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THE MANAGEMENT OF TOURISM

(see the example of the holiday brochure illustrated in Chapter 9). Marketing is also vital to establishing the market research, market needs, specification and nature of service provision in consumer industries (see the example of establishing a tour programme in Chapter 7).

Marketing tourism as a management function

Marketing is widely acknowledged as a vital prerequisite to communicating the product or service offering of businesses or suppliers to the market. According to Kotler and Armstrong (1991), marketing is a process whereby individuals and groups obtain the type of products or goods they value. These goods are created and exchanged through a process, which requires a detailed understanding of consumers and their wants and desires so that the product or service is effectively and efficiently delivered to the client or purchaser (see Table 9.1 for key studies on tourism marketing).

Table 9.1 Key studies on tourism marketing

Fyall, A. and Garrod, B. (2004) *Tourism Marketing: A Collaborative Approach*. Bristol: Channel View.

Hall, C. M. (2011) *Tourism and Social Marketing*. London: Routledge.

Holloway, J. (2004) *Marketing for Tourism*. Harlow: Pearson.

Hudson, S. (2008) *Tourism and Hospitality Marketing: A Global Perspective*. London: Sage.

Kotler, P., Bowen, J. and Mackens, J. (2009) *Marketing for Hospitality and Tourism*. New York: Pearson.

Middleton, V., Fyall, A., Morgan, M. and Ranchhod, A. (2009) *Marketing in Travel and Tourism*, 4th edn. Oxford: Elsevier.

In particular, businesses need to understand, using market research, what markets they wish to serve and the service attributes they wish to offer; to establish the prices to be charged and to tailor the service to meet the clients' needs as closely as possible. They must then develop a communication programme to inform them about the service (e.g. create a brochure, advertisement or other method of communication, such as the internet).

To meet customer needs, a company analyses its own products or services in terms of its own business expertise and how competitors' products and services may affect them. This is frequently undertaken as a SWOT analysis, which considers the Strengths and Weaknesses of, Opportunities for and Threats to its products and services in the business environment.

For those tourism operators who may wish to grow and expand, a number of options exist. Horner and Swarbrooke (1996: 325) indicate these can involve:

- *marketing consortia*, where a group of operators cooperate to create and develop a product
- *strategic alliances*, where different businesses agree to cooperate in various ways (this varies by sector in the tourism industry, and includes such things as marketing agreements or technical cooperation)
- *acquisition*, which is the purchase of equity in other operations
- *joint ventures*, where operators seek to create new businesses
- *franchising*, where major operators use their market presence and brand image to further extend their influence by licensing franchisees to operate businesses using their corporate logo and codes.

However, the actual implementation of marketing for tourism ultimately depends on the 'marketing mix' a company chooses.

The marketing mix

The marketing mix is 'the mixture of controllable marketing variables that the firm [or company] uses to pursue the sought level of sales in the target market' (Kotler, cited in Holloway and Plant 1988: 48). This means that in any tourism organization there are four main marketing variables that need to be harnessed:

- 1 *product formulation*, which is the ability of a company to adapt to the needs of its customers in terms of the services it provides. Products are constantly being adapted to changes in consumer markets
- 2 *price*, which is the economic concept used to adjust the supply of a service to meet the demand, taking account of sales targets and turnover
- 3 *promotion*, which is the manner in which a company seeks to improve customers' knowledge of the services it sells so that those people who are made aware may be turned into actual purchasers. To achieve promotional aims, advertising, public relations, sales and brochure production functions are undertaken within the remit as promotion
- 4 *place*, which is the location at which prospective customers may be induced to purchase a service – the point of sale (e.g. a travel agent or another point of distribution such as the worldwide web).

These 'four Ps' are incorporated into the marketing process in relation to the known competition and the impact of market conditions. Thus, the marketing process involves the continuous evaluation of how a business operates internally and externally to meet customer requirements.

