

# Tourism Management in the — 21<sup>st</sup> Century —

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IN THE 21<sup>ST</sup> CENTURY**

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**PETER R. CHANG  
EDITOR**

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## PREFACE

Tourism appears to be an industry that anyone can understand, but in reality it is a very complex subject. It is a meeting ground for economics, sociology, anthropology, geography, ecology and national priority issues among other challenges. Issues of employment, prices and contribution to GDP are all a part of the scope of this book, as well. Leaders of countries find themselves thrown from power if they do not convert tourism potential to a revenue stream. This book presents the latest thinking from around the world.

Chapter 1 - Any realistic understanding of contemporary tourism in the 21<sup>st</sup> century must be grounded in a context of the dynamics of capitalist globalisation. Sociologist Leslie Sklair's conceptualisation of capitalist globalisation and its dynamics as expressed in his "sociology of the global system" (2002) is employed to understand the corporatised tourism phenomenon and explain the resistance that it sparks. This discussion explains how a corporatised tourism sector has been created by transnational tourism and travel corporations, professionals in the travel and tourism sector, transnational practices such as the liberalisation being imposed through the General Agreement on Trade in Services negotiations and the culture-ideology of consumerism that tourists have adopted. These institutions, agents and processes have created a self-reinforcing system built upon growth dynamics and ever higher profit accumulation. This system reaps profits for industry and exclusive holidays for privileged tourists, but generates social and ecological costs which inspire vigorous challenge and resistance. Perhaps the most significant manifestation of this resistance is the coalition of the justice tourism movement which is seeking to replace the system of corporatised tourism with a more just, socially-concerned and sustainable tourism system. Such events suggest that the long-term future of tourism will be subject to macro-level tensions and challenges which forward-thinking tourism management will need to heed cautiously.

Chapter 2 - The study of tourists' Expectations and Experiences has become an integral part of tourist behaviour research. The disciplinary perspective of the research is tourism marketing with a focus on tourist behaviour. Consumer behaviour, to which tourist behaviour belongs, can be defined as the behaviour that consumers display in seeking, using, evaluating and disposing of products and services that they expect will satisfy their needs. *HOLSAT* (HOLIDAY SATISfaction) is a new model developed by Tribe and Snaith (1998). This chapter makes use this model to assess the holiday satisfaction of Australian travellers to Vietnam. It is the second known application of this model. It looks at the capabilities of the existing theoretical models to assess tourist satisfaction and highlight the importance of the *HOLSAT* model in understanding explicitly the differences between Expectation and Experience.

An examination of various sample segments has tested the usefulness of the HOLSAT model. Gender (Male versus Female) and the mode of travel (Package Tour versus Free and Independent Travellers) were investigated and have determined the differences amongst various segments of Australian tourists who visited Vietnam. This aspect of using the HOLSAT model to study segmentation was differed from the one undertaken by Tribe and Snaith (1998). A survey of 310 Australian travellers to Vietnam was made using a questionnaire that included the HOLSAT instrument as well as the open questions. The data were analysed using matrices, which showed the numerical results of *Expectation* plotted against *Experience* for Positive and Negative attributes. Significance of results was determined by the paired *t*-test. The data indicate a very strong level of satisfaction with most attributes, including, surprisingly, several Negative ones.

The findings from this study should provide important information that can be used in the future planning and management of the tourism industry, allowing wholesale and retail travel agents to improve levels of service and to develop appropriate products to meet the expectations of the Australian travel market. From a theoretical point of view, these results have demonstrated the workability of the HOLSAT model as a useful instrument for measuring holiday satisfaction and also for segmenting tourist market. The HOLSAT model has great potential because it does not require a fixed menu of attributes, generic to all destinations, compared with some other satisfaction models that seek to apply the same attributes to different situations. HOLSAT therefore is a recommended instrument for future research when measuring tourists' holiday experience as it specifically addresses the multi-dimensional character of consumer satisfaction with a holiday.

Chapter 4 - Travel and Tourism is a high-growth industry which is forecast to increase its total economic activity by 4.2% per annum worldwide in real terms over the next ten years (World Travel and Tourism Council, 2006). Travel and Tourism, when taking into account transportation, accommodations, food services, recreational facilities and the related services forms one of the world's most important and wide spread employers. Almost 9% of world employment is comprised of Travel and Tourism and is growing at a current rate of 1 in 11.5 new jobs. There are governmental policies, legal aspects, laws, procedures and moral obligations that relate to the treatment of the disabled staff and disabled customers. Moreover, there are even broader opportunities that can be derived from an understanding of this subject since disability is one of the factors that may cause social exclusion and poverty. In 21<sup>st</sup> century, people with disabilities are still underestimated as employees, consumers and active participants in society.

The purpose of this chapter is to provide a basic introduction to the Equal Employment Opportunities requirements for the Disabled and the Human Rights of Disabled Guests in the Hospitality Industry.

Chapter 5 - Over the last decades rural tourism has risen to become one of the main economic activities in the majority of the rural areas in Spain (Albaladejo & Díaz, 2005). The appeal of rural areas for tourism and recreation lies firstly in their intrinsic rural characteristics (Kastenholz et al., 1999; Sharpley & Sharpley, 1997). However, like urban or seaside tourism, its appeal also comes from the range and quality of attractions and facilities. Hence, rural tourism enterprises have to adapt to current market mechanisms, which are becoming extremely competitive and which are dominated by communication and promotion techniques (Gannon, 1994).

In the context of rural accommodation business policy, it is important to gain insights into tourists' preferences on quality of establishments and facilities offered. These factors are intuitively involved in the tourists' choice of rural accommodation. This paper provides a study on how the incorporation of two new aspects in a rural accommodation might influence the choice. The first, whether the Q Tourist Quality Certification (a national award for the services and equipment of the tourist establishment) has been given, and secondly, whether there is the possibility of making the reservation over internet. Both the Q Certification and internet booking for rural lodging in Spain appeared at the beginning of the century. These two characteristics of the supply of rural accommodation may have a direct influence on the development and promotion of establishments in rural areas.

In order to carry out the study, a Stated Preference data bank was obtained from an experiment on choices of accommodation for rural tourists to a region in the South-East of Spain. Stated Preference data are based on stated behaviour of individuals under hypothetical scenarios and are useful, among other things, for analysing the problem of estimating demand for new alternatives in the real choice context, as in the situation presented in this paper. Finally, discrete choice models of stated data have been implemented to analyse accommodation choice behaviour for rural tourists in the region in question.

Chapter 6 - The introduction of Information Technologies (IT) has brought about a change in company behavior. This change has proved to be of particular importance in the tourism sector, due to its own peculiarities.

This work examines how the development of new technologies has affected the tourism environment and the way in which tourism enterprises compete and develop their tasks.

In addition our work analyzes theoretically the relevance of the use of ITs in different parts of tourism organizations: how they could affect the development of creativity, firm strategies, how they could be used to discriminate on prices or develop additional alternative distribution channels, to provide customers with new services, to improve the power over customers or suppliers, to improve internal reengineering, automatization of routine operations or increase productivity or the quality of firm products, get better internal and external communication, interconnections in the value chain, overcome certain informational asymmetries, to promote the cooperation and sharing of knowledge between organizations and create strategic alliances and associations between firms...

Finally our work test empirically the impact that the development of information technologies inside the enterprise has on the explanation of firm performance. In order to achieve this aim we use a questionnaire addressed to 189 Spanish hospitality managers, and Structural Equations Modelling (SEM) methodology.

To sum up, the study highlights the benefits associated with the use of IT, together with possible formulae to improve the managerial task.

Chapter 7 - Quality management has become a widely adopted management philosophy in most sectors of today's business activity. However, and despite services being a large segment of the economies of many countries, to date the research in quality management in the service sector is not as well developed as it is in manufacturing. As to this issue, some recent papers that provide a substantial review of the literature in quality management specifically do not address the area of service quality. Other papers suggest that current quality management research in the service sector is insufficient and that more survey studies are needed. In addition, the majority of the research carried out on quality in service sector

companies has been done from the marketing perspective and has been centred preferentially on the study and measurement of service quality offered from the customer's perspective.

As a result of this research focus, and although both the theoretical foundation and methods of Total Quality Management can also be applicable to services, many of the elements and components of Total Quality programs have not been analyzed in existing studies. Examples of these elements include process management, information management and performance measurements, all of which play an important role in service organizations and are also critical aspects in hospitality and tourism. In the end, these factors have led to a more limited knowledge of the problems and implications that the implementation of a quality management program represents for a service sector firm, and especially within the context of the hospitality and tourism industry.

Consequently, the objective of this chapter is to carry out a review of the literature on quality management implementation in the service sector. To be more specific, we aim to analyze the quality literature in the tourism context in an effort to synthesize and structure existing knowledge and offer suggestions for future research in this field. While we will make reference to studies from the marketing area, we mainly focus our review on management studies, written in the context of quality management and having a broad quality management perspective, an approach that should help us to identify interesting aspects which we feel have not been sufficiently treated in the research carried out to date.

Chapter 8 - Highway service area is dual-embedded in a place as a convenient site for travel supply and a scenic or leisure spot for both travelers and tourists. Recognizing this scenario, some service areas have substantially featured affective cues in attempt to re-position. As a result, service area is becoming a modern mini shopping mall and a point of interest for leisure, where customer acquisition and loyalty are key business goals. Past studies have ignored the functioning changes of highway service area from pure travel supply site to tourist destination for daily leisure activities, as well as not aware of the impacts of such changes on the emerging demands. On the other hand, past studies also fail to identify the possible mediating effects of customer's mood and emotion in the relationship of store atmosphere and buying behavior in this particular context.

Upon closely field observation, the authors found that the repetitive purchasing behavior of visitors would exercise significant impacts on such functioning changes through frequent re-visiting. Based on the cognitive and affective theories, the authors assumed that the affective or emotional commitment for mall loyalty is mediated by the customers' emotional states toward the mall atmosphere, of which in turn foster the functioning changes of the service area mall.

Sampling from visitors of ten service areas located along two major arteries of Taiwan, the authors explore the factors that contained in customers' mood and emotion in individual service area. We then examine the relationships between several important constructs with an attempt to find the main and secondary of effects. Mall atmosphere, customer satisfaction, loyalty, affection, purchasing behavior, and some control variables are included to build hypotheses for testing.

Test results confirm the efforts in creating pleasant atmosphere of the service area could attract and strengthen customer's affective commitment. Findings of this research provide valuable implications to academics, practitioners, and governments. This paper provides practicable imperatives for shop managers in similar context that is highly circumscribed. Shops that are targeting tourists in circumscribed setting may expand its business boundary



by effectively responding and managing visitors' purchasing behavior. We suggest that sets of customer-centric activities such as re-modeling the function of the store shall be conducted in response to various customers' demands. The government shall also include the affection factors in selecting and designing the service area to secure and retain the users' [taxpayers and fee-payers] support.

Chapter 9 - The rapid development and change of China have drawn increasing attention from the international society. The primary agents of those are the nation-state and capital, and one of the principal vehicles is tourism, in which places saturated with tradition and authenticity are produced and consumed. As such, the so-called 'red tourism' has been promoted by the Chinese communist state since 2004. Built on the Chinese Communist Party's 74-year history, 'red tourism' is hailed by the party leaders as a strategic engine that will drive both the nation's economic growth and search for 'authenticity' of communist ideology in the 21st century. Regarding 'red tourism' as a misplaced search for 'authenticity', this paper attempts to analyze some problems associated with the background, purpose, production and consumption of this new type of heritage tourism development in light of China's current modernization campaign. While arguing the nation-state's supreme control of 'red tourism' intends to stimulate a collective nostalgia for the communist past, the paper concludes that tourism development itself may promise an authentic modern China to evolve in the process.

Chapter 10 - This work proposes a methodology to analyze the outsourcing process in hotels, from the perspective of internal and relational capabilities and the creation of value to the end consumer. This methodology has three stages. The first is the quality analysis, which determines the process, the activities and the creation of value. The second is a strategic analysis of the firm's internal and relational view in order to determine the activities to be outsourced. The final stage is the implementation of the outsourcing process, where the desired level of development relational capabilities in each of the activities to be outsourced is established and the most suitable service company selected. In that third stage, an example of possible hotel activities susceptible to outsourcing is presented, with an explanation of how the relational capabilities and the service companies have to be evaluated.

Chapter 11 - International tourism is one of the economic phenomena that have come under most analysis in recent years, due to both its growing importance and its visible repercussions on the economy. The economic effects of tourism growth are widely accepted to be positive in terms of job creation and a rising GDP. Nonetheless, tourism is a complex activity that involves numerous different forces and effects. The negative environmental effects of tourism (the pressure on natural resources, pollution, generation of waste and damage to ecosystems) are used as counter-arguments in evaluation of the impact of tourism. In this sense, we must reflect on the link that exists between growing tourism development and the conservation of our natural resources. We must bear in mind that a good quality environment is not just an end in itself but an inherent factor in sustainable tourism, since depleted natural assets will have a detrimental effect on the competitiveness of the industry given that they are a destination's main source of appeal. Thus, it is crucial to reduce the over-consumption and damage that affects a destination's natural resources in order to guarantee the survival of the tourist industry. Planning and managing natural resources through regulations and economic mechanisms is an essential factor in sustainable tourism policies. How tourism influences the environment is not just dependent on its environmental effects but on public and private efforts to minimise them.

Chapter 12 - Socioeconomic and technological developments have always led to changes in tourism demands, forcing tourist service providers to adjust. These constant challenges have spiraled during the early years of the new millennium, especially in the sun and sand holiday market. Wars, terrorism, extreme weather conditions, the ongoing internationalization of tourism and today's ageing society have clearly demonstrated the latent vulnerability of tourism. A key factor in the survival of the tourist industry must therefore be the early recognition of relevant trends. Taking this scenario as a framework, this article identifies the most significant trends and their implications on mass tourism destinations by reviewing current tourist data, with special reference to Spain, one of the most popular destinations in the world according to the World Tourism Organization. Since the sixties, this country has accounted for an important share of the North European tourist market that travels south, especially during the summer months, in search of sun and sand. The results of the analysis show that highly significant trends include the use of the Internet as an information search engine and tool for booking and paying for tourist services, the substitution of traditional holiday packages (travel and transport) for direct booking systems, a reduction in the length of stays at a destination and the substitution of traditional accommodation establishments for other alternatives, such as free accommodation in private homes.

Chapter 13 - Wages and costs of goods sold represent significant cost items in the hotel and restaurant industry. Tax evasion on these items presents substantial gains. The turnover of employees and customers is high, customers mostly pay in cash, and the markets are international. Thus, hotels and restaurants include crucial features in accommodating hidden economic activities. This article reveals that the hotel and restaurant industry comprises more short-lived firms with a higher frequency of bankruptcy than other industries. The analyses reveal unexpected economies of scale in hotels and restaurants. The scale advantages are redefined as "honesty of scale". The paper proposes that the smaller industry players conceal economic performance from the official accounts, while such conduct is riskier and thus less widespread in larger firms. It is suggested that these and other indicators provide circumstantial evidence of hidden economic activities within the tourism sector.

Chapter 14 - The world's increasing globalization requires more interaction among people from diverse societies, cultures, beliefs, and backgrounds than ever before. Diversity has become an increasingly important factor in organizational life because workforce comprises people who have demographic differences and share different attitudes, life styles, values, needs and work behaviors in tourism businesses. However, little research has been executed to assess workplace diversity for tourism industry in business literature. The goals of this chapter are to discuss diversity management and its impacts; to examine the contributions of diversity management as a source of sustainable competitive advantage in tourism industry and to offer new perspectives on diversity-based tourism alternatives.

*Chapter 1*

## **CAPITALIST GLOBALISATION, CORPORATISED TOURISM AND THEIR ALTERNATIVES**

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Any realistic understanding of contemporary tourism in the 21<sup>st</sup> century must be grounded in a context of the dynamics of capitalist globalisation. Sociologist Leslie Sklair's conceptualisation of capitalist globalisation and its dynamics as expressed in his "sociology of the global system" (2002) is employed to understand the corporatised tourism phenomenon and explain the resistance that it sparks. This discussion explains how a corporatised tourism sector has been created by transnational tourism and travel corporations, professionals in the travel and tourism sector, transnational practices such as the liberalisation being imposed through the General Agreement on Trade in Services negotiations and the culture-ideology of consumerism that tourists have adopted. These institutions, agents and processes have created a self-reinforcing system built upon growth dynamics and ever higher profit accumulation. This system reaps profits for industry and exclusive holidays for privileged tourists, but generates social and ecological costs which inspire vigorous challenge and resistance. Perhaps the most significant manifestation of this resistance is the coalition of the justice tourism movement which is seeking to replace the system of corporatised tourism with a more just, socially-concerned and sustainable tourism system. Such events suggest that the long-term future of tourism will be subject to macro-level tensions and challenges which forward-thinking tourism management will need to heed cautiously.

### **INTRODUCTION**

This chapter examines the topic of globalisation in order to establish a context for understanding the contemporary tourism sector. It begins by tracing how the conceptualisation of globalisation emerged from the modernisation and development

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discourse that characterised the twentieth century. The phenomenon of globalisation is then investigated by a brief exploration of the literature on globalisation in the economic, political and cultural arenas. This review reveals the complexity and multifaceted aspects of globalisation. However, concurring with the viewpoints of several analysts of globalisation (including Gill, 1995; McMichael, 1998; Sklair, 2002), it is proposed that it is capitalist globalisation that matters most because of its import and impact upon the contemporary global order. It will then be suggested that Sklair's analysis of the "sociology of the global system" (2002) with its focus upon the dynamics of capitalist globalisation offers a useful tool for analysing contemporary tourism in the current context of capitalist globalisation. This analysis focuses on the roles of individuals, institutions, transnational practices and the "culture-ideology of consumerism" in order to develop a comprehensive portrait of what is called "corporatised tourism". Like capitalist globalisation, corporatised tourism catalyses opposition due to its negative social and ecological impacts. Such dynamics suggest that the long-term future of tourism will be subject to macro-level tensions and challenges which forward-thinking tourism management will need to heed cautiously

## 1. GLOBALISATION

### 1.1. The Evolution to Globalisation

The history of globalisation is contested by scholars (Holton, 1998) with some claiming an ancient pedigree while others view it as a more recent and modern phenomenon. Some analysts argue that globalising trends can be found in the earliest eras of human history (Frank 1996; Held, no date). Some refer to globalisation in its modern form and trace its development to the period of European colonisation beginning in the 1600s (Hoogvelt, 1997; Robertson, 1992). Other analysts however contend that globalisation has more recent roots. Stephen Gill in his discussion of globalisation as a "political project" (1999), sets its inception in the 1870s when the economies of North America and Europe pursued policies of the free flow of capital and a fixed exchange rate system based on the gold standard.<sup>1</sup> Although this system collapsed with the Great Depression (see Gill, 1999), it clearly demonstrated attributes of the interconnectedness of a globalised economy. However, it was only from the 1980s that globalisation took on its more potent and comprehensive form and came to the forefront of analysis. An understanding of contemporary globalisation must be grounded in its antecedents, the modernisation and development movements that characterised the period between the 1950s and the 1980s.

By the mid-twentieth century, the technological and economic achievements of key countries in Europe and North America, attained through the processes of industrialisation,<sup>2</sup> led to a widespread acceptance of a modernisation perspective. According to Giddens:

<sup>1</sup> This period could be called the first wave of globalisation. However, with his longer timeline, Robertson sees it as the third phase and calls it the "take-off phase" (1992, p. 54).

<sup>2</sup> In many European countries, such advances were based not only on industrialisation but also on the exploitation of the labour and resources of colonies which enabled the industrialisation process to succeed, an unacknowledged point among most proponents of modernisation.

The key idea of modernisation theory is that the ‘underdeveloped’ societies remain trapped within traditional institutions, from which they have to break free if they are to approach the economic prosperity achieved in the West... ‘underdevelopment’ can only be overcome by the adoption of modes of behaviour based upon those found in existing industrialised societies (1986, p. 29).

Modernisation theory was based on a conceptualisation of progress that developed from 18<sup>th</sup> and 19<sup>th</sup> century rationalism that posited that if traditionalism were superseded by modernism with its technologies and efficiencies, then the economic benefits would accrue to other peoples.<sup>3</sup> Thus modernisation theory clearly set a global divide between the industrialised, “modern” states of the first or developed world and the yet to be developed states of the third or underdeveloped world. This marked the beginning of the development agenda which arose in the aftermath of World War II as the European colonisers struggled with their own rebuilding after the ravages of war, and the Americans rose to global power.<sup>4</sup>

Various voices have spoken out about more appropriate paths to development or have critiqued the developmental consequences of modernisation. One source of critique came from the dependency theorists who were influenced by Latin American structuralist thinking arguing that both external and internal structural forces led to developing countries being kept in a state of “dependency” within the international economic order (Todaro, 1997). Economist Andre Gunder Frank who was one of the founders of the dependency school of thought described the development project under modernisation as:

Development became increasingly equated with economic development, and that became equated de facto if not de jure with economic growth. It in turn was measured by the growth of GNP per capita. The remaining ‘social’ aspects of growth [equals] development were called ‘modernization’. Development meant following step by step in our (American idealized) footsteps from tradition to modernity (1996).

Following years of witnessing the effects of the “development” agenda particularly in Latin America but also in other areas of the developing world and trying to reconcile these with development theories, Frank posited a theory of the “development of underdevelopment”. He argued that for developing countries “continued participation in the same capitalist world system could only mean continued development of underdevelopment” as their integration into the world economy was on capitalist terms and delivered the benefits to external investors (1996). As Britton succinctly described it: “‘dependency’ involves the subordination of national economic autonomy to meet the interests of foreign pressure groups and privileged local classes rather than those development priorities arising from a broader political consensus” (1982, p. 334). To avoid the pitfalls of dependency, some advocated autonomous development based upon import-substitution and nationally-driven industrialisation which has been described as “inward-oriented development” strategies (Brohman, 1996, p. 49). However, such strategies were subject to heavy fire from

<sup>3</sup> Cohen and Kennedy list key aspects of modernity that started in the 17<sup>th</sup> century and accelerated in the 18<sup>th</sup> and 19<sup>th</sup> centuries as “the growth of a questing spirit, a strong leaning towards the purposive pursuit of material and social ‘progress’, rationality, industrialization, urbanization and the triumph of the nation state” (2000, p. 378).

<sup>4</sup> Frank (1996) states that the support of the development agenda must be understood in the political context of the rise of American hegemony and concern with the spread of communism as the Chinese revolution followed upon the earlier Russian one. Frank claims “developing a more harmless alternative [to communism] became a matter of greatest urgency for the newly hegemonic United States” (1996).

neoclassical economists who recommended developing countries concentrate not on developing their own industrial sectors but instead export primary commodities in a global trading network operating according to the market rules of comparative advantage (Brohman, 1996, p. 49). With the rise of neoliberalism and in particular the interventionist policies of structural adjustment of the IMF and World Bank, “outward oriented development” strategies have become the order of the day and almost all of the world’s nations are tied into the global trading regime (Brohman, 1996).

While imperialism, modernisation, developmentalism and globalisation might be treated as entirely separate phenomena by some authors, Hoogvelt’s study of globalisation characterises them all as interconnected phases of capitalist development and expansion (1997, pp. 16-17). Her typology sees four phases:

- 1500-1800 mercantile phase; transfer of economic surplus through looting and plundering, disguised as trade;
- 1800-1950 colonial period; transfer of economic surplus through ‘unequal terms of trade’ by virtue of a colonially-imposed international division of labour;
- 1950-1970 neo-colonial period; transfer of economic surplus through ‘developmentalism’ and technological rents;
- 1970- post-imperialism; transfer of economic surplus through debt peonage (Hoogvelt, 1997, p. 17).

Similarly, Waters views capitalism and modernisation as strongly interrelated:

Capitalism... cloaks itself in the mantle of modernization. It offers the prospect not only of general and individual increases in the level of material welfare but of liberation from the constraints of tradition. This renders modernization as unavoidable and capitalism compelling (1995, p. 36).

This brief and cursory discussion indicates the heritage of globalisation from its antecedents of modernisation and development agendas. Prior to the era of modernisation, developing countries had viable traditional subsistence sectors even while many of them were tied into colonial trading regimes. With the advent of modernisation coinciding with the historical decolonisation movement, development became the key focus of concern as developing countries were urged to abandon traditional sectors, seek “development” and follow the model set by both European and American modernisers. Although dependency theorists challenged the viability and validity of the modernisation project and various paths to development were explored, including inward and outward development strategies, the rise of neoliberalism since the 1980s firmly geared developing countries to seeking development through engagement in external trading arrangements. This expanding network of global trading arrangements, as we shall see presently, has been one of the key drivers of the globalisation process.

## 1.2. Perspectives on Globalisation

It is perhaps arguable how globalisation came to the forefront of public discourse since the 1990s; including whether it was the development of “global” environmental consciousness of the “planetary environment” (Scholte, 2000, pp. 83-86; Waters, 1995, p. 103), the instantaneousness of communication achieved through the technology of the internet (Scholte, 2000, p. 74), the development of a global trading regime (Scholte, 2000, pp. 76-77) or all of these things. But since that time, globalisation has captured the attention of the public and academia. Roland Robertson is a key contributor to the globalisation debate who argues that globalisation:

...refer[s] both to the compression of the world and the intensification of consciousness of the world as a whole...both concrete interdependence and consciousness of the global whole... (1992, p. 8)

As a result, Robertson sees the potential of globalisation as the possibility of the entire world becoming a single place. Similarly, Giddens claims:

Globalization can... be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (1990, p. 64).

Relevant transformations include: communications technologies such as the internet and satellite telephones which place distant regions in instantaneous contact; transportation technologies such as jumbo jets which facilitate globetrotting tourists and business people; financial systems allowing 24 hour global trading so that capital moves instantaneously and stock markets are constantly surveilled; and ecological impacts of global relevance including global warming and depletion of the ozone layer.

Gill argues that globalisation can be viewed as a set of trends:

When most people hear the word ‘globalization’ they often think of a set of mega-trends and processes creating a more interlinked and integrated world. Phrases like ‘the global village’, ‘the information society’ and ‘one world, ready or not!’, all convey the sense that globalization is an accelerating, evolutionary process, where innovations in transport, science and technology, economics and communications increasingly link the fate and the future of humankind (1999, p. 1).

Scheuerman argues that although there is a diversity of perspectives on globalisation, “...most contemporary social theorists endorse the view that globalization refers to fundamental changes in the spatial and temporal contours of social existence...” such that the realm of the local and the utility of the nation-state are called into question (2002). Many definitions recognise that contemporary changes to the ways that humans relate in space and time have re-ordered our societies but beyond this, there is much variety in analysis. These differences reflect the various views on the sources, importance and the outcomes from these changes in spatial and temporal arrangements. Perhaps it is also indicative of the fact that there is a multiplicity of “globalisations”; as Giddens states “Globalization thus is a complex set of processes, not a single one. And these operate in contradictory or oppositional fashion”

(1999, pp. 12-13). Three aspects or arenas of globalisation frequently partitioned and analysed include economic, political and cultural globalisation, which will now be briefly analysed.

### 1.3. Three Arenas of Globalisation

Perhaps one of the most pervasive perspectives on globalisation is the focus on the integration of the global economy. One of the leading analysts of *economic globalisation*, Kenichi Ohmae (1995), presents a business perspective on globalisation. He argues that globalisation results in the irrelevance of the state and the growth of regional powers such as the Chinese regional economy (potentially including not only the prosperous free trade zones of the Southeast coast and Hong Kong, but also Singapore and Taiwan) and the European Union. He views globalisation as the creation of a borderless world characterised by four flows: investment, industry, information and individuals (1995, pp. 2-4). He argues that states are no longer required to manage the market and that they must resist the urge to intervene (such as taxing prosperous zones for social redistribution) because if *laissez faire* policies are pursued the regional states can act as “engines of prosperity” (1995, p. 4).

It could be argued that the attempts to formulate global trade rules through such institutions as the World Trade Organization (WTO) and agreements such as the General Agreement on Trade in Services (GATS) and the failed Multilateral Agreement on Investment (MAI) are indicative of the formation of a wider economic globalisation. However, such a view has suffered setbacks since the United States, one of the main state drivers of economic globalisation, has resorted to conducting bilateral treaty negotiations with such countries as Australia, Chile and China following the opposition of developing countries to inequitable multilateral talks at the Cancun World Trade meeting in 2003. While multilateral talks in forums such as the WTO and GATS demonstrate advances in economic interdependency, global economic integration is a contested and complex matter in a world still driven by nation-states pursuing their own economic interests.

For analysts of *political globalisation*, one of the key concerns is the perceived receding role of the nation-state in a globalising world as the power of the nation-state is challenged in the management of its economy. As global trade expands, transnational corporations operate without the constrictions of borders, capital moves unrestricted and multilateral institutions such as the WTO organise macro-economic activities. Correspondingly the powers, duties and roles of the nation-states in the global community become reduced and restricted. The extent and effectiveness of the “undermining of the state” is crucial in the wider globalisation debate because the institution of a truly global order, rather than a merely international one, necessitates a reduction in the political authority and effectiveness of nation-state actors.

Held and McGrew claim “the exclusive link between territory and political power has been broken” (2000, p. 11). A variety of factors make it apparent that politics is no longer confined within the borders of the territorial state. These include the development of international governmental organisations (IGOs) such as the United Nations and international non-governmental organisations (INGOs) such as Amnesty International; the development of international law through agreements and conventions such as the United Nations Convention on the Rights of the Child; developments of international authority above the powers of states such as the International Criminal Court; and the expansion of new social movements such



that an international civil society could be said to be forming. According to Held and McGrew “in 1909 there were 37 IGOs and 176 INGOs, while in the mid-1990s there were nearly 260 IGOs and nearly 5,500 INGOs” (2000, p. 11). These IGOs and INGOs demonstrate webs of political action and interdependence that extend beyond state borders and challenge the sovereign authority of the territorial state.

Other analysts look to existing structures such as the United Nations at the international level and the European Union at the regional level and question whether they can be considered precursors to a global polity (e.g. Holton, 1998; Rosenau, 1996). The European Union provides the most advanced example of the willingness of states to surrender sovereignty to a larger political body but it remains a “work in progress” since clearly the roles of the member states have not yet been swept away despite efforts to share sovereignty. While some might see the United Nations as a potential precursor to “one world” government it is clearly currently a long way from serving as a global polity (see Holton, 1998). The United Nations is a complex umbrella institution which has structures of varying power and influence ranging from the Security Council with its executive capacities (though enfranchising only a handful of nation-states), to the General Assembly with its status as a “global forum”, and specialised agencies such as the World Health Organization and UNESCO with their detailed concerns with various aspects of the global community including economic development, social justice, human rights and environmental issues (Holton, 1998, pp. 118-121).

Waters’ judgement of progress in advancing political globalisation towards the achievement of a global polity is decidedly negative. He claims that political globalisation is strikingly less advanced than economic globalisation and its main advances have been in the areas of international relations and the development of political culture (1995, p. 122). However, Waters proposes that political globalisation is being facilitated by the more rapid development of *cultural globalisation* which fosters the development of common cultural values.

In fact, the cultural arena is one of the most important in the analysis of globalisation. The changes in temporal and spatial relationships between peoples and societies that are the foundation of globalisation mean that one must question the impacts on cultures<sup>5</sup> which develop organically within local and national contexts. Cultural homogenisation<sup>6</sup> refers to the tendency for contacting cultures to shed their differences under the influence of globalisation and to thereby become more alike. The ultimate concern that this arouses is the loss of cultural diversity and establishment of a monoculture, whether through cultural dominance as described by Westernisation and Americanisation or through cultural mixing as described by hybridity.

Cultural homogenisation arises largely from the obvious changes under way around the world as people join the market economy and adopt consumerism which challenges their traditional lifestyles. One particular discourse concerns westernisation. Theodore Von Laue focuses on what he calls the “revolution of westernization”, which he describes as fostering a

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<sup>5</sup> Cohen and Kennedy claim “most sociologists tend to define culture as the repertoire of learned ideas, values, knowledge, aesthetic preferences, rules and customs shared by a particular collectivity of social actors. Drawing on this common stock of meanings enables them to participate in a unique way of life” (2000, p. 26).

