranets
•   Office automation, reservation, accounting, payroll and procurement management applications
•   Internal management tools such as management support systems, decision support systems and management information systems
•   Tailor-made internai management applications
•   Databases and knowledge management systems
•   Networks with partners for regular transactions (EDI or extranets)
•   Networking and open distribution of products through the internet
•   Computer reservation systems (CRSs)
•   Global distribution systems (GDSs) (e.g. Galileo, SABRE, Amadeus, Worldspan)
•   Switch applications for hospitality organisations (e.g. THISCO and WIZCOM)
•   Destination management systems (DMSs)
•   Intemet-based travel intermediaries (e.g. Expedia.com, Travelocity.com, Preview Travel, Priceline.com, etc.)
•   Wireless/mobile/WAP based reservation systems
•   Tradiţional distribution technologies supporting automated systems (e.g. Videotext)
•   Interactive digital televisiort (IDTV)
•   Kiosks and touch screen terminals

Source: Buhalis, 2003; 0'Connor, 1999.

Self-Assessment Exercises 12

> 1. What has the use of ICTs in tourism business done?
> 2. List the specific human resource management in tourism issues resulting from the application of ICTs

4.15 Summary

We have made an effort to touch on a few of the major human resources concerns that have a strategic impact on tourist operations in unit. As a result, we inevitably had to draw conclusions about the topics that were covered and left out important topics. For managers in the industry, issues with human resources continue to rank among the most difficult. Even while the specifics of the issues vary greatly throughout industries and in different cultural situations, the core of these worries is quite universal. Many of the problems we have described here have complex

solutions. Any examination of tourism management concerns must, however, take into account those pertaining to the management of people.

4.14 References, Further Readings, and Web Sources

Nickson, D. (2007). *Human Resource Management for the Hospitality and Tourism Industries.* Butterworth-Heinemann, 320 Pp.

Gruescu, R., Nanu, R. and Tanasie, A. (2009). Human Resources Development and   ICT Contribution to the Tourist Destination Competitiveness. *European Research   Studies*, XII (Issue 4): 88-100.

4.15   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   Human factor
2.   Intangible component

Self-Assessment Exercises 2

1.   True
2.   Low and transitory

Self-Assessment Exercises 3

1.   Wages, technology, generational factors
2.   Yes

Self-Assessment Exercises 4

1.   Competent personnel
2.   Structure

Self-Assessment Exercises 5

1.   The term "flexibility" refers, among other things, to the
       disposition to change the shape of an object, to the easy
       adaptation of a person to the opinion of others and to the
       susceptibility of variation according to needs or circumstances
2.   The employee skills, the employee behaviour, and the human
       resources practices

Self-Assessment Exercises 6

1.   Internal and external recruitment
2.   Retention is the percentage of employees who stay at an
       organization over a set period
3.   Turnover is the percentage of employees who leave an
       organization over a set period

Self-Assessment Exercises 7
1.   Total Rewards System is an integrated reward system which
       encompasses not only compensation and benefits but also
       personal growth opportunities and a motivating work
       environment

2.   Retirement and insurance plans, helped increase employee job satisfaction and reduce employee turnover
3.   Salaries, bonuses, incentives, allowances, promotion, recognition

Self-Assessment Exercises 8

1.   Quantifiable standards and appropriate techniques
2.   The point of contact between the customer and employee of the company
3.   Professionalism and skill; attitudes and behaviour; access and flexibility; reliability and trustworthiness; recovery; and reputation and credibility

Self-Assessment Exercises 9

1.   A set of economic and political structures and processes deriving from the changing character of the goods and assets that comprise the base of the international political economy—in particular, the increasing structural differentiation of those goods and assets.
      Or A complex web of social processes that intensify and expand worldwide economic, cultural, political and technological exchanges and connections.
2.   i.   The need for different skills and competencies so that employees are able to deal with the wide spread use of technology, especially the internet;
      ii.   Dealing with employment related consequences of mergers and strategic alliances;
      iii. Issues of the relocation of employees, and understanding the social and cultural sensitivities of those working away from home;
      iv.   New forms of tourism, utilizing natural and cultural environments, that creates a demand for indigenous employees who can deliver high- quality and original products and services;
      v.   Meeting the needs of highly skilled tourists who are more experienced and demand higher-quality products and service

Self-Assessment Exercises 10

1.   Conflicts
2.   Cultural diversity can be referred to as the variety of human groups, societies or cultures in a specific region, or in the world all together.
or

Cultural diversity indicates a mixture of both individuals and groups with dissimilar backgrounds, beliefs, characteristics, customs, traditions, and values

Self-Assessment Exercises 11

1. Aesthetics means the science of sensation, of feeling
2. Aesthetic labour can be concluded as the commodification of embodied capacities and attributes which match with certain professional / corporate image

Self-Assessment Exercises 12

1. Developing the skills and efficiency of the workforce, increasing expenses on training and development and increasing the quality of, and participation in, training systems
2. Digitises all processes and value chains in the tourism, travel, hospitality and catering industries

UNIT 5   SITE AND VISITOR MANAGEMENT AT THE NATURAL ATTRACTION

Unit Structure

5.1   Introduction
5.2   Learning Outcomes
5.3   The Management Task
5.4   Operational Techniques
5.5   Summary
5.6   References, Further Readings, and Web Sources
5.7   Possible Answers to Self-Assessment Exercises

 5.1   Introduction

Using visitor flow controls as its primary focus, the unit describes practical site management within natural environments. It begins with a broad overview of the challenges before moving on to a more in-depth analysis of the function of the brochure, visitor information centres, and foothpath. This unit's goal is to outline operational factors that site managers must take into account in order to safeguard the environment and provide enjoyable visitor experiences.

 5.2   Learning Outcomes

You ought to be able to, at the conclusion of this unit:

•   consider the context within which operational site management is located
•   describe different techniques that managers can use
•   stress the importance of proper care in the implementation of these policies.

 5.3   The Management Task

Tourism is a fast-growing sector and an increasing source of pressure on the environment and natural resources. Its constant growth may not always be compatible with sustainable development and, unless properly managed, may actually be harmful to local societies and traditional cultures, including the reduction of overall benefits to the recipient and wider economies. Managing tourism destinations is an important part of controlling tourism's environmental impacts. A tourism destination is a

"physical space with or without administrative and/or analytical boundaries in which a visitor can spend an overnight. It is the cluster (colocation) of products and services, and of activities and experiences along the tourism value chain and a basic unit of analysis of tourism. A destination incorporates various stakeholders and can network to form larger destinations. It is also intangible with its image and identity which may influence its market competitiveness". Destination management is "the coordinated management of all the elements that make up a tourism destination (attractions, amenities, access, marketing and pricing)".

Destination management can include land use planning, business permits and zoning controls, environmental and other regulations, business association initiatives, and a host of other techniques to shape the development and daily operation of tourism-related activities. The term "destination" refers broadly to an area where tourism is a relatively important activity and where the economy may be significantly influenced by tourism revenues. Destination management is complicated by the fact that a single, recognizable destination may include several municipalities, provinces, or other government entities - in island environments it may be the entire country. The needs, expectations and anticipated benefits of tourism vary greatly from one destination to the next, and there is certainly no "one size fits all" approach to destination management.

Site management activities and tasks may include the following:

i.   routine maintenance to maintain the desired ecological condition and to support recreational use (e.g., invasive vegetation control, fence, and sign repairs)
ii.   replacement of infrastructure, where routine maintenance could no longer sustain viability (e.g., fence and sign replacement)
iii.   enhancement and monitoring of habitat quality (e.g., reseeding crop land to permanent cover, tree and shrub planting, baseline inventories, and range health assessments)
iv.   enhancement of recreational access (e.g., parking areas, walking trails, and pedestrian vgates).

Responsible and sustainable destination management should entail a process that effectively and harmoniously addresses the interactions between the visitors, the industry that serves them, the community that hosts them and the environment in a broad sense (natural and cultural resources).

Self-Assessment Exercises 1

> 1. Define tourism destination
> 2. What is destination management?
> 3. List 4 site management activities and tasks

a.   *Marketing Materials*

Marketing is a process through which individuals and groups provide, exchange and obtain products – ideas, goods and services – capable of satisfying customers' needs and desires at a desirable price and place. Marketing requires a strategy. It is an all-encompassing, planning, scheduling, studying, figuring-stuff-out, researching, testing, and practicing strategy. Destination marketing refers to a management process through which the national tourist organizations and/or tourist enterprises identify their selected tourists, actual and potential, communicate with them to ascertain and influence their wishes, needs, motivations, and likes and dislikes, on local/rural, regional, national and international levels, and to formulate and adapt their tourist products accordingly with a view to achieving optimal tourist satisfaction, thereby fulfilling their objectives (ILO, 2012).

Marketing material is not so much a type of marketing as it is collateral for you to use when you are in networking situations. Marketing material might include brochures, racks cards, business cards, and letterhead. Marketing material in the form of brochures or rack cards can be used to market your business at visitor information centres, accommodations, restaurants or other destinations a potential visitor might visit. Business cards might be used when you attend networking events. All printed marketing material might be used when you attending an industry trade show. Tracking your marketing material is much like print marketing, in that it is challenging to track inquiries. However, an assumption can be that those who take your marketing material are interested in your business and it is then up to the content on that material to drive those potential customers to take action and contact you.

b.   **Information and Visitors Centres**

A visitor centre, visitor information centre, tourist information centre, is a physical location that provides tourist information to the visitors who tour the place or area locally. It is a clearly labelled, publicly accessible, physical space with personnel, providing predominantly free-of-charge information to facilitate travellers' experiences. It may be a visitor centre at a specific attraction or place of interest, such as a landmark, national park, national forest, or state park, providing information and in-depth educational exhibits and artefact displays. Often a film or other

media display is used. If the site has permit requirements or guided tours, the visitor centre is often the place where these are coordinated. A tourist information centre, providing visitors to a location with information on the area's attractions, lodgings, maps, and other items relevant to tourism. Often a visitor centre is called simply an information centre.

Visitor information centres are primarily responsible for promoting local tourism products and services; and consequently, have direct impacts upon the economic, social, and recreational well-being of the region in which they are located.

Visitors' Information Centres (VICs) play a critical role in a destination's success. Four-Plus model outlines the roles performed by VICs, undertaken in different magnitudes, depending on the location of the VICs and the nature of the attraction in the surroundings. These functions are outlined in the Four-Plus Model has five components, namely:

a)   Promotion of the destination;
b)   Orientation and enhancement of the destination attractions;
c)   Substitution for on-site visits;
d)   Control and filtering of visitor flows; and
e)   The community integration function

The following functions of VICs are included:

f)   Grow the yield (increasing both length of stay and spend)
g)   Industry development
h)   The face or "lighthouse" of local tourism
i)   Conversion of visitor interest to purchase
j)   Visitor research
k)   Dissemination of emergency information

Visitor Centres are hubs within a destination that can be utilized to manage the flow of visitors to help alleviate congestion problems experienced by many sites. Acting as gateways and central information and interpretation points, VCs can determine the times of the day to visit certain attractions and/or suggest alternative locations for less crowded experiences. The use of the Visitor Centres in conjunction with other activities, such as guided tours or films can concentrate visitors' numbers outside fragile sites or viewing areas. Visitor Centre's staff are key resources to providing information and concierge services as well as impacting visitor behaviour to ensure a quality experience both for the visitor and for interactions with residents. In addition, VCs can provide a space to generate revenue through the sale of tickets, merchandise, local

handicrafts, paid comfort facilities and parking. These can be important resources to finance conservation.

c.   Footpath/Trails

Associated with visitor centres are footpaths and trails. These, too are important parts in the mix of operational flows of visitors and enhancement of visitors satisfaction. Constructing facilities and trails that reduce impact but allow more visitors and help them to see the wildlife - boardwalks, overlooks, hides, pontoons, etc.

d.   Seasonal or Temporal Limits on Use

Seasonal or temporal limits on use, e.g. limiting visiting times; restricting car parking, accommodation facilities or public transport; ensuring visits occurs at appropriate times of day (which may vary diurnally and seasonally).

e.   Regulating Group Size

Regulating group size, particularly for specialist activities; requiring pre-registration (visits only by prior arrangement); providing guided tours that allow for more control and maximize enjoyment.

f.   Restricting Visitor Behaviour

Restricting visitor behaviour, e.g. ensuring that visitors stay on specified routes and do not trample vegetation or disturb animals, and that noise and the use of light at night (e.g. during visits to turtle nesting beaches) is minimized.

g.   Using Zoning

Using zoning, e.g. closing area to visitors, or reducing visits to ecologically important areas.

h.   Increasing Entrance Fees

Increasing entrance fees at peak periods or to popular areas.

i.   Proving Garbage Bins

Visitors will cause environmental pollution in and around heritage. Thus, proper waste management system must be applied and garbage bins should be provided to encourage visitors to not leave litter.

j.   Interpretation

Educating visitors via visitor guidelines, codes of conduct, information boards, etc., made available or distributed through tourism facilities. Interpretation is essential. It is about connecting (and communicating) with visitors, thus enlivening a park or a tourist destination. While information presents facts, interpretation attempts to do more, by giving meaning to things. Interpretation is an important way of telling the public about the work a park is doing and of raising awareness about what the park stands for. In addition to its educating function, interpretation in a park can:

- add value to the visitor experience, making parks more relevant and accessible to visitors;
- encourage visitors to explore nature, raise awareness, gain understanding and get excited about plants, animals and the environment;
- help teachers and self-guided groups to use a park and to make sense of the site and its resources;
- enhance the quality of facilitated educational programmes and create a rich learning environment in a park;
- assist with visitor management, where strategically placed signages enable the focus of attention on certain displays and help keep visitors away from sensitive areas;
- reach out to a wide audience, even when manpower and other resources are limited;
- help win public support by promoting organisation missions and informing park users of new developments; and • assist with fundraising, directly or indirectly.

Self-Assessment Exercises 2

1. What is marketing?
2. Define tourism information centre
3. List the 5 components of Four-Pus Model

5.5   Summary

Site management involves a reiterative process between the attributes of the place, the different potentialities. It possesses for effective as well as cognitive experiences, and the way that the place is presented to the public and the stories told in the marketing literature. In the course of this study we were able to discuss the management task and site operations techniques in terms of marketing, information and visitors centre etc.

5.6   References, Further Readings, and Web Sources

Pike, S., and Page, S.J. (2014). Destination Marketing Organizations and destination   marketing: A narrative analysis of the literature. Tourism Management, 41:202-   227.

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UNWTO (2019, 2021). UNWTO Tourism Definitions. UNWTO.

5.7   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   A "physical space with or without administrative and/or analytical boundaries in which a visitor can spend an overnight
2.   Destination management is the coordinated management of all the elements that make up a tourism destination (attractions, amenities, access, marketing and pricing)
3.   Routine maintenance, replacement of infrastructure, enhancement and monitoring of habitat quality, enhancement of recreational access

Self-Assessment Exercises 2

1.   Marketing is a process through which individuals and groups provide, exchange and obtain products – ideas, goods and services – capable of satisfying customers' needs and desires at a desirable price and place
2.   It is a physical location that provides tourist information to the visitors who tour the place or area locally
3.   Promotion of the destination; orientation and enhancement of the destination attractions; substitution for on-site visits; control and filtering of visitor flows; and the community integration function

Module 2

Unit 1   Strategy for Tourism Management
Unit 2   Managing Urban Tourism
Unit 3   Managing the Countryside for Tourism: A Governance Perspective
Unit 4   Tourism and the Environment
Unit 5   Marketing Management for Tourism

UNIT 1   STRATEGY FOR TOURISM MANAGEMENT

Unit Structure

1.1   Introduction
1.2   Learning Outcomes
1.3   Mission and Stakeholders
1.4   Strategic Analysis
1.5   Strategic Choice
1.6   Strategic Implementation
1.7   Summary
1.8   References, Further Readings, and Web Sources
1.9   Possible Answers to Self-Assessment Exercises

1.1   Introduction

An overview of corporate tourism strategy is provided in this unit. Organizations without a strategy are prone to strategic drift, which results from failing to keep track of and adapt to the external environment's changing needs. Without strategic planning, businesses are more likely to operate haphazardly and in response to circumstances than they are to be proactive. Corporate failure may stem from a lack of a successful strategy. An organization's long-term direction and focus are determined by its strategy, which "achieves advantage for the company through the configuration of resources within a changing environment, to satisfy the needs of markets, and to fill stakeholder expectations." Goals that are more broad-based, such promoting sustainable tourism, are the focus of strategies.

1.2   Learning Outcomes

At the end of this unit you should be able to:

•   describe the importance of both mission and stakeholders in

tourism   management
• identify the techniques of strategic analysis and choice
• enumerate the process of strategic implementation.

1.3   Mission and Stakeholders

Without a clear understanding of its overall aim, it is challenging for an organization to develop strategy. The mission of an organization can be viewed as what the organization is attempting to do, what its purpose or aim is, and where it intends to go in the medium to long term. Clear mission statements that are current, pertinent, and have a positive tone should also be adaptable, enduring, and well-articulated.

Clearly articulated: The mission statement should be simple to comprehend so that employees and other stakeholders can clearly understand the principles and values that will guide them in their dealings with the organization. The statement must be specific enough to have an impact upon the behaviour of individuals.

Relevant: The mission statement should be appropriate to the organization in terms of its history, culture and shared values. The mission should not be too broad or too narrow. Too broad may result in lack of focus. Too narrow may mean factors that are potentially important to the organization will be overlooked

Current: An unchanged mission statement may no longer be able to act as a driving force guiding the organization into the future.

Positive tone: The mission statement should be written in such a way that encourages commitment and energizes or inspires employees.

Individuality: The mission statement should set it apart from other organizations establishing its individuality if not its uniqueness through an emphasis on the advantages of the organization based on an objective assessment of organizational strengths and weaknesses.

Enduring: The mission statement cannot be continually altered, as this would be confusing, so they are likely to remain in place for a number of years. Consequently they must be written to allow for some flexibility.

Adapted: Mission statements are written with various target audiences in mind, some for employees only, some for shareholders and other external groups, and others for all audiences. The information and style should reflect the relevant target audience.

In practice, mission statements usually contain one or more of the following:

● Some indication of the industry or business the organization is mainly concerned   with.
● An indication of the realistic market share or market position the organization should aim towards.
● A brief summary of the values and beliefs of the organization in relating to key stakeholder groups such as customers and employees.
● An indication of the ownership or control of the   organization.
● A summary of the geographical location or scope of organizational activities.
● Specific and highly context-dependent objectives are sometimes expressed in the mission statement.