Managing operational issues in tourism businesses

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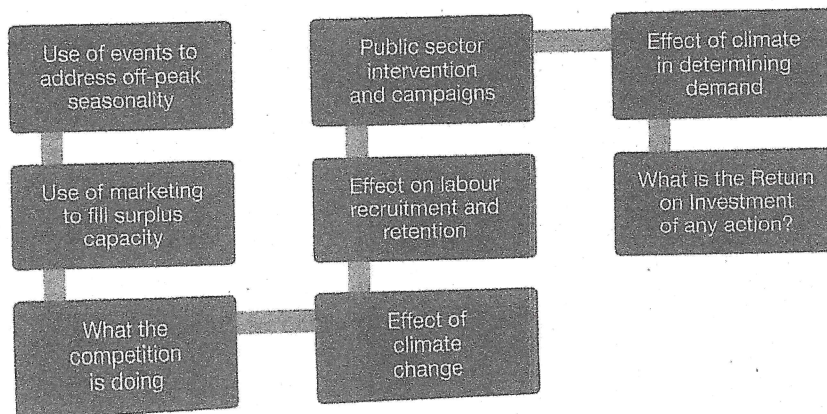
Operational issues have traditionally dominated the focus of most service organizations centred on tourism, particularly where labour-intensive operations exist (e.g. at an airport).

Business operations in tourism assume a major role: the highly seasonal nature of tourism requires seasonal staff at resorts, airports, in hotels and for transport operators. Demand is largely concentrated in six months of the year and this is a key management challenge for many businesses. Seasonality shapes tourism demand from consumers due to a wide range of factors including the climate and environment of the origin area and the attraction of the destination, as well as exchange rates.

Managing seasonality

Seasonality remains a protracted problem for the tourism sector, although recent studies have begun to try to understand what the patterns of seasonality that exist mean for individual businesses and where they are located (see Connell, Page and Meyer 2015). Figure 9.2 outlines some of the issues which individual managers face in trying to assess how the mismatch of demand and supply caused through seasonality may be addressed. The first step for businesses is to understand the demand in the markets they are working in. For example, as Figure 9.3 shows, in the case of international tourism demand in Scotland (measured using overseas nights spent in the regions of Scotland), there are distinct trends to understand, as Coshall *et al.* (in press) indicate:

- using quarterly tourism data (which means data collected for each three-month period such as January to March) for international arrivals, visitor numbers dropped from 1997 to 2003 with the impact of major crises such as foot and mouth disease and 9/11, followed by a pattern of growth from 2003 to 2007. Demand then dropped again in 2009
- for the businesses depending on international tourists on holiday, visiting friends and relatives or those taking a business trip, Coshall *et al.* (in press) found that 73 per cent of all trips occurred in the period June to September. The study also found distinct geographical variations in the way in which seasonality is concentrated in certain regions of Scotland, with the major cities experiencing lower levels than many other regions. Factors such as accessibility are often used as explanations for the decline in demand outside of these major regions which contain the main gateways to Scotland (i.e. the main ports or points of entry such as airports) outside of the peak periods of visiting amongst international visitors.