<sup>6</sup> A related term that is important in the tourism literature is “acculturation”, which refers to “...social processes and consequent social and psychological changes that occur when peoples of different cultures come into contact” (Nash, 2000, p. 6).

globalist vision (1987, p.109). He claims that the phenomenon of Western cultural forms spreading globally is due to Europe's historical advantage resulting from geography, the Greco-Roman cultural tradition and "the culture of cerebral asceticism" that sprang from Christianity and enabled Europe's development of science, technology and industry (p. 7). He claims that other peoples will not develop until they shake off their sensuality, become ascetic and develop ambition, or in effect become more "western". A more recent argument in a similar vein analyses the impacts of globalisation on culture and declares its "praise of cultural imperialism" (Rothkopf, 1997). Rothkopf advocates the nurturing of a global culture, and in particular, a global culture in the image of America's (which he describes as dynamic, tolerant and free), so that all will join in the global marketplace that works not only to American advantage but the world's as well. Similar to the discussion of modernisation, this discourse springs from the intellectual tradition that supports Western penetration and transformation of other peoples and places.<sup>7</sup> In terms of the cultural homogenisation (as well as modernisation) thesis, what is demanded or lauded is that non-Western and underdeveloped peoples must transform themselves culturally to be like the West in order to achieve the successes and privileges enjoyed by their western neighbours. From this perspective, westernisation could be viewed as fostering such characteristics as individualism, consumerism, urbanisation, breakdown of familial ties, abandonment of tradition, secularisation and rationalism.

In a related vein, some analysts see globalisation as based on Americanisation. The historical backdrop for this position is the rise of American hegemony in the aftermath of World War II that coincided with the decline of British and European powers. Cohen and Kennedy describe this era as laying the foundations for a world society (2000, pp. 41-59) and note the important role of American economic power and political leadership as well as the promotion of English as the global language. Less measuredly, journalist turned globalisation analyst Thomas Friedman asserts:

...globalization has its own dominant culture, which is why it tends to be homogenizing to a certain degree...culturally speaking, globalization has tended to involve the spread (for better or worse) of Americanization – from Big Macs to iMacs to Mickey Mouse (2000, p. 9).

Friedman concludes after wide-ranging discussion and anecdotes from around the globe "...globalization is globalizing Anglo-American-style capitalism and the Golden Straightjacket. It is globalizing American culture and cultural icons. It is globalizing the best of America and the worst of America..." (2000, p. 380). While Friedman acknowledges that American-led globalisation has some detrimental impacts (and he does briefly address the need to ameliorate this), he is in effect a keen supporter of American-led, American-protected globalisation. As he makes clear:

Sustainable globalization requires a stable power structure, and no country is more essential for this than the United States... the hidden hand of the market will never work

<sup>7</sup>The westernisation position is countered by the discourse fostered by Edward Said's analysis of "orientalism" (1978). Said's legacy has been fruitful in fostering examination of cultural relativism, postcolonial studies, indigenist perspectives and offering support to feminist analysis. In a nutshell, Said argues that Western discourse asserts "otherness" as inferiority and thus legitimises cultural and other forms of domination. For a helpful discussion of Said's work in relation to cultural homogenisation see Holton 1998, pp. 164-166.

without a hidden fist...America truly is the ultimate benign hegemon ...(2000, pp. 464 and 467).<sup>8</sup>

There is much criticism of the Westernisation and Americanisation positions. For example, referring to the Philippines, Appadurai argues that to claim it is subject to the forces of Americanisation is not accurate despite its long and close ties to the US. He sees:

a confusion between some ineffable McDonaldization of the world and the much subtler play of indigenous trajectories of desire and fear with global flows of people and things... if a global cultural system is emerging, it is filled with ironies and resistances, sometimes camouflaged as passivity and a bottomless appetite in the Asian world for things Western (1996, p. 29).

Holton provides a balanced discussion on the strengths and weaknesses of the cultural homogenisation arguments and concludes "...the global field is multcentred rather than dominated by a single centre. There is no single dominant centre, in spite of the dominance of the USA [or West] or certain American symbols in particular markets or sectors..." (1998, pp. 169-170).

Hybridisation provides another important perspective on culture and globalisation. At its simplest, hybridity refers to the "...creation of dynamic mixed cultures" (Cohen and Kennedy, 2000, p. 363). It derives from anthropology and cultural studies and the related studies of syncretisation and creolisation which describe the way that cultures in contact serve as catalysts to change in each other.<sup>9</sup> Because of the intercultural mixing that globalisation fosters, hybridisation theory proposes that what results is "...cross-cultural borrowings and intercultural fusion and blending to create hybridized or mixed cultural forms" (Holton, 1998, p. 179). Of exceeding value here is Appadurai's examination of the global cultural economy in which he formulates his theory of flows of cultural objects that foster hybridity (1996). Appadurai uses the suffix "scapes" to designate these global flows and designated five of particular significance: ethnoscapescapes, technoscapes, finanscapes, mediascapes and ideoscapes.<sup>10</sup>

As the preceding discussion indicates, the globalisation literature indicates a wide breadth of analysis with much diversity in foci among the various analysts. Such a multiplicity of explanations of globalisation (or in line with Giddens (1999, pp. 12-13), "globalisations") could lead to confusion and abandoning the effort to pin down globalisation's importance to changes within our world.

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<sup>8</sup> Similarly, Rothkopf, referred to previously, advocates "exporting the American model" because "...of all the nations in the world, theirs is the most just, the most tolerant, the most willing to constantly reassess and improve itself, and the best model for the future" (1997, p. 47).

<sup>9</sup> Cultural syncretism is also a powerful argument against the Westernisation and Americanisation theses because both are in fact hybrid cultures that have drawn from the cultural, political and religious traditions of other civilisations that have preceded them sometimes by millennia.

<sup>10</sup> Ethnoscapes refers to the movement of mobile people such as tourists, businesspeople, migrant labour and refugees; technoscapes refers to the flow of technologies such as the internet, mobile phones and satellites which put distant peoples in contact; finanscapes refers to the flows of capital globally; mediascapes refers to the global flows of information; and ideoscapes refers to the flows of ideas globally such as universal human rights and environmental awareness.

## 1.4. It Is Capitalist Globalisation that Matters

While globalisation has a multitude of diverse forms that inspire much varied discussion and analysis, in terms of economic, social and environmental impacts, it is capitalist globalisation which arguably matters most. While people may be developing a “global consciousness”, cultures may be undergoing hybridisation and technologies may be reducing time and spatial distances between societies and peoples, it is capitalist globalisation which is re-ordering individual lives, societies and world order in such a way as to create momentous tensions. These tensions are manifest in the devastating results that have followed the attacks of September 11, 2001 (Reid 2003, p. 3)<sup>11</sup> and environmental crises such as global warming which threaten the very future of the planet (Sklair, 2002, pp. 53-57). A number of analysts of globalisation have concluded after comprehensive review of globalisation literature that capitalist globalisation has more explanatory value if power, development, sustainability, social justice and equity are the concerns of discussion (Gill, 2000a, 2000b; Hoogvelt, 1997; McMichael, 1998; Scholte, 2000; Sklair, 2002).<sup>12</sup>

Development expert Philip McMichael in his article on “Demystifying ‘globalisation’” argues that the debates to define and delineate globalisation are a “distraction” and that “that there is a more fundamental issue” to grapple with (1998, p. 304). He claims that globalisation can be seen as a “historical project” which is about “managing power relations within states and across the state system” in order to secure a restructuring that works to secure market rule in the interests of “a powerful global managerial class” (1998, p. 304). The effects of this project are a diminution of the social agendas that all states were previously expected to pursue in meeting the needs of their peoples. For states of the developing world specifically, this meant abandoning their developmental agenda with its social aims, for a set of market criteria including efficiency, competition and entrepreneurialism that underline the agendas of market rule (McMichael, 1998).<sup>13</sup> Elsewhere, in his analysis of the WTO McMichael has argued that its “executive” activities in the support of market rule remove the development agenda from a public function of states to a private function of capital (2000, pp. 467 and 472). He claims that the WTO sends a message that “development now depends on the management of global markets” and the creation of a free trade regime with a result that “development becomes less a socially purposeful national initiative, and more a reward for joining the global market” (2000, p. 472). However, rather than being geared to deliver development to its member states such regulatory mechanisms as the trade regime of the WTO are meant “to facilitate corporate access to markets and raw materials, and investor and

<sup>11</sup> Reid claims “While no one can condone the carnage of the events of September 11, they must be viewed as a rejection of corporate globalization and the exploitation taking place across the globe, and not simply as the actions of a few deranged individuals, as some would have us believe” (2003, p. 3).

<sup>12</sup> There are, of course, a number of other analysts who argue in favour of capitalist globalisation, including Norberg (2003) and Hoenig (2003). Their arguments suggest investment of capital in poor countries brings economic opportunities that would not otherwise occur. Their positions ignore the fact that such countries might have other economic options more beneficial to the welfare of their people and fail to address the equity concerns of the critics of capitalist globalisation. Many of these analysts belong to pro-market think tanks and media outlets. See: <http://www.johannorberg.net/?page=inddefense> and <http://www.moraldefense.com/default.htm>.

<sup>13</sup> McMichael states: “The globalisation project is premised on political-economic liberalisation of states. It subsumes the rhetoric of development and reconstructs it as efficiency, competition and entrepreneurialism. But it is not necessarily an equivalent project - it does not possess the coherence of the development project, anchored in the nation-building process. The latter was embedded, to a greater or lesser degree, in social goals

speculator access to financial markets, and to recalibrate the ideology of development as a global project” (McMichael, 2000, p. 473).

Jameson argues that the globalisation of the economy can be seen as a coerced integration:

The rapid assimilation of hitherto autonomous national markets and productive zones into a single sphere, the disappearance of national subsistence (in food, for example), the forced integration of countries all over the globe into ... that new global division of labour...[W]hat begins to infuse our thinking of globalization is a picture of standardization on an unparalleled new scale; of forced integration as well, into a world-system from which “delinking” (to use Samir Amin’s term) is henceforth impossible and even unthinkable and inconceivable (2001, p. 57).

Stephen Gill describes the contemporary form of capitalist globalisation as an attempt to impose a “neo-liberal market civilisation” (1995). He argues that this system includes culture, ideology and its own mythology of capitalist progress that has come about from the globalisation of neoliberalism. This ideology is put forward as the “sole model of future development” and is reinforced through the muscle of market discipline and political power (1995, pp. 399 and 412). He has coined two phrases to describe this coercive aspect to the system, “disciplinary neoliberalism” and the “new constitutionalism”; the former refers to the application of economic principles to all varieties of social relations and the latter describes the political-judicial structures being developed to secure the system’s long-term future (2000a). Gill explains why such a theorisation of globalisation is merited:

Whilst many authors have stressed the short-term perspectives with dominant forms of economic globalization, for example the sense of immediacy associated with time-space compression, the crucial strategic significance of new constitutionalism is how it seeks to provide political anchorage for the power of capital in the long term (2000a).

Gill argues that it is this long term agenda of the new constitutionalism that matters as it brings about “deep structural transformations in economy, state and society” that will be difficult to overturn as they become “constitutionally” locked in (2000a).

Finally Sklair also concludes that it is global capitalism which matters most. After summing up a variety of approaches to understanding globalisation including world systems theory, the globalisation of culture model, the global polity and society model and global capitalism, Sklair claims that all such approaches can be faulted for their biases and limits (2002, p. 47). But on the latter approach, global capitalism, Sklair says that while it can be criticised as a “one-sided” approach, he suggests that two questions would remain vital to answer: just how important is that “one side”? And what problems does capitalist globalisation bring? (2002, p. 47). Considering his view that capitalist globalisation is irrevocably changing our world and bringing about major ecological and social crises, it is clear that Sklair thinks capitalist globalisation is worthy of concerted analysis. It is to his theory we now turn.

## 1.5. Sklair's Sociology of the Global System

Sociologist Leslie Sklair has formulated an analysis of globalisation which has much to offer. Sklair describes his theory as a “sociology of the global system”, which, although informed by the thinking of many other analysts of globalisation, was a radically new analysis when he first introduced it in his *Sociology of the global system* in 1991. In his later edition entitled *Globalization, capitalism and its alternatives* (2002), Sklair provides a valuable critique of what he calls capitalist globalisation and uses this as a springboard to contemplate an alternative globalisation that resolves the crises that capitalist globalisation produces. Sklair's model of globalisation is more holistic and comprehensive than most through his focus on transnational practices (TNPs) that encompass economic, political and cultural-ideological spheres (2002).

TNPs are the basis of the transcendence of national boundaries as countries become more bound together; they occupy the physical spaces of globalisation; they are present wherever transnational corporations (TNCs) are operating; members of the transnational capitalist class (TCC) meet and mingle and the culture-ideology of consumerism takes hold (2002, p. 86). Understanding how these TNPs contribute to the “capitalist project” requires examining the particular types of TNPs (economic, political and cultural-ideological) and then addressing how each TNP type is secured by its attendant structural form.

Economic TNPs refer to the economic practices that transcend state borders. This term encompasses a diverse range of phenomena ranging from export production to ethical trading regimes that are responses to the damages of export production practices. For Sklair's work which is primarily (though not exclusively) concerned with the effects of capitalist globalisation in the developing world, the key issue hinges around the capacity for economic TNPs to contribute to “development”. Under the “capitalist project”, the ideological assertion is that TNCs “...are the surest route to economic development on a global scale” (2002, p. 90). This is the reason many political and business leaders in the developing countries seek to entice TNCs to invest in their countries. However, the TNCs are not development agencies but profit-making enterprises that seek cheaper means of production and markets in which to sell their goods and services.<sup>14</sup> Sklair proposes that an investigation of TNCs' roles in providing jobs and economic linkages (both backward and forward)<sup>15</sup> within the host economy is a useful starting point to assess TNC contribution to development (2002, pp. 91-96). Sklair shows how the job creation/job destruction outcomes of TNC practice as well as the propensity or failure to create linkages within the economies where they locate, have the capacity to determine developmental outcomes and are thus some of the most important economic TNPs (p. 96). Following in-depth analysis, Sklair is led to conclude that the TNCs through their economic TNPs “...strive to control global capital and material resources...” (p. 115).

<sup>14</sup> Therefore, they are not guaranteed to provide development but only opportunities for some well poised elites in those countries.

<sup>15</sup> Backward linkage refers to the situation when a TNC purchases local materials, goods or services in its production process thus stimulating development of local industries. In tourism, for example, this would occur when a TNC hotel chain purchases locally grown farm produce or locally manufactured furniture. Forward linkage refers to the situation when TNC output goes into the local economy for further processing and thus adds value. An example is the manufacture of microchips for use in the production of locally produced consumer goods.

Political TNPs are political practices that transcend state borders. Sklair contends they are less advanced in today's world than economic TNPs due to the persistence of the state and attendant nationalisms (2002, pp. 96-98). However, the growth of civil society networks across borders indicate globalising tendencies as evidenced, for example, in the global proliferation of non-governmental organisations linked to environmental or human rights movements. What is of particular interest to Sklair is the advancement of political TNPs through the efforts of the transnational capitalist class (TCC) that is their structural promoter. According to Sklair, the TCC is composed of four "fractions": the corporate fraction composed of TNC executives and their local affiliates; the state fraction comprising globalising state and interstate politicians and bureaucrats; the technical fraction including globalising professionals; and finally, the consumerist fraction consisting of globalising merchants and media (Sklair, 2002, p. 99). According to Sklair, they are transnational in five aspects. They share both global and local economic interests; they seek economic control in workplaces, political control at all levels, and cultural-ideological control in everyday life; they hold global, not local, perspectives on a variety of issues; they are comprised of people from many nations all of whom partly identify as global citizens; and they share similar lifestyles predicated on luxurious consumption (2002, pp. 98-99). Sklair's formulation of the TCC argues that they are one coherent group whose mission is to secure the conditions under which their interests and the interests of the capitalist global system prevail at all levels from the local to the global (p. 99).

Cultural-ideological<sup>16</sup> TNPs are often identified as the driving force behind globalisation, whether characterised by other analysts as Americanisation, Westernisation (Barber, 1996; Holton, 1998; Von Laue, 1987) or McDonaldisation (Ritzer, 1996). Cultural-ideological TNPs are manifest in such diverse phenomena as global communications through internet chatrooms, in concepts (consciousness) like McLuhan's "global village" (1962), in the spread of Western youth culture and in the development of a global environmental movement. However, it is how these TNPs manifest themselves under capitalist globalisation that is of interest to Sklair. Key to this is the structural form of the culture-ideology of consumerism which accompanies and promotes certain cultural-ideological TNPs (2002, p. 107). The culture-ideology of consumerism is a new phenomenon that has arisen due to the correlation of two simultaneous circumstances – the globalisation of capitalism and a powerful media, particularly the advertising industry, able to hail its bounties to everyone (p. 108). While consumerism is not new, the culture-ideology of consumerism is a distinct phenomenon as it promotes a consumerist "worldview". In effect, under capitalist globalisation, efforts of media and other agents of the culture-ideology of consumerism are geared toward controlling the "realm of ideas" in order to ensure that endless consumption underpins the whole of the capitalist system (Sklair, 2002, p. 115). As Sklair notes, the role of consumerism is the key - "without consumerism, the rationale for continuous capitalist accumulation dissolves" (p. 116). Its impact is tremendous as commercialisation and commodification is extended to every sphere of endeavour resulting in what Habermas terms "the colonization of the lifeworld" (cited in Sklair, 2002, p. 116). The idea that market dynamics are the most efficient dispenser of resources moves beyond the spheres of economic production into hospitals,

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<sup>16</sup> Sklair places the two concepts "culture" and "ideology" together in this hyphenated form because he argues that capitalist globalisation is forging a "qualitatively new relationship" between these two previously distinct forces.

schools, the community and homes. Neoliberal principles such as competition, individualism, an emphasis on “progress” and trust in technological solutions hold sway as a result. Table 1 provides an insight into the structures and processes that compose Sklair’s articulation of the capitalist globalisation system.

One of the significant points of Sklair’s analysis is that he admits that capitalism does deliver the goods, so to speak, at least to some in some places. The reason that the capitalist system has been able to be transplanted to the economies and societies of the Third and new Second worlds<sup>17</sup> is because the promise of development and the enticements of consumerism are desired and believed to be attainable by peoples and governments all around the globe. In fact the culture-ideological premises of capitalist globalisation are so successful, that to advocate other alternatives such as socialism brings contempt, dismissal and marginalisation. As Sklair states:

The ultimate strength of capitalist globalization is that it continually works, and works very hard to persuade people that the system is natural, fair and fundamentally better than any realistic alternative (2002, p. 118).

Others have called this the “there is no alternative” syndrome<sup>18</sup> (Bennholdt-Thomsen and Mies, 1999, p. 52) which has been most effective at securing allegiance to the capitalist form of globalisation. Where this persuasion fails and opposition arises, capitalist globalisation has to date been effective in implementing strategies of coopting, countering or tarnishing the opposition. Capitalism’s hegemony is underscored by the fact that it does not usually need to resort to force to achieve compliance. However, when force is required (as was the case for example at Genoa),<sup>19</sup> capitalism scores an even greater victory when the application of force

<sup>17</sup> Sklair in particular addresses the experience of what he calls the Third World and the new Second World countries. This schematic is based on the “three worlds formula” proposed in the 1950s which divided the advanced, industrialised nations (First World) from the communist nations in Eastern Europe and the Soviet Union (Second World) and the “rest, the poorer and relatively unindustrialized, less developed countries” (Third World) (Sklair, 2002, p. 13). The new Second World acknowledges the changes wrought by the collapse of communist regimes following the fall of the Berlin Wall in 1989 but postulates that their status in development trajectories still necessitates a separate category. For a brief insight into this terminology and how its usage has changed see Helton, 1998, p. 12.

<sup>18</sup> Served by the acronym TINA, and supposedly originally stated by Margaret Thatcher. Some analysts of globalisation have been quick to counter the TINA syndrome for a variety of contradictory reasons. Those staffing international financial institutions such as the IMF and World Bank who are pro-globalisation but concerned at the increasingly vocal anti-globalisation fringe, argue that globalisation is reversible thereby threatening those that have a vested interest in the system but fail to advocate globalisation. Others who wish to raise the resistance and input of social movements to curb the excesses of globalisation oppose the TINA position in order to inspire activism (Hellyer, 1999; Wiseman, 1997). Those that are interested in challenging the proponents of the cultural imperialism thesis resist the TINA argument because their focus is upon cultural resilience in peripheral cultures and the phenomenon of hybridisation (Abu-Lughod, 1991; Lechner & Boli, 2000; Nederveen Pieterse, 2000; Sinclair, Jacka & Cunningham, 2000).

<sup>19</sup> This refers to the incident that occurred when “anti-globalisation” protesters gathered in Genoa, Italy in July 2001 to protest at the Group of 8’s conference (the G-8 includes the industrialised nations of France, Germany, Russia, USA, Japan, Canada, Italy and Britain). Apparently, protester Carlo Giuliani was shot in the head by police with live ammunition after he threw a fire extinguisher at a police vehicle. However, in the aftermath of these violent events, it has become more apparent that the Italian police were unnecessarily aggressive (for example using live bullets) in their tactics and that the violence of protestors was overstated. What is particularly interesting though for this discussion is how “Genoa” “...has become a kind of shorthand for ‘violent protesters’ in mainstream media” (see *Media missing new evidence about Genoa violence* at [http://www.zmag.org/italy/missing\\_genoa\\_en.htm](http://www.zmag.org/italy/missing_genoa_en.htm)).



is accepted as legitimate because it helps to underscore the legitimacy of the system (Sklair, 2002, pp. 118-119).

Current development orthodoxy encourages developing countries to integrate their economies into the global market as the best path to development.<sup>20</sup> Aspects of this process include seeking foreign direct investment, siting of TNC production in their locales, orienting economies to export-led production and implementation of IMF structural adjustment programs. For Sklair, it is important how each of these strategies serves capitalist globalisation.

**Table 1. Sociology of the Global System (Sklair, 1999)**

<b>TRANSNATIONAL PRACTICES</b>	<b>LEADING INSTITUTIONS</b>	<b>INTEGRATING AGENTS</b>
<p><i>Economic sphere</i></p> <ul style="list-style-type: none"> <li>• Transnational capital</li> <li>• International capital</li> <li>• State capital</li> </ul>	<p><i>Economic forces</i></p> <ul style="list-style-type: none"> <li>• Global TNCs</li> <li>• World Bank, IMF</li> <li>• State TNCs</li> </ul>	<p><i>Global Business Elite</i></p>
<p><i>Political sphere</i></p> <ul style="list-style-type: none"> <li>• TNC executives</li> <li>• Globalising bureaucrats</li> <li>• Politicians and professionals</li> <li>• Regional blocks</li> <li>• Emerging transnational states</li> </ul>	<p><i>Political forces</i></p> <ul style="list-style-type: none"> <li>• Global business organisation</li> <li>• Open-door</li> <li>• Agencies, WTO</li> <li>• Parties and lobbies</li> <li>• EU, NAFTA, ASEAN, UN, NGOs</li> </ul>	<p><i>Global Political Elite</i></p>
<p><i>Culture-ideology sphere</i></p> <ul style="list-style-type: none"> <li>• Consumerism</li> <li>• Transnational</li> <li>• Neoliberalism</li> </ul>	<p><i>Culture-ideology forces</i></p> <ul style="list-style-type: none"> <li>• Shops, media</li> <li>• Think tanks, elite social movements</li> </ul>	<p><i>Global Cultural</i></p>

For example, on the issue of TNCs, Sklair states that like all businesses, TNCs seek profits (2002, p. 122). What is at issue is how they secure their profits. Radicals have criticised TNCs as exploitative of labour or as promoters of consumption, but that is only part of the picture. Under capitalist globalisation, TNCs' roles are supported by powerful agencies such as the World Bank and the IMF which advise countries to adopt policies that serve TNC interests; aid agencies fund programs implemented through TNCs in a way that aid seems to

<sup>20</sup> For example, the World Bank's website describes trade as: "vital for poverty-reducing growth". Accessed at: <http://www.worldbank.org> under "Issue Briefs"> "Trade" (accessed on 23 April 2003). Also see: <http://www.imf.org/external/np/exr/ib/2002/031502.htm> in which the IMF advocates economic growth through globalisation of trade as the best hope for development in the developing world (accessed on 24 April 2003).

be more targeted to assist business than the poor; and TNCs bring with them a culture-ideology that transforms the society not only by introducing “business culture” into the economic sphere but also promoting consumerism to the wider society (Sklair, 2002, pp. 122-123).

Sklair states that to focus on the fact that TNCs exploit women, children or certain men (such as “men of colour”) misses the point because capitalist production is based upon the exploitation of all factors of production (p. 131). Sklair emphasises that it is not the foreign origin of the firm that is at issue with TNCs; rather, what limits the developmental outcomes of TNC investment in developing communities is the nature of the product and the place held by production in that locality on the global commodity chain or as Sklair states “...its transnationality within the capitalist global system” (2002, p. 132). So the point is that some places in certain circumstances secure the benefits from TNC production that they seek and this explains why many developing country governments seek such investment.

This issue brings us to the problem of capitalist globalisation driven in particular by TNCs. Where focus is on the roles of TNCs operating in developing countries, concern is over trade.<sup>21</sup> However, a shift in focus to the goals of states who receive TNC investment, would prioritise development. The goals of states should be the developmental welfare of their peoples. However as Sklair demonstrates in his case study of the global food system, the priorities of capitalist globalisation lead to an emphasis on export production to meet the demand of wealthy consumers at the expense of subsistence production which feeds the poor (pp. 138-152). It is the results of these TNPs which lead to the paradoxical situation of Ethiopia designating land for export crops in the midst of a famine or Egyptian grain farmers being put out of business by American grain aid shipments (p. 145). As Sklair states, “the point at issue ... is not whether a corporation and its practices are foreign, but to what extent they work in the interests of capitalist globalization ... or in the interests of the majority of the population” (p. 152). So while it is the business of TNCs to make profits and not to act as social charities, what we find under capitalist globalisation is that the spread of the market imperative means that governments whose responsibilities include supporting the social fabric, are undermined in this role by the agents of capitalist globalisation. This includes the IMF and the World Bank which impose structural adjustment programs (SAPs),<sup>22</sup> members of the TCC resident in a country who chant the mantra of the free market (including globalising politicians and bureaucrats) and the business elite including those working for the TNCs. While development could be achieved in many ways (such as endogenous, socialist or bureaucratic authoritarian development), the TCC works quite hard and has virtually succeeded in arguing that capitalist globalisation is the only vehicle to deliver economic growth and poverty alleviation.

<sup>21</sup> Hence we have the debate on “free trade” versus “fair trade” as seen in the Oxfam engagement with the international financial institutions in their campaign entitled “Make trade fair” in 2002 (Oxfam International, 2002).

<sup>22</sup> SAPs are programs pressed upon the governments of developing countries by such bodies as the IMF and World Bank in order to create the correct financial climate to secure international business investment in their economies. These programs include a mix of policies such as reduction in the public service sector, reductions in governmental social spending on health and education, privatisation of public assets such as electricity, communications and transport and financial deregulation. All these policies serve to integrate these countries’ economies into the global economy, but Bennholdt-Thomsen and Mies argue that they effectively put the IMF and World Bank in charge of national economies (1999, p. 35). Such policies can strangle any true development at birth and leave the elites of the TCC to benefit from the market opportunities. They are now known as Poverty Reduction Strategy Papers (see <http://www.imf.org/external/np/prsp/prsp.asp>).

However, there is another side to the developmental effects of capitalist globalisation in developing communities. In addition to the growth of TNC investment in Third World production gearing these countries to export production, there are the important effects of promoting the culture-ideology of consumerism in these same countries. Sklair notes that of all of the value systems that could be fostered in developing communities, capitalist globalisation serves to promote the culture-ideology of consumerism (2002). While debating whether consumerism versus producerism is the best path to development, Sklair argues that what is clear is that while consumerism may be difficult to connect to a state's developmental interest it is very easy to "... see how consumerism can be said to serve the interests of the capitalist global system" (p. 166).

Capitalist globalization in the Third World depends on the successful promotion of the culture-ideology of consumerism among people with no regard for their ability to produce for themselves, and only with an indirect regard for their ability to pay for what they are consuming.<sup>23</sup> Development assistance (aid), for example, moves funds from taxpayers in rich countries to consumers in poor countries, but not always for appropriate forms of consumption, not to speak of what is siphoned off in corrupt deals or stolen. In this sense consumerism has nothing to do with satisfying biological needs, for people will satisfy these needs without any prompting from anyone else, but with creating what can be called induced wants (Sklair, 2002, p. 166).

These induced wants which are the mainstay of the culture-ideology of consumerism are generated in a number of ways, including what has been labelled cultural and media imperialism. What we find in this analysis, is that the promise of the new communications technologies is not turned to developmental purposes such as education as they were at first anticipated to do, but instead turned to the consumerist message of advertising. This may be in the form of entertainment such as television soap operas (which Sklair discusses as a vehicle for capitalist consumerism, p. 170), or advertising through cultural events through sponsorship agreements, or the association of a product with a lifestyle (for example the consumption of a cola drink evoking participation in (Western) youth culture).<sup>24</sup> Sklair assiduously avoids the debates that have embroiled those in cultural studies concerning the susceptibility of people in developing communities to advertising and media. Instead what he suggests is that rather than being dupes of this "media" or "cultural imperialism", people in developing communities are making rational choices which involve them in the consumerist project (2002, pp. 173-174). These consumerist products and experiences that they seek to purchase are attractive because they are cheaper than locally produced ones; they make life easier and/or they tap into symbolic power and meanings through their conferring of status and prestige (Sklair, 2002, p. 173).<sup>25</sup> While some rail against this as Americanisation or

<sup>23</sup> This promotion of the culture-ideology of consumerism also occurs without any regard for the environmental effects or the effects on communities where some find themselves unable to secure the basic needs for survival (p. 166).

<sup>24</sup> Sklair states: "There are few parts of the world in which the effects of the cola wars have not been felt. In even the most remote places Coke and Pepsi and their ubiquitous marketing slogans and logos are acknowledged as symbols of the American way of life. They are also marketed on the prospect that anyone, however poor, who can afford a bottle or a can, can join in the great project of consumerism, if only for a few moments" (2002, p. 196).

<sup>25</sup> It is in this section that Sklair examines Zayed's study of Cairo in which he notes that "Zayed's argument implies that once the culture-ideology of consumerism is adopted, poor people cannot cope economically, and a mode of resistance must develop. In the Muslim case this mostly manifests itself in religious extremism, whose

Westernisation, the fact is that capitalist globalisation will flog any commodity from any source that attracts buyers, and so we see not only Americana in demand but also products and experiences from around the globe - including world music, fusion cuisine, Tai Chi and Jackie Chan's martial arts films. Sklair contends that "...consumerism of capitalist globalization has a universal form but with the permanent potential of national-local cultural contents" (2002, p. 183).<sup>26</sup> He elaborates his theoretical discussion with four case studies in global consumerism<sup>27</sup> to illustrate two main points: one, that consumerism serves to promote consumption of non-essential products which may not be developmental, and can be deleterious or even deadly; and secondly, that capitalist globalisation serves to raise "... consumerist expectations that cannot be satisfied within the foreseeable future for billions of people around the world" (p. 204).

## 1.6. Twin Crises

Sklair argues that capitalist globalisation results in the creation of two crises<sup>28</sup> which bring with them the seeds for change. The first crisis is that of class polarisation which occurs both between and within countries and is manifested in a widening gap between rich and poor and an increase in the numbers of the very rich and the very poor (2002, p. 26). The state centric approach which argues that developed countries exploit developing countries misses the point; it is not location by birth that determines wealth status (there are very rich people in the developing world and very poor in the developed), but instead an individual's transnational class location (p. 26). The point of the polarisation crisis is that while capitalist globalisation promises to deliver development to all, its appropriation of resources through the mechanisms of the capitalist system delivers benefits to an elite minority associated with the TCC and often delivers debt, drudgery and even death to the majority populations. This can be simply demonstrated by the disparities in access to education, safe drinking water, infant mortality, life expectancy, and other relevant statistics.<sup>29</sup>

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target is as often Americanization as it is consumerism as such" (2002, p. 173). This is very informative in the aftermath of September 11, 2001 and the subsequent War on Terror. Unfulfilled consumerist ambition can lead to frustration manifesting itself in various forms of violence thereby creating a real threat of class polarisation discussed presently.

<sup>26</sup> This is particularly relevant to contemporary tourism.

<sup>27</sup> The four case studies include: the Nestle baby bottle feed controversy, the international effects of the pharmaceutical industry, the "cola wars", and the cigarette smoking industry.