Tourisms have missions that encompass different aims:

Participatory: involving local people in its development and management; and

Sustainable: putting long-term environmental and social benefit short-term gain. In this case it is ethical considerations rather than profit which guide Tourism concern.

An organization's mission is often accompanied by a series of objectives that spell out the goals that needs to achieve to realize its mission. Objectives may be written in a closed or open form. Closed objectives describe quantifiable targets and should conform to SMART principles and thus be:

Specific;
Measurable;
Agreed with those who must attain them;
Realistic; and
Time-constrained.

On the other hand, open objectives are written in more of a qualitative style.

The mission question (what does the organization exist for?) cannot readily be answered without consideration of stakeholder question (who does an organization exist for?).

A stakeholder can be defined as any group or individual who can affect or is affected by the achievement of an organization's objectives. A

group or individual qualifies as a stakeholder if it/he/she has a legitimate interest in the organization's activities and thus has the power to affect the firm's performance and/or has a stake in the firm's performance. Stakeholder theory argues that shareholders are neither the sole owners of a business nor the sole beneficiaries of its activities. Whilst shareholders are undeniably one stakeholder group, they are far from being the only group who expect to benefit from business activity and, accordingly, are just one of those groups who have a legitimate right to influence a company's strategic objectives. Some of these groups are internal to the organization whilst others are external.

Table 5: Examples of internal and external stakeholders

Internal	External
Board of directors	Shareholders
Employees	Creditors (existing and potential)
collectively	Suppliers (existing and potential)
Individual employees (e.g. founding entrepreneur)	Customers (existing and
Employees' representatives (trade unions, trade associations etc)	potential) Trade bodies (e.g.
Functional business areas (marketing, finance etc)	ABTA)
Geographical areas of the organization (e.g. Europe, Asia etc.)	Competitors (current and future, national and international)
	Government (legal, fiscal, and regulatory impacts)
	Private individuals
	International regulatory bodies (e.g.
	IATA) The local community

Source: Evans *et al.,* undated.

One widely used and useful model for understanding how stakeholders exert influence on an organization's objectives was proposed by Mendelow (1991). According to this model, stakeholders can be 'ranked' depending upon two variables: interest and power:

- stakeholder power refers to the ability to influence the organization;
- stakeholder interest refers to the willingness to influence the organization.

In other words, interest concerns the extent to which the stakeholder cares about what the organization does.

It then follows that:

Stakeholder influence = power X interest
The actual influence that a stakeholder has will depend upon where the stakeholder is positioned with respect to ability to influence and willingness to influence. A stakeholder with both high power and high interest will be more influential than one with low power and low interest. But it is stakeholder power which will determine the influence that different groups have in an organization's mission. The power of internal stakeholders is influenced by factors such as position in the organization, control over resources, power of patronage, charisma and specialist knowledge. External stakeholders can wield power because of control of resources (particularly finance), their constitutional role (e.g. shareholders voting rights) and legal agreement (e.g. bank).

Self-Assessment Exercises 1

> 1. What is tourism organization mission?
> 2. List 7 characteristics that tourism mission should have
> 3. Define stakeholders

1.4   Strategic Analysis

The next stage in the formulation of tourism corporate strategy is strategic analysis. Strategic analysis is a theoretically informed understanding of the environment in which an organisation is operating, together with an understanding of the organisation's interaction with its environment in order to improve organisational efficiency and effectiveness by increasing the organisation's capacity to deploy and redeploy its resources intelligently. The purpose of strategic analysis is to gather information and to analyse it systematically and thoroughly. None of us would be wise to make an important decision about anything in life without adequate and relevant information, and nor would tourism, hospitality and events organizations. There are two main stages in strategic analysis:

- Strategic analysis involves an examination of an organization's internal environment (internal analysis). This takes the form of a thorough analysis of the internal processes and structures of a business in much the same way as a doctor might carry out a thorough medical examination on a person. The purpose of internal analysis is to establish what the organization is good at (its strengths) and what it is not so good at (its weaknesses).
- The second stage in strategic analysis involves an examination of the organization's external environment (external analysis). This takes the form of a thorough analysis of two 'layers' of external

environment – the micro or near environment, and the macro or far environment.

The following attributes are commonly associated with strategic analysis:

1.   Identification and evaluation of data relevant to strategy formulation.
2.   Definition of the external and internal environment to be analysed.
3.   A range of analytical methods that can be employed in the analysis. Examples of analytical methods used in strategic analysis include:

•   SWOT analysis
•   PEST analysis
•   Porter's five forces analysis
•   Four corner's analysis
•   Value chain analysis
•   Early warning scans
•   War gaming.

SWOT ANALYSIS: A SWOT analysis is a simple but widely used tool that helps in understanding the strengths, weaknesses, opportunities and threats involved in a project or business activity. It starts by defining the objective of the project or business activity and identifies the internal and external factors that are important to achieving that objective. Strengths and weaknesses are usually internal to the organisation, while opportunities and threats are usually external.   Often these are plotted on a   simple 2x2 matrix.

Table 6: SWOT analysis

Strengths	**Opportunities**
What does your organisation do better than others? What are your unique selling points? What do you competitors and ~~customers in your market~~	What political, economic, social-cultural, or technology (PEST) changes are taking place that could be favourable to you? Where are there currently gaps in the market or unfulfilled demand?

Weakness	Threats
What do other organisations do better than you?	What political, economic, social-cultural, or technology (PEST) changes are taking place that could be unfavourable to you?
What elements of your business add little or no value?	
	What restraints to you face?
What do competitors and customers in your market perceive as your weakness?	What is your competition doing that could negatively impact you?

Source: Downey, 2007.

When using SWOT analysis, it should be ensured that:

• Only specific, verifiable statements are used. An example might be 'price is N1.50 per unit lower than competition' rather than 'good value for money'.
• Internal and external factors are prioritised so that time is spent concentrating on the most significant factors. This should include a risk assessment to ensure that high risk or high impact threats and opportunities are clearly identified and are dealt with in priority order.
• Issues identified are retained for later in the strategy formation process.
• The analysis is pitched at the project or business activity level rather than at a total company level, which may be less actionable.
• It is not used in exclusivity. No one tool is likely to be completely comprehensive, so a mixture of option-generating tools should be used.

PEST ANALYSIS: PEST analysis is a scan of the external macro-environment in which an organisation exists. It is a useful tool for understanding the political, economic, socio-cultural and technological environment that an organisation operates in. It can be used for evaluating market growth or decline, and as such the position, potential and direction for a business.

Political factors: These include government regulations such as employment laws, environmental regulations and tax policy. Other political factors are trade restrictions and political stability.

Economic factors: These affect the cost of capital and purchasing power of an organisation. Economic factors include economic growth, interest rates, inflation and currency exchange rates.

Social factors: These impact on the consumer's need and the potential market size for an organisation's goods and services. Social factors include population growth, age demographics and attitudes towards health.

Technological factors: These influence barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change.

PEST factors can be classified as opportunities or threats in a SWOT analysis. It is often useful to complete a PEST analysis before completing a SWOT analysis. It is also worth noting that the four paradigms of PEST vary in significance depending on the type of business. For example, social factors are more obviously relevant to consumer businesses or a B2B business near the consumer end of the supply chain. Conversely, political factors are more obviously relevant to a defence contractor or aerospace manufacturer.

PORTER'S FOUR FORCES ANALYSIS: Porter's five forces of competitive position analysis was developed in 1979 by Michael E. Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organisation. This theory is based on the concept that there are five forces which determine the competitive intensity and attractiveness of a market. Porter's five forces helps to identify where power lies in a business situation. This is useful both in understanding the strength of an organisation's current competitive position, and the strength of a position that an organisation may look to move into. Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.

The five forces are:

1. Supplier power: An assessment of how easy it is for suppliers to drive up prices. This is driven by:
• the number of suppliers of each essential input
• the uniqueness of their product or   service
• the relative size and strength of the supplier
• the cost of switching from one supplier to another.

2. Buyer power: An assessment of how easy it is for buyers to drive prices down. This is driven by:
• the number of buyers in the market
• the importance of each individual buyer to the organisation

- the cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.

3. Competitive rivalry: The key driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness.

4. Threat of substitution: Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.

5. Threat of new entry: Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.

Threats of substitution e.g.

- Buyer switching cost
- Buyer propensity to substitute
- Product differentiation

Buyer power e.g.

- Buyer information
- Buyer volume
- Buyer price sensitivity
- Buyer switching costs
- Bargaining leverage

Rivaltry e.g.

- Number of competitors
- Size of competitors
- Industry growth rate
- Differentiation
- Exit barriers

Supplier power e.g.

- Supplier concentration
- Importance of volume to supplier
- Cost relative to selling price

Threat of new entry e.g.

- Switching costs
- Economies of scale
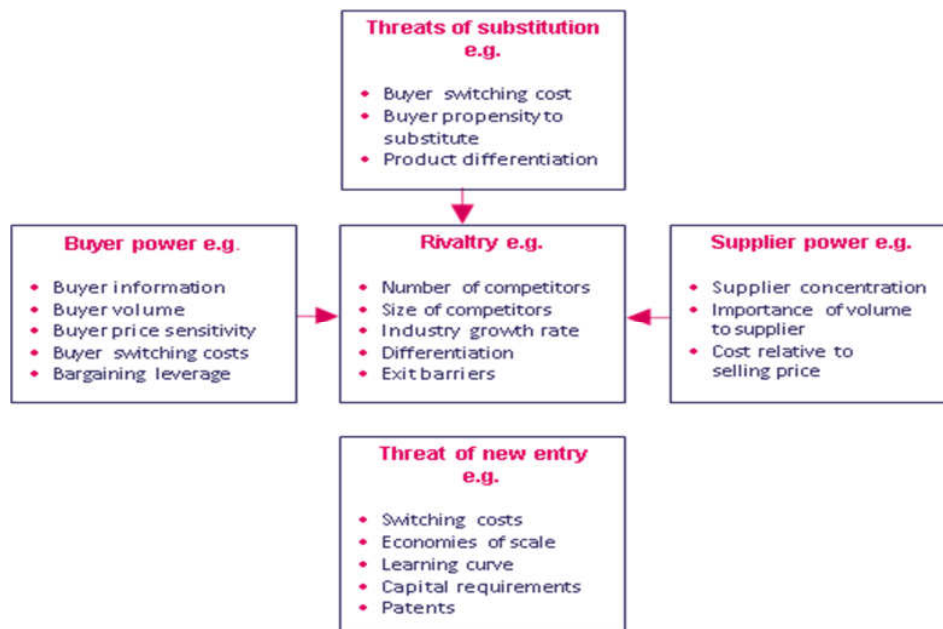- Learning curve
- Capital requirements
- Patents

Figure 10: Porter's five forces
Source: Downey, 2007.

UR CONER'S ANALYSIS: Four corner's analysis Developed by Michael Porter, the four corner's analysis is a useful tool for analysing competitors. It emphasises that the objective of competitive analysis

should always be on generating insights into the future. The model can be used to:

• develop a profile of the likely strategy changes a competitor might make and how successful they may be
• determine each competitor's probable response to the range of feasible strategic moves other competitors might make
• determine each competitor's probable reaction to the range of industry shifts and environmental changes that may occur.

The 'four corners' refers to four diagnostic components that are essential to competitor analysis: future goals; current strategy; assumptions; and capabilities.

Many organisations carry out basic SWOT analysis and have an appreciation for their competitor's strategies. However, motivational factors are often overlooked and yet are generally the key drivers of competitive behaviour. Understanding the following four components can help predict how a competitor may respond to a given situation.

Motivation – drivers: Analysing a competitor's goals assists in understanding whether they are satisfied with their current performance and market position. This helps predict how they might react to external forces and how likely it is that they will change strategy.

Motivation – management assumptions: The perceptions and assumptions that a competitor has about itself, the industry and other companies will influence its strategic decisions. Analysing these assumptions can help identify the competitor's biases and blind spots.
Actions – strategy: A company's strategy determines how a competitor competes in the market. However, there can be a difference between 'intended strategy' (the strategy as stated in annual reports, interviews and public   statements) and the 'realised strategy' (the strategy that the company is following   in practice, as evidenced by acquisitions, capital expenditure and new product development).

Where the current strategy is yielding satisfactory results, it is reasonable to assume that an organisation will continue to compete in the same way as it currently does.

Actions – capabilities: The drivers, assumptions and strategy of an organisation will determine the nature, likelihood and timing of a competitor's actions.

VALUE CHAIN ANALYSIS: Before making a strategic decision, it is important to understand how activities within the organisation create

value for customers. One way to do this is to conduct a value chain analysis. Value chain analysis is based on the principle that organisations exist to create value for their customers. In the analysis, the organisation's activities are divided into separate sets of activities that add value. The organisation can more effectively evaluate its internal capabilities by identifying and examining each of these activities. Each value adding activity is considered to be a source of competitive advantage. The three steps for conducting a value chain analysis are:

1.   Separate the organisation's operations into primary and support activities: Primary activities are those that physically create a product, as well as market the product, deliver the product to the customer and provide after-sales support. Support activities are those that facilitate the primary activities.

2.   Allocate cost to each activity: Activity cost information provides managers with valuable insight into the internal capabilities of an organisation.

3.   Identify the activities that are critical to customer's satisfaction and market success: There are three important considerations in evaluating the role of each activity in the value chain.

•   Company mission: This influences the choice of activities an organisation undertakes.

•   Industry type: The nature of the industry influences the relative importance of activities.

•   Value system: This includes the value chains of an organisation's upstream and downstream partners in providing products to end customers.

Value chain analysis is a comprehensive technique for analysing an organisation's source of competitive advantage.

EARLY WARNING SYSTEMS: The purpose of strategic early warning systems is to detect or predict strategically important events as early as possible. They are often used to identify the first   scene of attack from a competitor or to assess the likelihood of a given scenario becoming reality. The seven key components of an early warning system are:

1.   Market definition: A clear definition of the scope of the arena to be scrutinised. For example, is the arena a particular geographical region, brand or market?

2.   Open systems: An ability to capture a wide range of information on relevant competitors.

3.   Filtering: Information that has been collected on the arena needs to be   filtered according to significance. Expert

interpretation is required in order to identify particular events that signify strategic moves or shifts.

4. Predictive intelligence: Using knowledge of the forces driving a competitor to predict which direction they are likely to take. One technique is to build   likely scenarios and actively seek the signals that confirm the scenario. The predictions need to be assessed for their probability of occurring and potential impact.

5. Communicating intelligence: Ensuring that the right people in an organisation receive regular briefing on key signals.

6. Contingency planning: Events that have a high potential impact or probability of occurring may merit contingency plans, for example, a change of strategy or mitigating actions.

7. A cyclical process: The process of scrutinising information for new warning signals should never stop. While the emphasis is on emerging threats and opportunities, the process should be flexible enough to tackle unexpected shorter term developments too.

WAR GAMING: War games are a useful technique for identifying competitive vulnerabilities and misguided internal assumptions about competitors' strategies. Simulations of competitive scenarios are used to explore the implications of changes in strategy in a 'no risk' environment. They also encourage new ways of thinking about the competitive context. War games are often particularly useful for organisations facing critical strategic decisions. A typical business war game has the following characteristics:

- an off-site venue
- senior managers representing a cross-functional mix of participants
- two to three full days' duration
- four or more teams of between four to eight people each. Each team represents either the sponsoring company or one of its competitors
- preparation time in which each team receives a dossier describing the company they are representing, and its strengths and weaknesses

It also has the following characteristics:

- A structure where games comprise several 'moves' or decision rounds. Each move consists of a fixed, predetermined amount of time ranging from a   couple of months to several years. During each move, teams make and carry out strategic decisions. After each move, teams assess their positions relative to other teams.

• A 'control team' of facilitators who serve as the board of directors. They ensure that strategic plans are acceptable and legal. They also facilitate the debrief, in which participants review the merit of each strategy.

Self-Assessment Exercises 2

1. Name the 2 main stages in strategic analysis
2. List 7 analytical methods used in strategic analysis

1.5   Strategic Choice

Strategic choices refer to the activities in the organization that entails the understanding of underlying bases guiding future strategy, generating strategic options for evaluation and selection. Strategic choice is one of the critical aspects in the organization. Once the strategy is selected firm makes all the arrangement to implement it. The resources are gathered for its implementation. But if the strategy itself is defective then organization has to pay for it hence strategy choice becomes one of the important decision areas. When the right strategy is chosen, it gives many benefits to the organization like:

a. **Competitive Advantage:** Right choice helps in gaining competitive advantage in the market. Firm can introduce innovative products, improve quality and reduce cost.
b. **Coordination:** Strategies facilitate coordination throughout the organization. While deciding the choice of the strategy, the overall corporate and departmental strategies are considered.
c. **Corporate image:** Proper strategy selection and implementation improves the performance of the organization. Therefore the corporate image of the firm improves in the minds of various stakeholders.
d. **Organizational efficiency:** Right choice of a strategy leads to effective implementation, which in turn leads to higher performance and profits.
e. **Optimum use of resources:** Effective strategic choice enable optimum use of available resources
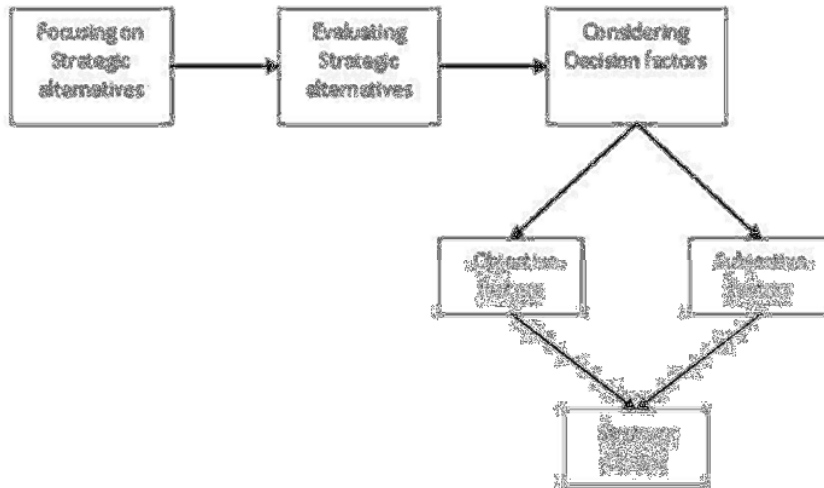
Figure 11: Process of strategic choice
Source: Business Policy and Strategic Management

The selection of a suitable strategic option is not an easy decision as it involves a lot of complex consideration. In simple terms an organization seeks to gain advantage over its competitors either by selling a cheaper product than the competitors, or a better product than the competitor, or cheaper and better product. These are the key strategic options available. During any phase of strategic review a number of strategic options will be generated from strategic analysis. The preferred option will pass the tests of suitability, feasibility and acceptability.