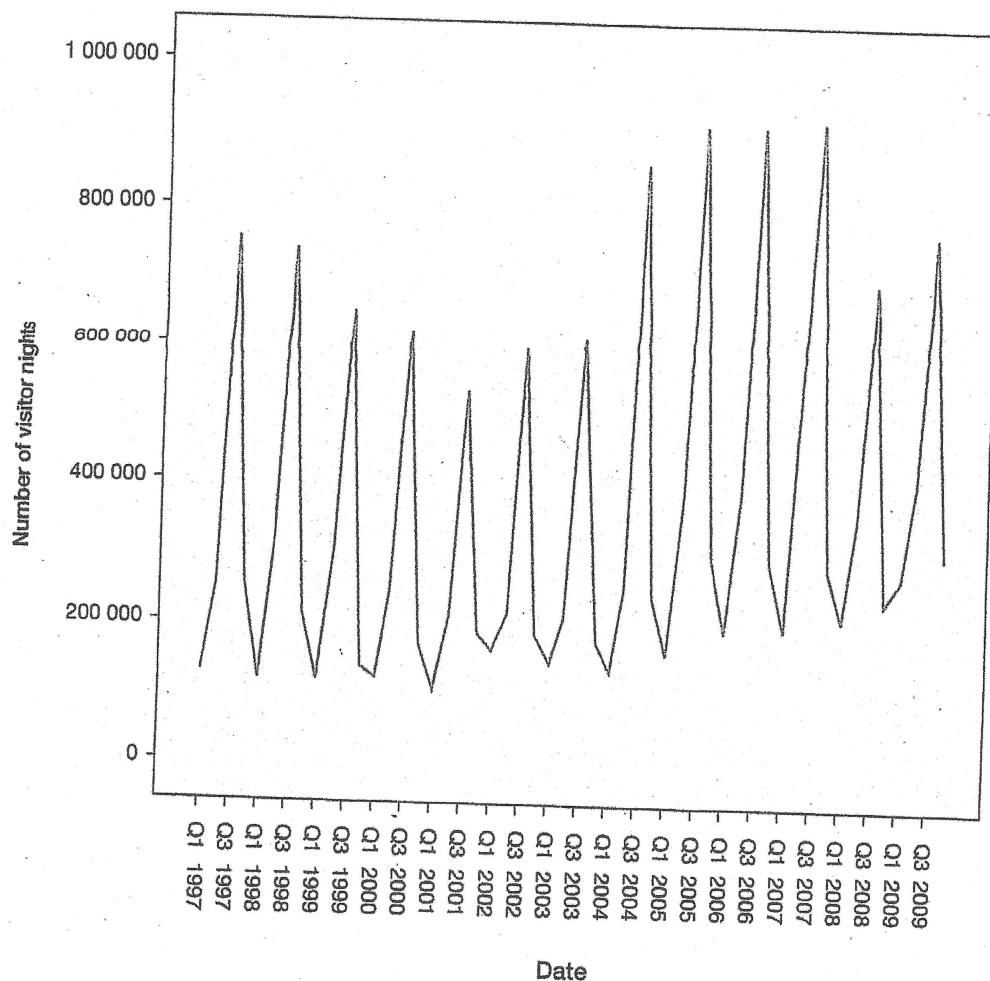


Figure 9.3

Total numbers of overseas visitor nights spent in the regions of Scotland 1997–2009

Source: Coshall *et al.* (in press)

Therefore, for individual businesses outside of the major cities, they need to decide how to respond to seasonality through: closing and operating seasonally if that is viable; responding to the market and diversifying into other markets (e.g. residents and domestic visitors); and thinking about what strategies to deploy to manage this issue.

Pricing is also used by tourism businesses to capitalize upon peak demand in popular summer months. In less popular seasons (e.g. autumn and winter), businesses may seek to leverage support from public sector bodies to host large-scale events (e.g. the Harbin ice festival in China) and attract visitors out of season. Events in the winter, such as Hogmanay in Scotland and new year celebrations in London (which attract around 250 000 people) are a way of providing a stimulus to reduce seasonality effects.

Some destinations experience *one-peak seasonality* (e.g. coastal resorts in the summer season) or *two-peak seasonality* (a summer and winter season) while many urban destinations experience non-peak seasonality, where the climate and environment do not cause peaks as different international markets' holiday taking habits shape the pattern of seasonal demand. Seasonality means that individual businesses have to be able to manage the peaks and troughs of demand and supply. The timing of travel by different markets is vividly illustrated by patterns of tourism to Iceland. Most of the visitor arrivals from continental Europe are concentrated in the months June to August, and occupancy rates for hotels in the capital exceed 75 per cent in these months. At the same time, the island has been able to accommodate a growth in seasonal visitor arrivals from 70 000 in 1982 to 300 000 in 2003 to 356 000 in 2005 and 500 000 in 2008 (and almost 60 000 cruise ship passengers). Iceland hopes to see growth rates of 8 per cent per annum to 2020, anticipating 1.2 million visitors in 2020 which required additional hotel capacity if demand was to be met.

Operational issues assume a dominant day-to-day role for many businesses, especially in places where large volumes of tourists are being managed, such as attractions or airports. To ensure the smooth flow and organization of these activities managers must delegate a great deal of responsibility in managing the interactions with visitors to front-line staff. The area is often termed 'operations management' and it focuses on five interrelated areas:

- 1 *capacity*, which is understanding the ability of the organization to produce something (such as service)
- 2 *standards*, which are those prevailing within the tourism sector (such as waiting times at an airport check-in or hotel reception)
- 3 *scheduling*, which is the planning of work and use of the organization's physical and human resources
- 4 *inventory*, which is understanding the organization's ability to meet supply and demand
- 5 *control*, which ensures the operations are managed in an efficient and systematic manner and brings the planning, preparation and readiness inherent in the four functions above into action.

Much of this is dependent upon having competent staff to undertake these tasks.

Managing service provision: Human resource issues and service delivery

According to Baum (1993: 4) tourism can be conceptualized as a client purchasing 'the skills, service and commitment of a range of human contributors to the experience that they are about to embark upon', highlighting the importance of human

resource management (HRM) issues and the challenge this poses for tourism managers (see Table 9.2). Many of these issues are embedded in some specific problems which the tourism sector faces including:

- demographic issues related to the shrinking pool of potential employees and labour shortages
- the tourism industry's image as an employer
- cultural and traditional perceptions of the tourism industry
- rewards and compensation for working in the sector
- education and training
- skill shortages at the senior and technical levels
- linking human resource concerns with service and product quality
- poor manpower planning
- a remedial rather than proactive approach to human resource issues.