<sup>28</sup> Sklair refers to the crises as the "two crises" however I like the implication of using the term "twin crises" for two reasons. One is the shadow that the attack on the "Twin Towers" of the World Trade Centre on September 11, 2001 casts upon globalisation and its "discontents". This has cropped up periodically within this text and which can be connected to the crisis of class polarisation in particular. Secondly the use of the term "twin" implies a relationship between the two crises, class polarisation and ecological unsustainability, which appears appropriate because these two phenomena are interrelated (for example, as evoked in the term "environmental racism" which describes how the impact of the environmental pollution burden falls inordinately upon the poor and people "of colour". See Haunani-Kay Trask (1993). However, these twins are admittedly more of the fraternal than the identical kind, because they address related but fundamentally distinct issues.

<sup>29</sup> For insights, see *The world guide 2005-06* (New Internationalist, 2005) and the World Bank group's *World development report* at: <http://econ.worldbank.org/wdr/>. While some might assert that these disparities are not the key issue as development has improved the welfare of people in the developing world to a level that otherwise would not have occurred, others contend that glaring poverty is unacceptable in a world with sufficient resources to relieve the material needs of all. For instance see Kostigen (2004) and Cooper (2005) for arguments about how the "wealth gap" is a key issue even in rich societies such as the USA and UK. Kostigen provides the statistics of Third World poverty and argues that "in just 14 days the problems of the

The second crisis is that of ecological unsustainability. Capitalist globalisation is placing catastrophic demands on the natural environment through the overuse of resources to feed the insatiable appetite for continual growth and the generation of wastes and pollution in production processes. Both factors have generated unpredictable environmental change. Sklair asserts that the real issue is the role of the capitalist global system in these developments and not just the fact that modern economies naturally bring environmental degradation (2002, p. 56). At the heart of the problem is a capitalist system underpinned by a culture-ideology of consumerism which is geared to generate unsatiated consumerism and accumulation of goods which create unsustainability. While the ideology of capitalism advocates the ability of human science and technology to mitigate these problems, and in particular the concept of sustainable development assures us we can manage these issues, at the heart of capitalist globalisation lies an ecological crisis which is intrinsic to the system.

The twin crises give rise to challenges to globalisation as opponents strive to bring down the capitalist global system. Elements of the anti-capitalist globalisation movement logically come from the various components of the green movement who oppose the effects of capitalist globalisation on the environment, and from the labour movement concerned by the advent of class polarisation wrought by the same forces. However, these two factions are joined by numerous other individuals, organisations and communities motivated by their concern with the effects of capitalist globalisation, be it a narrow issue such as endangered species or export-processing zones, or broader issues such as human rights and sustainability. The proponents of capitalist globalisation, most notably the TCC, recognise the threat that the various factions of the “anti-globalisation” movement represent and have sought to limit their impacts through usurping the sustainability debate through the conceptualisation of sustainable development and co-opting major players in the green movement.<sup>30</sup> Nonetheless, opponents of capitalist globalisation have explored a variety of alternatives.

Sklair devotes some attention to one group of reactions that can be characterised as “de-linking” from the global system (or localisation) which are evidenced in initiatives like the Local Exchange Trading Systems (LETS), permaculture networks and slow food movements. He claims that these represent an alternative to globalisation but not to capitalism as capitalist globalisation “...could accommodate and subvert most of these initiatives and turn them into variations on the consumerist theme” (2002, p. 285).<sup>31</sup> Because the twin crises are not resolvable within capitalism, Sklair advocates an agenda that involves moving forward towards globalisation without capitalism (p. 299). Sklair argues widespread transformation is necessary as reform of capitalist globalisation will not resolve the twin crises. He states “because I cannot accept the optimistic hope that capitalism can become much more humane globally than it already is...in my view the next step in the quest for human progress has to be the transformation of capitalist globalization into socialist globalization through the globalization of human rights” (2002, p. 324).

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poorest countries in the world - starvation, lack of education, scarcity of potable water, etc. - could be solved if each nation donated its military spending budget for just that period of time - 14 days” (2004).

<sup>30</sup> Sklair in particular discusses how the corporate leaders “captured” the 1992 Earth Summit at Rio. As a result much of the sustainable development debate remains embedded within the market paradigm so that the connections between the environmental crises of our time and the culture-ideology of consumerism which engender them are never overtly linked (Sklair, 2002, p. 276)

<sup>31</sup> This tendency for capitalist globalisation to subvert alternative movements is paralleled in tourism where, for instance, the tourism industry is accused of subverting alternative tourisms for profit and public relations (see Wheeller, 1991).

## 1.7. Towards Socialist Globalisation

In addressing the alternatives to capitalist globalisation, Sklair suggests that the conditions that capitalist globalisation create actually enable circumstances that give rise to socialist globalisation. These include not only whipping up opposition to capitalist globalisation as a result of the damages of the twin crises, but also the interconnectedness that capitalist globalisation has created, the development of shared cultural values centred on human rights and the attainment of a certain level of affluence that makes the socialist alternative possible. While capitalist globalisation opens up the material opportunity for socialist globalisation in this way, it tries to shut down avenues to it in the political and ideological spheres (Sklair, 2002, p. 27). For Sklair the key criterion for judging capitalist globalisation is whether it can deliver global, equitable development and he categorically denies that capitalist globalisation can deliver on these promises:

While capitalism may be the only system that can produce plenty, theory and practice suggest that it cannot distribute it fairly on a global scale, that is capitalism cannot develop the Third World (1994, p.181).

How would socialist globalisation come about and what would it look like? Sklair advocates a path to socialist globalisation through the creation of true cooperative democracies which would provide a transition and allow the creation of a culture of human rights (2002, pp. 300-321). In contrast to the capitalist global system predicated on a culture of consumption, the socialist global system underpinned by the culture of human rights would set values around realisation of sustainability, social justice and equity and not accumulation of material possessions.<sup>32</sup> People would still consume but it would not be through the exploitative use of the environment and the labour of others that the current system fosters. Emphasis would not be on never-ending, compulsory and compulsive consumption but on an adequate standard of living. Sklair's conceptualisation argues that the currently accepted notion of universal human rights being limited to those of the civil and political kinds would have to be expanded to add as equally valuable and protected those economic and social rights currently relegated as second-tier rights (2002, pp. 306-311).

While Sklair acknowledges that his vision of socialist globalisation could be regarded as utopian, he argues that one can visualise its achievability by examining how the seeds of socialist globalisation can be built on the foundations of present circumstances (p. 305). To this end he examines producer-consumer co-operatives (P-CCs)<sup>33</sup> as an alternative to the

<sup>32</sup> Consumerism under capitalist globalisation promises the consumerist vision of the good life on an individualistic basis. The ideology promises that if an individual will join the capitalistic system as worker and consumer, the bounties of fulfilment will flow their way whether it be the small tangibles of a can of coke, the more intangible freedom evoked by the Marlboro cigarette or the big tangibles of BMWs and holiday homes. On the other hand, socialist globalisation seeks to secure the good society on a collectivistic basis, where through the adherence to human rights values, all will be guaranteed an adequate quality of life and the peril of the twin crises can be avoided.

<sup>33</sup> P-CCs are market structures which place producers (sometimes worker-owned enterprises) and consumers in social as well as economic relationships and do not privilege profits over fair wages for workers, environmental sustainability and health of consumers. A well known example is the Mondragon network of cooperatives in Spain. These enterprises have the social connectedness that fosters social responsibility that TNCs lack. Sklair states that the contemporary principles of stakeholder theory which form part of current discussions of corporate citizenship reflect relationships that P-CCs would create and represent what could be characterised as socialist practice within capitalist societies (2002, p. 302).

TNCs, a culture of human rights (the full range mentioned above – economic, social, political and civil) as a replacement for the culture-ideology of consumerism and a political system based on political transnational practices of the P-CCs “...entering into larger political and/or economic units on the basis of genuine decision-making, not the transnational capitalist class focused on the organizing of the global system for private profits” (p. 305).

Sklair states that while socialist globalisation is just one alternative to capitalist globalisation, pursuit of an alternative is not optional because of the catastrophe that looms as a result of the twin crises linked to capitalist globalisation which it is unable to resolve. Sklair concludes:

What capitalist globalization fails to provide are genuine opportunities for people to make their own choices about whether to live in a forever increasingly marketized society where fewer and fewer things and experiences escape commercialization. While the culture-ideology of consumerism provides ever-expanding apparent choices of goods and services, there is little or no choice about whether or not we wish to live in the consumerist lifeworld. Capitalism takes the global system to the level of material abundance for some, but unrestrained consumerism creates environmental degradation and resource scarcity and still fails to raise the living standards of all to anything like a satisfactory degree. Socialist globalisation would eventually raise the quality of life (rather than the standards of living set by consumerist capitalism) of everyone and render the culture-ideology of consumerism superfluous by establishing less destructive and polarizing cultures and ideologies in its place. There is no blueprint for this – if we want such a world we will have to create it by trial and error (2002, p. 325).<sup>34</sup>

Sklair’s work addresses much of the vast terrain that is globalisation. His critique of capitalist globalisation has been the focus of much of his life’s work and has made important contributions to the understanding of the material effects of this phenomenon. Equally important is his objective of providing a normative consideration of globalisation’s alternatives following in the footsteps of numerous others (e.g. Cohen and Kennedy, 2000; Henderson, 1999; Hoogvelt, 1997).

Sklair’s work provides a sound foundation to explore contemporary tourism. However, there is one deficiency in Sklair’s analysis to be rectified before proceeding to this. While the culture-ideology of consumerism does much to explain how capitalist globalisation perpetuates itself through making consumers of everyone, it is not enough. It provides one side of the equation as to how capitalist globalisation obtains the support of people everywhere despite the fact that it fails to deliver the goods that it promises to everyone. However, it fails to emphasise the other side of the equation that is alluded to in Sklair’s use of the term “global capitalist project” (2002, p. 46). The global capitalist project is the assertion of political power which secures capitalist globalisation and is underpinned by the ideological assertion that capitalist globalisation is the only viable organising system at the

<sup>34</sup> While sounding utopian, we can see some of the changes advocated by Sklair presently occurring in Argentina as a result of the 2001 economic crisis during which market relations disintegrated and people turned to worker-run cooperatives, barter arrangements and community solidarity networks to meet their needs. Dangl (2005) provides an analysis of two case studies, the Hotel Bauen and the Chilavert book publishing factory, which illustrates possible alternatives to the dynamics of capitalist globalisation. It is also visible in the changes underway in Venezuela where under Hugo Chavez, “Endogenous Development Zones” are encouraging workers cooperatives in such areas as manufacturing, agriculture and tourism (see Harnecker, 2006, p. 11)

global level which will deliver prosperity and freedom to all. Stephen Gill has provided valuable insights into this aspect of globalisation (1995, 1999).

Gill's (1995, 1999) analyses focus on the "market fundamentalism"<sup>35</sup> of "market civilisation"<sup>36</sup> which is undergirded by "disciplinary neoliberalism".<sup>37</sup> He contends that "the dominant forces of contemporary globalisation are constituted by a neoliberal historical bloc that practises a politics of supremacy within and across nations" (1995, p. 402). He characterises this as an attempt to impose a "neo-liberal market civilisation" that includes not only prescribed economic structures, but also a culture, ideology and its own mythology of capitalist progress that has come about from the globalisation of liberalism. This ideology is put forward as the "sole model of future development" and it is reinforced through the muscle of market discipline and political power (1995, pp. 399 and 412).<sup>38</sup> Gill notes that while market forces have been part of human society for eons, "...it can be argued that a disturbing feature of market civilization is that it tends to generate a perspective on the world that is ahistorical, economistic, materialistic, 'me-oriented', short-termist, and ecologically myopic" (1995, p. 399). Similar to Sklair's "capitalist project", Gill argues that:

New constitutionalism is a macro-political dimension of the process whereby the nature and purpose of the public sphere ... has been redefined in a more privatised and commodified way...the new constitutionalism can be defined as the political project of attempting to make transnational liberalism, and if possible liberal democratic capitalism, the sole model for future development. It is therefore intimately related to the rise of market civilisation (1995, p. 412).

Gill's reflections offer a more strident emphasis on the aspects of political power that play out in capitalist globalisation which is less evident in Sklair's "culture-ideology of consumerism" concept. Together, Sklair's culture-ideology of consumerism and Gill's market fundamentalism provide a fuller picture of how capitalist globalisation asserts its hegemony via persuasion and coercion. Sklair's and Gill's analysis can be effectively employed as a tool to understand the contemporary dynamics of global tourism. Such an analysis suggests that capitalist globalisation and a globalised tourism industry have formed a symbiotic relationship of significant importance.

<sup>35</sup> This is a very evocative term as it has the connotation of religious fundamentalisms and implies that faith in the god-like powers of the market advocated by the supporters of market civilisation is as uncritically promoted as Islamic or Christian fundamentalist beliefs.

<sup>36</sup> Gill introduces his concept of market civilisation in the following terms: "The present world order involves a more 'liberalised' and commodified set of historical structures, driven by the restructuring of capital and a political shift to the right. This process involves the spatial expansion and social deepening of economic liberal definitions of social purpose and possessively individualist patterns of action and politics... capitalist norms and practices pervade the *gestes repetes* of everyday life in a more systematic way... so that it may be apposite to speak of the emergence of what I call 'market civilisation'" (1995, p. 399).

<sup>37</sup> This presents a discourse of governance which "...stresses the efficiency, welfare, and freedom of the market, and self-actualisation through the process of consumption" and it promotes "...policies that tend to subject the majority to market forces whilst preserving social protection for the strong (e.g., highly skilled workers, corporate capital, or those with inherited wealth)" (1995, p. 401).

<sup>38</sup> Gill frequently calls this phenomenon "the new constitutionalism" and "disciplinary neoliberalism" (1995).



## 2. FROM GLOBALISATION TO CORPORATISED TOURISM

The preceding section investigated globalisation and proposed that, because of its significant impacts, it is capitalist globalisation that “matters most”. The dynamics of this system analysed by Leslie Sklair in his “the sociology of the global system” provides a model against which the processes of contemporary tourism can be analysed (2002). This section takes up this task by focusing on the transnational practices of contemporary tourism, the institutional structures and organisations which are effective, the roles of the transnational capitalist class and its various “fractions” in tourism and the culture-ideologies operative in its conduct. The question will then be explored: to what extent do Sklair’s “twin crises” of class polarisation and ecological collapse apply to the tourism sector. Lastly, Sklair’s proposition of an alternative to capitalist globalisation begs the question: is there an alternative to corporatised tourism that might contribute to avoiding the impending “twin crises”?

### 2.1. Context of the Global Tourism Industry

While some promoters of tourism such as the World Travel and Tourism Council (WTTC) describe it as the world’s biggest industry, this claim is open to some challenge and debate.<sup>39</sup> However, the relevant statistics fully confirm that it is a force of increasing global significance. In 2003, international tourism receipts represented approximately 6 per cent of worldwide exports of goods and services (as expressed in US\$) according to the United Nations World Tourism Organization (UNWTO, no date a). If service exports are analysed exclusively, the share of tourism exports increases to nearly 30 per cent of global exports (UNWTO, no date a). Tourism is credited with creating more than 234 million jobs worldwide – almost 9% of the world’s workforce (WTTC, no date a). Forecasting by bodies such as the UNWTO and the WTTC predicts extraordinary growth in tourism. For instance, the UNWTO’s *Tourism 2020 vision* forecasts that international arrivals are expected to reach over 1.56 billion (the current volume being 694 million) by the year 2020 and

East Asia and the Pacific, South Asia, the Middle East and Africa are forecasted to record growth at rates of over 5 per cent per year, compared to the world average of 4.1 per cent. The more mature regions Europe and Americas are anticipated to show lower than average growth rates. Europe will maintain the highest share of world arrivals, although there will be a decline from 60 per cent in 1995 to 46 per cent in 2020 (UNWTO, no date b).

With globalisation as the focus of attention, analysts tend to concentrate on international tourism. However, it should not be forgotten that domestic tourism is by far the larger phenomenon with about 80% of tourist trips coming from the activities of domestic tourists (Cooper, Fletcher, Fyall, Gilbert and Wanhill, 2005, p. 4). While the majority of this domestic tourism is within the wealthier nations of the OECD, some of the wealthier countries of the developing world also have significant domestic tourist sectors including Mexico, Thailand,

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<sup>39</sup> Pleumarom calls it “the self-proclaimed biggest industry” (no date b), perhaps concurring with the conclusion of Leiper (1995) that tourism advocates are exaggerating its size and import in order to gain political influence.

China, India, Brazil and South Africa.<sup>40</sup> In addressing international tourism, it must also be recognised that the majority of tourists originate from and travel between developed countries (Harrison, 2001, p. 10). However, the place of developing countries in global tourism is worthy of focus because as Harrison argues, it is clearly evident that tourism to the less developed countries (LDCs) is “significant and increasing”, with 1997 seeing 30% of international arrivals and 30% of international tourism receipts occurring there (Harrison, 2001, p. 11).<sup>41</sup> Under the logic of the neoliberal system, development is meant to be achieved by embracing the global market and focusing upon exporting. Thus engaging in international tourism is now seen as one of the most important paths to development for developing countries as it is an export activity. When one considers that the majority of international tourists to the developing world originate from the developed countries (Harrison, 2001, p. 11), one can see how concerns with associated structures of globalisation and issues of social justice become very relevant contexts for discussion.

## 2.2. Globalisation and Tourism

That tourism is an ideological phenomenon should not be underestimated.<sup>42</sup> The following quote by a representative of the TCC Conrad Hilton illustrates this point when he claims “each of our hotels is a little America” and “we are doing our bit to spread world peace, and to fight socialism” (cited in Crick, 1989, p. 325). Translated into the current context, Hilton and his cohorts in the TCC might claim that their hotels and businesses are doing their bit to spread market ideology and consumerism. Previously, Friedman was quoted as stating “...globalization is globalizing Anglo-American-style capitalism and the Golden Straightjacket” (2000, p. 380). Hilton’s observation infers that tourism has its role to play in this endeavour. This is why the proposition that tourism might serve as an ideological support for the advance of capitalist globalisation is worthy of further exploration.

The symbiosis that has formed between tourism and capitalist globalisation is one of the defining features of our era. Some analysts of globalisation have attempted to explore the nature of this relationship and analyse its effects. Cohen and Kennedy argue that “... international tourism has an outreach greater than other powerful globalizing forces, even TNCs” (2000, p. 213). Considering tourism’s scope, volume, organisation and impacts, they observe that:

It is possible to argue that tourism may also exercise a cumulative effect that is considerably greater than any other single agent of globalization. While a similar claim

<sup>40</sup> Interesting statistics on this phenomenon include the fact that in 1995, 75% of hotel patrons in Mexico were domestic visitors; in Thailand there were 42.5 million domestic trips compared to 7.4 million international tourists trips; and in 1999 Chinese domestic tourists accounted for 90% of total tourism and 70% of revenue (UNWTO, 2002b, p. 19). David Goldstone (2005) has written a much needed and valuable analysis of the nature, size and importance of domestic tourism in developing countries with a particular focus on Mexico and India.

<sup>41</sup> Diaz-Benavides provides some very useful statistics and insights into the impacts of tourism on the least developed countries (LDCs) in the late 1990s, notably that almost 24% of world tourism revenues in 1999 went to developing countries and for at least one-third of developing countries (and 24 of the LDCs), tourism is the main source of export income (2002).

<sup>42</sup> Hall (2003) argues that the political nature of tourism has largely been either neglected or ignored within mainstream tourism research.

has been made about TNCs, which have rightly been seen as carriers of technology, capital and the 'culture-ideology of consumerism' (Sklair 1995: 147), the numbers of TNC personnel who move in order to work in foreign countries is quite small. Moreover, their operations normally require or encourage relatively few individuals to engage in direct, face-to-face social interactions across national boundaries (Cohen and Kennedy, 2000, pp. 213-214).

Similarly, Wahab and Cooper assert "tourism is at the forefront of the creation of a global society" (2001b, p. 319). Lanfant and Graburn have claimed:

International tourism is not just an international extension of domestic tourism, nor just a major contribution to foreign exchange, but it is also a 'transmission belt' connecting the developed and underdeveloped worlds. Tourism policy has become part of a global project which lumps together seemingly contradictory economic interests: the organization of vacations (an idea originating in rich countries) and the aspirations for development of economically weak societies (1992, pp. 95-96).

Pleumarom charges that tourism is one of the most competitive and centralised industries and that "hardly any other economic sector illustrates so clearly the global reach of transnational corporations" (1999b, p. 5).<sup>43</sup> In fact such dynamics has resulted in a corporatised tourism sector which is defined by its adherence to the values of capitalist globalisation.

Britton's work (1982) using dependency theory to explain the dynamics of international tourism is vital to any analysis of how contemporary tourism and contemporary globalisation support and reinforce each other. He succinctly describes the international tourism hierarchy operating in developing country contexts: at the top are the large tourism corporations of the "metropolitan market countries"; in the middle are the "branch offices and associate commercial interests of metropolitan firms operating in conjunction with their local tourism counterparts" in the developing country; and lastly, there are the small to medium enterprises (SMEs) of the developing country which are dependent on the middle layer but marginal to their interests (1982, p. 343). Thus we see that the international tourism trade is based upon an inequitable structure and this is what creates the imbalanced outcomes of international tourism in a global capitalist economy.<sup>44</sup> Britton explains:

The degree of penetration by foreign capital, or conversely, the extent of a colony's incorporation into the global capitalist economy, is the most important cause of structural distortions. A form of economic growth (not 'development') is encouraged which, through 'spin-offs' and 'trickledown effects,' marginally improves absolute per capita standards of living. But it does so in a way that overwhelmingly transfers the great proportion of accumulated capital and welfare benefits to ruling classes and foreign interests (1982, p. 348).

<sup>43</sup> However, it must also be recognised that the vast majority of tourism enterprises around the globe are small to medium enterprises (see Fayos-Solá & Bueno, 2001, p. 55). However, while proportionally smaller in numbers, the issue is the power that the large TNCs can exert to shape the operations of the tourism industry in their interest.

<sup>44</sup> For a more recent exposition applying dependency theory to mass tourism development, see Khan (1997).

The United Nations Conference on Trade and Development (UNCTAD) has also voiced concerns about these issues as it has argued that the “trickledown” impacts of tourism are negated by “the predatory practices and anti-competitive behaviour” of the big tourism operators in developing countries (cited in Vivanco, 2001). This results in financial leakages (loss of foreign exchange through purchase of imports to supply tourists) and unbalanced and unfair trade outcomes.

In fact, Britton’s analysis of the experience of states in the Pacific Islands indicates that incorporation into the global tourism system correlates with past colonisation by a metropolitan power. This suggests that capitalist exploitation through tourism is a continuation of the dynamic of colonial exploitation to extract surplus wealth.<sup>45</sup> McLaren has argued more recently that “tourism increases local reliance upon a global economy” (1998, p. 17). It does this by undermining subsistence living; promoting the accumulation of debt to construct the infrastructures and facilities that tourists require; relying on foreign investment and commercial presence; requiring products and services from outside the local economy and by psychologically drawing locals into the culture-ideology of consumerism.<sup>46</sup> Burns (1999, p. 132) reminds us that unlike in the developed world, tourism in developing countries does not usually evolve from natural economic and social processes in these countries and it is for this reason tourism is frequently accused of being an imposed and exploitative force.

The role of institutional structures in promoting the dynamics of corporatised tourism should not be underestimated. Britton argued over two decades ago that “The World Tourism Organization, International Monetary Fund, United Nations, World Bank and UNESCO, among others, set the parameters of tourism planning, promotion, identification of tourism products, investment and infrastructure construction policies often in conjunction with metropolitan tourism companies” (1982, p. 339). It is these institutions which establish the structures that foster the growth and development of the international tourism industry and in effect support the wider development of capitalist globalisation. Some of these institutions will now be examined in greater detail in order to see how they might support the processes of capitalist globalisation as described by Sklair (2002).

## 2.3. Institutions

### 2.3.1. *The World Tourism Organization*

One of the most prominent institutions in any consideration of international tourism is the World Tourism Organization (UNWTO).<sup>47</sup> In 2005, it had a membership of 145 states, seven

<sup>45</sup> Hall and Tucker (2004) have edited a volume of works investigating the relationship between tourism and postcolonialism which suggest that colonial patterns of exploitation and dependency still resonate in contemporary tourism.

<sup>46</sup> On this latter point, Pleumarom argues that one factor in the Asian economic crisis of the late 1990s, was that many Asians imitated tourists in a “free-spending frenzy” on luxury goods. The result in Thailand was an unleashing of “greed and consumerism [that] devastated whole communities” (1999b, p. 7). Such behaviour has been eloquently described as “injecting the behaviour of a wasteful society into the midst of a society of want” (Boudhiba cited in Crick, 1989, p. 317).

<sup>47</sup> Formerly, the World Tourism Organization used the acronym WTO-OMT to distinguish it from the World Trade Organization which used the acronym WTO-OMC (the former signifying World Tourism Organization-*Organisation mondiale du tourisme* from the latter World Trade Organization-*Organisation mondiale du commerce*). However, in 2005 when the World Tourism Organization became a specialised agency of the

territories and more than 300 Affiliate Members from the public and private sector (UNWTO, no date a). This organization has a very tall mandate; it is a specialised agency of the United Nations entrusted with

promoting the development of responsible, sustainable and universally accessible tourism, with the aim of contributing to economic development, international understanding, peace, prosperity and universal respect for, and observance of, human rights and fundamental freedoms. In pursuing this aim, the Organization pays particular attention to the interests of developing countries in the field of tourism (UNWTO, no date a).

The UNWTO has a very long history as an international organisation. It began as the International Union of Official Tourist Publicity Organizations in 1925 based at The Hague and became the International Union for Official Tourism Organizations (IUOTO) in 1949 with a move to Geneva. These were both technical, non-governmental organisations whose members included 109 National Tourism Organisations and 88 Associate Members from both the public and private sphere (UNWTO, no date a).

However, the 1960s saw significant changes that impacted upon this organisation. Tourism had developed into a major phenomenon and became increasingly international in character. As a result in 1967, IUOTO members passed a resolution to transform the organisation into an inter-governmental organisation with a mandate to deal with tourism issues on a global scale and able to liaise with other relevant organisations, including such bodies of the United Nations as the World Health Organization (WHO), UNESCO and the International Civil Aviation Organization (UNWTO, no date a).

In 1975 the IUOTO was renamed the World Tourism Organization and made its headquarters in Madrid on the invitation of the Spanish government. In 1976 the UNWTO became an executing agency of the United Nations Development Programme (UNDP) and in 1977, it signed a formal agreement of cooperation with the United Nations.

The change in the 1960s to make the UNWTO an inter-governmental organisation rather than stay as a non-governmental organisation reflected the realities of modern tourism as it became a significant economic sector in many countries. The UNWTO on its website refers to “the unstoppable growth of tourism” (no date a), resulting in it becoming one of the most important industries in the world. This economic power, coupled with the environmental and social impacts that can accompany uncontrolled mass tourism indicates the necessity of having governments at the forefront of international tourism policy. In 2003, the UNWTO became a specialised agency of the UN. The Secretary General of the UNWTO, Francesco Frangialli, stated this would

constitute a remarkable step forward, which can be characterized by three words: recognition, effectiveness, and impetus. Recognition, because it acknowledges the fact that travel, leisure and tourism constitute a powerful part of modern society that cannot be ignored. Effectiveness, because, due to tourism's multidisciplinary nature, many agencies and organs of the system are involved in its expansion in the performance of their own specific responsibilities. Transforming the WTO [UNWTO] into a specialized agency would mean greater coherence by increasing the synergies among those different

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United Nations, the acronym UNWTO was adopted to avoid confusion between these two international organisations; the World Trade Organization now uses the acronym WTO.

stakeholders and enhancing the coordination carried out by ECOSOC. And impetus - because we expect to achieve greater visibility that would prompt governments as well as multilateral institutions, especially the Bretton Woods institutions, to pay increased attention to an industry that brings development (UNWTO, 2002a).

This quote indicates one of the most significant roles that the UNWTO plays, which is to serve as a “booster” for the stature and recognition of the tourism industry. As part of this effort, the UNWTO has programs focused on the statistics and measurement of the tourism industry.<sup>48</sup> Such an effort effectively emphasises the importance of economic analysis in the tourism sector and supports the tourism industry’s efforts to secure government support and subsidy (see Higgins-Desbiolles, 2006, pp. 1195-1196). As the UNWTO claims:

Accurately measuring the impact of tourism on national economies can give the industry greater influence with government and the prestige it deserves. That is why the WTO-OMT [UNWTO] has been working with an international group of statistical experts to develop global standards for reporting tourism economic data (UNWTO, no date c).

The UNWTO has long advocated the use of tourism satellite accounts (TSAs) to accurately measure the full size and import of the tourism sector (TSAs are discussed more fully below). Its effort paid off in 2000 when the UN approved the TSA methodology which according to the UNWTO made “tourism the world’s first sector to have international standards for measuring its economic impacts in a credible way” (UNWTO, no date a). Pleumarom has criticised the UNWTO’s and WTTC’s success in getting the TSA accounting system accepted, claiming critics say it is “a statistical exercise mainly aimed to improve the image and stature of the industry and to conceal the considerable economic losses tourist destination countries are experiencing in the face of worldwide growing volatility and progressive liberalization policies” (Pleumarom, no date b).

Because membership of the UNWTO is dominated by developing countries, this organisation wields strong rhetoric on the contributions tourism can make to development. The UNWTO liaises with other international bodies focused on development, including the United Nations Convention on Trade and Development (UNCTAD) and the UNDP. One of the primary functions of the UNWTO’s various regional wings is to “... act as a liaison between tourism authorities and the United Nations Development Programme to create specific development projects” (UNWTO, no date a). The UNWTO also views the transfer of tourism know-how to developing countries to be one of its “fundamental tasks”. It is charged with the duty of providing assistance to members in securing finance, obtaining experts and carrying out tourism development plans for new or existing tourism destinations. It is involved in long-term, strategic planning such as developing a tourism master plan for Pakistan in 2001, development of national parks in Rwanda in 1999 and an integrated development plan for the Palestinian Authority in 2000 (UNWTO, no date a). It has also undertaken short-term specific projects such as assisting Syria with tourism legislation and developing an ecotourism plan for Lithuania (UNWTO, no date a). In general though, it could be said that the UNWTO serves the purpose of encouraging developing countries to open up

<sup>48</sup> On the website, there are five headings on UNWTO’s programmes: Education; Market intelligence and promotion; Quality and trade in tourism; Statistics and economic measurement of tourism and Sustainable development of tourism (see <http://www.world-tourism.org>).

to tourism as they pursue economic development. Pleumarom (no date b) argues that the tourism industry members of the UNWTO form part of the system of “corporate rule in tourism” along with the WTTC, the tourism TNCs in the World Economic Forum and associated supranational governance bodies such as the OECD, the IMF and the World Bank. All are committed to promoting liberalisation in the tourism sector as being good for developing countries while simultaneously serving their own corporate interests.

What is perhaps most unique and eye-catching about the UNWTO is the close relationship that this international organisation has with industry. “WTO is the only inter-governmental organization that offers membership to the operating sector and in this way offers a unique contact point for discussion between government officials and industry leaders” (UNWTO, no date a). While the UNWTO currently has 145 state members and seven territories that hold associate membership there are additionally numerous affiliate members from airlines, hotel chains, tourism operators, consulting firms, tourism professional associations, tourism boards and educational institutions.<sup>49</sup> What is strikingly missing from this list of affiliate members are non-government organisations, particularly those that are critical of tourism, perhaps because the yearly membership fee is \$US1700 (Hall, 2000, p. 110). Advocating against the corporate rule of tourism, Pleumarom has called on activists concerned about tourism to join the new movements challenging capitalist globalisation and oppose a UNWTO hitched to the corporate agenda (Pleumarom, no date b). She has stated that the accession of the UNWTO to status as a specialised agency of the UN provides an opportunity to force the UNWTO to adhere to the human rights, developmentalist and interdependency agendas of the wider UN body, particularly should a “citizens charter” be negotiated in the near future (Pleumarom, no date b). However current membership and voting patterns see the UNWTO emerge as a strange hybrid, where it acts officially as an intergovernmental international organisation (as only member states and territories vote); whereas the affiliate members from the tourism business sector wield tremendous weight and influence, particularly through the Business Council.<sup>50</sup>

The UNWTO’s Business Council (WTOBC) is very significant when examining the UNWTO’s institutional role in supporting capitalist globalisation. It is important to reiterate that of all the UN’s specialised agencies and affiliated organisations as well as other international organisations, the UNWTO is unique in having its membership open to the “operating sector” (UNWTO, no date a). It is in the Business Council that the tourism operating sector is most influential, as “airlines, hotel chains, tour operators, trade associations, consultants, promotion boards and educational institutions make up approximately 350 members of the UNWTO Business Council” (UNWTO, no date a). The WTOBC views its mission as “representing and fostering the views of business stakeholders in tourism” (WTOBC, no date). Two of the objectives that support this mission include:

- Ensure private / public sector dialogue and cooperation, both inside and outside WTO [UNWTO] and ensure private sector participation in WTO [UNWTO]... meetings and seminars.