A price based strategy seeks competitive advantage by offering the lowest prices in the industry. A key way to achieve this is to reduce costs by offering a basic, standardized, mass-produced, no frills products with inessential aspects stripped out of the value chain. On the other hand, a differentiation strategy offers product quality and uniqueness. This is achieved through design, innovation, attention to quality and advertising.

Some organizations seek to provide high-quality products at low prices a hybrid strategy. This is difficult to achieve because adding extra consumer value adds to costs and forces up prices. It is generally feasible if an organization can achieve economies of scale so that average costs fall in line with a growth in output. Each of these positions offers a strategy for gaining competitive advantage.

Self-Assessment Exercises 3

1. What is strategic choice?
2. Mention 5 benefits of strategic choice

1.6 Strategic Implementation

Strategic implementation refers to the process of executing plans and strategies. These processes aim to achieve long-term goals within an organization. Strategic implementation, in other words, is a technique through which a firm develops. It utilizes and integrates new processes into the structure of an organization. This ensures that the culture, resources, people, and systems all follow the strategies put in place. Strategic implementation can be a driving force for your brand in a competitive market.

Strategic implementation relies on a few factors, including:

People: Do you have enough people to implement the strategy? Are these people the best candidates? You need your current employees to demonstrate the required skills and competencies.
Resources: This refers both to financial and non-financial support.
Structure: The organizational structure should be clear-cut, with leadership and authority established. Each member knows who they are accountable to and who they are responsible for.
Systems: What systems, capabilities, and tools are in place to facilitate strategic implementation? What are their functions?
Culture: Are all employees comfortable in their roles? Do they understand the overall objectives of the company? Are employees aligned with the brand's values and mission?

These factors form the backdrop for successful strategic implementation.

Self-Assessment Exercises 4

1. Define strategic implementation
2. List the factors that strategic implementation relies on

1.7 Summary

In summary, the description of the basic strategic technique presented in this chapter provides a conventional cycle of strategic planning and a traditional method of approaching strategy. However, it should be

remembered that the accuracy of most of the analysis in the plan is what determines if a strategy will be successful. Forecasting is a major component of analysis, because the future is notoriously unpredictable. We were able to talk about the significance of the mission and stakeholders in tourism management during the course of this study, as well as the methods of strategic analysis and decision-making and, eventually, the procedure of strategic implementation.

1.8   References, Further Readings, and Web Sources

Downey, J. and Technical Information Service (2007). Strategic Analysis Tools Topic   Gateway Series No. 34. Chartered Institute of Management Accountants. 16 Pp.

Evans, N., Campbell, D. and Stonehouse, G. (2003). *Strategic Management for Travel   and   Tourism*. Butterworth-Heinemann, 424 Pp.

Okumus, F., Altinay, L., and Chathoth, P. (2010). *Strategic Management for Hospitality   and Tourism.* Butterworth-Heinemann. 349Pp.

1.9   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   The mission of an organization can be viewed as what the organization is attempting to do, what its purpose or aim is, and where it intends to go in the medium to long term
2.   Clearly articulated, relevant, current, positive tone, individuality, enduring, adapted
3.   A stakeholder can be defined as any group or individual who can affect or is affected by the achievement of an organization's objectives

Self-Assessment Exercises 2

1.   Examination of organizational internal and external environments
2.   SWOT analysis, PEST analysis, Porter's five forces analysis, Four corner's analysis, Value chain analysis, Early warning scans, War gaming.

Self-Assessment Exercises 3

1.   Strategic choices refer to the activities in the organization that entails the understanding of underlying bases guiding future strategy, generating strategic options for evaluation and selection
2.   . Competitive advantage, coordination, corporate image, organizational efficiency, Optimum use of resources

Self-Assessment Exercises 4
1.   Strategic implementation refers to the process of executing plans and strategies
2.   People, resources, structure, systems, culture

Unit 2   MANAGING URBAN TOURISM

Unit Structure

2.1   Introduction
2.2   Learning Outcomes
2.3   Urban Tourism: Key Themes and Issues
2.4   A Framework for Managing Urban Tourism
2.5   Marketing Urban Tourism
2.6   Summary
2.7   References, Further Readings, and Web Sources
2.8   Possible Answers to Self-Assessment Exercises

2.1   Introduction

Urban tourism is seen as a vital sector with potential for economic and job growth on a global scale. Urban tourism has a significant and deeply ingrained role in supporting the sustainable management and utilization of regional urban resources. The socioeconomic benefits of tourism, which accounts for the majority of all journeys and overnight stays, are maximized in cities since they serve as tourist destinations. In all facets of current tourism practice, urbanisms with the new forms of socio-economic and political changes have made way for an unanticipated and quick development process.

In this section issues in the management of urban tourism, need for a systematic and holistic framework for managing urban tourism spaces and challenges of promoting urban tourism were highlighted.

2.2   Learning Outcomes

At the end of this unit, you should be able to:

•   identify key issues in the management of urban tourism
•   Highlight the need for a systematic and holistic framework for managing tourism in urban spaces
•   Identify the challenges of promoting urban tourism in an increasingly homogenous place market.

2.3   Urban Tourism: Key themes and issues

Urban tourism is recognized internationally as a crucial industry that offers potentials for economic and job growth. The role of urban tourism in supporting the sustainable management and use of local urban resources is largely recognized and is rooted within the discourse of urban tourism itself. Tourism in cities, which hosts the bulk of the entire journeys and the total overnight stays; make the most of the socio-economic benefits to those cities as they are spaces of attractions for tourists. Urbanisms with the new forms of socio-economic and political changes have given way to an unforeseen and speedy development process in all areas of existing tourism practice.

United Nations World Tourism Organization defines urban tourism as "trips taken by travellers to cities or places of high population density". Those visitors are attracted to the urban areas for different purposes such as business, conference, sport, culture and entertainment. The urban environment offers social, cultural, physical and aesthetic aspects where tourist activity can exist. This urban form shapes experiences as visitors can interact with attractions and the infrastructure can be generally developed for non-tourism purposes, local residents and economic activity. Every town, city or urban region whatever its inherent natural characteristics of site and terrain and man-made problems has a potential which stems from its own natural form, sense of place, sense of history, spirit and ethos.

Urban Analysis
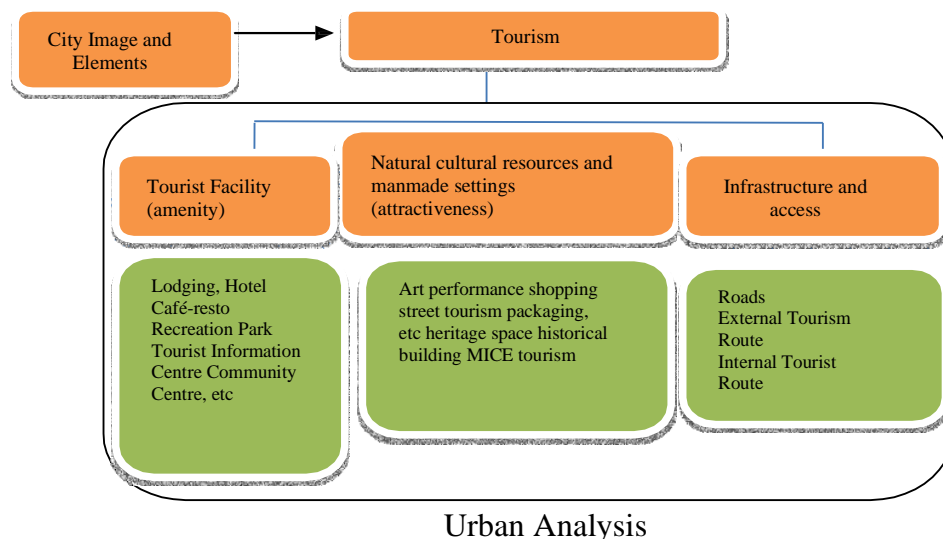
Figure 12: Framework for urban tourism
Source: Giriwati *et al.,* 2013.

The academic study of urban tourism often includes several key elements. These consist of:

The demand for urban tourism: identifying the 'urban tourist'; motivational factors; measuring demand; trends/patterns in demand; tourist-consumer behaviour; modelling/forecasting demand, etc.

The supply of urban tourism: primary elements, including 'activity' and 'leisure' settings; secondary elements, such as accommodation and restaurants; and additional elements including information services, car parking and so on.

Marketing urban tourism: selling the city; re-branding and re-imaging the city.

Policy, planning and management issues: tourism and regeneration; organizational structures and relationships, networks, collaboration); tourism policies (attractions, events, regional focus), etc.

The impacts of urban tourism: economic benefits/costs; socio-cultural development; sustainable generation, etc.

Although it is clearly evident that many towns and cities are important tourism destinations in their own right, the existence of an identifiable and definable phenomenon (i.e., 'urban tourism'), under which all tourism supply and demand in urban areas can be categorised, remains debatable. At the same time and, perhaps, of greater importance, is there an 'urban tourist', or are towns and cities simply convenient locations in which tourists can enjoy a variety of different experiences? The physical existence of tourism in cities does not in itself create an urban tourism that has any significance beyond the self-evident combination of a particular activity at a particular place'

Self-Assessment Exercises 1

> 1. Define urban tourism
> 2. List 5 purposes that attract visitors to the urban areas

2.4   A Framework for Managing Urban Tourism

Two things are clear from the debate above. Urban tourism is a complex concept that manifests in practice in a wide range of development perspectives, city attractions, tourist behavior, and so forth. Despite this diversity, there are a number of issues, particularly those related to effective and appropriate tourism development, that are prevalent in the majority of urban tourism contexts, if not all of them.
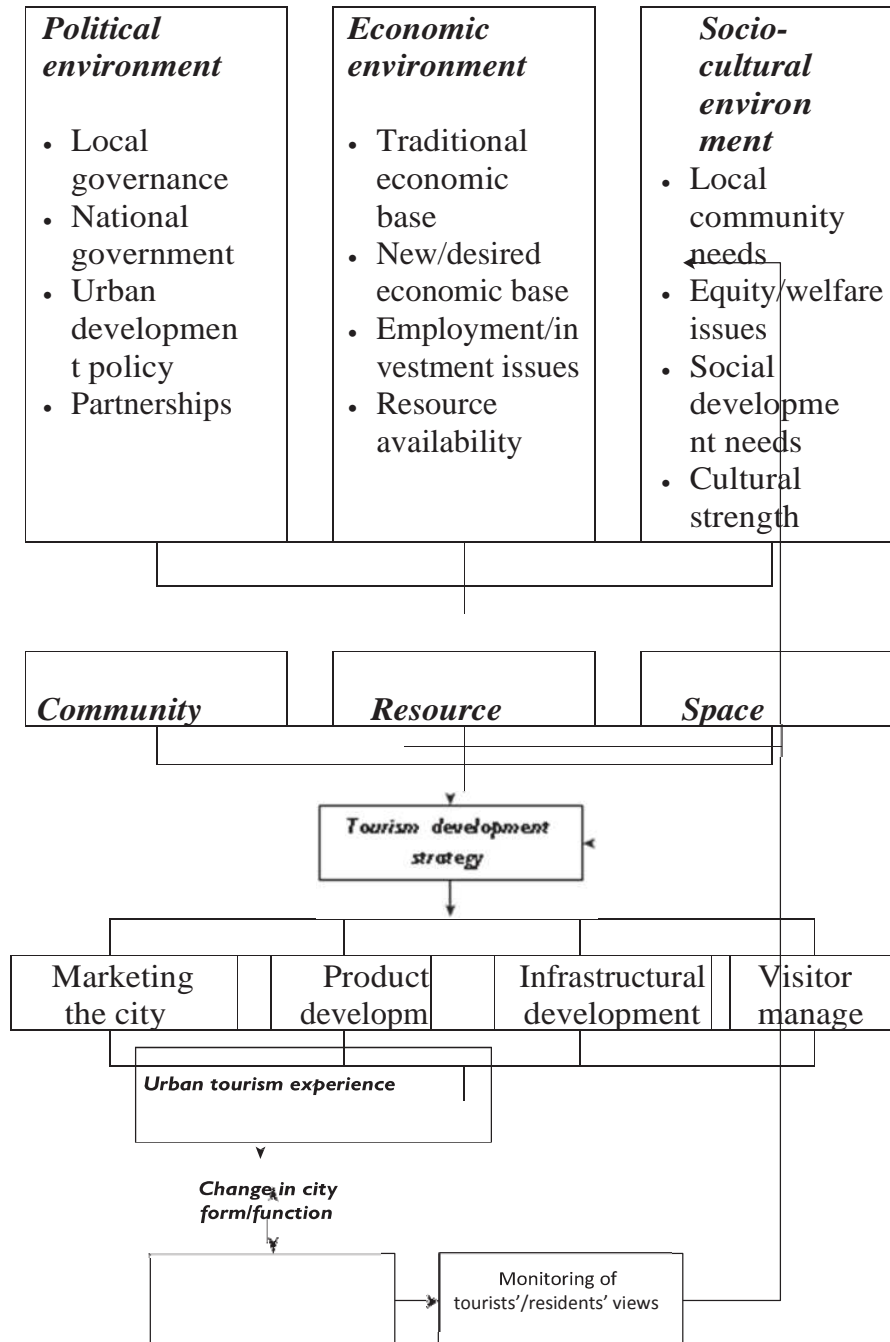
Figure 13: A framework for managing urban tourism
Source: Adapted from Tyler, 2000 and Page and Hall, 2003.

As a result, a framework is required that not only demonstrates the vast array of factors, influences, and processes that may have an impact on the development of urban tourism in various contexts, but also offers a reasoned, systematic procedure that should be followed in managing urban tourism development. One such framework is proposed in Figure 9. In this model, the starting point is not tourism, but the broader dynamic urban context to which tourism development may, potentially, make a contribution (one implication being that, as a result of this initial process, tourism may not in fact be selected as an appropriate development strategy under certain circumstances). Here, the political environment which include both local and national government structure and prevailing policies as well as the economic and socio-cultural environment must be taken into account in order to identify not only appropriate management structures and roles in developing urban tourism, but also the multitude of political economic and social forces that represent either opportunities or barriers. Thus, the need for viewing tourism not in isolation but as a part of holistic approach to economic and social policy-making.

Self-Assessment Exercises 2

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1. Outline 3 major environment in which tourism operates
2. Tourism should not be viewed in isolation from other policies
   Yes or No

2.5   Marketing Urban Environment

Marketing is defined as "managerial process involving the setting of organisational goals and objectives, analysis, planning and implementation. It is a set of activities that results in the formulation of plans and programmes. Through these activities an organisation seeks to bring about a voluntary exchange of values by providing benefits to its clients and potential clients and, through this, benefits to the organisation and its constituent parts or members.

City marketing can only fulfil its aims and objectives, when the stakeholders including locals, employees and managers of tourism organisations derive satisfaction from their sector, and when local authorities, visitors and tourism organisations see their expectations met. Place marketing embraces four activities:

1.   Designing the right mix of community features and services;
2.   Setting attractive incentives for the current and potential buyers and users of its goods and services;
3.   Delivering place products and services in an efficient and accessible way and;

4.   Promoting the values and image of a place so that potential users are fully aware of its distinctive advantages.

Any development strategy must include marketing as a crucial component if tourism development is to have a positive impact on urban revitalization and for that contribution to be maximized. Place promotion is increasingly a common aspect of modern urban life and city marketing initiatives. The process of identifying a location as a "place product" and creating and promoting it to satisfy the needs of identified consumers is known as marketing. As a result, Paris has a well-deserved reputation as Europe's capital of romance. Place pictures have been strongly associated with each city in the formation of perceptual global place maps as a result of marketing operations.

Self-Assessment Exercises 3

1. What is marketing? 2. State 4 activities embraced by place marketing

2.6 Summary

Development of the tourist industry requires integration into broader social and political objectives as well as the economic strategy of a particular country because tourism is a means to an end rather than an aim in and of itself. During the course of the discussion in this unit, we were able to define urban tourism, outline a framework for managing urban tourism, and finally address marketing urban tourism.

2.7 **References, Further Readings**, and **Web Sources**

Pender, L. and Sharpley, R. (eds.) (2005). *The Management of Tourism.* SAGE Publications Ltd. 372 Pp.

2.9   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   Urban tourism as "trips taken by travellers to cities or places of high population density
2.   Business, conference, sport, culture and entertainment

Self-Assessment Exercises 2

1.   Political, economic, socio-cultural
2.   Yes

Self-Assessment Exercises 3

1.   Managerial process involving the setting of organisational goals and objectives, analysis, planning and implementation

Or

The process of identifying a location as a "place product" and creating and promoting it to satisfy the needs of identified consumers

2.   Designing the right mix of community features and services; setting attractive incentives for the current and potential buyers and users of its goods and services; delivering place products and services in an efficient and accessible way and; promoting the values and image of a place so that potential users are fully aware of its distinctive advantages.

UNIT 3   MANAGING THE COUNTRYSIDE FOR TOURISM: A GOVERNANCE PERSPECTIVE

Unit Structure

3.1   Introduction
3.2   Learning Outcomes
3.3   Challenges in Rural Tourism
3.4   Tourism in the Rural Areas/Countryside
3.5   Summary
3.6   References, Further Readings, and Web Sources
3.7   Possible Answers to Self-Assessment Exercises

3.1   Introduction

The countryside has long been tourism destination. From the late 1700s, tourists who had traditionally visited the cultural centres of Europe were influenced by a belief in the restorative effects of happily constituted scenes and an increasingly romantic orientation to aesthetic sightseeing to visit rural areas. As a result, the countryside and mountains throughout Europe became the object of the tourist 'gaze' with Switzerland, in particular, becoming a popular destination. Similarly the English Lake district, revered by the poets and artists of the Romantic Movement, attracted increasing numbers of visitors from the start of the nineteenth century, as did the Scottish Highlands. Indeed, rapid technological advances in transport, the emergence of a fledgling tourism industry and desire to escape the burgeoning urban centres collectively fuelled the growth in rural tourism throughout the nineteenth century. It was also in the same nineteenth that attempts were first made to manage the countryside for tourism.