Source: Based on Baum (1993)

In line with management, HRM is concerned with planning, monitoring and control of the human resource as a management process (see Table 9.3 for a range of studies on tourism and HRM). More complex analyses of HRM identify the concern that the individual human resource system within any organization is able to realize the strategic objectives of the organization (i.e. the delivery of excellent customer service to tourism consumers) as will become evident later in the discussion of the Disney model.

For the medium- or large-sized tourism enterprise, human resource issues and the factors affecting their performance are usually linked to the staff and workforce;

Table 9.2 Managing human resource issues: Scope and extent for businesses

- | | |
|---|---|
| 1 | A critical awareness of the scope and nature of the labour market |
| 2 | The design of jobs |
| 3 | Recruitment, selection, appointment and retention of staff |
| 4 | Induction, equal opportunities, training and development |
| 5 | Evaluation of staff performance |
| 6 | Salaries and incentives |
| 7 | Employment termination, grievance and dispute procedures |
| 8 | Industrial relations and employment law |
| 9 | Motivation of staff |

Source: modified from Baum (1993)

Table 9.3 Key studies on tourism and human resource management

Baum, T. (2006) *Human Resource Management for Tourism, Hospitality and Leisure: An International Perspective*. London: Cengage Learning.

Baum, T. (2008) Human resources in tourism: Still waiting for a change? *Tourism Management*, 28 (6): 1383–1399.

Baum, T. and Sziva, E. (2008) HRD in tourism: A role for government? *Tourism Management*, 29: 783–794.

World Tourism Organization (2001) *Tourism Challenges in the Twenty First Century – Human Resource Development in Asia-Pacific*. Madrid: UNWTO.

World Tourism Organization (2009) *The Tourism Labour Market in the Asia-Pacific Region*. Madrid: UNWTO.

World Travel and Tourism Council (2001) *Human Resource Task Force: Opportunities and Challenges*. London: WTTC.

therefore, recognizing the role of recruitment and ongoing development of the staff resource to achieve strategic goals becomes essential. The scale of the human resource function will often reflect the size of the organization and specific functions (e.g. training and development) may be allocated to specific individuals whereas in smaller organizations the commitment to core functions (recruitment and retention) may be all that is possible, due to work pressures and constraints on staff time.

The major challenges for the tourism industry in the new millennium are aptly summarized by Cooper *et al.* (1998: 458):

the challenges facing the tourism industry will only be met successfully by a well-educated, well-trained, bright, energetic, multi-lingual and entrepreneurial workforce who understand the nature of tourism and have a professional training. A high quality of professional human resources in tourism will allow enterprises to gain a competitive edge and deliver added value with their service.

People do make a difference in what is undoubtedly a people business.

More sophisticated human resource policies need to be developed and implemented in the following areas for the tourism sector to be responsive to add value to its staff and change the sector's image as an employer:

- induction of staff
- appraisal and staff performance evaluation
- effective staff communication
- rewarding initiative and excellence

- empowering staff
- improved industry-education collaboration.

Source: Page and Connell (2014)

Therefore, the quality, commitment and effectiveness of human resources can be critical in businesses' competitiveness. Understanding how HRM issues interact and, more importantly, what types of service staff need to provide, are significant elements for managing tourism businesses.

Service provision in tourism: A perennial management challenge?

Service provision can be conceptualized as a system in which elements of the product are created and assembled and delivered to the customer. Whilst parts of the service are visible to the consumer, the manner of delivery is what will entail exposure to the tourist and will impact upon the company's reputation as a service provider. The tourist's satisfaction with the service delivered in tourism will focus upon two critical elements: the technical and the functional quality of the service. The technical quality relates to the measurable elements, such as whether an airline seat of a certain quality was provided and delivered. In contrast, the functional element relates to the impression one wants a client to receive: an overall impression that is more holistic and gauges satisfaction with what was consumed. Whilst the analysis of functional quality is more intangible, as Chapter 8 illustrated in terms of human behaviour in travel agencies, certain factors – such as posture, the use of a smile, voice, attitude, empathy and responsiveness – will have a major bearing. For tourism managers, seeking to achieve consistent levels of service in tourism will be measured by tourist satisfaction. This is a complex phenomenon since satisfaction is linked to a consumer's emotions and level of expectation of the service being consumed. This is partly dependent upon three interrelated factors: the level of equity in the service provided, whether expectations were met, and perception of the actual performance. This requires managers to understand in more detail the technical aspects of service provision in tourism, especially:

- what the final product is
- how it is produced
- the form and shape the service will take
- who ultimately delivers the service.