<sup>49</sup> See [http://www.world-tourism.org/frameset/frame\\_affiliate\\_directory.html](http://www.world-tourism.org/frameset/frame_affiliate_directory.html)

<sup>50</sup> Interestingly, at a Tourism Policy Forum convened by the UNWTO in 2004, the Washington Declaration on Tourism as a Sustainable Development Strategy was pronounced. This made a commitment “to recognize the uniqueness of the business perspective as different from that of the public sector and to communicate effectively in business language” (UNWTO & George Washington University, 2004).

- Assist WTO [UNWTO] in creating the global framework within which the tourism industry operates efficiently, by representing private sector views within that policy dialogue (WTOBC, no date).

The WTOBC is the section of the UNWTO that holds the representatives of the transnational capitalist class (TCC) and expresses the views of the transnational corporations (TNCs). While the WTOBC, like the rest of the UNWTO, expresses a commitment to sustainability and poverty alleviation, what emerges from its activities is full support for the liberalisation agenda of capitalist globalisation. This includes granting an increased voice and representational power for the private sector in the institutions of governance, as well as forceful pushing of TNC agendas such as the General Agreement on Trade in Services discussed below. Pleumarom notes that UNWTO documents have described the WTOBC as “more active and vocal” in the UNWTO’s meetings and programmes and she suggests that this is evidence of “corporate power in tourism” being visibly exercised (Pleumarom, no date b). While the UNWTO may claim to be supporting the development agendas of its membership base, a majority of whom are developing countries, the influential role of the WTOBC sees the UNWTO act as an international lobbying body for the powerful tourism TNCs in contradiction to its obligations to a majority of its members.

This disjunction between mandate and effective implementation is also apparent in other spheres. The UNWTO has made a strong commitment to environmental sustainability. On its website, the environment section claims:

Its message of encouraging low-impact sustainable tourism development rather than uncontrolled mass tourism has been embraced in recent years by WTO [UNWTO] members. They understand that government, in partnership with the private sector, have a responsibility to keep the environment in good condition for future generations and for the future success of the tourism sector (UNWTO, no date c).

As part of this effort, the UNWTO has participated in such major events as the 1992 Rio Summit on Sustainable Development and the Environment and “...former WTO [UNWTO] Secretary-General Antonio Enriquez Savignac ... was instrumental in getting tourism included in Agenda 21 as one of the only industries capable of providing an economic incentive for preservation of the environment” (UNWTO, no date c). However, how genuine this commitment is to sustainability when the agenda of the UNWTO, like its industry members, is focused on continual growth in tourism, remains open to question. The Secretary General of the UNWTO stated at the ITB Berlin Travel Fair in 1996:

With very, very few exceptions, we are paying only lip service to the ideals of protecting the environment through sustainable tourism. At the same time, we are repeating the same mistakes of the past by going after big numbers, regardless of their impact on the environment or social structures.

Our fragile planet cannot take it and our increasingly sophisticated travellers will not stand for it. How much longer will it be before a new generation of travellers decides to stay at home rather than deal with a crowded resort? (Antonio Savignac cited in Elliot, 1997, p. 263).



Despite this observation from one of its leaders, the UNWTO actively promotes growth in the tourism sector. While the UNWTO is primarily financed by the membership fees it charges, it is increasingly driven to seek other sources of revenue such as consultancies and is pushed to further cooperation with industry which Hall suggests may affect the “focus of WTO [UNWTO] organisational policies” (2000, p. 110). In fact, one of the main interests of industry which the UNWTO supports is growth. According to Burns “it is clear...that the WTO [UNWTO] is actively promoting the expansion of tourism at a global level. WTO [UNWTO] survives not so much through its membership fees but through spin-off activities such as consulting and project management. It therefore actually needs more tourism!” (cited in Hall, 2000, p. 112). One can easily identify this support for the continued expansion of tourism from the “tourism enriches campaign” which is a public marketing initiative of the UNWTO to promote tourism growth by fostering “communication about the benefits of tourism as the most prospective economic activity for the local communities and countries” (UNWTO, 2004). Such an agenda demonstrates the dynamics of the “growth fetish” which underpins capitalist globalisation (Hamilton, 2003) under the guise of promoting economic growth for the host countries.

An assessment of the power and influence of the UNWTO must also acknowledge important countries in the global community that have not yet joined, including the USA and the UK. When Hall wrote his book on tourism planning, the USA, UK, Canada and Australia were non-members of the UNWTO and Hall surmised that lack of interest in subscribing might be due to both an assumed lack of benefits from membership and perhaps an inability to “influence the direction of WTO [UNWTO] policies and undertakings as they might wish” (2000, p. 110) since developing countries represent a majority of members. However, alternatively, it might have demonstrated these governments’ lack of insight into the importance of supranational action in the tourism arena or alternatively that the important activities that secure the interest of their large TNCs are occurring elsewhere, such as in the negotiations of the General Agreement on Trade in Services (GATS) and WTTC. The fact that Canada and Australia recently joined might indicate that the stature and importance of the UNWTO (and perhaps tourism itself) are on the rise. It could be anticipated that the UNWTO’s full integration with the UN would enhance such an effect.

### ***2.3.2. The World Travel and Tourism Council***

The World Travel and Tourism Council (WTTC) is another important institution of international tourism. The WTTC describes itself in this way:

The World Travel and Tourism Council is a Global Business Leaders’ Forum for Travel and Tourism. Its Members are Chief Executives from all sectors of [the Tourism] Industry... Its central goal is to work with governments to realise the full potential economic impact of the world’s largest generator of wealth and jobs - Travel and Tourism (WTTC, no date b).

Its members include some of the most powerful TNCs in the tourism industry including British Airways, American Express, the Thomas Cook Group, Touristik Union International (better known as TUI A. G.), the SABRE Group and Hilton Hotels Corporation. To achieve its goal of promoting travel and tourism growth to the world’s governments, it pushes for the removal of barriers to the growth of the tourism industry. As an unabashed advocate of

tourism growth, it can be seen as complicit in the rapid expansion of global tourism destinations and a contributor to the growth fetish evident in tourism.

The WTTC currently has several initiatives underway which provide an insight into its role in capitalist globalisation. Perhaps most prominent is the *Blueprint for new tourism*, initiated in 2003. It is here we find the WTTC emphasising and perhaps exaggerating the importance of the tourism industry in order to garner greater government support. Two features predominate in this document: an emphasis on growth and a call for governments to take tourism more seriously. It sets three agendas which include government recognition of travel and tourism as a “top priority”; the need for business to balance “economics with people, culture and environment”; and all parties to share “the pursuit of long-term growth and prosperity” (WTTC, 2003). Under each of these areas, the WTTC sets out a list of responsibilities for governments and industry to bring about this “new tourism”. These include:

1. Governments must recognize travel and tourism as a top priority.

To meet this first condition, governments must:

- Elevate travel and tourism as an issue to the top level of policy making
- Create a competitive business environment
- Ensure that quality statistics and data feed into policy and decision-making
- Invest in developing the appropriate human capital
- Liberalise trade, transport, communications and investment
- Build confidence in safety and security
- Promote product diversification that spreads demand
- Plan for sustainable tourism growth, in keeping with cultures and character
- Invest in new technology, such as satellite navigation systems

2. Business must balance economics with people, culture and environment

To meet the second condition, the industry must:

- Expand markets while protecting natural resources, local heritage and lifestyles
- Develop people to narrow the gap between the ‘haves’ and ‘have-nots’
- Provide traditional tourism products sensitively
- Reduce seasonality and increase yields with imaginative new products
- Improve quality, value and choice
- Agree and implement quality standards at all levels
- Transfer skills and best practice throughout the industry
- Increase the sophistication of information, to make better business decisions
- Communicate more broadly and more effectively

3. All parties must share the pursuit of long-term growth and prosperity

To meet the third condition, all the main stakeholders must:

- Ally best practice in tourism with government policy
- Prepare sustainable master plans for entire destinations
- Create locally driven processes for continuous stakeholder consultation
- Restructure national tourism boards
- Set environmental policy goals that can be met
- Develop and deploy skills effectively
- Collaborate on information requirements
- Collaborate on security
- Develop confidence on all sides (WTTC, 2003).

An evaluation of these lists clearly indicates the growth agenda of the WTTC and even though one of the key agendas is for business to “balance economics with the interests of people, culture and environment”, only two items under this heading are not related to fostering more growth, that is “develop people to narrow the gap between the ‘haves’ and ‘have-nots’” and “transfer skills and best practice throughout the industry”. Under the lead injunction that “governments must recognize travel and tourism as a top priority” one can clearly see the capitalist globalisation agenda as even the discussion of sustainability is phrased in terms of “sustainable tourism *growth*”. What is really disturbing about the *Blueprint for new tourism* when read with a critical eye to uncover the dynamics of capitalist globalisation, is the appropriation of alternative tourism terminology by the WTTC. Adopting the language of “new tourism”, the WTTC evokes an image of a sensitive and more sustainable tourism, when what is evident in the detail is an agenda for accelerating growth and profit to the tourism TNCs that make up the WTTC.

Another main activity of the WTTC is promotion of research into the tourism satellite account (TSA). TSA is a method of estimating the size of the tourism industry which has been promoted by the UNWTO and the WTTC. Tourism requires a special accounting system in order to address the fact that it is a complex phenomenon that overlaps with other economic sectors and is not defined by its product but rather by the consumer of its goods and services. The WTTC’s TSA includes personal travel and tourism expenditure by an economy’s residents, the export income that comes from international visitor spending in the local economy, business travel, government expenditure (on such things as cultural museums, national parks, aviation administration and marketing campaigns), capital investment and exports of consumer or capital goods to tourism and travel providers (i.e. cruise ships, airplanes, food, etc.). The WTTC states:

Travel and tourism is an industrial activity defined by the diverse collection of products (durables and non-durables) and services (transportation, accommodation, food and beverage, entertainment, government services, etc.) that are delivered to visitors. There are two basic aggregates of demand (Travel and Tourism Consumption and Total Demand) and by employing input/output modelling separately to these two aggregates the Satellite Account is able to produce two different and complementary aggregates of Travel and Tourism Supply; the Travel and Tourism Industry and the Travel and Tourism Economy. The former captures the explicitly defined production-side ‘industry’ contribution (i.e. direct impact only), for comparison with all other industries, while the latter captures the broader ‘economy-wide’ impact, direct and indirect, of Travel and Tourism (WTTC, 2005b, p. 11).

Focus on the TSA allows the compilation of statistics and predictions. Thus tourism's global contribution for 2006 was predicted to provide:

- US\$ 6,477.2 billion of economic activity,
- 10.3% of total GDP,
- 234,305,000 jobs, or 8.7% of total employment (WTTC, no date a).

The WTTC has overseen the development of TSAs for numerous economies in the global community in order to underscore the economic impact of tourism and improve the lobbying potential of tourism industry supporters that comprise its membership. What is difficult to reconcile is the positive rhetoric of official documents with the negative outcomes as manifest in economic leakages and costs exposed in several studies such as Brohman (1996), Duffy (2002), Patullo (1996) and Pleumarom (1999a). Because the WTTC is interested in the global trading practices of tourism, represents big tourism TNCs and is in effect a global corporate lobby group, the TSAs are selected as a tool to serve the corporate interest in promoting the tourism sector and gaining governmental support to expand tourism. They do not however tell the (failed) developmental story of leakages nor the negative human impacts of tourism that concern such analysts as Brohman (1996) and critics such as Pleumarom (1999a).

In addition to these initiatives, the WTTC has also undertaken a "competitiveness monitor" which "tracks a wide range of information, which indicates to what extent a country offers a competitive environment for Travel and Tourism development" (WTTC, no date a). The WTTC describes its purpose as aiming "to stimulate policy-makers, industry investors, academics and all other interested parties to recognize the crucial role they play in maximizing the contribution of Travel and Tourism for the benefit of everyone and to ensure that the development of the industry is sustainable" (WTTC, no date a). This monitor is therefore perhaps more logically seen as a tool the WTTC provides for TNCs to plan their most profitable and successful investments in a range of countries lured by the promise of tourism.

Additionally, the WTTC has a corporate social leadership initiative. It is in this domain that the WTTC claims a long affiliation with the sustainability movement and boasts of its support for applying Agenda 21 to the travel and tourism sector, its latest support for the poverty alleviation agenda of tourism, its creation of the Tourism for Tomorrow Awards and its alliances with groups such as Green Globe, CyberDodo and the Sustainable Tourism Cooperative Research Centre in Australia (WTTC, no date a). The WTTC can be challenged on whether its commitment to corporate social responsibility (CSR) represents a change in business practice or whether it is merely geared to good public relations. The WTTC publication *Corporate social leadership in travel and tourism* (WTTC, 2002) provides useful material for analysis. This document features a focus on the business case for commitment to CSR agendas. It emphasises the "new consumer", or tourists with a conscience, who are increasingly discerning of corporate business practice who therefore present a lucrative business opportunity.<sup>51</sup> More significantly, the content of some of the case studies which are presented as exemplars of corporate leadership represent little advance on ordinary corporate

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<sup>51</sup> This phenomenon is analysed both in the report and also prominently addressed in the first appendix of the publication.

charity and do not indicate a rethinking of corporate social roles (see for instance the cases of Radisson SAS Hotels and Resorts, TUI A. G. and Uniglobe) (WTTC, 2002).

It is also telling that this report states categorically that “a voluntary approach is crucial... attempting to regulate social responsibility would not only be impractical, given the diverse needs of different communities, it would undermine the personal commitment and creativity that fuel it” (WTTC, 2002, p. 5). Such voluntary approaches amount to corporate self-regulation. Naomi Klein argues that corporate self-regulation gives “unprecedented power [to corporations]...the power to draft their own privatised legal systems, to investigate and police themselves, as quasi nation-states” (2001, p. 437). In terms of tourism, Mowforth and Munt argue that corporate social responsibility and codes of conduct can be seen as “exercises in public relations” and attempts to court the ethical consumer (2003, p. 194); they can also be seen as attempts to pre-empt government regulation of tourism activities. Thus we can see that the WTTC effectively restricts the movement for corporate responsibility to the confines of TNC control while sustaining the corporate interest.

Along these same lines, the WTTC was the initiator of the Green Globe program that was created to implement the principles applicable to the travel and tourism industry under Agenda 21 from the 1992 Earth Summit at Rio. It provides information on environmental improvement projects, achievement awards, and a certification process to achieve Green Globe status which is wholly voluntary (Green Globe, no date). The Green Globe project has nevertheless had its critics: in the Green Travel internet discussion forum, some have seen the Green Globe awards merely as “greenwash”; others have noted that it has evolved positively by separating from the WTTC and promoting environmental sustainability in a pragmatic manner and that it therefore needs and deserves the support of “responsible operators” to succeed (Green Travel, 1999). In their political analysis of tourism, Mowforth and Munt argue that Green Globe is an example of the WTTC and the UNWTO advocating self-regulation in order to secure their members’ interests and avoid outside regulation (2003, pp. 184-185). They conclude:

Self-regulation led by bodies such as the WTTC and the WTO/OMT [UNWTO], whose stated aims are the promotion of the tourism industry rather than its restraint, is likely to lead to policies which further the pursuit of profits in a business world where profit maximisation and capital accumulation is the logic of economic organisation (Mowforth and Munt, 2003, p. 185).

Thus similar to the way in which the World Economic Forum, the IMF and the WTO support transnational practices and the interests of the transnational capitalist class that underpin capitalist globalisation (Sklair, 2002), there is evidence that the UNWTO and the WTTC support a corporate tourism agenda that is symbiotic with capitalist globalisation.

### ***2.3.3. The World Bank and World Economic Forum: Non-Tourism Institutions Foster the Corporate Tourism Agenda***

For a decade, between 1969 and 1979, the World Bank Group maintained a special department focused on tourism in recognition of the rapid growth of tourism and its importance to the foreign exchange earnings of many of the Bank’s member countries (Davis and Simmons, 1982, p. 212). While the World Bank disbanded this tourism section over 20 years ago when it abandoned its support of direct tourism development projects after

receiving much criticism (Richter, 1989), it has remained very active in the promotion of tourism for development. In 1998, it co-hosted with the UNWTO a conference entitled “Tourism Visions for the 21st Century” to raise the profile of tourism in development planning. Whether the tourism projects supported by the World Bank in recent years are more successful than those devised by its tourism department in the past is subject to debate; however what is clear is that such support goes to develop infrastructure and tie an economy into the international tourism economy, and in many cases adds to a developing country’s debt burden.<sup>52</sup>

Ideologically, therefore the World Bank’s intervention in tourism can be seen to be part of the capitalist globalisation process described by Sklair (2002) and a component of the “market fundamentalism” described by Gill (1995). A representative of the UNWTO in an interview stated “we have some of the same goals as the international finance community ... tourism is a great way of generating foreign currency, improving a country’s roads and public works, and creating jobs in rural areas, where tourists like to go” (World Bank News, 1998). Taken at face value, this statement seems innocent enough, but when making the connections between “the neo-liberal market civilisation” that Gill describes and the tourism structure which contributes to it, the statement of coincidental interest of the UNWTO and the international finance community is more concerning; it is referring to the radical shift of economies to full integration into global markets. World Bank-sponsored tourism projects have also come in for criticism because their investments are less geared to developmental outcomes for locals than serving the interests of powerful entities in the corporate sector, governments and/or rich-world tourists. As Mowforth and Munt have remarked international financial institutions (IFIs) such as the World Bank have power over any country that requires financial assistance and under the market system, tourism is treated “much the same as any other cash crop” (2003, p. 261). There are numerous examples that illustrate the impacts of such developments. For instance, a World Bank sponsored ecotourism program (co-sponsored by a Japanese aid agency) in Thailand has seen illegal and inappropriate developments in protected areas (supported by the Tourism Authority of Thailand) catering to the Thai elite and wealthy international tourists despite the protest of locals and laws prohibiting such developments (Tourism Investigation and Monitoring Team, no date a). Similarly, Mowforth and Munt discuss the case of Grenada in the Caribbean, which prior to US destabilisation and invasion in the early 1980s, was set to implement a socialist-inspired tourism program (2003, pp. 259-260). After the US intervention, Grenada became a model of corporatised tourism as the US development agency, United States Agency for International Development (USAID), intervened to establish tourism infrastructures and developments attractive to TNC investors but with poor developmental outcomes for the populace (Mowforth and Munt, 2003, pp. 259-260).

It is also important to note that the travel and tourism sectors have received some attention from the World Economic Forum (WEF), a non-government organisation that is made up of “the world’s 1,000 leading companies, along with 200 smaller businesses” including global giants such as Unilever, Pfizer and Nestle (WEF, no date). The WEF is the target of virulent opposition from the “anti-globalisation” movement because it is seen as a vital agent of anti-democratic capitalist globalisation and as a facilitator of the interest of the

<sup>52</sup> For instance in 2005, Madagascar was given a “credit” of nearly US\$130 million to develop tourism in a growth-pole strategy in two underdeveloped regions, Nosy Be and Taolagnaro (World Bank, 2005).

TCC. A look at the WEF's website indicates its support for corporate-led globalisation and corporatised tourism.<sup>53</sup> For instance, the WEF held a forum on liberalisation in the civil aviation sector in 2004 in Jordan at which the tourism industry agenda was effectively promoted by various speakers. Geoffrey Lipman, a special adviser to the Secretary-General of the UNWTO, advocated the growth of aviation and tourism suggesting they can be catalysts for peace. Thomas R. Pickering, representing Boeing, predicted the Middle Eastern region was ripe for tourism growth (and therefore presumably "ripe for" for buying Boeing's planes) (WEF, 2004). In fact, one WTTC document claimed that in 2005, "WTTC and the WEF continued to support each other in their respective ventures this year" (WTTC, 2005a, p. 27). This simple statement suggests how global tourism institutions interact and reinforce the institutions fostering capitalist globalisation and the marketisation agenda. In other contexts, we have already seen that such trends do not prioritise grassroots development or an equitable share of proceeds from tourism.

## 2.4. Transnational Capitalist Class - A Case Study

Sklair's analysis of capitalist globalisation suggests that critical analysis of TNCs is insufficient to understand the effects of capitalist globalisation as the roles of the TCC are also very significant (2002). One prime example of a member of the TCC who operates in the sphere of corporate tourism is Geoffrey Lipman who has wielded great power and influence.<sup>54</sup> Lipman has held numerous posts of influence within the travel and tourism sector including serving as president of the WTTC and executive director of the International Air Transport Association. He is currently serving as a special adviser to the Secretary-General of the UNWTO, has been a prominent advocate of liberalisation in the aviation sector and has taken part in WEF events concerned with tourism.<sup>55</sup> Lipman has also chaired Green Globe 21 (applying Agenda 21 standards to the tourism sector) and currently promotes the International Council of Tourism Partners whose focus is on alleviating poverty through tourism. Such initiatives can be interpreted as public relations efforts to head off the criticism that tourism and globalisation receive due to their role in fostering ecological and sociological crises (as described by Sklair, 2002). Whether TCC leaders such as Lipman are sincere in their roles is not the point; they probably are in some cases. What is the point is how their efforts in forums such as the UNWTO and WEF serve the interests of the corporate class (TCC) and advance the success of capitalist globalisation. For instance, Pleumarom (1999b, p. 5) has noted how Lipman, when serving as President of the WTTC, visited Thailand to campaign for privatisation of state-owned enterprises. At the same time, WTTC members British Airways and the British Airport Authority made investment bids for Thai Airways and Thai airports which were seen as a corporate assault on the Thai travel and transport sector (Pleumarom, 1999b). Tourism consultants like Lipman epitomise the role of TCC "globalising professionals" as they promote and foster the interests of corporate tourism in various forums such as the WEF and the GATS negotiations as well as to governments around the world.

<sup>53</sup> <http://www.weforum.org/site/knowledgenavigator.nsf/Content/Travel+and+Tourism>

<sup>54</sup> Lipman is an example of a member of both the state and technical fractions of the TCC during his varied career (see Sklair's typology, 2002, p. 99).

<sup>55</sup> See: <http://www.weforum.org/site/knowledgenavigator.nsf/Content/Lipman%20Geoffrey>

Sklair's typology of the TCC also applies to groups engaged in tourism. For instance, a study of the activities of various fractions of the TCC operating in the travel and tourism sector could shed light on how they promote transnational practices and foster the advance of capitalist globalisation. As hotel, resorts and restaurants sign up to franchising agreements, a study could be made of how global corporate leaders from the headquarters interrelate and cooperate with local affiliates and how such interactions support the agendas of capitalist globalisation. Additionally, the role of the state fraction of the tourism TCC is exposed in reports of the Tourism Investigation and Monitoring Team (TIM-Team) on how the Tourism Authority of Thailand has collaborated in using World Bank social investment money for inappropriate and wholesale tourism development in national parks in violation of Thai laws (TIM-Team, no date a).

Merchants and media (called the "consumerist fraction" of the TCC by Sklair, 2002) also play a vital role in fostering the culture-ideology of consumerism as people have to be urged to contribute to the continual growth demanded by capitalist globalisation and corporatised tourism. This in turn underpins the ability of the TNCs and the TCC to achieve ever higher profits. Such roles are fulfilled by travel publishers such as Lonely Planet Books,<sup>56</sup> the producers of travel magazines such as Conde Nast Travel, as well as individual media personalities such as travel reporter Susan Kurosawa in Australia and television presenter Michael Palin who publicise global travel opportunities to entice tourists.

Additionally a study could be made of the roles of entrepreneurs such as Richard Branson of Virgin and "Screw" Turner of Flight Centre to show how their approaches add more than flamboyance and brashness to the tourism industry. They have in fact created global corporate empires built on fostering the consumerism of youth. This chapter cannot detail such cases because of its primary concern to maintain a macro-level analysis of global structures and dynamics. We thus return to some of the examples of transnational practices operating in the corporate tourism sector to see how the dynamics of capitalist globalisation are evident here.

## 2.5. Tourism Transnational Practices

### 2.5.1. Liberalisation under the General Agreement on Trade and Services (GATS)

For decades, the transnational capitalist class and other supporters of capitalist globalisation have been pushing a free trade agenda and open access to the world's wealth and resources through multilateral trade talks such as the Uruguay Round and since 1995, through the institutional structure of the World Trade Organization (WTO). More recently, attention has focused on the services sector, including tourism, through the promotion of the General Agreement on Trade in Services (GATS). As the NGO Equations<sup>57</sup> has suggested, the highest rates of growth in tourism are being achieved in developing countries as "new tourists" are drawn to their natural and cultural attractions. As a result, the big TNCs are keen to liberalise the tourism sector so that they can pursue the profit opportunities arising in the developing world (Equations, 2001).

<sup>56</sup> For example Tony Wheeler, publisher of Lonely Planet, advocated travel to Burma when human rights organisations and other travel businesses were calling for a boycott.

<sup>57</sup> Equations is a tourism NGO based in Bangalore, India.



The impacts of the liberalisation of tourism services must be seen within the context of the wider liberalisation process. As tourism is being subjected to liberalisation, so are the sectors with which tourism interrelates including agriculture, financial services, investment, construction, communications, transport and aviation. This establishes a system of “interlocking liberalization” which Williams claims can “create dependency on the market, with impacts on food security...[which] may prove negative for social development” (M. Williams, 2002, p. 12). This “interlocking liberalization” includes a series of agreements that create a structure which is conducive to corporate interests,<sup>58</sup> including the multilateral negotiations of the WTO, the Agreement on Trade-Related Investment Measures (TRIMS), Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) and the one under discussion here, GATS. These agreements are augmented by numerous regional and bilateral agreements such as the North America Free Trade Agreement (NAFTA). While all of these measures are the result of extensive negotiations to create a “consensus”-based structure of rules on the conduct of global free trade, critics argue that the less powerful countries are forced into agreements that damage their interests and serve the interests of powerful TNCs and the TCC.<sup>59</sup>

But it is GATS which is most effective within the tourism domain. At the same time that multilateral negotiations on trade in goods and agricultural produce were being negotiated at the Uruguay round and the WTO in the 1990s, attention was turned to the growing sector of trade in services. This led to the creation of the GATS in 1994 and its continued development through subsequent negotiations has been overseen by the WTO. The most recent negotiations are occurring in the Doha round of talks which began in 2001 and have specifically focused on services. The GATS rests on three key concepts, including most favoured nation treatment, market access and national treatment. The most favoured nation treatment clause commits members to treat services and service suppliers of any other member no less favourably than they treat services and service suppliers of any other country. The market access provision requires members to allow market access to foreign investors in the sectors which they have identified under GATS. The GATS’ national treatment clause requires members to treat foreign corporations in the same way they treat domestic companies operating in the specified service sectors under the agreement’s provisions. Additionally GATS has a clause on “general exceptions” concerning the right for members to apply general exceptions to their commitments on “public morals and human, animal or plant life or health” (Hoad, 2002, p. 217).

GATS deals with “tourism and travel related services” and divides these into four subsectors including:

- hotels and restaurants,

<sup>58</sup> Mowforth and Munt (2003, p. 266) cite a European Community document of 2000 which describes GATS as “first and foremost an instrument for the benefit of business”.

<sup>59</sup> For instance, Mowforth and Munt quote the NGO the World Development Movement (WDM) who claim that great pressure is exerted by the developed countries on the developing countries in these negotiations including the inference that if the developing country negotiators do not act as advised, then aid might be affected (WDM cited in Mowforth & Munt, 2003, p. 266). Williams also notes that liberalisation in the tourism sector of developing countries needs to be understood within the context of structural adjustment imposed by the IFIs (M. Williams, 2002, p. 12). Lastly, Hoad notes that GATS has an expansionary character as member countries are continually pressed to return to negotiations for further commitments: Hoad claims

- travel agencies and tour operators,
- tourist guide services,
- and an “other” category (unspecified).

The GATS liberalisation program was proceeding in ongoing talks of the Doha round under the auspices of the WTO and a target had been set to achieve some locked-in commitments under the agreement by the end of 2005. Proponents of liberalisation like the UNWTO argue that countries of both the developed and developing world will benefit from the liberalisation under the GATS. The former expect greater business opportunities for their corporations and the latter are promised more opportunities for development through the “North-South flows” (UNWTO, 2003b). Such a “win-win” perspective seems illusory, however, since these talks recently collapsed in part because developing countries remain unconvinced of such promises.<sup>60</sup> The following discussion will highlight some of the difficulties GATS presents for developing countries.

Despite the alleged convergence of interests, there is a clear distinction between the bargaining positions of developed countries such as the United States and the member states of the European Union and the positions of developing countries. In 2000 for example, the United States requested the removal of several barriers or protections that impeded its businesses including such practices as limiting the repatriation of profits, requiring the employment of locals, providing domestic businesses with subsidies and support, restricting the sale or rent of property and restricting the share of foreign investment in joint ventures, all of which assisted developing countries to create a viable tourism sector and ensured that the local economy obtained significant benefits from it (Berne Declaration and Working Group on Tourism and Development, 2004, p. 10). According to Menotti (2002), the European Union likewise made a specific approach to Mexico under the GATS to ask it to lift its requirement that developers of hotels and restaurants hold a permit. This provision was imposed by Mexico as a part of its planning process to promote sustainable tourism practices in its growing tourism sector. In contrast Thailand has expressed support for the liberalisation under GATS but voiced concerns over the ability of developing countries to ensure environmental and cultural protection when opening up to the global economy (Noypayak, 2001). Additionally delegations from Central American countries have raised major concerns during the GATS discussion about the anti-competitive practices by tourism TNCs (Communication from the Dominican Republic, El Salvador and Honduras, 2000).<sup>61</sup>

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GATS “is the only trade agreement that mandates WTO members ... return to the negotiating table on a regular basis” (2002, p. 224).

<sup>60</sup> In July, 2006, Muqbil reported “the collapse of the World Trade Organization talks in Geneva last week is a major victory for developing countries, as well as the civil society non-governmental organisations which have long been urging them to resist pressure to sign lop-sided deals that may generate short-term gain but ultimately result in long-term pain. The time-out has given developing countries some breathing room to reassess the state of play before deciding if and how to go forward. International relations today are not characterised by level playing fields. Now, governments have clearly indicated a desire to say ‘enough is enough’ to double standards” (2006).

<sup>61</sup> UNCTAD has described these anti-competitive practices quite precisely: “The liberalisation and globalisation of the travel and tourism sectors have also led to a high concentration of a few international firms in key sectors, including organized travel, international booking, marketing and sales of tourism and related activities. The high concentration in these sectors creates market power and the potential for the abuse of dominance by large international firms. This often translates into exclusionary agreements, price fixing, market sharing among dominant operators or boycott and refusal to deal with operators in developing countries. These anti-

UNCTAD has identified the main concerns of developing countries that are relevant under GATS:

- the fact that the small to medium enterprises (SMEs) characteristic of the tourism sector in developing countries are likely to be overrun by the TNCs that will take advantage of liberalisation's effects to invest in these economies undergoing considerable tourism growth rates,
- developing countries require a multilateral 'open skies' policy where current charter restrictions, flight density restrictions and high pricing policies could be dealt with and where they can fairly access the computer reservations systems currently controlled by the TNCs of the North,
- developing countries also have issues of access to the facilities of electronic commerce as the global distribution systems are controlled by the major carriers who privilege the major tourism service providers over the SMEs characteristic of developing countries (cited in M. Williams, 2002, pp. 14-15).

Additionally, whereas developing countries would most benefit from the free movement of personnel, the restrictive immigration policies of the developed world make it unlikely that tourism employees of the developing world will find tourism jobs as easy to access in the developed world as developed world tourism workers have found it in the developing countries. Movement of people is under mode four<sup>62</sup> of the agreement and developing countries have been keen to see access of people from developing countries to short term opportunities in developed countries without such access being tied to commercial presence.<sup>63</sup> The requirement of linking access to commercial presence works to the advantage of the developed countries that have rich TNCs that can establish a commercial presence in developing countries (Khor, 2003).<sup>64</sup>

In sum, because the tourism sector in many developing countries is characterised by SMEs, the only advantages that a liberalisation regime could offer these countries is real technical assistance and technology transfer of such things as computer reservation systems;

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competitive agreements and conduct impose enormous costs and eliminate benefits, which developing countries may reap from the liberalisation and expansion of world tourism" (UNCTAD, no date).