3.2   Learning Outcomes

At the end of this unit, you should be able to:

•   identify the challenges inherent in the management of rural tourism
•   apply the concept of governance to the management of rural tourism
•   consider the relative importance of local control and national policy in optimizing rural tourism's contribution to rural development.

3.3   Challenges in Rural Tourism

Several alternative definitions of "rural" are available for national and provincial level analysis in most countries. The challenge is to decide which one to use. The choice of rural definition matters because:

• different definitions generate a different number of "rural" people;
• even if the number of "rural" people is the same, different people will be classified as "rural" within each definition; and
• the characteristics of "rural" people are different for each definition of "rural."

One longstanding debate is whether "rural" is a geographical concept, a location with boundaries on a map, or whether it is a social representation, a community of interest, a culture and way of life. A society or community can be classified as rural based on the criteria of lower population density, less social differentiation, less social and spatial mobility, slow rate of social change, etc. Agriculture would be the major occupation of rural area. In general, "rural" is a term used by the United States Census Bureau to classify people who live in places with small populations or unincorporated areas with population density less than 1,000 per square mile. Rural tourism is a type of tourism activity in which the visitor's experience is related to a wide range of products generally linked to nature-based activities, agriculture, rural lifestyle / culture, angling and sightseeing. Rural Tourism activities take place in non-urban (rural) areas with the following characteristics: i) low population density, ii) landscape and land-use dominated by agriculture and forestry and iii) traditional social structure and lifestyle.

The characteristics of rural tourism are listed as

(1)   Activities are carried out in rural areas
(2)   It is functionally operated with small-scale enterprises which have interactions with nature, cultural heritage, traditional society, and traditional practices
(3)   The buildings and residential areas are small scale and represent rurality
(4)   It shows a traditional character. Growth is natural and slow. It is linked to rural families. It should be tightly controlled locally and developed for the benefit of the rural community in the long run
(5)   Contains a structure that incorporates the concepts of rural environment, rural economy, rural history, and rural settlement.

A number of challenges common to all rural/countryside destinations may be identified as follows:

Rurality: Rural tourism is, typically, underpinned by 'rurality'. Tourists seek rural (non urban, traditional, natural) experience, the countryside, however, defined, representing a touristic 'refuge from modernity'. Rural tourism development and management should therefore seek to maintain and enhance the experience of rurality.

Regeneration/development: Tourism must be planned and managed to meet the ultimate objective of revitalized the countryside through employment and income generation, attracting investment, service provision, realizing linkage opportunities in the local economy and so on. Thus, tourism must be developed according to local socio-economic development needs and opportunities.

Integration: Rural tourism should be integrated with broader rural development strategies at both the local and national tourism policies.
Balance: There is requirement to balance tourism with other demands on the rural resource base, while the potentially conflicting needs of local communities, landowners, visitors and the 'national interest' must be optimized.

Environmental Sustainability: The countryside is both finite and fragile. The centrality of the environment (physical and cultural) to the rural tourism experience demands appropriate monitoring, protection and conservation, and tourism development policies are necessary to maintain the integrity and attraction of the rural environment.

Realism: Different forms of tourism (e.g. inland resorts) may be more developmentally appropriate to local or regional needs than other 'traditional types of tourism. Equally, 'new' rural tourism activities must also be catered for. Therefore, rural tourism policy must embrace the notion of a dynamic countryside responding to wider socio-cultural change rather than be constrained by a conservative countryside aesthetic.

Business Development: Rural tourism businesses themselves face variety of challenges, including poor returns on investment, insufficient skills or resources for marketing, lack of training and the inability to adapt to a service culture, seasonality and a lack of collaboration with other small tourism businesses in the locality.

Self-Assessment Exercises 1

> 1. List 5 characteristics of rural tourism
> 2. Enumerate 7 challenges common to all rural/countryside destinations

3.4 Tourism in the Rural Areas/Countryside

The "imperative" of sustainability should lead the management of the countryside, which means that rural tourism should be developed and maintained in a way that it contributes to the region's or destination area's long-term, sustainable development. There are three main ways that this sustainability requirement can or should be implemented in terms of managing the countryside: (1) managing the rural tourist environment; (2) managing the tourism industry; and (3) using tourism as a component of overall rural development.

3.4.1 Managing the Rural Tourism Environment

It should come as no surprise that the main focus of plans and policies for managing the countryside as a resource for tourism has been upon the relationship between tourism and the physical/social environment upon which it depends, given the difficulties inherent in the practical application of sustainable rural tourism development. Simply put, the main goal of many sustainable rural policies has been to reduce the adverse effects of tourism growth and activity through effective resource planning and management. In other words, sustainable tourism is synonymous with sustainable resource use.

3.4.2 Managing the Tourism Business

It has long been understood that rural tourism firms face unique difficulties. For a while, public-private partnerships were the go-to strategy for controlling the growth of regional tourism enterprises and resolving issues faced by tiny, newly established businesses in a cutthroat industry. However, in recent years, the role that clusters and networks play in fostering regional competitiveness and thriving economies for rural tourism firms has come under more and more scrutiny. A cluster is basically a group of companies or industries in a specific area that are linked by their goods, markets, and other companies or organizations, such suppliers, with whom they do business. Increased scale economies, increased competitiveness, and a focus on collaboration and innovation are all advantages of clusters. Therefore, these clusters or networks can significantly aid in managing the tourism industry in rural areas.

3.4.3 Tourism as an Element of Overall Rural Development Policy

Tourism is widely considered an effective panacea to many of the socio-economic problems facing peripheral rural areas. Rural areas generally suffer high levels of poverty, and are also characterized by lower levels of non-farm economic activity, infrastructural development, and access to essential services. They may also suffer from depopulation of the able-bodied and lack of political clout. The development of tourism can help address several of these problems through:

i.   economic growth, economic diversification and stabilization;
ii.   employment creation, as primary source of income but most importantly secondary source of income;
iii.   reduced out-migration and possibly re-population;
iv.   maintenance and improvement of public services;
v.   infrastructural improvements;
vi.   revitalizing crafts, customs and cultural identities;
vii.   increasing opportunities for social contact and exchange;
viii. protection and improvement of both the natural and built environment;
ix.   increasing recognition of rural priorities and potential by policy-makers and economic planners.

Rural tourism has long been considered a means of such diversification of the rural economy. Tourism is the major part of the shift in the economic base of rural societies promoting thus rural vitality and sustainability. The synergies and interrelationships between tourism, agriculture and the other sectors of economic activity are increasingly important with many different players getting involved. Rural tourism has become a „development tool" for many communities seeking to diversify their economies due to its capacity to generate local employment, stimulate external investment into the communities and supplement traditional industries. Tourism economic and employment potential for rural areas depends heavily on the "linkages" it builds with the other sectors of the rural economy. The building of such interrelationships and synergies with local sectors such as agriculture, food processing, construction, transportation and other services minimizes the "leakages" of tourism growth outside the regions and strengthens production at local level.

3.4.4 The Governance of the Countryside

Reflecting the fragmentation of socio-economic structures within the countryside and increasingly diverse array of demands, including tourism, placed on the rural resource base, the manner in which the

countryside is governed has undergone a significant transformation in recent years. In particular, a pre-occupation with agricultural interests and concerns at both the local and national level has been superseded by a more diverse, multidimensional approach to the governing of rural areas. The model of rural tourism governance proposes that the successful management of the countryside must, at one level, seek to recognize, satisfy and balance the opposing needs of the conservation and commercial groups of actors within broader tourism and rural development objectives. This may be achieved through either a partnership of relevant stakeholders or, in the case of specific areas such as national parks, through an institution invested with appropriate powers and authority.

Self-Assessment Exercises 2

1. State 3 main ways that sustainability be implemented in managing the countryside
2. Highlight 9 developmental problems that tourism can help to

3.5 Summary

One component of the interconnected, interdependent collection of socioeconomic structures that make up the modern countryside is rural tourism. It supports a wide range of commercial interests, but its success is reliant on the beauty and health of the countryside. Furthermore, while frequently going unnoticed, tourism has taken over as the primary economic sector in many rural communities. As a result, not only should national tourism policy be synonymous with rural policy, but also efficient management of the countryside for tourism depends on the union of broad rural (tourism) policy with site- or destination-level economic and environmental management through a governance process. We were able to explore the following during the course of this study: difficulties that come with managing rural tourism, the role of governance in managing rural tourism, the relative significance of local control and national policy in maximizing rural tourism's contribution to rural development.

3.6 References, Further Readings, and Web Sources

Statistics Canada (2002). Definitions of "Rural". Statistics Canada, Agriculture Division.   44 Pp.

Pender, L. and Sharpley, R. (eds.) (2005). The Management of Tourism. SAGE Publications Ltd. 372 Pp.

3.7   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   Activities are carried out in rural areas; it   is   functionally
operated   with   small-scale enterprises   which   have
interactions with nature, cultural heritage, traditional society,
and traditional practices; the buildings and residential areas are
small scale and represent rurality; it   shows   a   traditional
character.   Growth is natural and slow.   It is linked to rural
families. It should be tightly controlled locally and developed
for the benefit of the rural community in the long run;
contains a structure that incorporates the concepts of rural
environment, rural economy, rural history, and rural settlement
2.   Rurality;   regeneration/development;   integration;   balance;
environmental Sustainability; realism; business Development

Unit 4   TOURISM AND THE ENVIRONMENT

Unit Structure

4.1   Introduction
4.2   Learning Outcomes
4.3   What is the Tourism Environment?
4.4   Tourism and Environment Conflicts
4.5   Managing the Tourism-Environment Relationship
       4.4.1 Managing Physical Resources
       4.4.2 Managing Visitors
       4.4.3 Sustainable Tourism Development
4.6   Summary
4.7   References, Further Readings, and Web Sources
4.8   Possible Answers to Self-Assessment Exercises

 4.1   Introduction

This lesson addresses the connection between tourism and the environment, paying particular attention to a systems approach to environmental management that enables more suitable, destination-specific strategies for handling the effects of tourism on the environment. The environmental revolution has had the most profound impact on human values and behaviour of any political, economic, and social evolution in the past century.

 4.2   Learning Outcomes

Having completed this unit, you should be able to:

•   Define tourism environment
•   describe the multidimensional and variable nature of the tourism environment
•   Highlight the need for a destination-specific focus in environmental management policies
•   Explain tourism and environmental conflicts.

 4.3   What is the Tourism Environment?

Tourism is a sector that depends on the environment. More than other economic sectors, the tourism industry relies heavily on environmental resources for its "production function." These resources are typically

unique and play a crucial part in deciding how appealing a place is to tourists. That is, the environment is a vital component of the tourism product. Since tourists look for appealing, unique, or distinctive surroundings that may support particular tourist activities, it is crucial to maintain a healthy, attractive environment for tourism to succeed in the long run.

It is common to think of the environment solely in terms of the location's physical characteristics. Indeed, a lot of writings distinguish between the social and cultural effects of tourism as well as its physical and environmental effects. Tourists may, however, be drawn to a place for reasons other than its physical characteristics (natural or man-made), as they look for chances to discover or engage with different nations or cultures. The tourism environment can therefore be seen as having social, cultural, economic, and political characteristics in addition to its physical components.

In this context, the term "tourism environment" refers to a broad range of variables that represent the external (dis)-economies of a tourist destination. These variables include natural anthropological, economic, social, cultural, historical, architectural, and infrastructural variables that represent a habitat onto which tourism activities are grafted and which is subsequently exploited and altered by the operation of tourism businesses.

While this definition includes the specifics of the tourism industry, it is also critical to take into account how different people perceive it from a managerial perspective. The factors mentioned in the aforementioned definition are descriptive and observable in other worlds, but how other societies perceive or value them may differ greatly. Particularly, there may be differences in how local people and visitors view or value the environment at the location; whereas visitors may place a great value on pristine or undeveloped environments, locals may only see them as legitimate resources to be exploited.

However, there not only exists a distinction between locals' and tourists' perceptions of environment. Tourists do not represent an homogenous group consumers; they are likely to perceive and interact with destinations environment in a multitude of different ways, depending upon their attitudes, motivations, and expectations. In other words the attitudes of the tourist to the environment will be reflected in their behaviour, which in turn will determine the degree of impact upon the environment. Thus, at one extreme tourists may have a complete disregard for the environment, placing the satisfaction of personal needs above environmental concerns; at the other extreme, they may feel a strong attachment to the destination environment and will attempt to

integrate themselves into it. This suggests that tourists' experience of the environment can be placed upon a continuum of perception/behaviour.

Self-Assessment Exercises 1

1. Define tourism environment
2. Tourism environment can be viewed as possessing ……………..
3. Distinguish between how local communities and tourists may perceive or value destination environment

4.4   Tourism and Environment Conflicts

One of the key components that lay the groundwork for tourism is the environment. The environmental effects of tourism growth, both positive and negative, have long been acknowledged and addressed. The following environmental conflicts arise as a result of tourism development.

a.   Poorly designed hotels and other tourist facility buildings, and inadequate or inappropriate landscaping, create visual pollution in an area. In the absence of a proper sewage disposal system for a hotel, resort or other tourist facilities, there occurs pollution of ground water from the sewage. If a sewage outfall has been constructed into a nearby river and there is no water treatment plant, the polluted water of the river is bound to cause diseases such as cholera, jaundice, etc.

b.   The improperly maintained exhaust systems of vehicles, campfires by trekkers and mountaineers, and use of firewoods for picnics, increase the danger of forest fires as well as air pollution. This can lead to the destruction of vast ranges of forest and wildlife. This questions the tourism industry's claim to be a clean industry.

c.   Noise generated by a concentration of tourists, tourist vehicles or helipads for tourist helicopters can result in ear damage and psychological stress to both tourists and locals. Even the screeching sounds of tourist vehicles inside a wildlife park can create behavioural changes and fear among the wild animals.

d.   Several types of ecological problem result from uncontrolled and unplanned tourism developments in the tourist regions. Felling of trees to make way for tourist facilities, ski slopes and ski lifts cause suffering to forests. Further, construction of hill roads also causes irreparable losses to ecological surroundings of the area. It is estimated that the cumulative effect of building just one kilometre of road can dislodge up to 112,000 cubic metres of debris.

e.   The search for herbal flowers of rare varieties has led to their wanton destruction and disappearance of rare species of flowers in tourism regions.

f.   The oars of the boats of the river-rafting tourists in the streams can cause extensive damage to the rare aquatic species. River rafting can also cause the loose pebbles in the water to go downstream, thereby choking the flow of water and causing floods.

g.   Destinations once noted for their particular character are reduced to unattractive showpieces as many countries endeavour to keep pace with the visitor inflow. Despite a measure of governmental control during the development, the great increase in numbers of visitors to these areas resulted in rapid, unplanned construction of hotels and dwellings for tourists and for migrant service employees.

These expansions threatened to destroy the very environment that is the tourist attraction. It thus implies a causal relationship between certain forms of tourism development and their inevitable environmental consequences, and that, importantly, such consequences are considered undesirable or bad and should therefore be minimized or avoided.

Self-Assessment Exercises 2

1. The environmental effects of tourism can be categorized as -------------
2. There is causal relationship between certain forms of tourism development and their ……………………………..

4.5   Managing the Tourism-Environment Relationship

It is not possible within the context of this unit to review fully the enormous variety of prevailing tourism environmental management strategies, whether at a broad policy level or with respect to specific sites and locations. Nevertheless, there exist three principal approaches to managing the environment for tourism.

4.5.1 Managing Physical Resources

It is important to find ways and manner of protecting or conserving the physical tourism resource base as follows:

Land Designation: The most common strategy for protecting areas of ecological, scientific, historical, scenic or, in the present context, tourism/ recreational importance is designation, whereby identified areas are designated according to necessary degrees of protection. The best

known form of designation, representing 57% of the world's protected areas, is national park status, which seeks to protect nationally important areas of ecological, educational and recreational purposes. Often however the local interest (and indeed, knowledge and experience of land management is subordinated to the national conservation/tourism development interest in much of the developing world, for example, national park designation has significantly disadvantaged local communities.

Spatial Planning Strategies: A variety of methods are employed to encourage tourism development in some areas while relieving pressure on sensitive or already degraded sites. The most popular of these is zoning, which attempts to prescribe varying levels of public use and conservation in different parts or zones of a larger area such as national park. It may also be utilized to separate incompatible tourism uses both spatially and temporally.

Site Management Techniques: At the local, site level, various techniques are employed to either protect sensitive areas or to facilitate regeneration or restoration of damaged sites. Such techniques may include, for example, the appropriate location and signing of roads and trails, the careful positioning of visitor facilities and the enormous diversity of methods employed, from 'site-hardening' measures to the temporary denial of access, to protect or restore particular resources, such as coastal areas, mountain trails and so on.

4.5.2   Managing Visitors

By definition, the impact of tourism is directly related to the behaviour or activities of tourists themselves. Moreover, differing attitudes and perceptions towards environment on the part of tourists are likely to be influential in determine the degree of impact experienced by any one tourism destination. It is not surprising, therefore, that effective visitor management is widely considered an integral element of environmental management.

The purpose of visitor management is to match the nature, scale, timing and distribution of tourism activity to the environment within which it occurs- that is, to ensure that the capacity of the environment to absorb tourists is not exceeded- as well as attempting to encourage "appropriate" behaviour on the part of individual tourists. In a broad sense, calls for tourists to adopt 'good' behaviour is a form of visitor management but the wide range of more specific techniques employed to manage visitor behaviour vary from soft, low-regulatory methods designed to inform or educate, such as information centres, interpretation and codes of conduct, through to high-regulatory methods

designed to limit access. In many instances such techniques are successful; reducing the number of car park spaces has, for example been found to be effective means of limiting tourists' numbers at particular natural area sites. However, visitor management more generally tends to be reactive 'solution' to a problem rather than an element of a wider, proactive environmental management process.

4.5.3 Sustainable Tourism Development

The two approaches to managing the tourism environment described above focus specifically on two separate elements of the tourism-environment relationship, namely, the physical environment and visitor behaviour. Conversely, sustainable tourism development attempts to address collectively the needs of all the players in the tourism destination- the local community, the physical environment, the cultural environment, the tourism industry and tourists themselves- in an approach that is intended to reduce tensions and friction created by the complex interactions between them. In other words, sustainable tourism development seeks to optimize the benefits of tourism to tourists (their experiences), the industry (profits) and local people (their socio-economic development) while minimizing the impacts of tourism development on the environment.