Therefore, recognizing that customer service is central to the satisfaction levels of tourism services is significant because consumers are often buying something they have high expectations of, based on the marketing mix (the price, product, place and promotion), which is shaped by people, physical attributes (i.e. was the weather good?)

and processes of delivery. In a customer contact business, managers need to be aware of the most commonly measured elements that determine service quality. These elements are known among researchers as SERVQUAL determinants:

- tangible elements
- reliability
- responsiveness
- communication
- credibility
- security
- competence
- courtesy
- understanding/knowing the consumer
- access/ease of approach and contact.

These are central in managing the service encounter with tourists and at an operational level will determine how customer expectations/needs are met.

Whilst SERVQUAL has been a long-serving concept associated with the quality of service delivery in business sectors such as tourism, a new way of thinking (a paradigm) has evolved in recent years to challenge this approach to managing service businesses such as tourism as shown in Case Study 9.1.

One area which is vital in meeting tourists' expectations is communication. This is important not only in marketing a company but also for the way in which individual companies locate and nurture their customer base. In some sectors of the tourism industry defined standards of service and provision may exist to meet visitor expectations. Despite the growth in new approaches to service-related research (Case Study 9.1), SERVQUAL has remained a dominant feature of many studies. Three key elements are associated with the staffing of tourism enterprises, based on the SERVQUAL model:

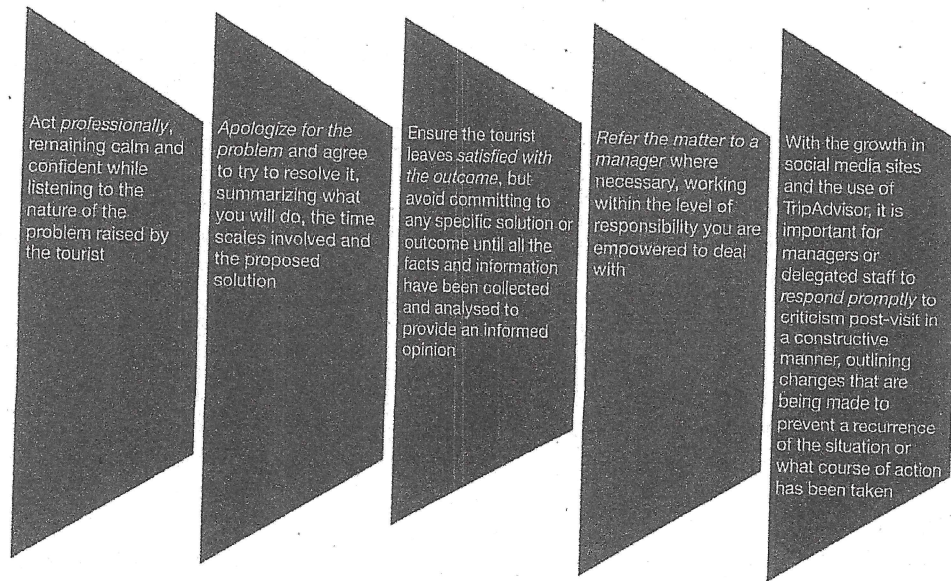
- 1 *the responsiveness of staff* – their willingness to help promptly (rather than ignore customers and leave them waiting, as many call centres now do with direct sales and the telephone waiting systems)
- 2 *the assurance of staff* – their ability to evoke images of trust and confidence associated with the company's offerings (as opposed to those staff who bemoan the problems of service delivery and weak elements in the system that have contributed to service failure)
- 3 *staff empathy* – their ability to provide tourists with individual attention and a commitment to the service they are providing (as opposed to more disaffected staff who do not have a stake in the business they are working for which may reflect poor levels of pay and motivation along with the use of casual staff).

When things go wrong, as they sometimes do when dealing with human behaviour that is not predictable and needs and attitudes to tourism services that are not

homogenous, staff and businesses can follow a number of simple principles in handling complaints as illustrated in Figure 9.6.

Figure 9.6
How staff
should
respond to
complaints

Source: author



Yet there are some businesses such as the Disney Corporation which go far beyond that approach to service provision; their customer service is widely seen as an example of international best practice; a good example whose principles other businesses can emulate to be successful and to improve their performance (see Case Study 9.2).

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