<sup>62</sup> The GATS distinguishes between four modes of supplying services: cross-border trade, consumption abroad, commercial presence, and presence of natural persons.

- Cross-border supply is defined to cover services flows from the territory of one Member into the territory of another Member (e.g. banking or architectural services transmitted via telecommunications or mail);
- Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service;
- Commercial presence implies that a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains); and
- Presence of natural persons consists of persons of one Member entering the territory of another Member to supply a service (e.g. accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that Members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis (WTO, no date).

<sup>63</sup> Studies by Alan Winters have shown that "increasing developed countries' quotas for mode 4 by 3 percent of their labour forces would generate annual gains of over US\$150 billion" (cited in Khor, 2003).

<sup>64</sup> Khor says that developed countries have "piled on" the pressure on developing countries to commit on mode 3 which allows foreign enterprises to establish commercial presence in a wide range of tourism related sectors while failing to respond to the developing countries' calls to make commitments on liberalising under mode 4 (Khor, 2003).

requisite protection of their domestic sectors until such time as they are able to compete; and movement of tourism personnel to where the jobs are available. A reflection of the seriousness of these diverging concerns is the WTO's efforts to convene symposia and discussions such as the Symposium on Tourism Services held in February, 2001 to address the concerns of developing countries over GATS negotiations (WTO, 2001). It appears that the promoters of the liberalisation agenda fear a failure to forge ahead on fronts such as GATS in a climate of anti-globalisation endangers the entire project. Nonetheless, developing countries have so far resisted having an unfair GATS agreement imposed upon them (Khor, 2005; Muqbil, 2006).

Another important point of difference between the developed and developing countries arose during the negotiations for the GATS. Originally GATS was meant to proceed in liberalisation in a "positive list" approach whereby each member country made commitments in each of the sectors that it felt prepared to commit to and placed the limitations to these commitments as that country's interest required.<sup>65</sup> However, following an initiative of the Dominican Republic, El Salvador and Honduras in 1999, some countries began to call for a specific tourism annex to the GATS agreement in which a cluster approach to liberalisation could be undertaken. Under this Annex, the products and services specifically related to tourism will be comprehensively listed so that tourism can obtain clear and comprehensive treatment not provided under the general GATS agreement (Communication from the Dominican Republic, El Salvador, Honduras, Nicaragua and Panama, 2000). While the cluster approach is called a "developing country" initiative, the US, the EU and Australia have come out firmly in favour of it (Equations, 2001) because they oppose the "positive list approach" allowing member countries to approach liberalisation in a piecemeal fashion in order to protect their own national circumstances. They view this as being against their interests since the big investors and corporations they represent benefit from a wholesale liberalisation rather than a gradualist and conservative approach. Developing countries, on the other hand, even those more well advanced such as India and Brazil, benefit more from the "positive list approach" so that they can protect weaker sectors (particularly in the informal economy), gather the required information to engage in liberalisation in an informed manner and develop the necessary policies and regulations to secure sustainability and social welfare (Equations, 2001). Therefore, the positive list proposal is a more satisfactory approach for harnessing tourism for the welfare of developing societies, while the cluster proposal suits the supporters of liberalisation who want to liberalise the tourism market which serves the interests of TNCs and the TCC who stand to benefit from new economic opportunities.

Hoad has provided arguably the best academic analysis to date of the provisions of the GATS and its potential impacts on tourism within the context of sustainability (2002). His analysis of the provisions of the GATS in such areas as market access, most-favoured nation treatment, national treatment and general exceptions reveals some of the real problems with the agreement. For instance, the market access provision is hostile to destination countries attempting to limit the number of service providers through quotas or economic needs testing which is a key component of keeping tourism within the bounds of ecological and sociological carrying capacity. The most-favoured nation treatment and national treatment

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<sup>65</sup> Under the current structure of GATS, some tourism and travel related activities can fall under other sectors of commitment, for instance construction (e.g. construction of hotels), business services (such as tourism rental management) and health-related and social services (such as physical fitness facilities) (Hoad, 2002, p. 215).

clauses curtail the ability of governments to favour tourism service providers who employ locals or have sound environmental management policies or to reject those who do not. Lastly, Hoad argues that while the general exceptions clause seems to give member countries some ability to limit these commitments on the grounds of social and environmental concerns, past trade disputes reveal that these exceptions would be likely to be judged as discriminatory trade practices and therefore penalised as contravening a country's obligations under GATS (Hoad, 2002, p. 217). Hoad's analysis is a searching investigation of the implications of GATS and reveals why many developing countries and their supporters are concerned with the impacts of its provisions.

GATS has understandably received critical attention from NGOs concerned with the negative impacts of globalisation because of its liberalisation in such vital human welfare service sectors as the provision of water, transport, energy and education. However tourism NGOs such as Equations, Tourism Concern and the TIM-Team have argued that while the tourism sector may appear to be less important than these human welfare sectors, it is arguably no less important (Equations, 2004).<sup>66</sup> The fact that tourism is a service sector of major significance to many countries is perhaps apparent from the fact that more commitments have been made in tourism than in any other service industry under the GATS agreement, with 125 of the WTO's 142 members opening up in at least one of the tourism subsectors (Equations, 2001).

Equations has put together an articulate list of concerns about GATS from a developing country point of view which includes the following: the agreement is geared to the interests of the developed countries; its rules are incomplete and unclear; it will create a loss of local government control through centralising trade policy; it will lead to a "race to the bottom in environmental and developmental standards"; and the GATS has a lock-in effect where countries cannot withdraw from commitments without intolerable costs thus making them irreversible (Equations, 2004).<sup>67</sup>

One of the key concerns is that the trade negotiators liberalising the services sector through the GATS negotiations fail to understand the distinctive complexity and dynamics of the tourism sector. Such distinguishing traits include its overlapping with other sectors such as agriculture, transport, finance and hospitality which means that liberalisation may have complex and unintended effects. More importantly, tourism is more than just an economic activity, it has attendant sociological and environmental impacts with which the local people must manage to live. Liberalisation in the tourism sector is expected to have widespread impacts on the environment, labour standards and human rights in a multiplicity of locations. These impacts may be particularly adverse in the developing world where policy, management and regulation of the tourism sector may be underdeveloped to deal with such complex outcomes (Pleumarom, no date a). A Swiss NGO, Arbeitskreis Tourismus Entwicklung (AkTE), has stated "These GATS negotiations aim to dismantle basic political frameworks - including environmental legislation and social norms - in favour of economic growth" (Tourism Concern, 2002). Equations has conducted a detailed analysis of the impacts of liberalisation through GATS on the province of Goa, India, where the dynamics of mass

<sup>66</sup> Hoad (2002) provides a useful overview of the positions of GATS supporters and GATS opponents.

<sup>67</sup> As a result of the concern with this "locking in" and the penalties that withdrawal could bring, Thailand, Malaysia, Indonesia and the Philippines have led a call for a "safeguard mechanism that can be used to backtrack from GATS commitments when a country's national services enterprises are threatened" (Khor, 2003).

tourism have already had major impacts and concludes that GATS will have significant negative outcomes not only for the environment, society and economy of Goa but will also weaken the ability of local governments to govern for the public good (Equations, 2002).<sup>68</sup> One fair trade analyst has described GATS as:

Designed to ensure that host governments, confronted with powerful transnational corporations who import their own staff and the majority of goods needed for their tourism operation, cannot compel them to use local materials and products to enhance the 'multiplier effect', or to take special measures to secure a competitive base for their domestic businesses (Kalisch, 2001, p.4).

Additionally GATS is predicted to lead to greater concentration in the tourism sector as big tourism TNCs continue the trend in vertical integration which is very evident in places like Germany where the three leading tourism companies control 68 percent of the market (Berne Declaration and WGTD, 2004, pp. 8-9). In developing countries, the dynamics of liberalisation are likely to see SMEs and indigenous enterprises bought out by TNCs seeking investment opportunities in the developing world. Pleumarom describes the likely impacts of liberalisation on the Thai hotel sector as fostering "mergers and acquisitions" (1999b). It should be noted that these impacts are not developmental as they do not create new jobs and economic benefits but instead are likely to increase economic leakages.

Tourism Concern, among other NGOs, has pointed out how the GATS provisions fail to take into account agreements and obligations negotiated in other forums including sustainable tourism, commitments on biodiversity (through the Convention on Biological Diversity), on labour standards (through the International Labour Organization (ILO)), poverty reduction agendas as well as the rights of Indigenous peoples and other minorities (Tourism Concern, 2002).

Hoad's analysis of GATS in 2002 evaluated the impacts of liberalisation on tourism and in particular its effects on tourism sustainability (2002). His critical positioning is evident from his use of sources such as a United Nations Environment Programme (UNEP) report that described increased trade activities promoted by trade liberalisation as having "serious negative environmental and related social impacts" (UNEP cited in Hoad, 2002, p. 220). Hoad's work has provided much needed focus on the impacts of tourism liberalisation under GATS on capacities to secure environmental protection and sustainability. Hoad's analysis (2002) has been followed by the work of Bendell and Font (2004) who read the GATS agreement in a "pro-sustainability" way and argue that environmental protection does not have to be regarded as trade restrictive under the GATS protocols. Lastly, there is the empirical analysis of the impacts of liberalisation on the social and environmental conditions in Turkey undertaken by the Worldwide Fund for Nature (WWF) which found that while it was difficult to ascertain how the Turkish tourism industry fared under liberalisation, there was some evidence of environmental degradation and lack of social benefit (WWF, 2001).

In fact, the effects of liberalisation under GATS should be seen in the broader context of major inequality between the developed and developing world. Many developing countries

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<sup>68</sup> Also see Pleumarom (no date a).

have been subjected to structural adjustment programmes (SAPs)<sup>69</sup> by IFIs which have put them on the liberalisation juggernaut whether it is in their interest to do so or not. Part of the SAP portfolio in many developing countries has been the promotion of tourism as an avenue to development. Subject to crushing debts, dependent on development assistance and subject to financial crises due to the financial speculation and ease of movement of capital, some developing countries are compelled into forums such as GATS when it might not be in their interest to do so, and they are compelled to make commitments before the implications are clear. Pleumarom exposes how powerful TNCs take advantage of such situations to obtain corporate advantage. Specifically, she discusses the roles of finance giants Goldman Sachs and Merrill Lynch in the conduct of structural adjustment in developing countries and in the liberalisation of the Thai travel and tourism sector (1999b).

Not unexpectedly, the UNWTO has come out in full support of liberalisation under GATS. The UNWTO takes its role of advocating for the tourism sector very seriously, and following the 2003 trade meetings in Mexico, the UNWTO chastised trade negotiators for the fact that agreement on agriculture was secured while tourism was neglected at these talks despite the fact that tourism makes a greater contribution to world trade (UNWTO, 2003a). In its press release, the UNWTO emphasised that liberalisation through GATS would boost the economies of the “world’s poorer nations” by expanding “North-South flows”, while “developed countries would not lose anything either because their enterprises will [sic] benefit from increased trade resulting from greater liberalization” (UNWTO, 2003a).

The UNWTO bases its claim that liberalisation of tourism helps poorer nations on the fact that as an export, tourism provides jobs and investment and that poorer nations are likely to attract higher tourism growth rates than developed countries because their underdevelopment means they have more pristine and exotic natural and cultural attractions. This argument ignores the high leakage factor in tourism in developing countries<sup>70</sup> and contradicts the view of such NGOs as Equations, which regard the liberalisation agenda as serving the interests of the business sector. Indeed, the UNWTO does not recognise the more fundamental question of the unequal status of developing countries to developed countries (and the TNCs who lobby and set their agendas) in negotiations. This discrepancy has been recognised by UNCTAD and NGOs such as Equations which have raised it as a major source of concern. A comment on the Doha talks of 2001 by Mowforth and Munt illustrates what this unequal status looks like “on the ground”:

The mechanism for reaching agreement by consensus appears to be given as a major justification of GATS. But whether genuine consensus was achieved at the Doha Ministerial meeting in Qatar in November 2001, called to discuss GATS, or at previous similar meetings, is highly debatable: for instance, the 481 delegates from the G7 nations

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<sup>69</sup> SAPs have been renamed Poverty Reduction Strategy Papers (PRSPs) (Mowforth & Munt, 2003, p. 28) perhaps as a result of the criticism that anti-globalisation activists have levelled at IFIs such as the IMF and World Bank.

<sup>70</sup> Crick’s description of the leakages seen in developing countries is succinct and useful as he argues that vertical integration between airlines, hotel chains, travel agencies, rental car companies, etc. sees the TNC retain the majority of tourist spending and the “host” community receive very little. This is even worse with “all-inclusives” which are packaged holidays where the tourists pay for transport, accommodation, food and services in advance so that “much foreign exchange does not even reach the destination country” (1989, p. 316). In some countries leakages can be as high as 90%; Caribbean nations average 70% leakage (Patullo, 1996, p. 38). In the latter case, this means for every dollar earned in foreign exchange, 70 cents is lost to pay for imports.

present at the Doha meeting was almost double the 276 delegates from the 39 Least Developed countries, and it is difficult if not impossible to achieve consensus agreement in such unbalanced circumstances... in general, the GATS appears to reflect and reinforce rather than challenge the existing unevenness and inequality in the global economic system (2003, p. 266).

As Vellas and Becherel argue, the liberalisation of tourism under the GATS will indeed “contribute to the global development of tourism” (1995, pp. 268-269), but its effect can be translated as contributing to the growth and expansion of the tourism sector with the bulk of benefits accruing to the TCC and TNCs of the tourism sector. The GATS agreement is well set to deliver the continuous growth that the TCC and TNC supporters of capitalist globalisation seek to ensure for their ongoing profit and wealth accumulation. Whether the GATS delivers on the promises made to developing countries is another question.

### ***2.5.2. More TNPs - Vertical Integration and Leveraging***

Despite the fact that the majority of tourism businesses operating around the globe are SMEs, tourism is perhaps one of the most consolidated industries operating in the global community. Large TNCs such as TUI A. G.,<sup>71</sup> Thomas Cook, Hilton Hotels and British Airways dominate the international tourism and travel sector. Horizontal and vertical integration characterise the dynamics of tourism TNCs most of which originate from developed countries. Airlines invest in travel agencies, tour operators, computer reservation systems, accommodation as well as other airlines in an effort to extract more profit by dominating the sector and dictating terms. A good example is the Thomas Cook group, the third largest tourism and travel group in the world, which owns airlines, travel agencies, tour operations, foreign exchange bureaus, a publishing house and a television channel.<sup>72</sup>

Badger, Barnett, Corbyn and Keefe have claimed:

power is increasingly in the hands of these large northern-based companies, who can direct flows of international tourists to particular destinations because of their high-tech globalised reservation systems. An estimated 80 per cent of all tourists travel with a tour

<sup>71</sup> TUI A. G. describes itself thus: “TUI has an excellent position in its core tourism business. With a turnover of around Euro 13.1 billion, the Group is the unchallenged market leader in Europe. The European tour operators within World of TUI reach over 80 per cent of European holidaymakers. In 2004, the Group had around 18 million customers. TUI now includes about 3,200 travel agencies, more than 100 aircraft, 37 incoming agencies and 290 hotels with 163,000 beds in 28 countries. Around 12,000 business travel professionals in over 80 countries also look after the Group’s business customers” (see: [http://www.tui.com/en/ir/group/brief\\_portrait/](http://www.tui.com/en/ir/group/brief_portrait/)).

<sup>72</sup> For an excellent insight into the Thomas Cook group see its corporate website at <http://www.thomascook.com/corporate/press.asp?page=presspack>. Specifically, the company tells why it has pursued a path of vertical integration which has resulted in its formidable position:

“A vertically integrated company usually owns all or many areas of the value chain, including the supplier, the manufacturer and the retailer. In the case of travel companies, the supplier is the transport company (e.g. the airline) and/or the accommodation unit; the manufacturer is the tour operator who buys supplier components in bulk and produces the ‘package holiday’; and the retailer is either a travel shop, a call centre or a website.

By creating this structure, a travel company has the advantage of influencing the distribution of its products and services to make sure that profits stay ‘in-house’. Benefits to the consumer include better prices through the economies of scale that are achieved through more efficient buying, a one-stop shop for all travel products and services and a consistent level of customer service throughout the supply chain”.

Unfortunately the benefits for the company and the tourists also coincide with losses and negative impacts for the host community and its national service suppliers.



operator package, so it is easy to appreciate the power of the tour operator vis-à-vis the host country (1996, p. 22).

The impacts of such a situation are not negligible and reveal much about the dynamics of capitalist globalisation. For instance, in 2003 the UK's Kuoni Travel asked 200 Asia-Pacific tourism suppliers to cut their rates by twenty percent in the high season in order to stimulate an economic recovery in the tourism sector following the downturns caused by SARS and security concerns (Colson, 2003). Kuoni's plan was to offer a "dedicated Far East special offer brochure" with bookings conducted in the September to March high season and it invited its suppliers in the region to agree. Both Thailand and Hong Kong tourism managers and operators reportedly responded negatively questioning whether Kuoni was bullying and taking advantage of circumstances for corporate profits (Colson, 2003; Sinclair, 2003). Perhaps bullying is evident in Kuoni's communications with Thailand representatives when Francis Torrilla, chief of products for Kuoni, claimed "Thailand's position as the number one destination for [Kuoni] was being challenged by the Maldives" (Colson, 2003). Colson claims that actual growth figures for the UK outbound market did not support Torrilla's statement and so it would seem that the Kuoni representative was manipulating the precarious position and intense competition between developing countries to intimidate Thai tourism managers into accepting Kuoni's "request". Such cases demonstrate the power exercised through TNPs which underpin the corporatised tourism system and enable the ICC and TNCs to reap profits and secure their interests to the detriment of the developmental capacities of tourism.<sup>73</sup> Another less obvious tourism TNP to address is the practise of global marketing of tourism through UN declared international years such as the 1967 International Year of Tourism, the 2002 International Year of Ecotourism and the 2002 International Year of Mountains. We now turn to a case study of the International Year of Ecotourism 2002 to demonstrate how such events are used to secure the corporatised tourism system.

### ***2.5.3. International Year of Ecotourism 2002 - Celebration or Review?***

The International Year of Ecotourism 2002 (IYE 2002) was designated by the United Nations Economic and Social Council (ECOSOC) in 1998 (through resolution 1998/40) to highlight the potential of ecotourism to contribute to economic development and environmental conservation. The UN Environment Program (UNEP) and the UNWTO were jointly assigned oversight, in partnership with three "northern" NGOs, the International Ecotourism Society (TIES), Conservation International (CI) and Ecological Tourism Europe (ETE) (Vivanco, 2001). In advising the direction of IYE 2002 activities, ECOSOC called upon the Secretary-General of the UN together with the UNEP, UNWTO and the WTTC to compile a report at the close of IYE 2002 activities detailing:

- a. Programmes and activities undertaken by Governments and interested organizations during the Year;
- b. An assessment of the results achieved in realizing the aims and objectives of the Year, particularly in terms of encouraging ecotourism in developing countries;

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<sup>73</sup> See Wahab and Cooper (2001a) for an academic analysis of the pressure on large tourism companies to vertically, horizontally and diagonally integrate in a globalised and competitive economic context and brief case studies of Germany, France and the United Kingdom.

- c. Recommendations to further advance the promotion of ecotourism within the framework of sustainable development (ECOSOC, 1998).

These aims reflect an agenda of promotion and expansion of ecotourism. By combining the UNEP with the UNWTO, the UN was apparently hoping to underscore how ecotourism combines the need for economic development with environmental protection and conservation. However one also can see the origins of the dual and competing aims of the IYE 2002 initiative in this combination; the UNEP is charged with ensuring environmental protection while the UNWTO, as argued earlier, is focused upon fostering tourism development and growth - ideally within the bounds of sustainability if the rhetoric is accepted at face value. One might think the balance in the program tips in favour of the “eco” in “ecotourism” given the involvement of the three environmental NGOs: TIES, CI and ETE in the IYE 2002 program, but Pleumarom has charged “corporate industry and large nature conservation/ecotourism organizations have colluded to lobby for the UN endorsement of ecotourism and now want to exploit it for self-serving purposes (e.g. to get free promotion or funding for their projects)” (2000).<sup>74</sup> Vivanco also refers to a 2000 meeting on the Convention of Biological Diversity where TIES was criticised “as one of the large nature conservation and development organizations that has consistently ignored local peoples’ concerns in its drive to promote ecotourism” (2001). Additionally, the Rethinking Tourism Project (RTP)<sup>75</sup> representing Indigenous peoples charged “that international environmental NGOs and ecotourism organizations will benefit financially from the IYE - not communities” (RTP, 2000).<sup>76</sup> Whereas the involvement of TIES, CI and ETE in the IYE 2002 program was presented as a sign of good collaboration with the NGO sector in the development of the event, numerous less powerful NGOs which are much more critical of tourism could have been consulted and were not. This led to the charge that the IYE project was developed “behind closed doors”. In fact, the promoters of the IYE 2002 initiative were accused of prematurely and uncritically “celebrating” ecotourism, despite its alleged dubious record.<sup>77</sup>

As a result, this initiative came in for early criticism from the NGOs fostering a developing country perspective on these events. The Tourism Investigation and Monitoring Team (TIM-Team) of the Third World Network (TWN), a non-governmental organisation representing views from the “South”, called for “an international year of reviewing ecotourism” because they suspected the IYE 2002 to be a public relations exercise rather than a thorough review of the difficulties as well as the benefits of ecotourism and because of the non-transparent manner in which the initiative came about (TIM-Team, no date b).<sup>78</sup> As preparations for the IYE 2002 began, the TIM-Team made a representation to the UN which stated:

<sup>74</sup> Beder is useful in explaining the effect of capitalist globalisation on large environmental groups. See her book *Global spin: The corporate assault on environmentalism* (2000).

<sup>75</sup> RTP is now known as Indigenous Tourism Rights International (ITRI).

<sup>76</sup> RTP also specifically charged CI with opposing any criticism of ecotourism at the 1999 meetings of the Convention on Biological Diversity (RTP, 2000).

<sup>77</sup> For instance, see the TIES website where the IYE 2002 is discussed in terms of “celebration” (<http://www.ecotourism.org/index2.php?about>).

<sup>78</sup> Such activities as the use of World Bank Social Investment Project funding for inappropriate and illegal ecotourism development in Thai protected areas mentioned earlier provide reasons for the TIM-Team’s suspicion of the ecotourism agenda (see TIM-Team, no date a).

In the process [of developing IYE 2002], a clear division has developed between actors favouring promotion and commercialization of ecotourism as a major goal of the IYE, and a growing worldwide movement of public interest and indigenous peoples organizations that reject IYE as a promotional and business-oriented campaign” (TIM-Team, no date b).

The TIM-Team said that because the various stakeholders in ecotourism held divergent views on, definitions of and interests in ecotourism,<sup>79</sup> the coordinating bodies of the UNWTO and UNEP were incapable of establishing clear representative guidelines and objectives for the year. As a result the TIM-Team recommended that the UN General Assembly set the guidelines on the content and process of the IYE 2002 (particularly involving civil society stakeholders in tourism); that the event be geared to the public interest (i.e. ecological integrity, economic equity, social justice and human rights) and not be dominated by business interests; and that the IYE 2002 be focused on critical “reviewing” of ecotourism (TIM-Team, no date b). A gathering of over 1500 representatives of NGOs, people’s movements and tribal communities in India in 2001, submitted a resolution to the UN claiming that the IYE 2002 is meant to “boost the eco tourism industry” and calling attention to the dangers of the IYE 2002 for developing countries and Indigenous peoples. Particular mention was made of its potential to continue the dynamics of dispossession, environmental damage (such as habitat destruction and loss of biodiversity) and stealing of Indigenous knowledge about medicinal plants by a profit-driven biotechnology industry (Sub-resolution on the UN IYE-2002, 2001).

Arguing that ecotourism particularly threatens the interests of Indigenous peoples, representatives of Indigenous peoples from around the world gathered in Oaxaca, Mexico in March 2002 to discuss Indigenous tourism and respond to the IYE 2002 initiative. This resulted in the Oaxaca Declaration in which they voiced their concerns and stated that “besides destroying the natural environments in which we live, tourism threatens traditional life by permanently altering the social, cultural and economic systems on which we depend” (Tourism Concern, 2002).

Any assumption that the potential damage inflicted by the IYE 2002 would be limited to the short duration of the program was challenged by some critics of the initiative. For instance, Nina Rao speaking as the Southern co-chair of the NGO Tourism Caucus at the UN Commission for Sustainable Development (CSD) said "I really think this is going to be worse than the launch of package tours to the Third World" (cited in Pleumarom, 2000). The coalition of NGOs and other social movements clearly saw the IYE 2002 in terms of an aggressive campaign by the corporate interest against public welfare: “As nature-based tourism is presently seen as one of the most lucrative niche markets, powerful transnational corporations are likely to exploit the International Year of Ecotourism to dictate their own definitions and rules of ecotourism on society, while people-centred initiatives will be squeezed out and marginalized” (cited in Pleumarom, 2000).

The IYE 2002 can also be viewed as a catalyst to the “growth fetish” of capitalist globalisation where ecotourism is touted to be a tool for economic development and ecological protection for all countries around the globe. This gives the big TNCs an excuse, in conjunction with liberalisation initiatives such as GATS, to gain access to the markets of the developing world where tourism is seeing unprecedented growth rates. Pleumarom challenges

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<sup>79</sup> For instance, environmentalists emphasise conservation, hosts communities emphasise control and industry emphasises access and promotion.

the assumption that such developments can actually improve the situation of communities of the developing world as oversupply of ecotourism opportunities is likely to result and those who responded to the siren's call of the UNWTO and UNEP will find themselves critically worse off (Pleumarom, 1999a, 2000).<sup>80</sup> Factors such as debt incurred to develop ecotourism facilities and operations, the securing of TNC foreign investment on unfavourable terms (economically, socially and environmentally) and the abandonment of subsistence pursuits are all ways in which communities may secure worse outcomes from their engagement with the ecotourism phenomenon.

Academic Luis Vivanco has also provided extensive analysis of the IYE 2002 initiative (2001). His critique is perhaps one of the most extensive and well-argued. He concurs that the IYE 2002 initiative bears the hallmarks of a marketing campaign and demonstrates little of the critical reflection that ecotourism calls for. For instance, he makes a rarely insightful comment on one of the main hypocrisies underlining ecotourism in a capitalist context: "ecotourism rarely, if ever, calls into question the consumption-oriented lifestyles that motivate ecotourists to travel in the first place" (2002). Importantly for this discussion, Vivanco sees wider dynamics evident in the IYE 2002 debates:

At the very least, these critics are challenging the IYE's uncritical foundation on the market-driven and globalist mythologies of sustainable development, while offering alternative ways to think about and engage in tourism. They also exhibit trends in the broader anti-globalization mobilizations of recent years: the emergence of politically and culturally pluralistic coalitions operating in decentralized and horizontal fashion, imagining and generating non-prescriptive alternatives at both place-based and translocal scales (Vivanco, 2001).

Vivanco shows how the developments that Sklair and Gill witness in the arena of capitalist globalisation are also playing out in similar fashion in the realm of corporate tourism. But before we turn to the ways in which corporate tourism, like its sister capitalist globalisation, engender opposition because of their ecological and social impacts (and thereby generate the need for alternatives), it is first necessary to briefly examine the way in which the culture-ideology of consumerism can be identified within the tourism realm.

## 2.6. Culture-Ideology of Consumerism and the Right to Travel

Conventional wisdom of current societies sees consumption as an expression of individuality and freedom. Hall suggests that such a perspective is misleading as tourism and leisure consumption in capitalist systems is increasingly commodified, standardised and industrialised; he asserts "the ideology of 'consumer sovereignty' disguises the extent to which capital controls leisure" (1994, pp. 192-193). According to Sklair, the culture-ideology of consumerism is a key linchpin of capitalist globalisation (2002). As Sklair states

<sup>80</sup> Pleumarom provides the following example: "According to an article in the Bangkok newspaper *The Nation* (7 Apr. 1999), a comprehensive community development programme, initiated by His Majesty the King in the midst of economic woes, aims to develop eco-tourism - along with other economic activities such as farm produce processing, medicinal herb planting and traditional Thai medicine - in 15,223 villages, involving more than 300,000 families and a population of more than 700,000! This raises the question of oversupply in the face of unpredictable demand, a common hazard in the tourism industry" (1999a).

“consumerism has nothing to do with satisfying biological needs, for people will seek to satisfy these needs without any prompting from anyone, but with creating what can be called induced wants” (2002, p. 166). Tourism is a good example of consumerism as it is clearly one of these “induced wants”. It is mostly a hedonistic leisure activity and is thus an item of optional consumption which the advertising profession and tourism industry continually tells us we need. In this era of capitalist globalisation and market rule, the privileged tourists are able to fulfil their desires while the less privileged work as their “servers” or “hosts”.<sup>81</sup> Two aspects of the culture-ideology of consumerism evident in travel and tourism will be explored here: the psychological impact on the “consumer” or the tourist and the neo-imperialistic nature of the relationship it creates between the tourists and the toured or “hosts”.

Firstly, the culture-ideology of consumerism operating in the tourism arena has very interesting psychological and sociological impacts on potential tourists and their societies. In addressing consumerism, Sklair uses the phrase “the great project of global consumerism” (2002, p. 196) which an individual can buy into through the small purchase of a can of cola or the more illusive holiday under discussion here. This reveals the psychological and sociological effects of current consumerism, that is the individual “buys into” consumerist society and asserts their identity no longer through citizenship but through consuming. Thus for the consuming individual, participating in consumerism goes to the heart of personal and social identity; you are literally nobody if you cannot assert your identity and belonging through your consumption practices. These dynamics also hold true in the contemporary tourism realm. A psychotherapist contributing to the travel section of the *Guardian* newspaper put our current conceptualisation of the right to travel in perspective when he questioned why holidays have become so important to people:

Of course, it's because of expectations, affluence, the media, peer pressure, a shrinking world, etc. You could even say a kind of brainwashing. We feel that we deserve a holiday. In fact, we deserve two or three. Obviously, this has a lot to do with the availability of cheaper travel, and the growth in the time that exists, or we think should exist, for recreation and pleasure. But if you need something in order to be OK, then next time you will need more (Kirsh, 2003).

It is this dissatisfaction, the fact that “next time you will need more”, that drives the culture and ideology of consumerism that underpins capitalist globalisation. The more one experiences, the more one needs and this contributes to the growing profits of the TNCs and serves the interests of the TCC. The inherent dissatisfaction found in consumerism is what spurs the “growth fetish” that Hamilton has found as the most important dynamic of our market system (2003).

Perhaps a sign of the potential pathologies fostered by the culture-ideology of consumerism is the recent phenomenon seen in the UK where parents, particularly single mothers, abandon their children to go on holiday.<sup>82</sup> One mother trying to explain her actions

<sup>81</sup> As Hall notes, tourism consumption is intimately related to class structures which results in a hierarchy of holiday experiences and holiday spaces (1994, pp. 194-195). He states “tourism is therefore very much part of the competition for and consumption of scarce resources...” (Hall, 1994, p. 195).

<sup>82</sup> For instance see reports such as “Holidays mother charged with neglect” at <http://society.guardian.co.uk/children/story/0,1534310,00.html>; “Mum jailed for leaving kids behind” at <http://society.guardian.co.uk/print/0,3858,5088424-108861,00.html>; and “Mother abandons three children in squalor to go on holiday” at <http://www.childalert.co.uk/absolutenm/templates/newstemplate.asp?articleid=135&zzoneid=1>.

to a woman's magazine stated "Everyone needs to let their hair down. My kids want for nothing. They have a wardrobe full of clothes and an attic full of toys" ("Holidaying Mother Charged with Neglect", 2005). One might choose to condemn this as an act of individual selfishness, but a considered analysis of the role of the culture-ideology of the right to travel is also called for. Advertising in all of its forms publicises that we all have a right to consume and holiday and somehow makes us feel less than adequate as people if we cannot. Could this make the underprivileged, of whom single-mothers in developed societies are a clear component, feel desperate to participate in consumer activities in order to give meaning to life and a sense of participation in the "good life" that living in capitalist societies most often denies them?