Self-Assessment Exercises 3

1. List 3 principal methods of managing physical resources   2. What is the purpose of visitor management?

 4.6 Summary

In summary, this unit made the case that a systems approach to managing the tourism environment may be more effective if it not only acknowledges the distinctive and dynamic qualities of destinations but also successfully incorporates local governance. We had the opportunity to talk about the following during our study of this unit: the definition of the term "tourism environment," the multidimensional and variable nature of that environment, the necessity of destination-specific attention in environmental management policies, and finally conflicts between tourism and the environment.

4.7 **References, Further Readings**, and Web Sources

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4.8   Possible Answers to SAEs

Self-Assessment Exercises 1

1. A broad range of variables that represent the external (dis)-economies of a tourist destination
2. Social cultural, economic, and political dimensions, besides a physical
3. Whereas visitors may place a great value on pristine or undeveloped environments, locals may only see them as legitimate resources to be exploited

Self-Assessment Exercises 2

1. Positive and negative
2. Environmental consequences

Self-Assessment Exercises 3

1. Land designation
2. Spatial planning strategies
3. Is to match the nature, scale, timing and distribution of tourism activity to the environment within which it occurs

Unit 5   MARKETING MANAGEMENT FOR TOURISM

Unit Structure

2.1   Introduction

Marketing as a management discipline offers the tourism manager that essential outward focus and receptivity to consumer needs that facilitates organizational success in the competitive environment of global tourism today. Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Marketing is the management process for identifying, anticipating and satisfying customer requirements profitably. The marketing concept holds that the key to achieving organizational goals through understanding and responding to consumers and market place conditions. Importantly these goals need not be profit-related and, thus, the practice of marketing in tourism has spread from commercial tourism industry to sectors and subsectors not traditionally associated with the discipline. These include public sector museums, national parks, charities responsible for heritage conservation, and so forth. For some organizations, the practice of marketing encompasses no more than differing forms of communication or promotion. This however, is to misunderstand the scope of discipline and its strategic dimension. Indeed, marketing may be better explained as a way of doing business, rather than as a 'stand alone' discipline.

5.2   Learning Outcomes

At the end of this unit, you should be able to:

•   explain the process of marketing in tourism
•   describe marketing plan in tourism
•   Explain branding as a focus for marketing plan

5.3   Marketing Process in Tourism

Marketing is a social and managerial process by which consumers obtain what they need and want through creating and exchanging product services and values with other. The emphasis is more on wants, needs, satisfaction, demand, and marketers. According to Gilbert "Marketing within tourism becomes the application of marketing process to the specific characteristics which apply to the tourism industry and its products.

Marketing is typically seen as the task of creating, promoting, and delivering goods and services to consumers and business. Marketers are skilled in stimulating demand for a company's products, but this becomes limited view of the tasks marketers perform. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. Marketing managers seek to influence the level, timing, and composition of demand to meet the organization's objectives.

There are eight different states of demand and the corresponding tasks faced by marketing managers. They are as follows:

i)   **Negative Demand:** when the markets dislike the products and avoid them, negative demand gets generated. The task of marketing managers is to analyse why the markets dislike the products and whether a marketing program consisting of product redesign, lower prices, and more positive promotion can change beliefs and attitudes.

ii)   **No Demand:** The target consumers may be unaware or uninterested in the product. The marketing task is to find ways to connect the benefits of the products with people's natural needs and interests.

iii)   **Latent Demand:** Consumers may share a strong need that cannot be satisfied by the existing Products.The marketing task is to

measure the size of the potential market and develop goods and services to satisfy the market.

iv)   **Declining Demand:** The demand for certain goods and services over a period of time starts declining. The marketer should analyze the causes of the decline and should determine whether demand could be re stimulated.

v)   **Irregular Demand:** Demand may vary on a seasonal, daily, or even hourly basis. The marketing task called Synchronic marketing is to find ways to alter the pattern of demand through flexible pricing, promotion and other incentives.

vi)   **Full Demand:** Organizations face full demand when they are pleased with their volume of business. The marketing task is to maintain the current level of demand in the face of changing consumer's preferences and increasing competition.

vii) **Overfull Demand:** Organizations may face a demand level that is higher than they can or want to handle. The marketing task called de marketing requires finding ways to reduce demand temporarily or permanently.

viii) **Unwholesome Demand:** Unwholesome products will attract organized efforts to discourage their consumption. The marketing task is to get people who like something to give it up. Example: Campaign against drugs, large families etc.

Marketing people are involved in marketing a variety of entities like goods, services, experiences, events, persons, places, properties, organizations, information and ideas.

Marketing teaches the techniques and strategies to promote products and services.

Marketing management is concerned with the skills to analyse, plan, coordinate and implement various strategies towards the accomplishment a customer's requirements and the firm's objectives. In a highly competitive market like tourism, the interest would be to improve market share and expand business. It should be remembered that in tourism, it is not only to sell tourism services but also dreams. Tourism manager must be fully equipped to do the job keeping in view the objectives of the organisation and its customers. This, can be done better through a proper understanding of marketing management.

The marketing processes and decisions vary to the extent of their formality; a micro-business in rural tourism, for example, has very different structures and style for managing marketing than the multinational tour operating and aviation conglomerate. A micro-business may have no written marketing plan (unless a loan is needed),

while the multinational may have written strategic and campaigns plans by brand, product or key segment. However, they may be equally foresighted (or not) in their strategic marketing thinking. And marketing is invariably results-driven.

In practice, successful marketers in one sub-sector of tourism can transfer to other sub-sector with ease, their value is recognized. Chiefly this comes down to their ability to handle the practical implications of characteristics of tourism within marketing decision-making. These characteristics are perishability, variability, inseparability and intangibility.

To these four characteristics should be added the cost structure of tourism businesses. This consists of high fixed costs and low variable costs, relatively fixed supply capability in the short term, and complementary between the different tourism elements. Moreover, no single tourism organization exists in isolation – from the users' perspective, the vacation experience (if we are referring to leisure tourism) consists of meals, transport, accommodation, sight-seeing, activities, and so on, all rolled into one, seamless experience.

Self-Assessment Exercises 1

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1. The key to achieving organizational goals from marketing perspective is …………………
2. Outline 8 different states of demand faced by marketing managers.

5.4   Managing Strategic Tactical Tension

Practical success revolves around managing the strategic tactical tension. Sometimes labelled as 'demand capacity management', skillful marketer in tourism is endlessly balancing their time and resources between short term demand capacity requirements and long-term brand development and strategic direction. Much of the tourism marketer energy focuses on stimulating last minute sales to fill remaining capacity; remember the service characteristics of perishability, relatively fixed capacity and high fixed costs. The combination of perishability, fixed capacity and high fixed costs serves to beef up profits or plummet losses in a way not experienced by the marketer of physical goods. As a consequence, tourism marketers need to pay close attention to demand patterns. For example, the development of yield management systems in aviation is rooted in the analysis of historic sales data that allows predictions to be made for a given route and timing, so that overbooking percentages and price alterations can be made on a continuous basis with

a degree of confidence unimaginable in previous decade. Development in information technology have allowed capacity for production to be inventoried for distribution and tracking of subsequent sales. It is therefore no surprise that many sub-sectors in travel and tourism have invested heavily in information technology.

Self-Assessment Exercises 2

> 1. The demand capacity management is labeled as ……………….
> 2. Tourism marketers need to pay close attention to ………………

5.5   Marketing Process and Plan in Tourism

A marketing process is a series of steps that allow organizations to identify customer problems, analyse market opportunities, and create marketing materials to reach the desired audience. The marketing process consists of four elements: strategic marketing analysis, marketing-mix planning, marketing implementation, and marketing control.

Marketing plan is a written declaration identifying target markets, specifying the marketing objectives by individual products, grouping earnings and profits according to strategic business units, containing scheduling and budget elements of the marketing mix, which together create the marketing programme. The planning process in general includes three steps:

a)   a situation analysis (where are we, where are we headed),
b)   objectives setting (where are we and where do we want to be) and,
c)   the specification of marketing activities (the allocation of marketing resources for achieving set objectives).

An important element is also the identification of market opportunity according to new markets and according to new products. The marketing plan is the component of the business plan. The yearly plan concerns marketing objectives and strategies for a product, product range, development of the bank for one year, while the long-term marketing plan concerns a period of two to five years. The creation of the marketing plan is understated as a strategic process, where this is based on information and activities. The result is the marketing plan, which is realised and monitored in connection with the results achieved.

Marketing –plan is the accepted output, commonly (though not exclusively in written format). The marketing process is ongoing, but

the written marketing plans cover different time scales designed to dovetail into one another. The strategic plan sees Table 10.1 creates the overall goals and direction for the series of tactical (often annual) plans. In large travel and tourism companies, marketing plans may be written for specific brands, key segments or products, and some tactical plans may take the form of an integrated communications campaign focusing on a shared message: Spain's 'everything under the sun', or passion of life or Champney's mind, body, spirit.

Table 7: A comparison of strategic and annual plans

Strategic Marketing (3-5 years Typical	Annual or Tactical Marketing Plan (1 year)	
Situation analysis: Macro Micro External internal	Summary of SWOT	Situation analy sis
Forecast/Prognosis	Target segments	
Key factor for success and distinctive	Annual marketing objectives In SMART format	
SWOT analysis	Product	(Objectives)
Target segments Including profile	Price	(Objectives) Strategies Tactics
Positioning statement Including positioning map	Distribution	(Objectives) Strategies Tactics
Marketing objectives	Communication (Objectives) Strategies Tactics	
Strategies which may be categorized as Product, Price,	Monitoring, evaluation and control Including budget	
Evaluation and control Including budget		

Adapted from Godfrey and Clarke (2000)

Self-Assessment Exercises 3

> 1. What is marketing process?
> 2. Define marketing plan
> 3. List 3 steps that are involved in planning process

5.6   Branding as Focus for Marketing Effort

A brand can be defined as a set of tangible and intangible attributes designed to create awareness and identity, and to build the reputation of a product, service, person, place, or organization.

The objective of branding strategy is to create brands that are differentiated from the competition, thereby reducing the number of substitutes in the marketplace. When high brand equity is achieved through brand differentiation, the price elasticity of demand becomes low, allowing the company to increase price and improve profitability. Branding strategies are built on the interdependent frameworks of competitive brand positioning, value chain development, and brand equity management.

Competitive brand positioning requires the identification of a distinct market space and a cognitive location as perceived by consumers. Effective brand positioning helps strategists determine what the brand stands for, its unique selling points, how it overlaps with competing brands, and the value derived from the usage of the brand. A competitive position is attained through strong brand recognition, which can be developed by differentiating product attributes such as product features, quality, selection, price, and availability. Competitive brand positioning can be developed by addressing each stage in the value chain from production to the point of sale.

Value chain development is based primarily on product innovation and market development. Product innovation includes strategic initiatives on product design and the ability to introduce new product categories and line extensions. Market development revolves around pricing strategy, distribution strategy, and marketing communications. Communications are designed to create a consumer mindset where brand awareness, associations, and attitudes are formed. Brand names, logos, advertising, and product packaging constitute the visual component of market development.

Brand equity is the set of assets and liabilities associated with a brand, such as the positive image of Coca Cola in terms of a recreational beverage, or its negative image in terms of health and the consumption

of sugar. Brand equity management is becoming an important component of corporate strategy.

The most noticeable differences between large travel and tourism organizations and micro enterprises (or even destinations) is the ability to develop strong brands. Many of the wished for brands are little more than logos and names – there is scant awareness among potential consumers or other stakeholders in the market place, and the logos carry no meaningful values for consumers to identify with. Destinations particularly those at a local level, find it particularly hard, possibly due to the limited resources and control those responsible have for engineering the desired images. Readers can be probably recall their own examples. Some may take a form of 'brand franchising' (or using a name/symbol recognized in another product category to provide 'instant' awareness and value for the consumer). Efforts to brand sustainable tourism schemes and ecolabels have met with limited success and much consumer confusion (Synergy, 2000). Yet branding may offer distinct advantages for travel and tourism in, for example countering the effects of intangibility and variability or facilitating precise segmentation or by providing a focal point for the integration of producer effort.

It is worth nothing that some of the most interesting and successful brands in travel and tourism today are in fact, a type of corporate branding, whereby the values of the brand are not fixed to a given product but transfer freely from product category to product category. The virgin brand carries its values to different sectors where it feels it can challenge established yet sleepy competitors. The easy group follows a similar approach. Among the niche brands, it is possible to find plenty of strong examples of lifestage brands (or brands that are designed to attract consumers in a given life-cycle stage, which they subsequently outgrow or move on from); brands such as Club 18-30 (for singles), Saga (for older vacationers), or Sandals (geared to couples) speak to distinct and recognizable consumer life-cycle stages.

Self-Assessment Exercises 3

1. Define a brand
2   Mention 3 interdependent frameworks of branding strategies

 5.7 Summary

This unit set out to give a flavour of some of the challenges faced by marketers in travel and tourism today and links these challenges back to

the underlying characteristics of the products. The discussion gives the reader and opportunity to further develop and explore some of the ideas being highlighted within generic marketing. The following issues were discussed in this unit: the process of marketing in tourism, marketing plan in tourism, managing strategic tactical tension, and finally branding as a focus for marketing plan.

5.8 **References, Further Readings**, and **Web Sources**

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5.9   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   Through understanding and responding to consumers and market place conditions
2.   Negative Demand; No Demand; Latent Demand; Declining Demand; Irregular Demand; Full Demand; Overfull Demand; Unwholesome Demand

Self-Assessment Exercises 2

1.   Managing strategic tactical tension
2.   Demand patterns

Self-Assessment Exercises 3

1.   A series of steps that allow organizations to identify customer problems, analyse market opportunities, and create marketing materials to reach the desired audience
2.   Marketing –plan is the accepted output, commonly (though not exclusively in written format).
3.   a situation analysis (where are we, where are we headed), objectives setting (where are we and where do we want to be) and, the specification of marketing activities (the allocation of marketing resources for achieving set objectives).

Self-Assessment Exercises 4

1.   A brand can be defined as a set of tangible and intangible attributes designed to create awareness and identity, and to build the reputation of a product, service, person, place, or organization
2.   Competitive brand positioning, value chain development, and brand equity management

MODULE 3

Unit 1   Managing Finance for Tourism
Unit 2   Ethics in Tourism Management
Unit 3   The Role of Government in the Management of Tourism
Unit 4   Information and Communications Technologies for
              Tourism
Unit 5   The Management of Crisis in International Tourism

UNIT 1   MANAGING FINANCE FOR TOURISM

Unit Structure

1.1   Introduction
1.2   Learning Outcomes
1.3   Financial Management
        1.3.1 Long Term Investment Decision
        1.3.2 Investment Appraisal Method
        1.3.3 Risk Management
1.4   Summary
1.5   References, Further Readings, and Web Sources
1.6   Possible Answers to Self-Assessment Exercises

1.1   Introduction

The course takes into account the significance of financial management for businesses engaged in the travel and tourist sector. There is a limit to how much of the topic can be covered because it is so broad. Before looking into two crucial financial management challenges, business objectives are first taken into account. The first of these examines how a company may choose the long-term commercial ventures in which it should invest. All business operations are greatly impacted by these strategic investments, which also have an effect on other business disciplines like marketing, operational management, and human resource management. All business owners and managers should take these decisions seriously because they have an impact on business performance. The identified investments that will increase the wealth of the business owner(s) will serve as the basis for the evaluation study in this unit.

1.2   Learning Outcomes

At the end of this unit, you should be able to:

•   explain the importance of financial management for business operating in the travel and tourism industry
•   discuss the importance of long term capital investment decisions
•   explain the information requirements for decision-makers responsible for assessing potential business investment opportunities
•   describe the implications of risk for long term investment in the travel and tourism industry.

1.3   Financial Management

Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Hence, it is called as lifeblood of business organization. Whether the business concerns are big or small, they need finance to fulfil their business activities. In the modern world, all the activities are concerned with the economic activities and very particular to earning profit through any venture or activities. The entire business activities are directly related with making profit. According to the economics concept of factors of production, rent given to landlord, wage given to labour, interest given to capital and profit given to shareholders or proprietors, a business concern needs finance to meet all the requirements. Hence finance may be called as capital, investment, fund etc., but each term is having different meanings and unique characters. Increasing the profit is the main aim of any kind of economic activity.

Define financial management as an area of financial decision-making, harmonizing individual motives and enterprise goals. Financial Management is an essential part of the economic and non-economic activities which leads to decide the efficient procurement and utilization of finance with profitable manner. Understanding the basic concept about the financial management becomes an essential part for the students of economics, commerce and management.

The main goal of a business is to raise capital and invest it in lucrative business ventures. The wealth of business owners can be increased by securing suitable financing at a cheap cost and investing it in ventures yielding substantial profits. Therefore, it is crucial to assess investment opportunities to determine which are the most desirable and to raise the

necessary long-term cash to sustain these investments. As a result, the challenges listed below are related to financial management.

1.3.1 Long Term Investment Decision

Investment decisions, the most important financial decision, is concerned with determining the total amount of assets to be held in the firm, the make-up of these assets and the business risk complexion of the firm as perceived by the investors. Long term investment decision decides about the allocation of capital to investment projects whose benefits accrue in the long run. It is concerned with deciding:

a.   What capital expenditure should the firm make?
b.   What volume of funds should be committed?
c.   How should funds be allocated as among different investment opportunities?

Long-term investing has not proved easy to define as it more closely resembles an attitude towards investing than an investing style that can be captured in a single formulaic sentence. Although there are many different perspectives, long-term investing can be usefully defined as investing with the expectation of holding an asset for an indefinite period of time by an investor with the capability to do so. Typically this long-term investment is expected to be held for at least 10 years or through an entire business cycle. The key constraints to making long-term investments according to are:

• **Liability profile**—the degree to which the investor must service short-term obligations, such as upcoming payments to beneficiaries. Institutions that might need to liquidate a significant percentage of their assets to meet short-term obligations are restricted in making long-term investment decisions
• **Investment beliefs**—whether the institution believes long-term investing can produce superior returns
• **Risk appetite**—the ability and willingness of the institution to accept potentially sizable losses
• **Decision-making structure**—the ability of the investment team and trustees to execute a long term investment strategy.

Long-term investment of funds may be generally needed for the following purposes:

• the replacement and/or acquisition of new capital assets
• new products
• cost savings

- acquisitions and mergers
- Expansion of operation
- Diversification in operations
- Research and Development

The benefits of long term investment are:

- might offer better returns to certain investors
- could bring benefits to individual corporations
- may be a "social good" by helping to stabilize the financial markets, promote global economic growth and bring wider social benefits.

Long-term investment involves making a capital outlay at the beginning of a company initiative in the hope that the advantages that will accrue in the future will make this investment worthwhile. Therefore, in order for a business to succeed, it is imperative that it locates appealing investment opportunities. The action that makes up the investment can take many different forms and frequently involves large sums of money. Such investment choices can have a substantial impact on the operations of the firm for many years and can greatly affect its performance in the future. They can also be challenging to undo, thus it is crucial that the effects of these choices are carefully considered before authorizing the expenditure.

1.3.2 Investment Appraisal Method

Assessing the expected effect of a choice on the company's future performance is a necessary step in evaluating a prospective investment opportunity. However, given the unpredictability of the contexts in which travel and tourist enterprises operate, such forecasts are challenging. As a result, any business investment initiative carries some degree of risk. Because of this, risk is a necessary and even desirable byproduct of commercial action. If those putting money into a firm don't want to take such risks, they can put their money into low-risk investments like bank deposits or government bonds. They take on more risk but also have a higher chance of success when they invest in business initiatives.

Business managers should be aware of the variety of potential long-term investment options that are accessible to them given the importance of long-term investment decisions. Therefore, it is essential that individuals carefully weigh the ramifications of each option before investing what may be a sizeable amount of wealth considering the risk and potential returns.

Net Present Value is the most populous techniques that can be used for investment appraisal. If the NPV value is positive, then the project is worth of investing. The net present value method involves estimating a project's future cash flows discounting these cash flows at the firm's required rate of return (or cost of capital) and subtracting the cost of the investment from the present value. The decision rule adopted by the NPV method is therefore that a project is accepted if its NPV is greater than or equal to zero.

A case study is illustrated below:

Net present value in investment decisions- hotel vending equipment.

A hotel is considering investing $100,000 in vending machines. It has forecast that the machines will have a useful life of three years and that income from the equipment will be as follows:

Year	Income ($)
1	120,000
2	140,000
3	150,000

It is expected that the cost of the items sold will average 60% of the selling price and that the annual maintenance cost for the equipment will be $5,000. The cost of capital for the hotel is 10% per annum.

Solution: Determination of expected net present value

a Year	b Initial invest-ment	c Income	d Cost C x 60%	e Mainte-nance	f net cash flow (b+c+d+e)	g 10% DF	h NPV (fxg)
0	-100,000				-100,000	1.000	-100,000
1		120,000	-	-5,000	43,000	0.909	39,087
2		140,000	-	-5,000	51,000	0.826	42,126
3		150,000	-	-5,000	55,000	0.751	41,305
						Total	22,518

Decision: it is advice to commence and invest in hotel vending equipment based on the foregoing positive value resulted from the above analysis.

1.3.3 Risk Management

Risk management is an organizational model aimed at developing the quality of management processes; it stands out by analysing the events that have not materialized within the organization. Unlike most

managerial systems, risk management doesn't overlap with other internal controls because it represents a different perspective that cuts across planning and control, performance evaluation system, audit, quality and so on.

Therefore, risk management helps the organizations bring about a higher level of quality of services and products because it supports the decision-making processes, preparing for the difficulties that could hinder the achievement of the strategic goals. In a few words, the main objective of risk management concerns protecting and strengthening:

•   Values, ethics and sense of belonging
•   The entity's tangible and intangible assets
•   Growth of organizational culture
•   Leadership and relationship
•   Effectiveness and efficiency of processes
•   Resources for strategic priorities
•   Stakeholder's satisfaction

The influence of the investment choice on the business's cash flows is a major worry that arises from the usage of investment assessment tools. Given that businesses work in dynamic and uncertain contexts, assessing and managing risk is a topic that is becoming more and more important. Due to its high degree of sensitivity to levels of economic activity, risk is a particularly significant issue for enterprises working in the travel and tourist sector.

Self-Assessment Exercises 1

1. Define financial management
2. What does net present value method of investment appraisal entail?
3. What is the major concern arising from the employment of investment appraisal technique?

1.4   Summary

In summary, our research has shown that financial management in the travel and tourist sector is necessary and must be carried out with great care and attention to accurate investment assessment. When the net present value example of the discounted technique of appraisal was used, it produced a positive result, indicating that it was worthwhile to invest in the business in question in the example. The following topics were covered during this discussion: the significance of long-term

capital investment decisions, the necessity of financial management for businesses operating in the travel and tourism sector, the information needs for decision-makers charged with evaluating potential business investment opportunities, and finally the implications of risk for long-term investment in the travel and tourism sector.

1.5   References, Further Readings, and Web Sources

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1.6 Possible Answers to SAEs

Self-Assessment Exercises 1

1. Define financial management as an area of financial decision-making, harmonizing individual motives and enterprise goals
2. The net present value method involves estimating a project's future cash flows discounting these cash flows at the firm's required rate of return (or cost of capital) and subtracting the cost of the investment from the present value
3. A major concern arising from the employment of investment appraisal techniques is to use the impact of the investment decision on the cash flows of the business

UNIT 2   ETHICS IN TOURISM MANAGEMENT

Unit Structure

2.1   Introduction
2.2   Learning Outcomes
2.3   The Problem of Ethics Implementation
2.4   Conflicting Surrounding Ethics
2.5   Ethical and Responsible Business
2.6   Summary
2.7   References, Further Readings, and Web Sources
2.8   Possible Answers to Self-Assessment Exercises

2.1   Introduction

Ethics is both a field of philosophical enquiry and part of our daily lives, part of the way business is done. Ethics refers to the code by which human conduct is guided; for example it is about the way business is done, the way we treat each order and the way we travel. Tourism and hospitality industry is one of the most crucial industries that perhaps require observance of the highest possible levels of ethical practice on a day-to-day basis. The ethics of tourism management is therefore concerned with ways in which tourism is managed. Ethics in the tourism and hospitality industry are vital aspects. The tourism and hospitality industry is a complex industry in which many things can negatively affect its overall operations. Ethics are a set of standards that regulate conduct and overall operations. Ethics is explained as differentiating between 'good and bad', 'right and wrong' or 'morally correct and incorrect'. The word is derived from the Greek word 'ethos' that signifies character, morality, honourable code of conduct/behaviour. Ethics are imbibed by the individual, groups in society and businesses/organizations. As ethics encourage responsible conduct and accountability, they need to be embedded into every sphere of an individual's life and every aspect of an organization's operations for the interest of universal welfare.

The international community regularly calls for global action to provide more decent lives for more of earth's inhabitants, while securing the future for everyone. Those common calls to action invoke a set of global moral practices – practices like economic development, public health, human rights regulation, and environmental protection. The United Nations World Tourism Organization approved in 1999 a World Code of Ethics for Tourism as a reference framework for the ethical management of actors in the sector and for the responsible and

sustainable development of tourism activities. The document is articulated in ten principles:

i.   Contribution of tourism to understanding and mutual respect between men and societies
ii.   Tourism as an instrument of personal and collective development
iii.   Tourism as a factor of sustainable development
iv.   Tourism as a factor for the use and enrichment of the cultural heritage of mankind
v.   Tourism as a beneficial activity for destination countries and communities
vi.   Obligations of tourism development agents
vii.   Right to tourism
viii.   Freedom to travel
ix.   Rights of workers and employers in the tourism sector
x.   Application of the principles of the World Code of Ethics for Tourism

The entire sector cannot be governed by a single professional code of conduct. In an industry with this level of globalization and cultural diversity, there isn't likely to be one ever. The raw material for the industry is the diversity of the places and people on Earth (as well as their ethics), and it is precisely this diversity that prevents any one ethical code from predominating. There are, however, various sets of regulations targeted at various aspects of the travel and tourist sector.

There is undoubtedly a legal foundation for how commerce is done. Everyone who engages in tourism is subject to those legally established norms, which the state can enforce. Legal codes that are applicable include business and consumer law, as well as more specialized laws like the EU Package Travel Directive and rules governing tourism in national parks. Philosophical and legal communities disagree on the moral foundation of laws and regulations. Ethical decisions typically result from a person's or group's particular set of values or from a reaction to a specific problem. Tour companies like Tribes Travel and Discovery Initiatives have made it clear that they will save the environment and help the communities where they operate.

2.2   Learning Outcomes

At the end of this unit, you should be able to:

•   describe the various ethical issues in tourism management
•   identify problem of ethics implementation
•   explain the conflicts surrounding ethics

- highlight ethical and responsible business

2.3 The Problem of Ethics Implementation

Even though most people would say that ethical issues are a concern, it can be difficult to convince people to take ethical responsibility because these challenges are often seen to exist on a national or even international scale. Although a lot of effort has been put into raising awareness of ethics in tourism management, this has mostly focused on the creation of codes of conduct. This strategy obviously depends on the support of the business community, but studies have shown that the business community has reluctance to abide by such standards.

One could argue that a more transparent management framework is required with regard to ethics. A true management strategy would promote the creation of international standards and a shift away from volunteer rules. Although there are compelling arguments for more ethical business practices in general and in the tourism industry in particular, the expansion of small firms with low levels of profit and related problems is a significant challenge.

What about the actual ethical strategy? There is evidence of a backlash against ethical methods right now. How moral is it, for instance, to limit the travels of a tourist who has spent a lot of money, say, on a safari in Kenya. In exchange for the money spent by tourists, there are unavoidable expenditures that must be anticipated and, in many circumstances, accepted.

Self-Assessment Exercises 1

> 1. What are ethics?
> 2. Ethics in tourism has primarily been based on the creation of ……….

2.4 Conflicts Surrounding Ethics

Assuming conformity with the legal and regulatory framework, discussions regarding ethical tourism instead concentrate on additional standards and principles of conduct, typically at the individual, corporate, or trade association levels. It is crucial to understand that discussions of morality and ethics are frequently complex and that the terminology employed in these discussions can be perplexing. For instance, it is fairly typical for individuals to accuse others of unethical behavior, and this accusation may very well be motivated by an ethical principle.

Case study: Tourism concerns and Myanmar

Due to the policies and practices of the regime in Myanmar, the tourism industry has been promoting a boycott of the country. Tourism Concern has waged a campaign against Lonely Planet for continuing to publish its travel guide to Burma and argues that tour operators shouldn't offer vacations to the nation. Whether we like it or not, there are frequently ethical choices to be made when we think about traveling, according to one argument. Although they might not be pleasant, by doing nothing, we can allow violations of human rights to continue. Whether we travel to Burma or not, we can all assist people who fight for justice there by opposing Lonely Planet's advocacy of travel to that nation by boycotting their publications.

Asserting that Lonely Planet is ignorant of the moral dilemmas, they claim that there is continuing discussion both inside and outside of Myanmar over whether or not informed tourism contributes to the reestablishment of democracy and human rights. Two conflicting travel ethics are at odds in this situation. To promote tourism to an oppressive state, according to Tourism Concerns, is unethical. Travel to Myanmar, according to Lonely Planet, may at the very least be thought to be a factor in the country's return to democracy. This debate does not need to be addressed; it is only being offered to show how two opposing ethical systems clash.

Self-Assessment Exercises 2

1. Travelling involves frequently making ………………
2. Explain the two ethical conflicts using Myanmar as a case study

2.5   Ethical and Responsible Business

Business ethics guide the conduct by which companies and their agents abide by the law and respect the rights of their stakeholders, particularly their customers, clients, employees, and the surrounding community and environment. Ethics as part of every field of human activity is gaining increasingly more importance in all societies. Ethics starts with a person—a real, living, breathing human being who makes moral and ethical choices everyday for better or for worse. Ethical questions are essentially questions about whether people ought or ought not to perform certain kinds of actions; about whether those actions are good or bad, right or wrong, virtuous or vicious, worthy of praise or blame, reward or punishment, and so on.

Topics of business ethics and corporate responsibility keep fascinating us today and probably also in the future and some people may believe that the topics of ethics and responsibility in business are new and the phenomenon of maximum recent 50 years. However, we can say that questions of ethics in business are as old as business itself. The first

facts about business ethics were written down already more than 2500 years ago. 'The basis for ethics, or the moral point of view, is that most people, most of the time, take, or want to take, responsibility for the effects of their actions on others. And, if they did not, then what we call 'ethics' and 'morality' would be meaningless.'

There are eight major features of business ethics:

i. **Code of Conduct:** Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.
ii. **Based on Moral and Social Values:** Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.
iii. **Protection to Social Groups:** Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.
iv. **Offers a Basic Framework:** Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.
v. **Voluntary:** Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.
vi. **Requires Education and Guidance:** Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.
vii. **Relative Term:** Business ethics is a relative term. It changes from one business to another and from one country to another.
viii. **New Concept:** Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

The principles of business ethics are related to social groups that comprise of consumers, employees, investors, and the local community. The important rules or principles of business ethics are as follows:

1. **Avoid Exploitation of Consumers:** Do not cheat and exploit consumer with measures such as artificial price rise and adulteration.
2. **Avoid Profiteering:** Unscrupulous business activities such as hoarding, blackmarketing, selling banned or harmful goods to earn exorbitant profits must be avoided.

3. **Encourage Healthy Competition:** A healthy competitive atmosphere that offers certain benefits to the consumers must be encouraged.
4. **Ensure Accuracy:** Accuracy in weighing, packaging and quality of supplying goods to the consumers has to be followed.
5. **Pay Taxes Regularly:** Taxes and other duties to the government must be honestly and regularly paid.
6. **Get the Accounts Audited:** Proper business records, accounts must be managed. All authorized persons and authorities should have access to these details.
7. **Fair Treatment to Employees:** Fair wages or salaries, facilities and incentives must be provided to the employees.
8. **Keep the Investors Informed:** The shareholders and investors must know about the financial and other important decisions of the company.
9. **Avoid Injustice and Discrimination:** Avoid all types of injustice and partiality to employees. Discrimination based on gender, race, religion, language, nationality, etc. should be avoided.
10. **No Bribe and Corruption:** Do not give expensive gifts, commissions and payoffs to people having influence.
11. **Discourage Secret Agreement:** Making secret agreements with other business people to influence production, distribution, pricing etc. are unethical.
12. **Service before Profit:** Accept the principle of "service first and profit next."
13. **Practice Fair Business:** Businesses should be fair, humane, efficient and dynamic to offer certain benefits to consumers.
14. **Avoid Monopoly:** No private monopolies and concentration of economic power should be practiced.
15. **Fulfil Customers' Expectations:** Adjust your business activities as per the demands, needs and expectations of the customers.
16. **Respect Consumers Rights:** Honor the basic rights of the consumers.
17. **Accept Social Responsibilities:** Honor responsibilities towards the society.
18. **Satisfy Consumers' Wants:** Satisfy the wants of the consumers as the main objective of the business is to satisfy the consumer's wants. All business operations must have this aim.
19. **Service Motive:** Service and consumer's satisfaction should get more attention than profit-maximization.
20. **Optimum Utilization of Resources:** Ensure optimum utilization of resources to remove poverty and to increase the standard of living of people.
21. **Intentions of Business:** Use permitted legal and sacred means to do business. Avoid Illegal, unscrupulous and evil means.

Self-Assessment Exercises 3

1. What are the ethical questions?
2. Itemise 8 features of business ethics

2.6 Summary

In summary, we were able to pinpoint a number of tourism management concerns in relation to how the industry is run. It is necessary to recognize and follow the legal framework of regional, local, and state patterns and ways of conducting business. The following topics were covered during this conversation: conflicts over ethics, ethical issues in tourism management, and ultimately ethical and responsible business.

2.7 **References, Further Readings**, and **Web Sources**

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2.9   Possible Answers to SAEs

Self-Assessment Exercises 1

1. Ethics are a set of standards that regulate conduct and overall operations
2. Codes

Self-Assessment Exercises 2

1. Ethical codes
2. To promote tourism to an oppressive state, according to Tourism Concerns, is unethical. Travel to Myanmar, according to Lonely Planet, may at the very least be thought to be a factor in the country's return to democracy

Self-Assessment Exercises 3

1. Ethical questions are essentially questions about whether people ought or ought not to perform certain kinds of actions; about whether those actions are good or bad, right or wrong, virtuous or vicious, worthy of praise or blame, reward or punishment, and so on
2. Code of Conduct; Based on Moral and Social Values; Protection to Social Groups; Offers a Basic Framework; Voluntary; Requires Education and Guidance; Relative Term; New Concept

**UNIT 3   THE ROLE   OF   GOVERNMENT IN
THE MANAGEMENT OF TOURISM**

Unit Structure

3.1   Introduction

Governments at all levels have an important role to play in the delivery
of the tourism product, and they need to work in close partnership with
the private sector. In order to sustain tourism growth and the associated
benefits, governments must ensure that the right policies and delivery
structures are in place. Many countries now have multi-year
policies and plans to develop the tourism sector and to give strategic
direction and focus to government policy at national and subnational
level. The role of central government in developing cohesive, effective
tourism policy is vital, but governments face numerous challenges in
crafting this policy. This is due in part to the fragmented nature of
tourism which requires multiple central government ministries and
different levels of government to undertake various roles in response to
political, social, environmental and technological trends affecting
tourism. For example, governments are involved in tourism in a variety
of capacities including, marketing and promotion; border security; the
regulation of markets such as aviation; planning regulations; controlling
or managing tourism attractions such as national parks; skills
development; and funding the development of roads and other

infrastructure. In addition, in many countries there is an added level of complexity in that the full competence for tourism does not reside with central government. As such, there is often a significant role to be played in tourism governance at the subnational level. Determining the role of government in tourism in relation to the various state duties as well as specific management challenges, such as coordination and the form of state intervention, is the purpose of this unit.

3.2   Learning Outcomes

At the end of this unit students will be able to:

•   appreciate the role of government in tourism
•   identify linkages between different level of states
•   understand the changing dimensions of central government involvement in tourism

3.3   The Role of Government in Tourism

As a community of persons, permanently occupying a definite territory, legally independent of external control, and possessing an organized government which create and administrates law over all persons and groups within its jurisdiction is 'State. It is also defined as a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory. A government on the other hand is a person or group of persons who rule or administer (or govern) a political community or a state.