As Sklair cautions, it is easy to fall into a trap of moralising about what is or is not proper and acceptable consumption but that is not the point of his analysis of the culture-ideology of consumerism (2002, p. 187). The point of such an analysis is to demonstrate that under capitalist globalisation these induced wants are pressured upon people by a relentless torrent of "brainwashing" - pervasive media outlets constantly bombard us with billboard ads on the way to work, commercial television and radio, "women's magazines", film and music. Concerned with the impacts of the culture-ideology of consumerism on the developing world, Sklair contends that "the culture-ideology of consumerism creates a form of cultural dependency" and quotes Elizabeth Cardova's ironic definition: "Cultural dependency means people in our country have to brush their teeth three times a day, even if they don't have anything to eat" (Sklair, 2002, p. 187). What we see with the "children abandoned for holiday" phenomenon is that the inequities and pathologies of the culture-ideology of consumerism are not limited to the developing world; it is in effect wherever capitalist globalisation holds sway.

As the privileged assert their right to tourism and travel to the less expensive and more exotic destinations of the developing world, the ideology of the right to travel can be characterised as a neo-imperialist phenomenon; the privileged assert their rights while the poor and the marginalised serve and host them on their holidays in order to eke out a living and try to pay off the debts fostered by capitalist globalisation. This is well described by Bauman who claims the tourists "pay for their freedom; the right to disregard native concerns and feelings, the right to spin their own web of meanings... The world is the tourist's oyster... to be lived pleurably - and thus given meaning" (1993, p. 241). Tourism under capitalist globalisation makes the world's places and peoples a product for consumption; "for the twentieth-century tourist, the world has become one large department store of countrysides and cities" (Schivelbusch, 1986, p. 197). As part of this equation, developing countries are cajoled and pressured into catering to tourists through the pressures of debt and the need for capital, with the result that practically no community is able to completely extricate itself from the tourism circuit.<sup>83</sup>

The ambiguities and perceived imposed nature of tourism on some communities is poignantly exposed by a Balinese academic who described the Bali bombing of 2002 as a "good thing" because it would stop foreign tourists from coming to Bali temporarily and give

<sup>83</sup> Crick puts tourism consumption in a capitalist context in useful perspective: "tourism is the conspicuous consumption of resources accumulated in secular time; its very possibility, in other words, is securely rooted in the real world of gross political and economic inequalities between nations and classes. In fact... tourism is doubly imperialistic; not only does it make a spectacle of the Other, making cultures into consumer items, tourism is also an opiate of the masses in the affluent countries themselves (Crick cited in Hall, 1994, p. 196).

the Balinese a chance to reconsider their engagement with mass tourism and perhaps even persuade some to return to traditional and subsistence activities (Ellis, 2002, p. 4). While we could blame the imposition of tourism on vulnerable host societies upon the tourists or upon the governments who offer their people up to the tourism marketplace, MacCannell's (1992) analysis indicates this might not be a sufficient explanation. In his discussion of the "performative primitive" or "ex-primitive", MacCannell shows that many people from host communities who find themselves on the tourism circuit willingly engage with tourism and play the role the tourists expect (1992, p. 30). They are not the "exploited" peoples that unsophisticated tourism critics describe since they willingly engage with tourism as a way of accessing the goods and services of the capitalistic economy. For MacCannell, the exploitation lies in the "cannibalism" of capitalist globalisation which forces a "cannibal incorporation" as everyone, both tourist and "performative primitive", is forcibly brought into the capitalistic system; "the corporations promote this 'inevitable incorporation' with an aggressiveness that can only be labelled 'savage'" (1992, p. 68).

The analysis of the culture-ideology of consumerism as expressed in the right to travel and tourism asserted in an era of corporatised tourism thus points to a system that parallels Sklair's "sociology of the global system". Table 2 applies Sklair's conceptualisation of capitalist globalisation to corporatised tourism.<sup>84</sup> A consumer ideology is first fostered in the tourists by promoting the right to travel and tourism. The "consumer" demand for tourism thus triggered is reinforced by the activities of governments, the TCC, TNCs and global institutions who seek to use this consumerism as a base for a corporatised tourism system. Many governments are coerced or compelled to get their communities to "host" these tourists through the pressures of SAPs, the need for investment and the hopes of development. The TCC and their affiliated TNCs actively promote the corporatised tourism system in forums such as GATS, the IFIs and the UN in order to secure access to profits and opportunities throughout the global community. Institutional structures such as the UNWTO and the WTTC foster the transnational practices that are instrumental to corporatised tourism under capitalist globalisation. In particular, they promote further liberalisation and foster the importance of the tourism sector while also wielding the rhetoric of sustainability and poverty alleviation particularly when opposition arises to their corporate agendas. These forces create a self-reinforcing system which has the capacity to assert and promote its own growth and longevity (or MacCannell's evocative "cannibal incorporation"). The system confirms the ideological assertion that it is a natural and "good" order to which there exist no other "reasonable" alternatives (see figure 1).

However like its affiliated system capitalist globalisation, corporatised tourism is not entirely successful in this endeavour as it confronts opposition and resistance. This opposition arises from the damaging social and ecological effects of corporatised tourism akin to the critiques of capitalist globalisation (See figure 1).

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<sup>84</sup> Refer back to Table 1 "Sociology of the global system" (p. 26).

**Table 2. Sklair's (1999) model of the sociology of the global system applied to tourism**

<b>TRANSNATIONAL PRACTICES</b>	<b>LEADING INSTITUTIONS</b>	<b>INTEGRATING AGENTS (e.g.)</b>
<u>Economic sphere</u> <ul style="list-style-type: none"> <li>• GATS</li> <li>• Consolidation, vertical integration</li> </ul>	<u>Economic forces</u> <ul style="list-style-type: none"> <li>• Global TNCs (eg. <i>TUI A.G.</i>, <i>Thomas Cook</i>)</li> <li>• World Bank</li> </ul>	<u>Global Business Elite</u> <ul style="list-style-type: none"> <li>• Conrad Hilton, founder of Hilton Hotels</li> <li>• Richard Branson, founder of the Virgin conglomerate.</li> </ul>
<u>Political sphere</u> <ul style="list-style-type: none"> <li>• International Year of Eco-tourism 2002</li> </ul>	<u>Political forces</u> <ul style="list-style-type: none"> <li>• IATA, PATA</li> <li>• UNWTO, WTTC</li> <li>• Tourism Australia</li> </ul>	<u>Global Political Elite</u> <ul style="list-style-type: none"> <li>• Geoffrey Lipman, special adviser to UNWTO</li> </ul>
<u>Culture-ideology sphere</u> <ul style="list-style-type: none"> <li>• Right to travel</li> </ul>	<u>Culture-ideology forces</u> <ul style="list-style-type: none"> <li>• Travel agencies, media (<i>Conde Naste</i>, <i>Getaway</i>)</li> <li>• Publishers (<i>Lonely Planet</i>)</li> <li>• Social movements (<i>responsibletravel.com</i>)</li> </ul>	<u>Global Cultural Elite</u> <ul style="list-style-type: none"> <li>• Tony Wheeler, founder of Lonely Planet publications</li> <li>• Michael Palin, travel writer and presenter</li> </ul>

## 2.7. Evidence of the Twin Crises in Tourism

Sklair's theory of the sociology of globalisation posits that twin crises of class polarisation and ecological stress result from the processes and impacts of capitalist globalisation. The earlier discussion of the IYE 2002, and particularly Vivanco's succinct description of its dynamics, indicate that corporate tourism dynamics parallel uncannily the developments in capitalist globalisation witnessed by Sklair (2002). Is there further evidence of the twin crises in the realm of tourism?

International tourism, particularly between the developed and developing worlds, exhibits the tensions of class polarisation that Sklair has identified as an outcome of the dynamics of capitalist globalisation. Such tension is most evident between tourists and their hosts, as tourists display wealth and consumption patterns unimaginable to some of the inhabitants of the poorer regions to which tourists are increasingly drawn in their search for "authentic", "exotic" or "meaningful" experiences.<sup>85</sup> Such a situation is evident in the work of Hutnyk who

<sup>85</sup> It should be noted that tourists often display consumption patterns on holiday that are not evident in their routine lives back home because they save or borrow for the annual holiday splurge. Often the hosts are not aware that the conspicuous consumption of tourists is only a fleeting occurrence and that quite burdensome work routines and stress levels are endured to temporarily enjoy the holiday lifestyle.



investigated the “poverty tourism” found in Calcutta, India (1996). He describes the economic power displayed by poverty-gazing backpackers:

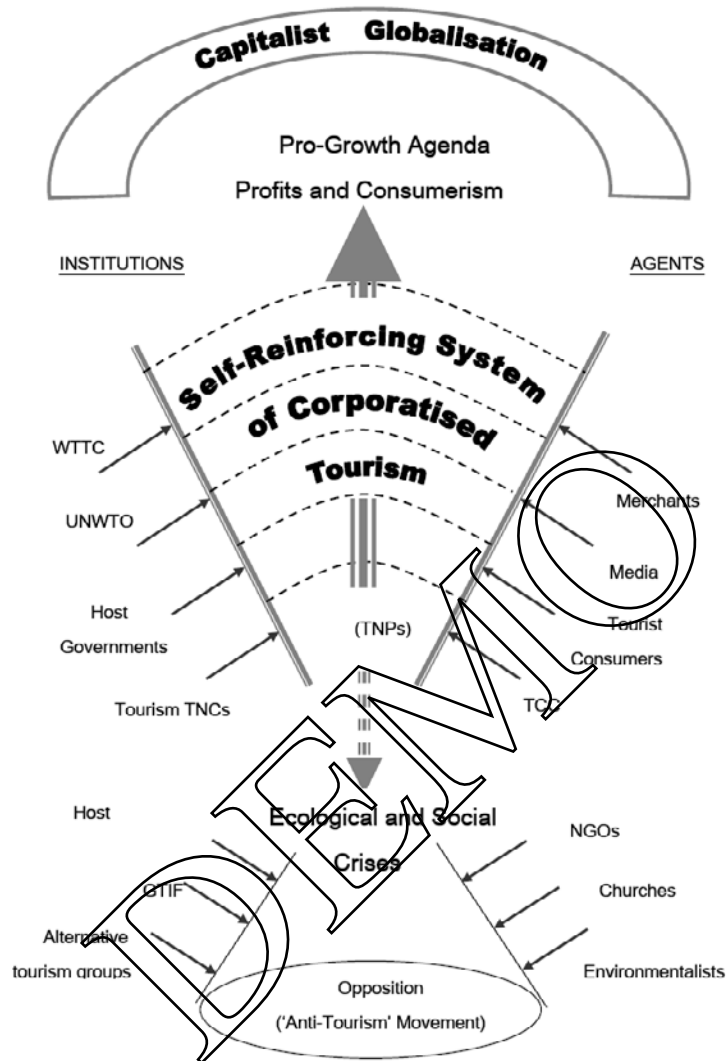


Figure 1. Model of the sociology of corporatised tourism.

The ability to move to conveniently inexpensive market and service centres through the facility of international travel yields a relatively high buying power with attendant ideological, habitual and attitudinal consequences - backpackers who can live like Rajas in Indian towns at low financial costs (Hutnyk, 1996, pp. 9-10).

Such discrepancies in wealth, power and status are particularly apparent in the tourism encounter as the tourist often comes “face to face” with the poor.<sup>86</sup> Crick has described this as “leisure imperialism” and the “hedonistic face of neo-colonialism” (1989, p. 322). That

<sup>86</sup> Britton has stated “no printed page, broadcast speech, or propaganda volley can emphasise the inequity in the global distribution of wealth as effectively as tourism can” (cited in Crick, 1989, p. 317).

resentment is fuelled by this situation is apparent in the crime, violence, corruption and hostility that is apparent in many international tourism destinations including Jamaica, India, Sri Lanka, Egypt and Indonesia.<sup>87</sup> For instance, in a rare case of journalism which sought to explain the roots of violence against tourists, Levy and Scott-Clark (2006) explain how rapid societal changes brought on by tourism development has fuelled a “violent crime wave” on the island of Koh Samui, Thailand. They note how this island moved from a sleepy backwater to hosting over one million tourists every year within the span of two decades and how foreign and elite interests have come to dominate tourism (Levy and Scott-Clark, 2006). Levy and Scott-Clark refer to a submission made by Thai academics to the Thai government which describes a “social and moral implosion” which has ensued as “fewer than 20% of islanders have benefited from the boom, leading to ‘explosive tensions’ between rich and poor residents, mainland Thais and foreigners” (2006). It is also readily apparent in the stories of Australian evacuees from New Orleans in the aftermath of hurricane Katrina in 2005, several of whom were threatened with physical violence if they were given “preferential treatment” by being evacuated before the poor (and mostly African-American) locals (Koch, 2005, p. 6).

The class polarisation generated by tourism under capitalism is more complex than the gulf between tourists and host communities. Tensions are also exacerbated between locals at the tourism destination as different groups are affected differently by the onset of tourism. Tensions pit youth against elders and local elites against the masses (Dogan, 1989). Crick claims:

Benefits from tourism ‘unlike water, tend to flow uphill’...the profits go to the elites – those already wealthy, and those with political influence...the poor find themselves unable to tap the flow of resources while the wealthy need only use their existing assets (e.g. ownership of well-positioned real estate, political influence) to gain more (1989, p. 317).

Under the international tourism system, smaller tourism operators and those from the informal sector find themselves competing with larger and more powerful interests, particularly the transnational corporations in the era of liberalisation. The interests of these SMEs and informal service providers are not supported or protected by the local elites and governmental authorities who, as local affiliates of the TCC, respond to the dictates of capitalist globalisation and not to the imperatives of national development. In fact, tourism can result in violation of the human rights of beggars, street children and hawkers who are seen as “human litter” and as “so much refuse spoiling things for visitors” (Crick, 1989, p. 317). The aftermath of the Asian tsunami of December 2004 illustrates some of these dynamics in a palpable way. Nesiah alleges that affected governments have collaborated with the tourism industry to secure corporate interests rather than rehabilitation of local communities:

From Thailand to Sri Lanka, the tourist industry saw the tsunami through dollar signs. The governments concerned were on board at the outset, quickly planning massive subsidies for the tourism industry in ways that suggest the most adverse distributive impact. Infrastructure development will be even further skewed to cater to the industry rather than the needs of local communities. Within weeks of the tsunami, the Alliance for

<sup>87</sup> See Dogan’s analysis of the socio-cultural impacts of tourism (1989).

the Protection of Natural Resources and Human Rights, a Sri Lankan advocacy group, expressed concern that 'the developing situation is disastrous, more disastrous than the tsunami itself, if it is possible for anything to be worse than that' (Nesiah, 2005).

Nesiah tells how Sri Lankan civil society has a long history of opposition to governments that had readily implemented neoliberal agendas demanded under poverty reduction strategy papers (formerly SAPs). The NGOs of Sri Lankan civil society are gearing up for a huge fight as the government stands accused of displacing coastal dwellers such as "fisherfolk", ostensibly for their safety, while in fact zoning for major tourism facilities which will ensure their displacement (Nesiah, 2005). Nesiah describes it thus: "ultimately, it looks like reconstruction will be determined by the deadly combination of a rapacious private sector and government graft: human tragedy becomes a commercial opportunity, tsunami aid a business venture" (2005). This is the inexorable logic of capitalist globalisation put in a nutshell and it stands in marked contrast to what redevelopment could have looked like in Sri Lanka if the prevailing logic had been that of a grassroots-needs driven globalisation based on human rights as envisioned by Sklair (2002).

The evidence on the ecological impacts of tourism is wide-ranging and is perhaps a key feature of the tourism literature critiquing the impacts of tourism (e.g. Cater and Goodall, 1997; Duffy, 2002; Gossling, 2002a, 2002b; Pleumarom, 1999a, 1999b, 1999c, 1999d). Does tourism threaten an ecological crisis comparable to that described by Sklair in his discussion of capitalist globalisation? It is difficult to mount a case that tourism contributes to a crisis because tourism is only one force among the multitude that comprises capitalist globalisation. Thus it is difficult to assert that its impacts on the natural environment are as substantial as the insatiable demands for natural resources that are required to create the consumer products that feed the growth of capitalism. In fact, one of the arguments of bodies such as the UNWTO and UNEP in fostering the IYE 2002 was that ecotourism in particular is an environmentally more benign development choice. However, evidence of damage to coral reefs, soil erosion in alpine environments, deforestation along tourism treks, marine pollution from cruising, noise pollution from marine recreation, introduction of feral species, loss of biodiversity, piling up of solid wastes, ground water depletion, sewerage pollution of water and food sources and curtailing of alternative land uses such as wilderness or agriculture are amongst numerous other negative impacts in places all around the globe that provide anecdotal evidence that the ecological pressures of tourism are considerable if not already describable as a full-blown crisis. Surveys such as Margolis' (2006) suggest that tourism pressure on sites around the world is increasingly worrying.<sup>88</sup> He reports that Conservation International has identified "unsustainable tourism" as the main threat to 50% of heritage sites in Latin America and the Caribbean and 20% of sites in Asia and the Pacific (Margolis, 2006). The recent experience of devastation from the Asian tsunami is indicative of what can result from tourism's negative impacts on the environment. It is alleged that tourism and other developments throughout the Indian Ocean basin damaged and undermined coral reefs and mangrove systems which could have provided some buffer against the waves that pounded

<sup>88</sup> Margolis identifies endangered sites around the globe, including Venice, Stonehenge, the Tower of London, the Great Wall of China, Macchu Pichu, Cancun, Angor Wat, the Taj Mahal, the snows of Kilimanjaro, New Orleans and Antarctica as attractions in danger of vanishing either due to the attracting of hordes of tourists or the indirect impacts of tourism such as the effects of global warming (2006). Margolis' byline reads "the world's treasures are under siege as never before. So get out and see as many as possible before they disappear" (2006).

the shorelines of the Maldives, Sri Lanka, Thailand and India in particular and perhaps prevented such large losses of life (Nesiah, 2005; Sharma, 2005). Controversially, some have also connected these developments to the wider phenomenon of global warming as reefs are killed and rising waters erode shorelines and coastal defences (Thibault, 2004). Similarly the devastation of hurricane Katrina was allegedly magnified by the loss of wetlands and damage to the Mississippi delta due to urban development.

Whether these allegations are valid or not, perhaps one of the easiest charges on which to indict tourism is its contribution to the global warming phenomenon. While the scientific community debates this issue vociferously, prompted perhaps by “corporate-sponsored confusion”,<sup>89</sup> some of those most likely impacted, including some governments and insurance companies, seem to be treating the issue seriously. It is apparent that transport and travel are key contributors to global warming and obviously the tourism sector would be a major consumer for its use of cars in domestic tourism and of aviation in international tourism.

The United Kingdom has been one of the most active countries in the global community to deal with this issue and provides some helpful information to evaluate the impacts of air travel on global environmental degradation. Under the Kyoto protocol only domestic aviation emissions are counted as part of a country’s greenhouse gas reduction targets because agreement has not yet been reached on how to divide the emissions associated with international travel. The UK, however, includes both its domestic and international passenger and freight transport sectors in its calculations for reductions. With one in five international airline passengers travelling to or from a UK airport, the UK’s interest in this issue is perhaps greater than most. As a result its Department of Transport has drafted a plan to use technical means to reduce this sector’s contribution to global warming in order to assist in meeting the targets set in Kyoto in 1997 (Department of Transport, 2004). However, the Green Party has challenged such technical action as inadequate as aviation demand continues to grow sparked by the “growth fetish” of capitalism and because taxpayers are subsidising air transport through many hidden subsidies and costs (Whiteleg and Fitz-Gibbon, 2003). The Green Party’s report “Aviation’s Economic Downside” claims:

The costs of UK aviation’s contribution to climate change are estimated at well over £2 billion a year in 2001. And unless the government radically changes its policy on the matter, aviation’s CO<sub>2</sub> emissions will have increased by 588% between 1992 and 2050, and its NO<sub>x</sub> pollution by 411%. By 2050, aviation could be contributing up to 15% of the overall global warming effect produced by human activities - with staggering economic costs (Whiteleg and Fitz-Gibbon, 2003).

This brief exploration into global warming shows that tourism does, indeed, play a significant contributing role. This explains why the UNWTO has supported the pronouncement of the Djerba Declaration on Tourism and Climate Change of 2003. But as Gossling and Hall note “air travel is the most important factor negatively influencing tourism’s environmental sustainability” (2006, p. 311).<sup>90</sup> To date the tourism industry has been unable to meaningfully address this threat to corporatised tourism’s growth agenda.

<sup>89</sup> Beder alleges that corporations have sponsored the think tanks and foundations that have argued against global warming (2000, pp. 233-245).

<sup>90</sup> Gossling and Hall (2006, p. 314) document expert opinion that argues that the impacts of rapid climate change are more serious and a greater number of negative ecological consequences have resulted than early analysis predicted. Gossling and Hall’s analysis of tourism’s contribution to global climate change puts it on par with

## 2.8. Opposition Fostered by the Twin Crises

As Sklair (2002) suggests, the crises that capitalist globalisation engenders undermine its future by raising implacable opposition from the “anti-globalisation” movement. This has been most evident at recent global gatherings of TNCs and the TCC convened under the auspices of bodies such as the WTO and WEF since Seattle in 1999. There are also more proactive and constructive meetings of global civil society groups under the banner of the World Social Forum (WSF) held at the beginning of each year since 2001. The way this group describes itself shows that it clearly corresponds to Sklair’s conceptualisation of a movement against capitalist globalisation and is in favour of a more human-centred alternative globalisation. A recent website states:

Peoples' movements around the world are working to demonstrate that the path to sustainable development, social and economic justice lies in alternative models for people-centred and self-reliant progress, rather than in neo-liberal globalisation.

The World Social Forum (WSF) was created to provide an open platform to discuss strategies of resistance to the model for globalisation formulated at the annual World Economic Forum at Davos by large multinational corporations, national governments, IMF, the World Bank and the WTO, which are the foot soldiers of these corporations.

Firmly committed to the belief that Another World Is Possible the WSF is an open space for discussing alternatives to the dominant neo-liberal processes, for exchanging experiences and for strengthening alliances among mass organisations, peoples' movements and civil society organisations (World Social Forum, 2004).

The potential for tourism to undergo a similar trajectory to capitalist globalisation was noted by anthropologist Malcolm Crick as far back as 1989 when he suggested “perhaps tourism, like capitalism, has within it the seeds of its own destruction” (1989, p. 338). Because tourism engenders social and ecological crises as a result of its adverse impacts, it has received vocal and sustained criticism from both the NGO sector as well as a certain sociological segment in academia (Burns, 2005; Crick, 1989). However what we have not seen is sustained protest and resistance to tourism on a global scale that parallels the “anti-globalisation” movement since 1999. Perhaps this is because tourism’s impacts are particularly local and so protests and opposition have focused on particular developments at particular times. However, this is no longer true. At the World Social Forum held in Mumbai in 2004, tourism was put on the agenda for the attention of global civil society and came in for concerted criticism. At the convened Global Summit on Tourism the theme was “Who really benefits from tourism?” and a call to “democratise tourism!” was released. One NGO participant, the Ecumenical Coalition on Tourism (ECOT) called for the WSF to advocate for a tourism that is “pro-people” (ECOT, 2003). Attendees at the meeting formed the Tourism Interventions Group (TIG)<sup>91</sup> and released a statement of concern which echoes the concerns of other new social movements opposing capitalist globalisation (TIG, 2004). TIG clearly positioned itself in opposition to capitalist globalisation and its affiliated corporatised tourism:

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Sklair’s prediction of an ecological crisis: “It would...be strangely ironic if the impact of tourism mobility also becomes the factor that leads to irreversible environmental change that will take not only many species and ecosystems with it, but possibly even humans themselves” (2006, p. 317).

<sup>91</sup> The TIG has since become more widely known as the Global Tourism Interventions Forum (GTIF).

We decided to strengthen and uphold the grassroots perspectives of tourism, which position our interventions against those of the World Tourism Organization (WTO-OMT) [UNWTO], the World Travel and Tourism Council (WTTC) and other mainstream definitions of tourism policy and development. As the WTO-OMT [UNWTO] is now a specialised UN agency, we will address its new mandate and take forward civil society engagements to democratise tourism.

A primary concern is the undemocratic nature of the ongoing negotiations in the World Trade Organisation's General Agreement on Trade in Services (GATS) that are slated to end by January 2005. We stress the urgent need to bring in experiences from the grassroots on the environmental and social costs of tourism to inform the negotiating positions of governments and underline the need for a rollback in the negotiations (TIG, 2004).

However, the TIG also made very clear what its movement stood for and in doing so, resonated the aspirations of other new social movements participants gathered at the WSF. They claimed:

Highlighting tourism issues within a multitude of anti-globalisation and human rights movements such as those related to women, children, dalits, indigenous people, migrants, unorganised labour, small island, mountain and coastal communities, as well as struggles related to land, water and access to natural resources, is crucial to sharpen local struggles and community initiatives of those impacted by tourism. Networking is at the core of future strategising to identify areas of common concern, forge alliances with like-minded individuals, organisations and movements and influence tourism policy agendas. Democracy, transparency and corporate and governmental accountability in tourism will be placed high on the agenda for concerted action and strategic interventions.

We look forward to working in solidarity with local community representatives, activists and researchers from various parts of the world to strengthen our struggle and develop strategies for a tourism that is equitable, people-centred, sustainable, ecologically sensible, child-friendly and gender-just (TIG, 2004).<sup>92</sup>

This is a tall order, indeed, and brings to mind Sklair's description of socialist globalisation quoted previously.

Socialist globalisation would eventually raise the quality of life (rather than the standards of living set by consumerist capitalism) of everyone and render the culture-ideology of consumerism superfluous by establishing less destructive and polarizing cultures and ideologies in its place. There is no blueprint for this – if we want such a world we will have to create it by trial and error (2002, p. 325).

We are witnessing this trial and error under way at the World Social Forum. Interestingly, activists perceive tourism as integral to this process. Certainly the institutionalisation of a movement for a more just form of tourism through the formation of the TIG provides an organisational structure with resources, power and influence which can carry out a sustained

<sup>92</sup> It should be noted that this tourism gathering at the 2004 WSF is not the only evidence of a global challenge to corporate tourism. Vivanco described the Indigenous Tourism Forum convened in Oaxaca, Mexico in 2002 to challenge the agenda of the IYE 2002 in a similar manner: "the participants therefore regard their growing relationships as a convivial space of intercultural dialogue and encounter, proceeding along mutually-constructed agenda that reject reduction of human experiences and development along a single line or within a single system. This interculturalism and pluralism offers a profound political challenge to globalist aspirations of ecotourism's and IYE's promoters and brings to the forefront questions of cultural and community survival in their deepest senses" (2001).

attack on the corporatised tourism system and oppose its social and environmental inequities. In light of the success of the French anti-globalisation NGO Attac in derailing the Multi-lateral Agreement on Investment in 1998 the threat posed by the GTIF to corporatised tourism should not be discounted.

## CONCLUSION

This chapter has devoted significant attention to the globalisation phenomenon because it is arguably establishing the parameters for contemporary social, economic and political action. While there is a diversity of opinions and viewpoints about the essence, import and impacts of globalisation, there is general agreement that it is a phenomenon worthy of study and analysis. However the argument presented here is that if concern is with sustainability, equity, justice and human welfare, then capitalist globalisation is the most vital aspect of globalisation to contend with. Leslie Sklair's model of capitalist globalisation was analysed in considerable detail because of the comprehensive and useful account it provides of the dynamics of contemporary capitalist globalisation. This chapter has applied Sklair's (2002) model of capitalist globalisation to contemporary tourism in order to reveal some of the qualities and impacts of corporatised tourism. It investigated the ways in which transnational actors such as the TCC and TNCs, transnational institutions such as the UNWTO and WTTC, transnational practices such as liberalisation under GATS and the culture-ideology of consumerism create a self-reinforcing system that seeks to secure the interests of the beneficiaries of corporatised tourism and sustain this system in the long term.

While tourism is demonstrably very powerful and is intimately tied to the processes of capitalist globalisation, it is also an agent for change wielded by organisations such as the Tourism Interventions Group that ironically may contribute to overturning this very form of globalisation. Just as Sklair noted that capitalist globalisation and its attendant crises make space for a socialist globalisation based on human rights, corporatised tourism's impacts and exploitation inspire challenges to develop a tourism that is "pro-people" and based on justice (ECOT, 2003).

It is apparent from this brief examination, that tourism management in the 21<sup>st</sup> century will be confronted with tensions and challenges. It is advisable that tourism managers critically evaluate the dynamics exposed in this analysis. Corporatised tourism's social and ecological damages potentially threaten the very future of tourism and necessitate an agenda of reform. Groups such as the TIG will be organised as effectively as their counterparts in the "anti-globalisation" movement to hold tourism leaders and proponents accountable for their impacts. While corporatised tourism, like capitalist globalisation, seems here to stay, this analysis suggests that it carries with it the "seeds of its own destruction" (Crick, 1989, p. 338). Shaping tourism to a more humane and ecologically sound form as we embark upon the 21<sup>st</sup> century may be one lesson that this analysis offers to tourism managers seeking a more successful and stable future.

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DEMO



*Chapter 2*

## MARKET SEGMENTATION OF AUSTRALIAN TOURISTS IN VIETNAM: AN APPLICATION OF THE HOLSAT MODEL

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### ABSTRACT

The study of tourists' Expectations and Experiences has become an integral part of tourist behaviour research. The disciplinary perspective of the research is tourism marketing with a focus on tourist behaviour. Consumer behaviour, to which tourist behaviour belongs, can be defined as the behaviour that consumers display in seeking, using, evaluating and disposing of products and services that they expect will satisfy their needs. *HOLSAT* (HOLiday SATisfaction) is a new model developed by Tribe and Snaith (1998). This chapter makes use of this model to assess the holiday satisfaction of Australian travellers to Vietnam. It is the second known application of this model. It looks at the capabilities of the existing theoretical models to assess tourist satisfaction and highlight the importance of the HOLSAT model in understanding explicitly the differences between Expectation and Experience.

An examination of various sample segments has tested the usefulness of the HOLSAT model. Gender (Male versus Female) and the mode of travel (Package Tour versus Free and Independent Travellers) were investigated and have determined the differences amongst various segments of Australian tourists who visited Vietnam. This aspect of using the HOLSAT model to study segmentation was differed from the one undertaken by Tribe and Snaith (1998). A survey of 310 Australian travellers to Vietnam was made using a questionnaire that included the HOLSAT instrument as well as the

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open questions. The data were analysed using matrices, which showed the numerical results of *Expectation* plotted against *Experience* for Positive and Negative attributes. Significance of results was determined by the paired *t*-test. The data indicate a very strong level of satisfaction with most attributes, including, surprisingly, several Negative ones.

The findings from this study should provide important information that can be used in the future planning and management of the tourism industry, allowing wholesale and retail travel agents to improve levels of service and to develop appropriate products to meet the expectations of the Australian travel market. From a theoretical point of view, these results have demonstrated the workability of the HOLSAT model as a useful instrument for measuring holiday satisfaction and also for segmenting tourist market. The HOLSAT model has great potential because it does not require a fixed menu of attributes, generic to all destinations, compared with some other satisfaction models that seek to apply the same attributes to different situations. HOLSAT therefore is a recommended instrument for future research when measuring tourists' holiday experience as it specifically addresses the multi-dimensional character of consumer satisfaction with a holiday.

**Keywords:** Vietnam, Australia, HOLSAT, Satisfaction, Expectation, Experience.

## INTRODUCTION

Vietnam is a developing country where rural overpopulation and the demands of an emerging and diversifying urban economy are rapidly transforming economic and social relationships (Cooper and Hanson, 1997). With the growth of travel world wide, many underdeveloped countries around such as Vietnam have been able to improve their economies by increasing exports via low-cost production, but also by tourism. Vietnam is the latest Asian country to declare the importance of tourism to national development (VNAT, 1995). As tourism rapidly expands into Indo-China, Vietnam is trying to position itself to capitalize on this emerging industry.

Asia has long been attractive to international tourists and more recently has become the world's fastest growing tourism destination. Within the Asia region, Vietnam possesses great potential for tourism and has the opportunity to take advantage of wider regional and global developments. The Vietnamese government's acknowledgement of tourism as a significant economic sector, and the increased economic reforms have affected the development of tourism. The emergence of a free-market economy has created a more appropriate context for the development of a stable tourism industry. Favourable policies toward foreign investment have prompted a range of newly established international hotels thereby providing an increasing supply of rooms and an upgrading of tourism facilities. The continuous improvement to international relations and a gradual relaxation of visa regulations have contributed to increased visitation. This, associated with attractions in terms of geography, economic position and international commodity exchange should create an impetus for tourism development in Vietnam and assist the country to follow with South East Asia's tourism development trends.