The entire system via which a government wields its authority is therefore included in the definition of "state." It consists of elected officials, the many branches of the public sector, unelected public and civil personnel, and a myriad of laws, norms, conventions, and policies that control both public and private action. the courts, enforcement agencies, other levels of government, government business enterprises and businesses, regulatory bodies, and a variety of para-state groups like labour organizations are among the primary institutions of the state. Tourism will be impacted in varying degrees by state operations. However, the specific objectives of institutions, interest groups, and significant individuals relative to the policy process as well as the nature of the particular jurisdiction within which policy is being developed will determine the extent to which individual functions are related to particular tourism policies decisions and developments. The government's duties have an impact on a number of aspects of tourism,

including development, marketing, policy, promotion, planning, and regulation. The appropriate function of public sector tourism agencies and the pursuit of sustainability at various policy and planning scales are two key subjects in tourism research that implicitly address the problem of the regulatory role of the state in tourism (macro, meso and micro).

3.3.1 Coordination

Between networks of organizations, interests, and/or people already in existence, coordination refers to formally institutionalized interactions. Due to the diffuse nature of tourism within the economy and within the governmental system, coordination for tourism tends to occur both horizontally, for example between different government agencies that may be responsible for various tourism-related activities at the same level of governance (i.e. national parks, tourism promotion, and transportation), and vertically, for example between different levels of government (local, regional) within an administrative and political framework. Coordination is likely the most significant function of the government. This is because the government's capacity to coordinate and balance its many functions in the tourism development process would, to a considerable extent, determine the success of the implementation of all the other tasks. One of the great truisms of tourism marketing, policy, and planning is the requirement for a unified tourism strategy.

Typically, coordination refers to the challenges of connecting elements or actions so that they work together, don't conflict, and carry out reasonable, consistent, and coherent operations. Coordination is a political activity, and as a result, it can be quite challenging, particularly when many people are involved in the decision-making process, as in the case of the tourism sector. There is no other sector of the economy that is as intricately related to such a wide range of unique goods and services.

3.3.2 Planning

Planning is the fundamental management function, which involves deciding beforehand, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is an intellectual process which lays down an organisation's objectives and develops various courses of action, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal. Public planning for tourism takes place at various scales, institutions, and forms (such as development, infrastructure, land, and resource use, promotion, and marketing) (e.g. national, regional, local and sectoral). Tourism planning must always proceed within the framework of an overall plan

for the development of an area's total resources; and local conditions and demands must be satisfied before any other considerations are met.

3.3.3 Legislation and Regulation

A variety of governmental legislative and regulatory functions have an impact on tourism both directly and indirectly. These authorities may be granted through Acts that expressly specify tourism-related activities, such as an enabling law for a national tourism organization. The various parts of the tourism industry frequently have concerns about the types and extent of government regulation, particularly when it comes to fees that may be imposed on businesses or travellers and which the industry views as jeopardizing its profitability or viability.

3.3.4 Stimulation

Three approaches exist for the government to stimulate tourism development:

- Financial incentives, such as low-interest loans or allowances for depreciation on infrastructure used in the tourism industry, such as lodging, attractions, or transportation;
- By funding publicly available tourism research.
- Marketing and promotion, which normally aims to increase demand for travel, though it can also take the shape of investments in travel-related services and attractions. But because of how big a part the government plays in promotion, it is frequently seen as having a separate role.

3.3.5 Government as Public Interest Protector

Government has a responsibility to protect the interests of the general public, not only those of narrow sectoral interests like those of a particular business like tourism, though this is not always the case. In the past, a lot of public planning has been done to balance conflicting interests. Indeed, a large portion of government effort has always been devoted to defending local and minority interests, such as those of certain ethnic, cultural, or religious communities. To serve the larger national public interest, tourism policy must therefore be viewed as possibly falling under a wider spectrum of government economic, social welfare, and environmental policies.

3.3.6 Provision of Infrastructure

Traditionally, governments have been responsible for the development of infrastructure to enable tourism, such as utilities, sewerage, cleaning, health, and fixed communication and transport facilities. In 2003 the

first annual Africa tourism investment summit was announced by the Ugandan Minister of Tourism. One of the principal aims of the forum was to promote infrastructure development, in a continent that was attracting only 2% of global tourism spending. The difficulty faced by Jordan in attracting visitors prior to the 1990s was due to a lack of infrastructure, access, and attractions. Poor quality infrastructure has also been one of the major challenges to overcome for destinations in Eastern Europe.

3.3.7 Border Controls

Since so much travel crosses national borders, governments have been forced to develop policies for entry and exit by residents and visitors. Often the tourism industry lobbies for the easing of visa restrictions to improve access from emerging markets. In some cases coordination between tourism policy and immigration policy has resulted in visa regulations designed to enhance international visitor arrivals. For example, a relaxed visa policy introduced by Oman in 2003 was promoted by officials as a measure to boost tourism to the Gulf nation. The European Union is a tourism example of a free trade agreement, where the entry/exit process has been hugely simplified for citizens, much to the envy of tourism interests in most other parts of the world.

3.3.8 Spatial Redistribution

Using redistribution policies involving a combination of taxation and spending, it is possible for governments to spread economic benefits throughout the economy. For example, the government in Egypt introduced a 10-year tax holiday for developments in remote areas. Malaysia, Italy, Thailand, and the UK have used regionally variable taxation and development grants as incentives for development in outlying areas. Tourism can be an effective way of redistributing wealth from prosperous cities to rural and industrial areas that have a narrow economic base. Through increased diversification into tourism, these regions can counter the risk of decline in traditional industries. The resultant employment opportunities also help to reduce the impact of urban drift among younger members of the population.

3.3.9 Protection of Resources

A completely free market philosophy might not be congruent with a community's wider interests such as the protection of the environment and public goods. Would an unfettered tourism industry ensure all members of the host and visiting community retained access to natural features such as beaches and rivers? Would unrestricted access to such assets by private sector developers place an undue strain on public sector

infrastructure responsibilities? Could we rely on all entrepreneurs to adopt sustainable resource practices without government intervention? While tourism can be used as an economic incentive for protecting native wildlife from poaching, in general there is increasing conflict between the tourism industry and the conservation movement.

3.3.10 Exogenous Events

An emerging area of interest in the tourism literature is the impact of disasters on the tourism industry, both at global and local levels. Quick decisions are required in times of crisis. Such decision making and resultant responses should also be of a cooperative nature and therefore coordinated. Individual businesses are at the mercy of exogenous events, but few have the resources individually to engage in strategic planning for crises, particularly at a destination level. The government therefore has a vested interest in ensuring adequate leadership.

Self-Assessment Exercises 1

> 1. Distinguish between state and government
> 2. List 10 roles of government in tourism development

3.4   The Changing Dimensions   of   Central   Government Involvement in Tourism

Government policies on tourism are developed and shaped within a convoluted network of political and public institutions, with variable degrees of input from the commercial sector. However, the nation state should not be regarded as a monolithic entity, especially in light of the significance of regional and local government for the growth and promotion of tourism. The location, organization, and behavior of public bodies in charge of developing and implementing tourism policies are influenced by the sources of power in tourism policy, planning, and promotion. There are constant changes in tourism policy and administration at all levels of government as a result of the diversity, complexity, and shifting character of the tourism industry as well as shifting views on the proper role of the state in the sector.

Self-Assessment Exercises 1

> 1. Nation state should not be regarded as …………………..entity
> 2. What are the factors for constant changes in tourism policy

3.5 Summary

Therefore, there are many different aspects of government involvement in tourism. This lesson gave an overview of them while also taking into account how the central government's participation in tourism is evolving. This lesson concentrated on the government's functions in the tourism industry, including those of coordinator, developer, and producer, planner, protector, and upholder, regulator, promoter, arbitrator, distributor, and, lastly, organizer. The unit also placed emphasis on the evolving nature of central government involvement in tourism.

3.6 References, Further Readings, and Web Sources

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3.7 Possible Answers to SAEs

Self-Assessment Exercises 1

1. As a community of persons, permanently occupying a definite territory, legally independent of external control, and possessing an organized government which create and administrates law over all persons and groups within its jurisdiction is 'State. It is also defined as a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory. A government on the other hand is a person or group of persons who rule or administer (or govern) a political community or a state.

2. Coordination, planning, legislation and regulation, stimulation, government as public interest protector, provision of infrastructure, border controls, spatial redistribution, protection of resources, exogenous events

Self-Assessment Exercises 2

1. Monolithic
2. Diversity, complexity, shifting character

UNIT 4   INFORMATION AND COMMUNICATIONS TECHNOLOGIES FOR TOURISM

Unit Structure

 4.1   Introduction

Use of computers and other digital technologies is rapidly evolving. The widespread uptake of mobile devices enables access to multiple sources of information in a ubiquitous, continuously connected environment. The ways in which organizations change and respond to new technology are commonly categorized into three stages. In the first or substitution stage, organizations use new technology to automate or do existing tasks more efficiently. In the second or enlargement stage people learn to use the new technology to increase both the volume and complexity of existing tasks. Through this learning process users begin to recognize new possibilities and new opportunities before moving into the third or reconfiguration phase where the "new technology fundamentally changes the nature of the things it was created to address". It is in this third phase that systems experience significant innovation and disruption and organizations face strong competition from those who have adapted more quickly to the changes. The challenge for tourism organizations is to find ways to think ahead to this reconfiguration phase and anticipate the changes that might be required to respond to possible transformations in their markets, processes and systems.

Several ICT applications facilitate the management and marketing of tourism organizations. These systems use databases as well as software for inventory control and for strategic and tactical administration. The internet gives organizations a window to the world and allows them to demonstrate their competencies widely. Increasingly, intranets and

extranets provide user-friendly access to employees of organization, as well as their authorized partners, so that staff can use company data in order to perform their tasks. Knowledge management systems enable organization to collect information about their functions and to build knowledge on approaches to resolving problems and other emerging issues. The use of ICTs in the tourism industry is therefore driven by the development of both the size and complexity of tourism demand. Every tourist is different, carrying a unique blend of experiences, motivations and desires. Tourists from the major generating region of the world have become frequent travelers, are linguistically and technologically skilled, and can function in multicultural and demanding environments overseas. The rapid growth of both the volume and quality requirements of contemporary travelers requires powerful ICTs for the administration of the expanding traffic.

4.2   Learning Outcomes

- recognize how ICT support business functions
- identify the impacts of ICTs on the marketing mix
- recognize the application of ICTs to airlines, the hospitality industry, tour operators, travel agencies and destination

4.3   E-Tourism and the Tourism Industry – Strategic and   Tactical Function

The tourism industry has traditionally been using ICTs in a number of key strategic and operational functions as summarized in Table 5 however, it is increasingly recognized that the use of ICTs in tourism is pervasive, as information is critical for both day-to-day operations and the strategic management of tourism organizations ICTs therefore support all business function and are critical for operating the industry as a whole.

Table 8: Key tourism strategic and operational functions empowered by ICTs

Key Strategic Functions	Key Operational
Enhance organizational efficiency and effectiveness	Information distribution
Improve quality of service	International tourism management and
Undertake strategic research for new markets and products	Facilitation and delivery of tourism products

Follow up competition	Production and delivery
Penetrate existing and new markets and expand market share	Organization, management and control of tourism
Diversify to new products and services or new markets	Front office: reservations, check-in,
Formulate new combinations of tourist products	Back office: accounting, payroll, procurement, administration
Differentiate and personalize products and add value at all stages	Customer entertainment and
Differentiate and personalize products and add value at all stages	Customer entertainment Service
Reduce cost and achieve cost competitive	Communicate with
Achieve time competitive advantage by	React to expected events
Re-engineer business processes and	Dynamic yield
Constantly reinvent new innovative	Monitor performance and
Outperform competition in the long run	
Develop partnerships and explore virtual corporation	

Self-Assessment Exercises 1

> 1. List 3 stages of the ways in which organisations change and respond to new technology
> 2. In Tabular form, itemize the key tourism strategic and operational functions empowered by ICTs

4.4   E-Tourism Impacts on the Marketing Mix

Evidence shows that ICT influences nearly every aspect of services marketing and the main stages in the marketing mix. Kotler has restated the "Ps" (Product, Price, Promotion and Place) as "Cs" to reflect the consumer orientation that is central to modern services marketing thinking in an era of growing competition. Product means Customer value; Price means Cost to the consumer; Promotion means Communication; and Place means Distribution, access or Convenience. Moreover, the original four variables have been expanded to encompass People, Process (of service delivery) and Physical Evidence or design. These new marketing orientations are particularly relevant in the tourism field.

ICT has various influences in the fields of tourism and marketing. The Internet constitutes a medium of interactive communication and offers

multiple uses for marketing purposes. Technological developments enable customers and businesses alike to change the way that they conduct exchange transactions, which are the core of all marketing.

The main implications of ICT on the principal processes in marketing include:

i.   Market research and marketing information systems.
ii.   Customer Relationship Marketing (CRM): The Internet has a catalyst role in CRM applications. The e-CRM tools contribute to the implementation of various marketing activities.
iii.   Strategic Planning and Networking: Virtual marketing companies provide distribution and marketing services. They facilitate and provide a platform for the exchange of information and for e-commerce transactions for a wide range of products. The Internet also allows the creation of virtual enterprises in which ICT provides the linkages – especially networks for micro-businesses.
iv.   Advertising and Public Relations: The Internet provides a completely new medium to communicate to targeted customer groups.
v.   Information materials: The commercial developments of Web sites made the Internet an excellent and relatively low-cost medium for creating customer awareness using multimedia methods.
vi.   Sales Promotion and Pricing: The Internet is an ideal medium for communicating prices, special offers and late availability of product. Through connectivity between databases and yield management programmes, sales promotions can now be customized to individuals.
vii.   Distribution and access: ICT has come to dominate the industry's way of thinking regarding the role and costs of distributing travel products. As a new channel for direct marketing communications, the Internet is also reinventing distribution. Distribution channels are the new forums for product innovation and development; they establish the parameters for pricing against competitors and are becoming the most important tool for sales promotion and merchandising.
viii.   Consumer behaviour: The Internet - as a communication and promotional tool - is important, not only because customers buy products and services via electronic channels, but also due to its extensive use as an information medium.

Self-Assessment Exercises 2

> 1. Enumerate the marketing mix that reflects customer orientation
> 2. Highlight the main implications of ICT on the principal

4.5   E-Airline

Since the beginning of ICTs' development, airlines have made significant investments in the technology. They were aware of the necessity of controlling their inventory in a timely, cost-effective, and correct manner as well as communicating with distributors and travel agents. A wide range of tourist products were offered via global distribution systems (GDSs), which first appeared in the middle of the 1980s. They also served as the main means of contact between principals and travel agents. A number of value-added services were made available with the growth of computerized reservation systems (CRSs) into global distribution systems (GDSs) and the integration of comprehensive tourism services. By providing information and reservation capabilities for the full spectrum of travel products, such as lodging, vehicle rentals, schedules for non-air transportation, etc., GDSs effectively transformed into supermarkets. Due to their ownership and distribution of the vast majority of airline seats, GDSs are at the center of operational and strategic plans for scheduled airlines.

ICTs play a crucial role in the operational management of carriers' inventories since they help with ticketing and reservation administration. E-ticketing promotes paperless transactions more frequently and costs significantly less. Continuous demand and supply assessments, as well as proactive and reactive actions, are what enable tactical pricing, yield management, and special offers and promotions. There are a number of operational management requirements, including check-in procedures, seat assignments, the creation of reports and orders, such as forecasted flight paths, load and balance calculations, manifests for airports, orders for in-flight meals, and staff rosters.

Self-Assessment Exercises 3

> 1. Global distribution systems first appeared in
>   …………………………

4.6   E-Hospitality

e-Hospitality is an umbrella term that incorporates the entire range of information communication technology (ICT) applications in the hospitality area. ICTs penetrate at a fast pace, by integrating the hotel

operation; reshaping the marketing function; improving total efficiency; providing tools for marketing research and partnership building; enhancing customer services while providing strategic opportunities. Consumers increasingly expect ICT-enabled communications and interactions before, during, and after their visit. Hotels will be unable to perform their operations profitably without using technology extensively. The emergent ICTs provide unprecedented opportunities for hospitality organizations, as they assist the promotion of properties to a wide range of institutional and individual buyers around the world. ICTs are increasingly recognized as a means of achieving competitive advantage for the hospitality industry.

Hotels need ICTs to manage their inventory. Hotel chains in particular use group-wide systems to focus on the management for single properties as well as the distribution through a variety of electronic distribution channels. Most hotel properties around the world operate a *property management system* (PMS) that enables them to integrate their 'back-office' operations. As a result they can improve general administration as well as specific functions such as accounting; marketing research and planning; yield management; payroll; personnel management; and purchasing at individual properties. Increasingly these functions move on Intranet platforms, improving interfaces and allowing easier employee training. PMSs were also introduced to facilitate the front office, sales, planning, and operation functions. This was achieved by employing a *computer reservation system* (CRS) to administrate a database with all reservations, rates, occupancy, and cancellations. PMSs and CRSs facilitate the following business functions:

●   Improve capacity management and operations efficiency
●   Facilitate central room inventory control
●   Provide last room availability information
●   Offer yield management capability
●   Provide better database access for management purposes
●   Support extensive marketing, sales, and operational reports
●   Facilitate marketing research and planning
●   Enable travel agency tracking and commission payment
●   Enable tracking of frequent flyers and repeat hotel guests
●   Allow direct marketing and personalized service for repeat hotel guests
●   Enhance handling of group bookings and frequent individual travellers (FITs).

Self-Assessment Exercises 4

> 1. Describe e-hospitality
> 2. What is the significance of property management system in hotels?

4.7   E-Tour Operators

Tour operators must continually communicate with all of their partners, including the leaders of the lodging and transportation industries, travel agencies, and customers. ICTs are essential for their operations since managing the movement of numerous tourists simultaneously—often in numerous nations and continents—represents a significant operational management issue. ICTs are essential for the distribution of travel operators' packages.

Self-Assessment Exercises 5

> 1. Name 4 partners of tour operators
> 2. ICTs are essential for the distribution of ……………………….

4.8   E-Travel Agencies

The mechanism for information exchange and the distribution of tourism goods provided by ICT offers a wide range of options for travel businesses. In addition to providing the most recent schedules, rates, and data, ICTs have made it possible for agencies to quickly create intricate travel itineraries. The proliferation of CRSs and GDSs also offers an efficient reservation mechanism that helps travel agencies obtain information, make reservations, and issue travel documents for the full range of tourism products efficiently and in a fraction of the time needed if these processes were carried out manually. As a result, travel firms contact databases of tourism providers using ICTs to confirm reservations, check availability, and compare prices.

Self-Assessment Exercises 6

> 1. Highlight the role of ICTs in travel businesses

4.9   E-Destination

The emergence of ICT enables consumers to search for destinations worldwide more easily, making it necessary to constantly improve the web presence and social media used by destinations. Destination Management Systems (DMSs) have frequently been utilized to integrate the complete tourism supply at the destination. Their capacity to

integrate all shareholders at destinations and to reach a worldwide market at a reasonable price demonstrates their contribution to strategic management and marketing. In order to provide online information and, in some circumstances, to facilitate reservations, DMSs have increasingly emerged for all global destinations. A growing number of DMOs offer cutting-edge information that enables customers to create their own customized packages and plan their journeys online, as well as buy pre-packaged travel from tour operators.

Self-Assessment Exercises 7

> 1. What has the destination management system utilized for?

4.10 Summary

ICTs enable tourism marketing and management by giving businesses and destinations access to low-cost solutions that allow them to target the right market segments and create tactical tools. By re-engineering the entire process of generating, managing, and promoting tourism products and destinations, they also promote the relationship between tourism firms and customers. We concentrate on the following during this unit's discussion: how ICTs assist company functions, how they affect the marketing mix, and how they are used by airlines, the hospitality sector, tour operators, travel agencies, and destinations.

4.11 References, Further Readings, and Web Sources

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4.12 Possible Answers to SAEs

Self-Assessment Exercises 1

1. Substitution stage, enlargement stage, reconfiguration stage

Key Strategic Functions	Key Operational
Enhance organizational efficiency and effectiveness	Information distribution
Improve quality of service	International tourism management and
Undertake strategic research for new markets and products	Facilitation and delivery
Follow up competition	Production and delivery
Penetrate existing and new markets and expand market share	Organization, management and control of tourism
Diversify to new products and services or new markets	Front office: reservations, check-in,
Formulate new combinations of tourist products	Back office: accounting, payroll, procurement, administration
Differentiate and personalize products and add value at all stages	Customer entertainment and
Differentiate and personalize products and add value at all stages	Customer entertainment Service
Reduce cost and achieve cost competitive	Communicate with
Achieve time competitive advantage by	React to expected events
Re-engineer business processes and	Dynamic yield
Constantly reinvent new innovative	Monitor performance and
Outperform competition in the long run	
Develop partnerships and explore virtual corporation	

Self-Assessment Exercises 2

1. Customer value; Price means Cost to the consumer; Promotion means Communication; and Place means Distribution, access or Convenience.
2. i. Market research and marketing information systems, ii. Customer Relationship Marketing (CRM), iii. Strategic Planning and Networking, iv. Advertising and

Public Relations,   v. Information materials, vi. Sales Promotion and Pricing,
vii.   Distribution and access, viii. Consumer behaviour

Self-Assessment Exercises 3

1.   The middle of 1980s
2.   E-ticketing promotes paperless transactions more frequently and costs significantly less

Self-Assessment Exercises 4

1.   e-Hospitality is an umbrella term that incorporates the entire range of information communication technology (ICT) applications in the hospitality area
2.   It enables hotels to integrate their 'back-office' operations

Self-Assessment Exercises 5

1.   Leaders of the lodging, transportation industries, travel agencies, and customers
2.   Travel operators' packages

Self-Assessment Exercises 6

1.   The mechanism for information exchange and the distribution of tourism goods provided by ICT offers a wide range of options for travel businesses. In addition to providing the most recent schedules, rates, and data, ICTs have made it possible for agencies to quickly create intricate travel itineraries

Self-Assessment Exercises 7

1. Integrate the complete tourism supply at the destination

UNIT 5   THE MANAGEMENT OF CRISIS IN INTERNATIONALTOURISM

Unit Structure

5.1   Introduction
5.2   Learning Outcomes
5.3   What is Crisis and Tourism Crisis?
5.4   Impacts of Crisis on Tourism
5.5   Crisis Management and Framework
5.6   Summary
5.7   References, Further Readings, and Web Sources
5.8   Possible Answers to Self-Assessment Exercises

 5.1 Introduction

Travel and tourism is one of the fastest growing industries in the world but at the same time the sector is quite prone to diverse disaster risks. Tourism destinations worldwide are going through the worst crisis in modern times – and are forced to be innovative and creative in their crisis response in order to help tourism actors survive and to repurpose their marketing and development efforts. Every year, we hear about earthquakes, tsunami, tropical storms and floods devastating tourist destinations in the world. Climate change has raised the frequency of extreme weather that impact tourism destinations and transportation to a great deal. We are exposed to the threats of epidemics such as SARS, COVID, bird flu, Ebola, MERS and Zika. Acts of terrorism are no longer limited to certain disputed regions but everywhere on the globe including peaceful tourist destinations. In order to keep the healthy growth of travel and tourism, it is essential to make the destinations safer and more secure; better prepared for any potential disaster risks to the visitors and to the industry.

Crises are by definition unpredictable and the future is unknown, although many causes of crises will undoubtedly persist and types of crises will repeat themselves. Extreme economic volatility, violent social upheaval, disease, political dislocation, terrorist atrocities, tropical storms and environmental pollution are present or constantly threatened in several parts of the world and can precipitate tourism crises. The industry will continue to be highly competitive and subject to commercial pressures capable of triggering crises, although it has some control over those crises which are a result of adverse developments of its own creation. There may also be new forms of crises as the industry expands its geographical reach, technology of all manifestations advances and tourist volumes rise.

5.2   Learning Outcomes

At the end of this unit, you should be able to:

• understand the relationship between disaster, crises and tourism
• identify the impacts of crisis on tourism
• Highlight and explain the crisis management framework in tourism

5.3   What is Crisis and Types of Tourism Crisis?

The Greek word "krisis," which signifies differentiation or decision, is where the word "crisis" originates. Crisis is a process that is typically described in business administration as having a significant negative impact on a company's development. A crisis is an unwelcome, unusual, frequently unanticipated, and urgent process with ambiguous development prospects. Crises are periods of intense uncertainty characterized by unpredictability and loss of control over key functions of systems. It necessitates quick decisions and responses in order to affect future development in a way that benefits the organization (destination) again and to minimize any negative effects as much as possible. An organization's competitive advantages or important goals may be threatened, weakened, or destroyed by adverse occurrences, which constitute a crisis situation.

In the context of tourism, the World Tourism Organisation (UNWTO) has defined a tourism crisis as 'any unexpected event that affects traveller confidence in a destination and interferes with its ability to continue operating normally' and Sonmez (1998) as 'any occurrence which can threaten the normal operations and conduct of tourism related businesses, damage a tourist destination's overall reputation for safety, attractiveness and comfort by negatively affecting visitors perceptions of that destination and, interrupt the continuity of business operations for the local travel and tourism industry by the reduction in tourist arrivals and expenditures.'

There are presently predominant three phases of crisis process. Using time pressure as a characteristic, this divides the phases of a crisis into potential, latent and acute crises.

1. **Potential crises:** are characterizing a phase in which the crisis is only an imaginary construct. They are, as such, neither ascertainable nor existent, for which reason this situation. It is described as the 'quasi normal condition of the company' in which it constantly finds itself.

2. **Latent crises:** describe the phase in which the crisis has already broken out but is not yet identifiable with the normal quantitative instruments available to the company. Countermeasures in this phase are not yet subject to noticeable restrictions.

3. **Acute crises**: It is the period of time in which the destructive effect of the crisis is perceived and the company strives to cope. The symptoms apparent in the acute crisis phase – which should not, however, be confused with the causes – are, as a rule, recognised as an indication of crisis within a company. The perception of a crisis situation is revealed by means of company reporting.

The differentiation between natural and human-induced crises is particularly significant in tourism. Crises triggered by negative events in nature, for example, natural catastrophes (tropical cyclones, storm tides, floods, avalanches and earthquakes) differ considerably in their effect from human-induced crises; that is, events triggered by humans.

In terms of predictability and avoidance, there are two broad categories of tourism-related crisis:

1. Those beyond the control of managers, politicians and policy-makers, such as natural disasters, disease epidemics, and sudden global economic events,
2. Those resulting from a failure of management and government to deal with predictable risks. These include (within a business) poor management or leadership, financial fraud, loss of data, destruction of place of business due to fire or flood without adequate back-up or insurance cover; and (at the level of a region or country) acts of war or terrorism, political upheavals, crime waves, and anthropogenic climate change.

The UNWTO places tourism crises into five categories:

1. Environmental, including geological and extreme weather events, and human-induced situations such as climate change and deforestation
2. Societal and political, including riots, crime waves, terrorist acts, human rights abuses, coups, violently contested elections

3.   Health-related, such as disease epidemics affecting humans or animals
4.   Technological, including transportation accidents and IT system failures
5.   Economic, such as major currency fluctuations and financial crises

In addition, specific events may affect individual businesses, such as

6.   Accidents affecting clients in the public realm, e.g. traffic accidents, mugging, drowning
7.   Accidents or events within an individual enterprise, e.g. fires, injuries, food poisoning

Self-Assessment Exercises 1

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1. What is crisis?
2. List the 3 phases of crisis process
3. Highlight 5 UNWTO categories of tourism crisis

5.4   Impacts of Crisis on Tourism

Any significant crisis in will affect the tourism sector's ability to operate normally, either because of damage to infrastructure and facilities, or because the destination will be perceived as unsafe. The principal consequence of crises is a rapid decline in overall tourist arrivals and occupancy levels for hotels, tour operators and airlines, due to:

i.   Physical damage to tourism infrastructure (especially in the case of natural disasters)
ii.   Heightened perception of risk and erosion of consumer confidence (especially in the case of terrorist attacks)
iii.   Decisions by consumers to cancel or postpone their trips
iv.   Removal by tour operators of holidays in affected countries from their brochures and product listings
v.   Decisions by airlines to reduce flights to affected destinations

The overall impact of tourism crisis on the economy include a loss of jobs and a fall in the economic benefits of tourism, including reduced incomes for businesses and individuals along the supply chain and loss of tax revenues for governments, and (in the case of a crisis of longer duration) reduced investment in facilities. Many disruptive events are limited to a relatively small geographic area within a country but market concern about the safety of travel and negative image may apply to the whole country rather than be limited to the specific area affected.
Self-Assessment Exercises 2

> 1. What are the overall impacts of tourism crisis on the

5.5   Crisis Management and Framework

5.5.1 Crisis Management

Crisis management in tourism context refers to the planning and performance of processes directed towards managing the bad effects of crises and disasters on tourism. Tourism crisis management entails developing measures, plans and manuals to promptly respond to disaster events in an adequate way to minimize the negative impact to visitors and the tourism industry. Well prepared destination and tourism business are quick to plan and take necessary actions for post disaster recovery. It also addresses tourism's potential opportunities for the progress in systems and procedures. It is also a systematic attempt by an organization and its stakeholders to manage or prevent crises from occurring, such that key stakeholders believe the success outcomes outweigh the failure outcomes.

5.5.2 Crisis Management Framework

Tourism managers and policy-makers need to understand the nature of crises and their likely development and possible magnitude. Faulkner proposed a six-phase framework for understanding the stages of a crisis and the responses necessary from stakeholders (Table 6). Crisis management planning entails developing policies and procedures according to these six phases.

Table 9: Crisis management framework

No.	Phase	Principal strategies &	Key stages
1	**Pre-event**	Contingency planning	Prevention, based on
2	**Prodromal (onset of**	Initiation of contingency plan	Response
3	**Emergency**	Protective actions during crisis	Response
4	**Intermediate**	Short-term needs addressed, clear communication strategy in	Response
5	**Recovery**	Restoring infrastructure, facilities, and tourist attractions, coordinated and	Stimulation of recovery in mid and long term
6	**Resolution**	Review of actions taken to feed into further contingency plans	Prevention, based on new

Source: Adapted from Faulkner, 2001.

Pre-Crisis Stage

The principal pre-crisis management steps for the tourism sector are therefore to:

1. Set up a tourism crisis recovery task force or executive committee, linked to the national disaster and risk management body, with representatives from public and private sector.
2. Nominate a location as a crisis headquarters in the event of a crisis.
3. Designate a spokesperson, who will work closely in the event of a crisis with the national body to ensure consistency of message.
4. Private companies should designate a senior staff member as lead, in addition to allocating specific roles and responsibilities in responding to a crisis.
5. Establish the principles of a crisis communications plan, in particular the human, financial and technical resources required.
6. Prepare draft messages to issue in the event of crises, if necessary using the templates provided by the UNWTO's 'Toolbox for Crisis Communications in Tourism'.
7. Plan procedures and policies to implement if a crisis occurs.
8. Maintain up-to-date intelligence on the distribution of tourists in-country and key contacts with consular officials and trade associations.
9. Maintain knowledge of market trends and possible reactions to different types of crisis.
10. Cultivate good relations with the media, so that in the event of a crisis positive messages are more likely.
11. Create warm relations with tour operators' personnel and past and potential visitors. This will generate emotional and social capital and help create a supportive reaction to a crisis.
12. Train personnel in safety and security issues to enhance awareness amongst employees, and to minimise risks to tourists and employees, as well as property damage.

Phase 2: Prodromal Stage

The principal actions in this phase are:

1. Increase frequency of communications between members of the tourism sector task force, with instructions to member bodies to stand by for action.
2. Businesses should move their crisis management plan into the operational phase.
3. Finalise pre-prepared messages to issue to media and the public.

4.   Activate a communications centre to handle enquiries from relatives of people affected by the incident and mitigate damage to the destination's image.

Phase 3: Emergency Stage (immediate crisis response)

Key actions at this stage are to:

1.   Ensure safety and welfare of customers by covering their basic needs, followed by evacuation to home country or another area if necessary.
2.   Ensure safety and welfare of staff by transferring non-essential members outside the affected area.
3.   Carry out emergency infrastructural repairs.
4.   Issue regular updates on the situation via the crisis communications centre, with transparent and accurate messages. Openness to enquiries is vital to restrict sensationalist and inaccurate reporting.
5.   Rapid and honest communication by businesses with booked customers to advise on the situation, either encouraging them to continue with their visit to an unaffected part of the country, or offering a refund or alternative holiday at a later date.

Phase 4: Post-crisis (intermediate, mid-term)

Responses to crisis should include:

1.   A coordinated response between public and private sector bodies, following the pre- prepared plan of the local or national crisis management task force.
2.   Repairs to infrastructural damage to ensure normal functioning of tourism as quickly as possible.
3.   Increased marketing, including familiarisation trips and other promotional efforts, using optimistic messages which focus on positive aspects of the destination. If necessary, engage a specialist PR firm.
4.   Circulation of businesses' own information on the crisis and recovery to complement information being disseminated by the lead government agency and tourism task-force, and to counter the spread of "fake news" on social media.
5.   Targeting of less crisis-sensitive markets and segments (e.g. domestic and diaspora) in order to ensure business viability.
6.   Improvements to security (especially in the case of political upheaval or terrorist attacks).
7.   Strengthened public/private partnerships and cooperation.

8.   Fiscal and monetary measures by government such as subsidies or tax holidays to reduce business costs and help avoid redundancies.

Phase 5: Post-crisis Recovery (long term)

The intermediate stages of crisis management will evolve into longer term measures in six key areas:

1.   Plan for infrastructural improvements.
2.   Adjust investment conditions through fiscal and other incentives to influence the scale and timing of future investments
3.   Increase professionalism in tourism and hospitality, particularly to ensure that local people have the skills to access jobs at all levels of the industry, as well as training frontline personnel in safety and security procedures
4.   Address market perceptions to rebuild destination image through regular updates on websites and Facebook pages about recovery, news of activities or festivals, familiarisation trips for journalists and bloggers, or webcams in key locations showing that the area is safe. Comments should be accurate and positive and focus not just on individual businesses but also other local businesses to show an active, cohesive and attractive destination worth visiting. Islamic countries may wish to highlight traditions of welcome and hospitality and other aspects of cultural and natural heritage.
5.   The crisis may break the established mode of tourism, creating opportunities to develop in new directions. Emerging trends, markets and new trade links should be reviewed and can be more readily exploited at this stage. Targeting prior visitors, neighbouring country tourists and segments that are less susceptible to political unrest or disease outbreaks can be effective. Individual businesses should work closely with the local DMO to ensure consistency of message.
6.   Destinations can develop new products according to the available resources and in line with market trends.

Phase 6: Resolution

The key policies at this stage are to:

1.   Monitor the success of measures short and medium-term measures (e.g. by research into visitor profiles and satisfaction).
2.   Evaluate longer-term measures necessary to rebuild the industry.
3.   Modify future contingency plans based on lessons learned from the crisis (in other words creating a feedback loop).

Self-Assessment Exercises 3

> 1. What is crisis management?
> 2. Enumerate 6 phases of tourism crisis management framework

5.6 Summary

The principal tried-and-tested strategies and actions for rebuilding a country or destination's tourism image after a crisis have been highlighted in this section. Their efficacy has been proven in numerous different situations. In particular, a good contingency plan, constantly updated, is vital. Accurate, timely and responsive information from a reputable source such as the NTO may act as a counterweight to the sensationalist reporting which can damage domestic and international tourism markets. Another lesson is the vital need for the ongoing representation of tourism within national-level crisis management strategies, as it is a vital and embedded component of both advanced and emerging economies. We were able to focus on the following topics during this discussion: the relationship between the crisis and the tourism industry, the effects of the crisis on the industry and the economy, crisis management, and the crisis management framework.

5.7 References/ Further Readings/ Web Sources

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5.8   Possible Answers to SAEs

Self-Assessment Exercises 1

1.   A tourism crisis as 'any unexpected event that affects traveller confidence in a destination and interferes with its ability to continue operating normally'

Or

Any occurrence which can threaten the normal operations and conduct of tourism related businesses, damage a tourist destination's overall reputation for safety, attractiveness and comfort by negatively affecting visitors perceptions of that destination and, interrupt the continuity of business operations for the local travel and tourism industry by the reduction in tourist arrivals and expenditures.'
2.   Potential crises, Latent Crises, Acute Crises
3.   Environmental, Societal and political, Health-related, Technological, Economic

Self-Assessment Exercises 2

1.   A loss of jobs and a fall in the economic benefits of tourism, including reduced incomes for businesses and individuals along the supply chain and loss of tax revenues for governments, and (in the case of a crisis of longer duration) reduced investment in facilities

Self-Assessment Exercises 3

1.   Crisis management in tourism context refers to the planning and performance of processes directed towards managing the bad effects of crises and disasters on tourism
2.   Pre-event/Pre-Crisis Stage, Prodromal, Emergency, Intermediate, Recovery, Resolution