Located in South East Asia, Vietnam is well place to integrate with wider tourism development trends both regionally and globally. The destination appeals to outsiders because of its long history, its culture and its unique customs and habits. The history and development

of Vietnam has produced a legacy of grand culture, history and artistic heritage yielding strong tourism attractions. In terms of potential tourist resources, the country is well endowed, and the market potential presents the country with good opportunities for tourism growth (Jansen-Verbeke et al. 1995). From a natural and cultural perspective, the country has much to offer to holidaymakers. It has beaches, caverns, marine lands and many places of unique and natural beauty including exotic plants and animals. It is also endowed with a rich cultural heritage such as art, architecture, handicraft, customs and habits and tradition of ethnic groups. These characteristics or attributes form the basic potential of a diverse range of tourism products from coastal and beach tourism, through adventure and ecotourism to cultural heritage and urban tourism. Vietnam is therefore a destination appealing to a wide cross-section of travellers, particularly to holidaymakers seeking emerging and exciting destinations. Moreover, the strength of Vietnam also lies in its location in relation to neighbouring international gateways. This provides opportunities for the country to develop an intra-regional tourism strategy. According to Pookong and King (1999), all countries in the greater Mekong sub-region are endowed with abundant historical and cultural heritage, combined with a variety of beautiful and unspoiled natural environments. Those qualities combine to make the sub-region an attractive tourism destination.

Courtesy of its natural scenery and exotic culture, Vietnam is becoming increasingly popular with international tour operators and whilst often being linked with tours to other countries in the region, it stands alone as a destination in the brochures of many major tour operators. Starting from a tiny base, Vietnam's tourism industry developed rapidly during the 1990s and has emerged as one of the most important sectors of the economy with tourism receipts now one of the major international trade exports. According to official government forecasts, the strong recent growth rates of inbound tourism are likely to be maintained and visitor arrivals should reach over 6 million by 2010 (VNAT, 2007). There has been steady growth from diverse sources over the period 2000 to 2006. Vietnam is popular with both group tourists and with independent travellers including backpackers. Since it already attracts a wide cross-section of holidaymakers, Vietnam has gained some experience of handling inbound travellers from different cultural backgrounds. For many international tourists the country is still considered to be a new and popular destination. The main tourist markets over the next five years are expected to be China, North America, Japan, France, Australia, Korea, Germany, the UK, Taiwan and Thailand. If the trend continues over the next few years, Vietnam will be the next high-growth tourist destination after China. The steady growth of international tourist arrivals from various countries to Vietnam over the period from 2002 to 2006 is highlighted in table 1.

Since 1996, arrivals by air and land have grown faster than those by sea, thus highlighting the increasing popularity of Vietnam to Australian market. The need to cater for Australian market makes the subjects of the present research particularly relevant. Australians are constantly looking for new holiday destinations that give value for money and the opportunity to experience a wide range of activities and attractions, often with the added feature of encountering a new culture. Moreover, the changing ethnic composition of Australian society has expanded Australians' awareness of the diversity of Asian cultures, particularly those of South East Asia. Over the last few years, there has been a marked change in the preferences of Australian travellers away from longer and more

expensive travel to Europe towards shorter and cheaper trips to Asia and according to the VNAT (2006), over 145,359 Australian citizens have travelled to Vietnam.

**Table 1. International Tourist Arrivals to Vietnam by Major Countries (2000-2006)**

Nationality	2002	2003	2004	2005	2006
China	672,846	724,385	639,423	778,431	684,054
Japan	204,860	279,769	209,730	267,210	298,979
Taiwan	200,061	211,072	207,866	256,906	260,987
USA	230,470	259,967	218,928	272,473	299,442
France	99,700	111,546	86,791	104,025	114,779
Australia	84,085	96,624	93,292	128,661	145,359
Britain	64,673	69,682	63,348	71,016	73,828
Thailand	31,789	40,999	40,123	53,682	77,599
Total	1,588,484	1,794,044	1,559,501	1,932,404	1,955,017
Grand Total	2,330,050	2,627,988	2,073,433	2,927,876	3,153,377

Source: VNAT (2007).

The proximity and relatively unexplored nature of Vietnam would seem to offer many exciting opportunities to Australian holidaymakers. It is likely that Vietnam will continue to enjoy more advantage with respect to the Australian leisure, business and VFR markets. Furthermore, the corresponding deflationary influence on the Vietnamese Dong relative to the Australia currency has made Vietnam a more affordable destination for tourists from this region. The combination of has affordability and overseas promotion by the government over the past few years has stimulated strong inbound tourism growth. However, Vietnam as yet has not been identified as a major holiday destination for Australian tourists compared with other South East Asian countries. For that reason, the major objectives of this study are:

- To examine how Australian pleasure travellers perceive Vietnam as a holiday destination,
- To use the HOLSAT model to gauge Australian tourists levels of satisfaction,
- To use the HOLSAT model to segment Australian tourist market, and
- To determine which marketing implications should be emphasized in tourism promotional strategies aimed at the Australian tourist market.

## LITERATURE REVIEW

### An Overview of Australian Outbound Tourism

Literature on Australian outbound travel is very limited. There are only a few published papers that focus on this topic. Bywater (1989) identified critical issues in the Australian outbound market. He provided a comprehensive report on Australian outbound travellers including numbers of departures and profiles, as well as travel characteristics. He analysed the reasons behind the growth of this market and described the development of Australian

outbound travel, travel volumes and types of travel. Hamal (1996) provided additional analyses on Australian outbound tourism. He explained the reason for substitution of outbound travel for domestic travel that can result to some extent from cheaper outbound holiday prices. Differing from previous studies, Moscardo et al. (1996) argued that activities are the critical link between tourist motivation and destination choice. They developed a model in which travel motivations are related through activity preferences to vacation destination choice. These proposed relationships were tested through a secondary analysis of survey data collected from the Australian outbound travellers. Lang et al. (1996) in their study aimed to develop a trip-driven attribute segmentation to understand travel behaviour and further examined whether this approach could statistically and substantively classify Australian nature travellers into classic segments. The results indicated that a trip-driven typology as part of a multi-stage segmentation approach (destination/motivation/socio-demographics) was a viable basis to segment the Australian nature travel market.

Phillips and Hamal (2000) analysed the outbound travel demand to each destination country using the travel demand model of short-term resident departures in a more recent study on Australian outbound travel. These models were used to develop the long-range forecasts for Tourism Forecasting Council which models suggest that the number of short-term resident departures will increase strongly over the next ten years due to the strength of Australian economy, competitive travel prices as well as Australians' interest in experiencing different culture and lifestyles. King (1998) provided some insights into the Australian travel market. He outlined some characteristics of the Australian outbound market and suggested that Vietnamese tourism authorities and tour operators should improve their products and services in order to draw the emerging tourist market from Australia. Biles, Lloyd and Logan (1999) proposed a few approaches how to marketing Vietnam as an international tourist destination by Vietnamese tourism authorities and state-owned companies as well as foreign tourist companies.

Until now there has been little focus on Vietnam as a holiday destination for Australian travellers as well as few works relating to tourism marketing in the country. Hence, there is a need to conduct systematic research to fill the gaps that exist in our knowledge of Australian outbound tourists in general, and those travelling to Vietnam, in particular. The present study will attempt to fill a gap in the literature on Australian outbound pleasure travel to Vietnam. It will measure the level of satisfaction of Australian tourists by comparing their expectations against their experiences. The outcomes from this research should provide important information that can be used in the future planning and management of the Vietnamese tourism industry, allowing wholesale and retail travel agents to improve levels of services and develop appropriate products to meet the expectations of the Australian travel market.

## **Customer Profile**

To understand what factors are important to tourists when they evaluate destination choices, marketing research can focus on the behavioural aspects of consumer choice. Regarding the target market, Witter (1985: 14-15) stated that: "In the push to understand how tourists evaluate potential holiday destinations, market research has focused on behavioural aspects of consumer choice". This is because travellers and marketers may have different

perceptions of tourist needs and wants. Moreover, there is danger that what is sought by the tourists is not what is being promoted by the marketer (Woodside and Jacobs, 1985).

One area of market research concerns consumer profile which can be categorised into three broad areas: a consumer's demographic profile, a consumer's social profile, and a consumer's psychological profile (Evans and Berman, 1998). The present study attempts to embrace these important aspects of Australian visitors to Vietnam. Consumer demographics are statistics that are used to describe the focal population and can be easily identified, collected, measured and analysed. However, identifying social and psychological profiles is not easy, and there are several models used to identify these variables. The first of these is perceptual mapping which is an important marketing research tool used by tourism researchers to measure consumer psychological profiles such as attitudes and perceptions of the visitors. Fodness (1990) used a perceptual mapping approach to identify consumer perceptions of tourist attractions in Florida. This study used survey data and perceptual mapping techniques to investigate the marketing implications of consumer choice of theme parks. The data was analysed using techniques of consumer interchange, multi dimensional scaling, cluster analysis and market segmentation analysis.

Hoon (1990) conducted a segmentation study of the Australian outbound market and identified six distinct cluster segments. The emergence of these segments was due to the change in demographics and attitudes of Australian travellers. Among the six segments, one of the categories was called "The Explorers" which represented middle-income single people wanting to experience different cultures and history. This group comprised 11% of the total. Vietnam was one of the destinations favoured by this category of consumers. The study concluded that Australian frequent travellers were middle-income and middle-aged people. As Vietnam is not identified in Australian outbound statistics, the findings of the present study may identify a different picture of the cluster segments for Vietnam as a holiday destination.

Um and Crompton (1990) wrote about their attitude determinants in tourists' destination choice. They stated that the "attitudes towards vacation places are composed of both subjective probability that a destination is perceived to possess specified attributes and an evaluation of the importance of these perceived attributes" (p. 432-448). One of the elements of the profile study includes an attitude study. As a result, an effectively carried out travel attitude study will enable operators to discover the key indicators of what is really happening in the market area. Therefore, change indicators in travel marketing which covers areas like travellers' expectations and feelings about their experiences in the host country, their likes and dislikes, their needs and wants and other aspects, are very important.

Consequently, a profile of consumer needs and consumer attitudes determined from this study would indicate aspects of market segmentation and could be useful in assisting the tourism industry in Vietnam to develop new products. Such new tourism products should be developed by matching the attitudes of Australian consumers.

## **Destination Image and Tourist Perceptions**

Tourist perceptions influence destination choice and they are important for destination marketing (Ahmed, 1991), the consumption and the intention to revisit (Stevens, 1992). Most tourists have experienced other destinations, and their perceptions are influenced by the

comparisons that they make with facilities, attractions, and service standards elsewhere (Laws, 1995). As contemporary tourists become increasingly discriminating, the importance of perceptions has increased. Tourists are becoming more experienced and value-conscious. To remain competitive, destinations must be perceived as safe and secure relative to others. Similarly, tourism products and services must be attractive, eye-catching and of a quality similar to or better than those offered by other countries. Service providers at the destination have to be perceived as capable, professional and friendly. It is very important to have comprehensive information about how tourists perceive a destination in terms products services offered by the service providers and about the role that this component plays in tourist behaviour and satisfaction

In order to assess the attractiveness of Vietnam to potential Australian travellers, it is useful to have an insight into their travel preferences, their expectations as well their evaluation of Vietnam in terms of travel products and services. The attractiveness of a travel destination reflects the feelings, beliefs and opinions that an individual has about the destination's perceived ability to satisfy the special vacation needs of that person (Hu and Richie, 1993). Goodrich (1978) demonstrated how perceptions of tourists influence the choice of vacation destinations because the more favourable the perception, the greater the likelihood of choice of that destination. However, according to Goodrich, a propensity to travel based on favourable perceptions must be aligned with specific motivations to result in actual travel to a particular destination. Reilly (1990) indicated tourists eventually choose their destination based on images of the destination. An accurate assessment of product image is a prerequisite to designing an effective marketing strategy. Attitudes formed from the available information sources determine how that destination is positioned relative to alternative destinations, and its ability to meet needs that tourists consider to be important are pieces of information vital to developing appropriate travel products.

The importance of destination image has been widely recognized. Image has been incorporated with a variety of travel decision and behaviour models as a powerful factor of the decision-making process at the anticipation stage (Dimanche and Moody, 1998). While potential tourists form a destination image from their perception of vacation attributes, they may also develop these perceived attributes into destination impressions. As the destination image is a tourist's mental picture or subjective (perceived) reality of a particular destination, it affects tourist decision-making and behaviour (Bordas and Rubio, 1993). Therefore, destinations with stronger positive images will have a higher probability of being included and chosen in the process of decision making (Alhemoud and Armstrong, 1996; Telisman-Kosuta, 1994).

According to Mansfeld (1992), tourism image influences on consumer behaviour and will also exercise some influence on the quality perceived by tourists and on the satisfaction obtained from the holiday experience. Tourism image exercises a positive influence on perceived quality and satisfaction, because it moulds the expectations that the individual forms before the visit, and these variables depend on the comparison of such expectations with experience (Font, 1997).

In summary, tourists will ultimately make their destination choice based on images of the destination, attitudes formed from the available information sources, from friends and relatives on how that destination is positioned relative to alternative destinations, and on its ability to meet the needs that tourists consider to be important. If this is the case then, perceptions are important because they will influence the decision-making behaviour of

Australian tourists, their expectations and their levels of satisfaction regarding overall holiday experiences in Vietnam.

## Tourist Satisfaction

Pizam, Neumann and Reichel (1978) define tourist satisfaction as the results of the comparison between “a tourist's experience at the destination visited and the expectations about the destination”. Cadotte, Woodruff and Jenkins (1982) suggest that satisfaction refers to the comparison of expectations with experiences in terms of performance. Similarly, Moutinho (1987) notes that satisfaction is primarily a function of pre-travel expectations and travel experiences. Thus satisfaction will occur when experience differs positively from expectations. Expectations are confirmed when a service performs as expected; they are negative when the service is worse than expected and are positive when expectations are exceeded (Oliver and Desarbo, 1988). This definition has been criticised for assuming that expectations are adequate precursors to satisfaction. In fact the most satisfactory experiences may be those that are not expected (Arnould, 1993). Pearce (1980) agrees that tourist satisfaction is affected by the pre- and post-trip views of the visitor. However, he does see it as being dependent on pre-travel favourability towards the destination visited, which contributes to post-travel favourability. Satisfaction is thus a multi-faceted concept and should be assessed by referring to the many aspects of the holiday individuals encounter. In summary, the many definitions of satisfaction are often opposing and confusing, generally failing to clearly explain the concept adequately. However, satisfaction has generally been found to be the outcome of the comparison between expectations and experiences, the difference between expectations and perceived performance of destination attributes.

To determine the level of customers' satisfaction with a specific holiday destination, previous researchers have used various instruments that generate gap scores based on the difference between the expectation and perception of the delivery of particular services associated with that destination (Moutinho, 1987; Nightingale, 1986; Parasuraman, Zeithaml and Berry, 1985). This approach is not holistic in that it does not address the total holiday experience.

The objective of the current study is to assess the potential of Vietnam as a holiday destination for Australian travellers. In this context, potential is regarded as synonymous with the level of satisfaction expressed by holidaymakers when visiting Vietnam on vacation: if holidaymakers show satisfaction with Vietnam as their holiday destination, then the country as a whole must have potential for travellers as a vacation spot. Potential is further defined as being the closeness of fit between travellers' expectations of the key attributes of the destination (encompassing accommodation, access, amenities, attractions and activities) and the actual levels of satisfaction experienced. The HOLSAT model (Tribe and Snaith, 1998) has been chosen as the instrument to measure the levels of satisfaction of Australian pleasure travellers to Vietnam. This instrument measures tourist satisfaction with holiday experience using Expectation/Performance analysis.



## HOLSAT Model

HOLSAT is a new model developed by Tribe and Snaith (1998). It specifically tackles the issue of travellers' Expectations: these are examined prior to arrival at the destination and compared to actual levels of satisfaction experienced after the holiday. It compares the Performance of a wide range of holiday attributes against a holidaymaker's Expectations as a means of evaluating satisfaction with a particular holiday destination or Experience. This approach overcomes some of the limitations of other models in dealing with the concept of holiday satisfaction.

HOLSAT differs from previous models by measuring satisfaction as the relationship between Performance and prior Expectation rather than performance alone (SERVPERF, Cronin and Taylor, 1994), or performance relative to importance (IPA, Martilla and James, 1997) or performance related to best quality (an absolute) (SERVQUAL, Parasuraman, Zeithaml and Berry, 1988). Table 2 compares the advantages and disadvantages of various models that have been used to elaborate holiday satisfaction. All rely on some form of "gap analysis" as the underlying methodology.

The theoretical foundation of HOLSAT is very consistent with the objective of the current study to determining the potential of Vietnam as a holiday destination for Australian travellers. There are several advantages in using HOLSAT in the current study. HOLSAT compares Performance of holiday attributes against customers' Expectations without using a fixed set of attributes generic to all destinations. It also allows for the introduction of a variety of attributes that go beyond the delivery of services by the individual company. It establishes satisfaction from the standpoint of subjects: it avoids knowing what "satisfaction" is before commencing research. It makes the distinction between perceived quality and consumer satisfaction by allowing for the relativity of benchmarks. The Expectations in HOLSAT are not defined in terms of importance or as excellence but rather relate to what tourists were anticipating for this particular holiday Experience.

As an instrument for measuring tourists' holiday experience, a key feature of HOLSAT is its ability to compare Performance of a range holiday attributes against customer's Expectations of the same. HOLSAT therefore specifically addresses the multi-dimensional character of consumer satisfaction with a holiday. Another strength is that it allows the establishment of destination attributes that are "site-specific", rather than being absolutes as is the case with alternative models. This is important, for it provides an opportunity for price-based reasons for selecting a holiday destination to come into play. This is certainly the case for Vietnam, where the country is currently perceived as a holiday destination aimed at the budget-priced sector of the market. Travellers on holiday in Vietnam often do so for budgetary reasons and obviously have different expectations to those vacationing on a luxury cruise, for example.

The role played by price in determining satisfaction can be accommodated by HOLSAT, realising that consumers duly take this element into account when assessing the holiday experience. Importantly, both Positive and Negative attributes are used. Positive attributes are characteristics that convey favourable impressions about the destination, whereas negative attributes are those that do the opposite. Although holidaymakers visit a particular destination for hopefully a pleasant experience overall, there may be nevertheless negative features about the location that the vacationer is fully aware of *before* commencing the holiday (e.g. pollution, noisiness and crowding, etc.). The inclusion of negative attributes -key

characteristics that are not desirable in the view of the holidaymaker- is an additional important advantage of HOLSAT because, paradoxically, these also have the capability of contributing to holiday satisfaction. For example, holidaymakers may agree that customs clearance and baggage collection will be tedious and time-consuming at their destination and so will score their expectation of this attribute low. If, in practice, the opposite were experienced, then an increased level of satisfaction would have been realised for this attribute, as the Experience has exceeded the Expectation for this particular attribute.

With all the advantages mentioned above as well as described in table 2, the HOLSAT model seeks to overcome some of the limitations of other models with the concept of holiday satisfaction. Therefore, HOLSAT has been chosen as an instrument to measure the levels of satisfaction of Australian pleasure travellers to Vietnam in this study.

## METHOD AND PROCEDURES

### Methodology

Research approach refers to a way of knowledge production. Choosing an appropriate research approach is very important in the success of any research project. The choice of the approach “will determine where the research begins, and how it will proceed, what kinds of research techniques will be appropriate”, and what “the nature of the outcome” will be (Blaikie, 1993: 205).

The quantitative and qualitative approaches differ in significant ways. Each approach has its strengths and weaknesses. According to Henderson (1991) and Veal (1998) the use of both qualitative and quantitative approaches will enable a researcher to achieve better research results. Kraus and Sallen (1997) indicate that “A growing number of researchers recognise that some questions cannot be adequately answered by one method alone”. Furthermore, Newman (1997) notes that “by understanding both styles, we will know a broader range of research and can use both in complementary ways”. For that reason, the combination of methodologies used in this study is an important way to strengthen the reliability and usefulness of the findings. The HOLSAT model focuses on a quantitative approach. As the quantitative methods may not obtain in-depth information about the subjects, a qualitative approach in this instance has also utilised to complement the shortcomings of the quantitative methods. Open questions have been used to gather information on the perceptions of Australian travellers about holidaying in Vietnam. The HOLSAT model was used to measure levels of satisfaction of Australian travellers when holidaying in Vietnam. A questionnaire was designed wherein respondents were asked to rate the Expectation of each holiday attribute (i.e. the holidaymaker’s impression before travel) and to rate the Experience or Performance of the same set of attributes following the holiday experience (i.e. after travel).

**Table 2. Comparison of Models to Evaluate Holiday Satisfaction**

MODEL	ADVANTAGES	DISADVANTAGES
SERVQUAL	<ol style="list-style-type: none"> <li>1. Consumer satisfaction or dissatisfaction is a function of disconfirmation arising from discrepancies between prior expectations and actual performance (Oliver, 1980). This disconfirmation paradigm has been basis of the SERVQUAL model (Parasuraman et al., 1985).</li> <li>2. SERVQUAL is discrepancy model, which basically states that satisfaction occurs when product or service meets or exceeds expectations (Crossley and Xu, 1996). It assumes that consumer satisfaction is measured as difference between expected provision and actual provision.</li> <li>3. Establishment of destination attributes in SERVQUAL are absolutes and satisfaction is measured as difference between ideal and actual.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ambiguity of definition of “standard”: Brown, Churchill and Peter (1993); Teas (1993); Childress and Crompton (1997) all argue that scales should be developed to directly measure consumers’ perception of quality of performance against expectation standard.</li> <li>2. Lack of validity: Empirical studies have consistently confirmed that performance-only measures have greater predictive validity than measures including expectations. SERVQUAL fails to exhibit construct validity.</li> <li>3. Conceptual confusion about interchangeability of terms “service quality” and “customer satisfaction”.</li> </ol>
SERVPERF	<ol style="list-style-type: none"> <li>1. SERVPERF, “performance-based model”, better reflects long-term service quality attitudes in cross-sectional studies (Cronin and Taylor, 1994; Teas, 1993).</li> <li>2. SERVPERF model is more construct-valid and more efficient than SERVQUAL (Crossley and Xu, 1996: 4).</li> </ol>	<ol style="list-style-type: none"> <li>1. SERVPERF is based on expectations/performance analysis and will give full picture of satisfaction in context of price-based strategy but not performance alone (Tribe and Snaith, 1998).</li> <li>2. SERVPERF uses performance-based scale but cannot take into account de-rating of absolute especially where price-based reasons for holiday destinations are at play.</li> </ol>
IPA	<ol style="list-style-type: none"> <li>1. IPA: easy-to-use method of consumer evaluation. IPA entails simultaneous consideration of consumers’ assessments of importance of salient attributes and level of satisfaction with service provided and service providers in understandable way. Tourism managers can identify areas where services and programs need to be improved without using sophisticated statistical skills.</li> </ol>	<ol style="list-style-type: none"> <li>1. IPA procedure is not intended to provide detailed and highly specific information (Hudson and Shephard, 1998:74).</li> <li>2. IPA has lack of statistical significance testing ability. “Conventional statistical tests must be used to determine significance” (Duke and Persia, 1996: 219).</li> <li>3. IPA analyses without segmentation are likely to result in user displacement of some segments, giving false impression of valid decisions (Vaske et al., 1996).</li> <li>4. IPA does not allow for expectations of low levels of performance that are contrary to satisfaction which measures satisfaction based on performance.</li> </ol>

**Table 2. (Continued).**

<p>HOLSAT</p>	<ol style="list-style-type: none"> <li>1. HOLSAT overcomes concept of absolute values of satisfaction from previous models. It measures satisfaction as relationship between performance and prior expectation rather than performance alone (SERVPERF), or performance relative to importance (IPA) or performance related to best quality (an absolute) as in case of SERVQUAL (Tribe and Snaith, 1998: 28).</li> <li>2. HOLSAT specifically addresses multi-dimensional character of consumer satisfaction with holiday. It does not require fixed menu of attributes that are generic to all destinations (Tribe and Snaith, 1998: 33).</li> <li>3. Expectations are not defined in terms of importance or as excellence but rather relate to what tourists were anticipating for this attribute for this particular holiday experience.</li> <li>4. Satisfaction levels are determined by relationship between experiences and expectations of holiday attributes. Greater disparity between expectations and experiences, greater likelihood of satisfaction or dissatisfaction felt by travellers.</li> <li>5. Attributes can be Positive and Negative</li> <li>6. HOLSAT is capable of accommodating role played by price in determining satisfaction and consumers will take this element into account when assessing holiday experience.</li> </ol>	<ol style="list-style-type: none"> <li>1. HOLSAT is new model and has not yet been tested on a large scale.</li> <li>2. Number of published papers regarding HOLSAT model very limited: one known publication by inventors (Tribe and Snaith, 1998).</li> <li>3. HOLSAT model requires use of large sample to achieve reliable results and interpretation.</li> <li>4. Length of survey instrument requires concomitant time to complete.</li> <li>5. HOLSAT instrument alone does not include general questions (e.g. socio-demographic characteristics) or open questions limiting its ability to gain richer and corroborating information (Truong, 2002).</li> </ol>
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## Questionnaire Design

The first step in designing the questionnaire was the establishment of holiday attributes or characteristics considered important to vacationers to Vietnam. As noted above, this aspect of determining key attributes of the particular destination is where HOLSAT differs markedly from other instruments. Attributes for the destination were chosen by reviewing information from a number of sources, including promotional and advertising literature from a wide range of sources; travel literature and guide books and personal experience and interviews with Australian travellers with previous experience of holidaying in Vietnam. Both Positive and Negative attributes were selected for the current study. The sequence of the attribute statements and the scoring system adopted was the same for both Expectation and the Experience statements to facilitate ease of use and interpretation by respondents.

*Attributes* may be defined as the key characteristics that define the subject holiday destination and may be conveniently grouped under the following headings ("*The Five A's*"):

1. *Attractions*: desirable features that attract holidaymakers to the specific destination;
2. *Activities*: types of recreational and entertainment activities available;
3. *Accessibility*: ease of travelling to the destination, including issues such as obtaining visas, health risks, etc;
4. *Accommodation*: style and standards of accommodation available at the destination; and,
5. *Amenity*: general facilities that holidaymakers require, such as banking, IDD telephone services, shopping, etc.

A Pilot Survey featuring twenty-five Positive and eight Negative attributes (total 33) was conducted using a group of sixteen Australian travellers in Melbourne with past experience of holiday travel to Vietnam. This was carried out to confirm details of the questionnaire and to check the overall "workability" of the HOLSAT instrument. The majority of respondents indicated the Survey Questionnaire was completed within 10 to 15 minutes, potentially overcoming a problem of excessive time required to explain and complete the HOLSAT instrument as identified in the original work conducted by Tribe and Snaith (1998). Identification of any deficiencies or confusing aspects, both from the respondents' and researchers' viewpoint prior to commencement of the formal survey was achieved. This Pilot Survey did result in a few changes to the survey instrument. Following feedback received from Pilot Survey respondents, the following changes were made to the HOLSAT instrument:

- Double negatives in several of the Experience statements were initially used in an attempt to "force" respondents to think more carefully about the particular statement before circling a reply. This tactic appeared to confuse respondents and was subsequently abandoned. The sense of both Expectation and Experience statements was subsequently made the same in the modified HOLSAT instrument;
- The order of Experience statements was varied to again encourage a more considered reply by respondents. This made the issue of comparing scores for both sets of statements and computing the differences more difficult and time consuming. Hence, statements were re-sorted so that the order of Experience statements corresponded with the order of Expectation statements. Negative attributes however were randomly

distributed to avoid grouping of these attributes together in both sets of statements; and,

- One negative attribute was deleted ("Obtaining an entry Visa would be difficult") as the overwhelming response was in the contrary. Another negative attribute (concerning accessing and using an ATM) was subsequently inserted in its place.

A modified questionnaire was designed which contained a series of closed and open questions aimed at investigating Australian travellers' socio-demographic profile, travel experiences, travel characteristics, their overall satisfaction and their assessment with Vietnam as a tourist destination. It also covered a range of questions to evaluate the respondents' levels of satisfaction by comparing their pre-trip Expectations versus their post-trip Experiences with regard to the holiday attributes in Vietnam by using the HOLSAT model. The final version of the HOLSAT instrument is structured in three parts:

The *First Part* dealt with closed questions seeking to establish socio-demographic and travel characteristics of the respondents. This part included some variables including:

- Sociodemographic profile: six variables, including gender, age, marital status, education, level of income and occupation;
- Respondents' characteristics: two variables, including nationality and places of origin within Australia;
- Travel experiences: two variables covering the number of times holidayed outside Australia for a holiday, previous visits to Vietnam; and,
- Characteristics of travel to Vietnam: nine variables covering sources of information used to plan the holiday, airlines used, travel party, travel mode, travel period, length of trip, region visited, expenditure, and whether friends and relatives living in Vietnam.

The *Second Part* consisted of three pages of thirty-three holiday attributes statements characterising Vietnam as a holiday destination: twenty-five positive attributes and eight Negative attributes. This part covered thirty-three variables representing all the aspects offered by Vietnam as a destination grouped under the headings of Activities, Attractions, Amenities, Accommodation and Accessibilities. It also contained other benefits sought by travellers such as safety, value for money and the desire to learn different cultures.

The HOLSAT model, which compares the performance of a holiday's attributes against holidaymakers' Expectations, was used. It was essential to survey holidaymakers to gauge the Experiences of key holiday destination attributes compared to the travellers' Expectations, as well as to request general information concerning their vacation. The wording and physical placement of Positive and Negative attribute statements in the instrument was varied and random. This is the most important part of the survey and is in essence the HOLSAT instrument. For the HOLSAT instrument, respondents were asked to circle the number that best described their impressions about holidaying in Vietnam. They were asked to rate each Expectation holiday attribute and to submit the rating of Experience for the same attributes after their vacation through the use of a five-point Likert scale.

A five-point Likert scale was used in this study to rate each of the attributes from -4 ("Strongly Disagree") through to +4 ("Strongly Agree"), with "0" having the meaning of "No Opinion". A "Not Applicable" box was also offered for those travellers who felt the particular

attribute was not relevant in their situation. A further reason for selecting a five-point scale is that is the same format used by Tribe and Snaith (1998). The order of the Attribute statements and scoring system remained the same for both Expectation and the Experience statements to facilitate ease of use and interpretation by respondents. Furthermore, in order to avoid bias in respondents' evaluations, the wording and physical placement of Positive and Negative attribute statements are varied and random in the survey questionnaires.

The *Third Part* consisted of open-ended questions enabling respondents to express more about their feelings and impressions of holidaying in Vietnam. This part covered some variables outlined below:

- Overall satisfaction as determined by open questions: two variables ranging from recommending the tour to others and intention of a repeat visit.
- Overall assessment concerning holidaying in Vietnam and preference of Vietnam to other South East Asian countries.

Presenting the questions in a logical sequence was important in ensuring respondents' co-operation as well as to eliminate confusion. The questionnaire was designed so that it would be attractive and easy to follow as a means of maximising the response rate.

## Data Collection

Collection of data was carried out over a period of three months from January 2001 to March 2001 by contacting Australian holidaymakers in both Australia and Vietnam. The sample population was drawn from Australian pleasure travellers visiting Vietnam on an organised tour or as free independent travellers. Visitors who came to Vietnam for business, visiting friends and relatives or for other purposes were excluded. It was immaterial whether individuals in the sample population were born in Australia or overseas. The only exception was those who were either born in Vietnam or of Vietnamese extraction. This was done to avoid possible bias in the assessment of their country of birth or heritage. It was expected that the people of Vietnamese descent would hold views that were different to all other groups in Australia in regard to Vietnam as a holiday destination.

Several Australian outbound tour operators and Vietnamese inbound tour operators were approached to assist with the distribution of the instrument. In addition, the researchers also distributed the questionnaires to respondents in the popular tourist attractions in Vietnam during the fieldwork in the country. It was decided to survey Australian travellers at the completion of their holiday in Australia, or in Vietnam instead of surveying the same set of Australian travellers twice: initially before they travelled to Vietnam then a second time after their vacation. It was too difficult to keep in contact with the same travellers because it required a lot of cooperation and assistance from the tours operators. Therefore, the questionnaires were given to Australian pleasure travellers to Vietnam only once. Some travellers were given the questionnaire in person either prior to departure or whilst on holiday in Vietnam. Completed replies were received whilst holidaymakers were in Vietnam, whilst others replied upon return to Australia.

A total of 356 returned questionnaires were collected from Australian travellers over the course of this period. The returned questionnaires were received from all states and territories

of Australia (Victoria, New South Wales, Queensland, Western Australia, Southern Australia, Australia Capital Territory, Tasmania and Northern Territory). Of those returned, 46 questionnaires were incomplete and had an excessive amount of missing data. After elimination, 310 questionnaires were then coded for data analysis representing a response rate of 28% from a distribution of approximately 1100 questionnaires. This percentage is in line with the experience of similar research (Veal, 1998).

Editing procedures were conducted to make the data ready for coding and transfer to data storage. The returned survey instruments were checked for omissions, legibility and consistency. The coding categories were exhaustive, providing for all responses. They were also mutually exclusive and independent so that there was no overlap between categories. The raw data was transferred to computer and analysed using Statistical Packages for the Social Science (SPSS). This analysis package was used to produce frequency counts for each of the 310 questions and to form data into contingency tables.

## Methods of Analysis

The main objective of this study is to assess the satisfaction levels of Australian pleasure travellers to Vietnam by comparing the Expectations of their holidays against their actual Experiences. The analysis of satisfaction contains two sections:

- Descriptive statistical analysis including tests made using the SPSS and Excel software packages, and
- An analysis using the HOLSAT model to obtain the mean score of Expectation and Experience for each attribute and hence an analysis of respondents' satisfaction regarding these attributes.

### *Rating of Satisfaction*

Descriptive statistical analysis was first performed to obtain the mean score of the 33 holiday attributes. The use of the *t-test* was then used to show the degree of significance at the 1:1000 level.

According to Tribe and Snaith "Rather than summing each response in a grouped manner, the mean of the sum of differences (between Expectation and Performance) was calculated for each respondent and for each attribute. This procedure provides a greater insight into, and interpretation of the strength of feeling of each participant brought to the study" (1998: 30).

In following the methodology adopted by Tribe and Snaith (1998), the mean of the difference between Experience and Expectation was also used in this study. The scores for each attribute for each respondent were entered into the SPSS program and copied into Excel spreadsheets. These spreadsheets were prepared to allow computation of the "mean of differences" when comparing scores for Expectation and Experience obtained from the survey questionnaires.

The Excel spreadsheets were also used to develop the plots of both Positive and Negative attributes scores on separate Matrices, with Expectation scores (Y-axis) plotted against Experience scores (X-axis). A limitation of the SPSS package is its restricted capabilities to generate graphical presentation of data.



Win" or "Loss" segments were developed on each Matrix, with the 45-degree diagonal line representing the "Draw" line. This allowed a visual representation of where data points for the attributes lay on positive and negative matrices. The further away an attribute point is plotted from the "Draw" line, the greater the *gain* or *loss* of satisfaction observed for that particular attribute. Conversely, the closer attribute points are plotted to the "Draw" line, the greater the level of apparent satisfaction noted for that particular attribute.

### ***HOLSAT Holiday Attributes***

As described above, the holiday attributes were established by using an interpretative method. The chosen attributes were selected under the five major headings of: "Attractions", "Activities", "Accommodation", "Amenities", and "Accessibility". These are the classic five "A's" that contribute to a holiday destination's overall appeal. This aspect of determining key attributes for a particular destination is one major area where the HOLSAT model differs markedly from other instruments. As an instrument for evaluating tourists' holiday satisfaction, a key feature of HOLSAT is its ability to compare the Performance of holiday attributes against holidaymakers' Expectations for the same set of attributes. Hence the HOLSAT model is able to address the multi-dimensional character of consumer satisfaction within the framework of a holiday. It has considerable potential because it does not require a fixed "menu" of attributes generic to all destinations.

The HOLSAT model uses the generation of mean of differences between Expectation and Experience scores for each attribute. Accordingly, the mean of the differences between Expectation and Experience was calculated for each respondent, for each attribute. The significance of the result for each attribute, using data from all respondents, was then examined using a non-directional *t-test* (two-tailed) for matched paired samples. Kranzler et al. (1999) described the method for calculating the values for *t-test* in the situations where the two sets of samples are identical and have the same number in each set (paired). This case is the situation adopted in this instance, since the number of paired observations for Expectation was the same as for Experience.

Based on the HOLSAT model which developed by Tribe and Snaith (1998), the Positive and Negative attributes can be defined as follows:

- For Positive attributes, where the mean of differences between Expectation and Experience is negative, the Performance of the attribute has resulted in a loss of satisfaction for the holidaymakers. Conversely, where the difference is positive, the performance of that attribute has exceeded holidaymakers' Expectation resulting in a *gain* of satisfaction.
- For Negative attributes, the reverse reasoning applies. If the value of Experience minus Expectation is negative, there has been an increase in satisfaction for that particular attribute. Although the attribute is considered negative, in reality the Experience of the holidaymaker was better than anticipated. Similarly, if the difference is positive, then the Experience was less than expected and consequently there has been a reduction in satisfaction.

In the HOLSAT model, both Positive and Negative attributes can be considered, thereby providing a complete picture of levels of satisfaction experienced. Two matrices (figure 1 and figure 2) onto which responses to Positive and Negative items are placed enables positioning

HOLSAT attributes within interpretable grids such as: “Win”, “Draw” and “Loss” scenarios for mapping of matched Expectations and Performance for varied attributes of holiday experience:

- Win’: Improvement of consumers’ Expectations,
- ‘Loss’: Reduction in consumer Expectations,
- ‘Draw’: Closely matching of consumer Expectations. The further away from the Draw’ line, the greater or lesser satisfaction perceived by the holidaymaker

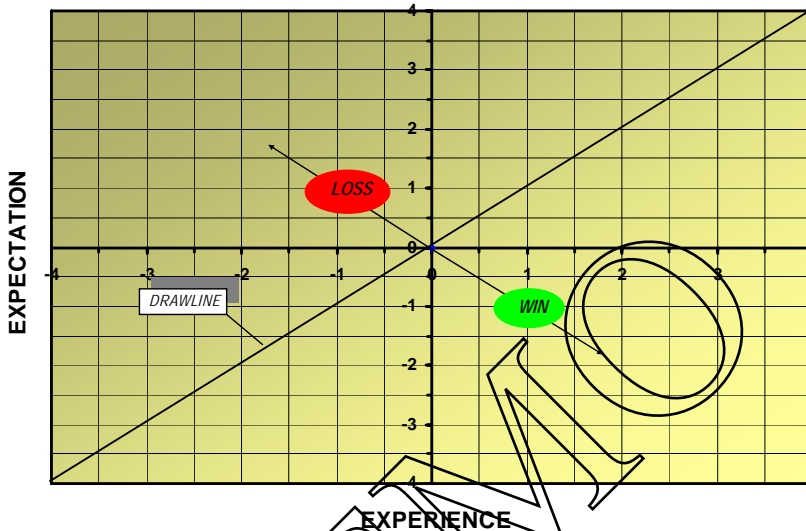


Figure 1. HOLSAT Matrix for Positive Attributes

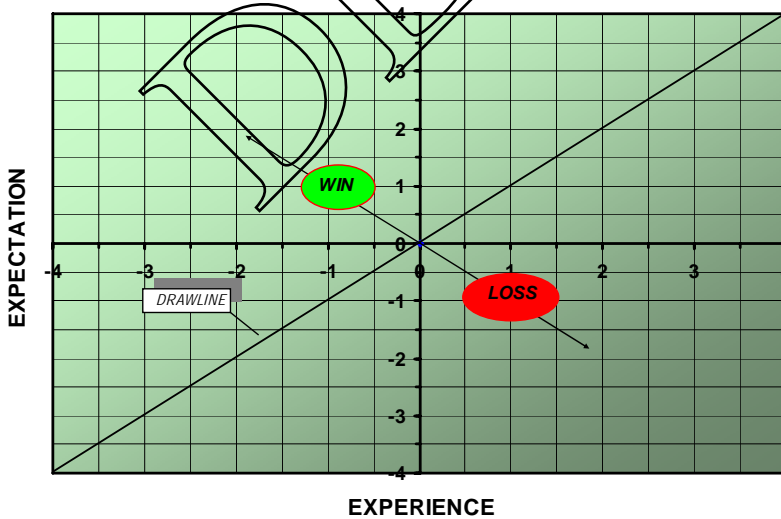


Figure 2: HOLSAT Matrix for Negative Attributes.

## RESULTS

### Findings from HOLSAT with the Whole Sample

From the 310 survey questionnaires returned, the mean score for each attribute for both Expectation and Experience (that is before and after the holiday) was determined from individual responses and entered into an Excel spreadsheet using the data generated from the SPSS files. These scores were then plotted onto HOLSAT matrices as shown in figure 3 and figure 4.

Table 3 is a summary of results obtained from analysis of survey questionnaires returned by Australian holidaymakers to Vietnam, which details the following information:

- A listing of the Vietnam holiday attributes contained in the questionnaire, grouped under the headings of positive and negative attributes,
- Mean score (X) and standard deviation (SD) for each attribute statement for both *Expectation* and *Experience* conditions,
- Number of responses for each statement ( $n$ ),
- Mean of the difference between *Experience* and *Expectation* scores computed for each attribute for each respondent,
- *t-Test* results: number of paired of scores (N), value computed ( $t_{obs}$ ), critical value for non-directional ("two-tailed") test for matched (paired) samples ( $t_{crit}$ ) and the level of significance at the 0.001 level. Attributes that are highlighted in dark colour are significant.

The mean of the difference between Experience and Expectation scores was used to determine respondents' levels of satisfaction with the Vietnam holiday attributes, with the *t-test* applied to examine the statistical significance of the differences at the 0.001 level.

#### **Positive Attributes**

For the twenty-five Positive attributes, scores for Experience all exceeded those for Expectation, indicating an apparent high level of overall satisfaction of respondents whilst holidaying in Vietnam.

Figure 3 is a HOLSAT matrix plot of Expectation as a function of Experience for positive attributes. The numbers shown against each data point plotted correspond to the attribute number from table 3. As explained, all 25 Positive attributes appear in the "Win" area of the matrix. This indicates an apparent increase in consumer satisfaction, since the Experience score of each attribute exceeded the holidaymaker's Expectation. The further away from the "Draw" line plotted data points lie, the greater the level of satisfaction experienced for that particular attribute. Attributes that lie nearest and furthest away from the "Draw" line are shown labelled. However, as stated above, the significance as indicated by the *t-test* must also be considered.

As the mean of difference for these attributes is positive, the Performance of these attributes has exceeded Australian tourists' Expectations, resulting in an apparent *gain* of satisfaction. This finding is also supported by the results of open questions. For instance, the Experience scores for the two Positive attributes "Rooms would be well equipped" and

“Phoning home and using the Internet would be easy” were much higher than the Expectation scores, suggesting that Australian holidaymakers were apparently extremely satisfied with these attributes.

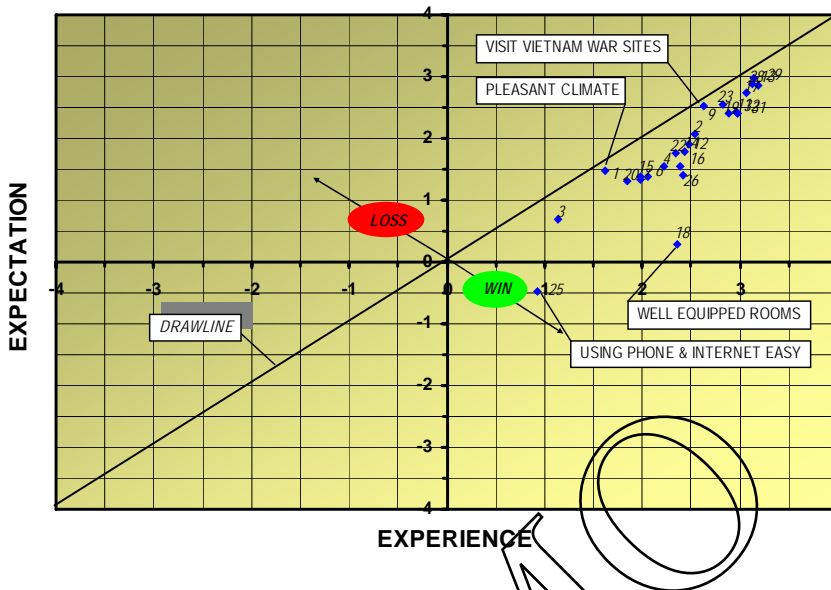


Figure 3. Expectation/Experience Matrix for Positive Attributes.

From the results of the *t-test* presented in table 3 it will be seen that for 21 out of 25 Positive attributes, the difference between Experience and Expectation is significant at the 0.001 level. Attribute [16], [18], [25], [26], [31] and [32] all show significant levels of satisfaction, where  $t_{obt}$  is  $> 6$ . There are four positive attributes that do not show statistically significant results: [1], [3], [9] and [13]. While it cannot be established that the differences between Experience and Expectation for these four attributes are not due to chance, the results obtained were later confirmed from responses obtained from those interviewed. Moreover, all of these four attributes appear just below the “Draw” line since the two scores are similar, suggesting that satisfaction has barely been achieved.

Four attributes (“Relaxing on beaches”, “Cheap food and beverages”, “Pleasant climate” and “Visiting War sites”) show lesser levels of satisfaction than the other 21 attributes. For instance, Australian travellers considered the attribute “Relaxing on beaches” to be relatively unimportant as most likely they have the cheaper option of travelling domestically to quality beaches in most States in Australia. However, they considered the attribute “Pleasant climate” as relatively important to them as destination factors such as bad weather influenced levels of satisfaction during their trip to Vietnam. Concerning attribute “Cheap food and beverage”, they reported enjoying Vietnamese food, however some complained the drinks were more expensive than they had expected. Regarding the attribute “War Sites”, a number were disappointed with the one-sided approach to history shown in some museums.

### **Negative Attributes**

Six of the eight Negative attributes appear in the “Win” area of the Matrix as evidenced in figure 4, which shows satisfaction for these attributes since the scores were better than

expected. According to Tribe and Snaith (1998), for the Negative attributes, a negative difference between Experience and Expectation indicates an increase in Performance. This means that the attribute was not as bad as initially thought. Therefore, the Performance of these six Negative attributes scored better than expected. These six Negative attributes, although negative, actually contributed to apparent sense of satisfaction with holidaying in Vietnam.

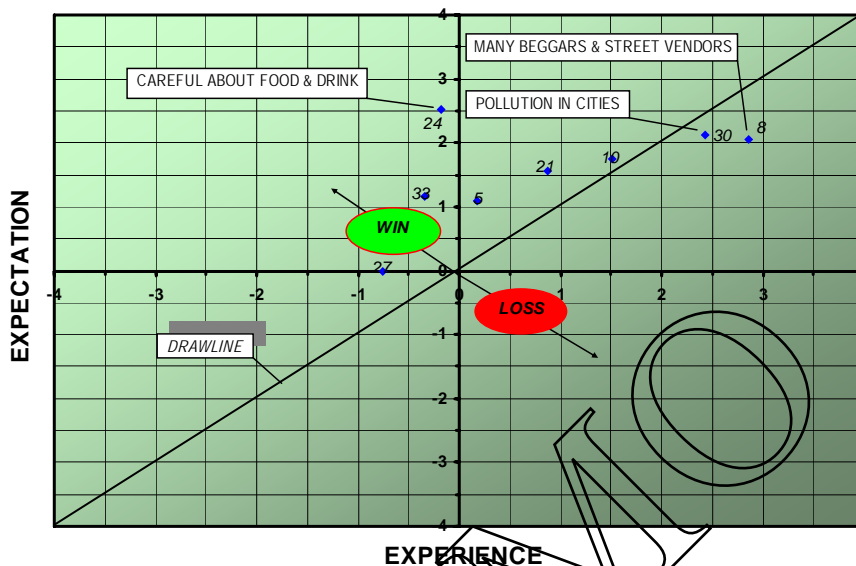


Figure 4. Expectation/Experience Matrix for Negative Attributes.

Table 3 gives the scores for the difference between Expectation and Experience for Negative holiday attributes. It must be recalled that for Negative attributes, satisfaction is implied if the difference between Experience and Expectation scores is negative. For six of the eight Negative attributes, the difference is negative, indicating an apparent *gain* of satisfaction.

Since the difference between Experience and Expectation for Negative attributes number [8] and number [30] is positive, the Performance has failed to meet the Australian travellers' Expectations, resulting in an apparent loss of satisfaction and subsequently lie in the "Loss" area of the HOLSAT Matrix (figure 4). This result indicates that there is a gap between what respondents expected and what they actually experienced. However, attribute number [8] "There would be many beggars and street vendors" showed significance from the *t-test* at the 1:1000 level, whereas attribute number [30] "There would be pollution in the cities" is not significant as indicated in table 3.

Figure 4 is a HOLSAT Matrix for Negative attributes with Expectation scores shown plotted against Experience. Numbered data points correspond to attribute numbers from table 3. The two attributes that lie in the "Loss" area of the Matrix are shown labelled.

Table 3. Summary of Results from HOLSAT Instrument

No.	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION) <sup>1</sup>	t-TEST			
		X	SD	n	X	SD	n		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>
POSITIVE ATTRIBUTES	1 The climate would be pleasant	1.47	1.80	308	1.62	1.90	310	0.15	308	1.35	3.37	0.179
	2 I would be able to see French colonial architecture	2.07	1.58	301	2.53	1.58	303	0.46	300	4.31	3.37	0.000 ***
	3 I would be able to relax on beaches	0.68	2.13	284	1.14	2.17	281	0.36	272	2.29	3.37	0.023
	4 I would be able to rent a bicycle or motorcycle and go sightseeing	1.54	2.01	281	2.22	1.68	280	0.63	266	5.46	3.37	0.000 ***
	6 I would feel safe whilst traveling	1.37	1.71	306	2.05	1.93	310	0.72	306	5.65	3.37	0.000 ***
	7 I would be able to visit archeological ruins	1.33	2.06	298	1.99	1.82	297	0.65	288	4.72	3.37	0.000 ***
	9 I would be able to visit Vietnam War sites	2.53	1.29	307	2.63	1.52	308	0.10	306	1.10	3.37	0.271
	11 I would be able to cruise on a river (e.g. in Hue or similar)	2.43	1.22	310	2.95	1.38	310	0.52	310	5.87	3.37	0.000 ***
	12 I would be able to visit ethnic minority people	1.78	1.74	303	2.43	1.70	299	0.61	296	5.31	3.37	0.000 ***
	13 Food and beverages would be cheap	2.97	1.12	310	3.14	1.18	310	0.17	310	1.89	3.37	0.059
	14 Hotel staff would be friendly and courteous	1.92	1.71	309	2.48	1.46	310	0.56	309	5.28	3.37	0.000 ***
	15 I would be able to go trekking or backpacking	1.37	2.04	274	1.99	1.75	274	0.51	258	4.33	3.37	0.000 ***
	16 I would be able to buy cheap Vietnamese artifacts	1.55	1.56	304	2.39	1.68	296	0.82	292	6.64	3.37	0.000 ***
	17 I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	2.89	1.81	309	3.18	1.19	307	0.25	306	3.21	3.37	0.001 ***
	18 Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	0.28	2.03	305	2.36	1.53	310	2.10	305	15.37	3.37	0.000 ***
	19 I would be able to visit religious sites and temples	2.40	1.25	310	2.88	1.14	310	0.48	310	5.70	3.37	0.000 ***
	20 I would be able to visit National Parks and Reserves	1.31	1.76	303	1.84	1.80	272	0.51	271	3.95	3.37	0.000 ***
	22 I would be able to witness traditional Vietnamese music and dance	1.77	1.50	307	2.34	1.65	299	0.57	297	4.75	3.37	0.000 ***
	23 I would be able to visit historical sites	2.55	1.25	310	2.83	1.12	309	0.28	309	3.69	3.37	0.000 ***
	25 Phoning home or using the Internet would be easy	0.47	2.35	303	0.93	2.45	287	1.35	287	7.29	3.37	0.000 ***
	26 I would be able to mix and talk with Vietnamese people	1.39	2.05	310	2.42	1.69	306	0.97	306	7.16	3.37	0.000 ***
	28 I would be able to sample local food and drink	2.74	1.42	309	3.06	1.23	310	0.33	309	3.67	3.37	0.000 ***
	29 I would be able to shop in local markets	2.86	1.31	310	3.19	1.06	310	0.34	310	4.34	3.37	0.000 ***
	31 I would be able to use local transport (e.g. tri-cycle ['cyclo'])	2.43	1.23	308	2.98	1.34	306	0.58	306	6.85	3.37	0.000 ***
	32 I would be able to visit museums	2.41	1.27	310	2.97	1.09	310	0.57	310	8.26	3.37	0.000 ***

No.	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION) <sup>1</sup>	t-TEST			
		X	SD	N	X	SD	N		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>
NEGATIVE ATTRIBUTES	5 There would be crowding at attractions	1.10	2.15	305	0.18	2.30	306	-0.96	302	6.63	3.37	0.000 ***
	8 <b>There would be many beggars and street vendors</b>	2.05	1.60	305	2.86	1.52	310	0.80	305	7.21	3.37	0.000 ***
	10 There would be a lack of public toilet facilities	1.75	1.73	306	1.52	2.39	310	-0.24	306	1.50	3.37	0.133
	21 I would have difficulty obtaining cash from my credit card or ATM	1.57	1.98	301	0.88	2.40	260	-0.65	257	3.47	3.37	0.001 ***
	24 I would have to be careful about what I eat and drink	2.52	1.97	310	-0.17	2.73	309	-2.69	309	14.67	3.37	0.000 ***
	27 Changing money would be difficult	-0.02	2.26	309	-0.75	2.56	310	-0.72	309	4.30	3.37	0.000 ***
	30 <b>There would be pollution in the cities</b>	2.13	1.62	308	2.43	1.77	310	0.29	308	2.52	3.37	0.012
	33 Immigration and Customs clearance would be slow and inefficient	1.17	1.82	309	-0.34	2.42	310	-1.51	309	10.90	3.37	0.000 ***

1. Mean of Differences 2. Number of Pairs of Scores 3. Non-directional (or "Two-tailed") Test for Paired (Matched) Samples for N> 120, < ∞

4. Critical Value of t 5. SIG: Level of Significance, \*\*\*p<0.001 (1:1000)

Statement in bold text indicates decrease in satisfaction with Attribute. Attributes highlighted in yellow not significant.

Attribute number [24] “I would have to be careful about what I eat and drink” is also shown labelled on figure 4 and is noted to be plotted furthest away from the “Draw” line. This indicates that respondents had highest levels of satisfaction with this Negative attribute, suggesting that holidaymakers in practice found they did not have to pay as much concern to what they ate and drank.

Based on the *t-test* results at the 1:1000 level, respondents rated 6 out of 8 of Negative attributes to be very high significant. Included in this group, attribute number [8] “There would be many beggars and street vendors” obtained a *t-test* result of  $t_{obt} = 7.21$ . However, as this attribute shows a positive difference, it indicates a significant *loss* of satisfaction.

Three Negative attributes ([5], [24] and [33]) show a *gain* of satisfaction based on the mean of differences with  $t_{obt} > 6$  at the 1:1000 level, as shown in table 3.

## FINDINGS FROM HOLSAT WITH SEGMENTATIONS

The usefulness of the HOLSAT model was tested by examining various sample segments. This aspect of using the HOLSAT model to study segmentation was not undertaken by Tribe and Snaith (1998) as part of their original research. As examples, gender and the mode of travel were investigated to determine whether there were any differences amongst various segments of Australian pleasure travellers who visited Vietnam. The HOLSAT model was applied for multiple segmentations between Package Tour versus Free and Independent Travellers, and between Male versus Female respondents.

### HOLSAT with Travel Mode

The HOLSAT model was used for two sub-groups within the sample surveyed: Package Tour group and the Free and Independent Travellers (FIT's). The results are shown in table 4 and table 5. With regard to the mode of travel, the majority of respondents travelled to Vietnam on a Package Tour, while a number of respondents travelled as Free and Independent Travellers (FIT's) or visited Vietnam for educational purposes. As the “educational” group was very small (8 persons), a separate analysis of the data would be meaningless. It was, therefore, decided to include them in the FIT group. This was because the characteristics of their travel were more like the FIT's than those on a package tour. They all travelled independently and also engaged in a range of leisure activities most simply undertake short language programs.

#### *Holiday Package Tour Group*

Table 4 summarises the results obtained for Positive and Negative attribute statements for the Package Tour. Significant attributes are highlighted in dark colour.

- Positive Attributes for Package Tour Group

An initial analysis of the raw data suggests that the Package Tour group was satisfied with all the 25 Positive attributes, that is Experience exceeded Expectation for each. All the

25 Positive attributes appear in the “Win” area of the HOLSAT Matrix as shown on figure 5. As the mean of difference of these attributes is positive, the Performance of these attributes has exceeded the Package Tour group’s Expectations, resulting in an apparent *gain* of satisfaction.

Based on the application of *t-test* to verify the statistical validity of the difference between the scores, only 14 attributes have significant scores of (Experience minus Expectation) at the level 1:1000. The other 11 attributes do not show significant difference.

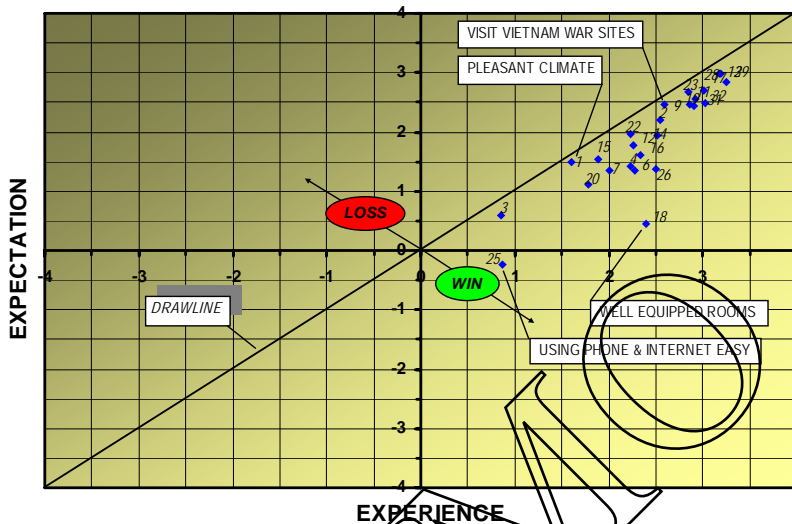


Figure 5. HOLSAT Matrix for Positive Attributes for Package Tour Group.

- Negative Attributes for Package Tour Group

Six of the eight Negative attributes appear in the “Win” area of the HOLSAT Matrix, which shows satisfaction for these attributes and indicates the scores for these attributes were better than expected, as shown by figure 6.

It must be recalled that for Negative attributes, satisfaction is implied if the difference between Experience and Expectation scores is negative. According to Tribe and Snaith (1998), for the Negative attributes, a positive Experience indicates an increase in performance, which means that the attribute was not as disappointing as initially expected. Therefore, of these six Negative attributes above was scored better than initially expected. These six Negative attributes, although negative, actually contributed to a sense of satisfaction to respondents whilst travelling in Vietnam on a Package Tour.

### ***Free and Independent Travellers (FIT's)***

The results obtained for the Free and Independent Travellers (FIT's) in term of Positive and Negative attributes are summarised in table 5. Significant attributes are shown in dark colour.

- Positive Attributes for FIT's Group



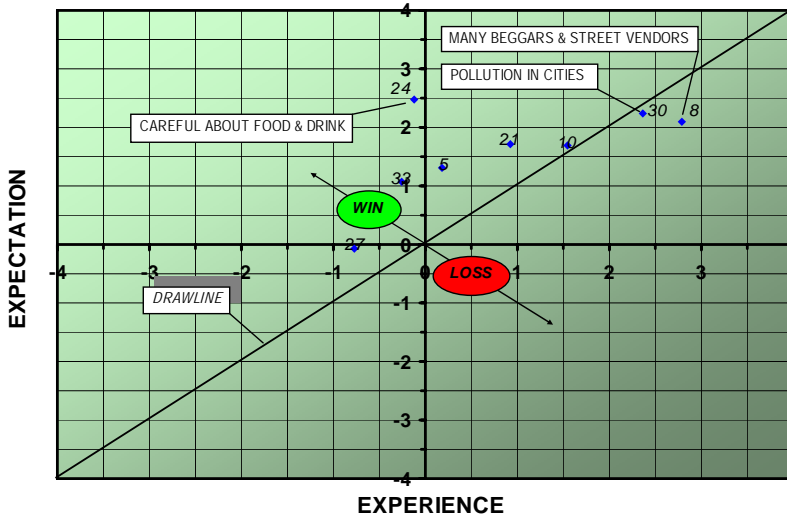


Figure 6. HOLSAT Matrix for Negative Attributes for Package Tour Group.

From preliminary analysis of the raw data, all the 25 Positive attributes appear in the “Win” area of the HOLSAT Matrix as shown in figure 7. As the mean of differences of these Positive attributes is positive, the Performances of these attributes have exceeded the FIT’s group’s expectations, resulting in an apparent gain of satisfaction. When the *t-test* is applied to verify the statistical validity of the difference between the scores, thirteen attributes have significant scores of (Experience-Expectation). Table 5 indicated the results from the *t-test* analysis.

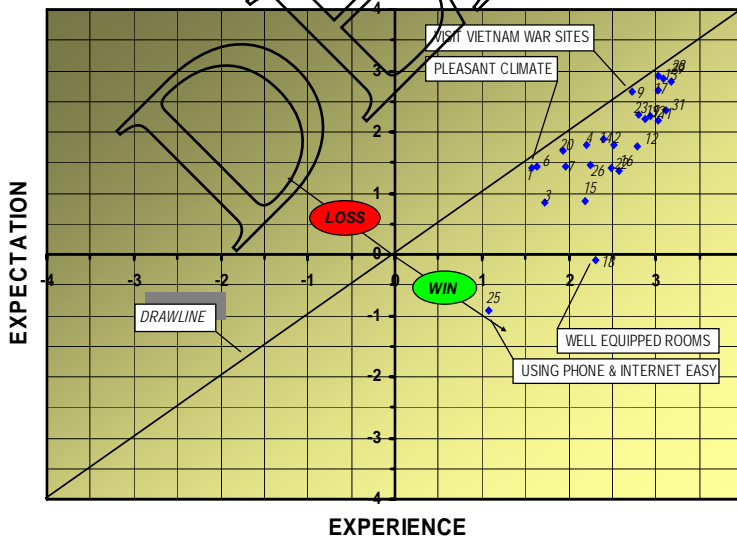


Figure 7. HOLSAT Matrix for Positive Attributes for FIT’s Group.

Table 4. Segmentation Analysis for Package Tour Group

No	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION) <sup>1</sup>	t-TEST			
		X	SD	n	X	SD	n		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>
1	The climate would be pleasant	1.49	1.83	209	1.61	2.05	210	0.11	209	0.75	3.37	0.457
2	I would be able to see French colonial architecture	2.21	1.54	204	2.55	1.59	205	0.34	203	2.79	3.37	0.006
3	I would be able to relax on beaches	0.60	2.18	189	0.86	2.28	189	0.19	183	0.89	3.37	0.374
4	I would be able to rent a bicycle or motorcycle and go sightseeing	1.42	2.00	185	2.23	1.59	183	0.77	172	5.26	3.37	0.000 ***
6	I would feel safe whilst traveling	1.35	1.76	206	2.28	1.74	210	0.99	206	6.78	3.37	0.000 ***
7	I would be able to visit archeological ruins	1.54	2.04	202	1.89	1.93	202	0.38	196	2.19	3.37	0.030
9	I would be able to visit Vietnam War sites	2.46	1.34	207	2.59	1.57	208	0.12	206	1.11	3.37	0.270
11	I would be able to cruise on a river (e.g. in Hue or similar)	2.55	1.16	210	2.92	1.47	210	0.37	210	3.56	3.37	0.000 ***
12	I would be able to visit ethnic minority people	1.79	1.81	205	2.26	1.82	202	0.45	201	3.08	3.37	0.002
13	Food and beverages would be cheap	2.99	1.14	210	3.19	1.23	210	0.20	210	1.91	3.37	0.058
14	Hotel staff would be friendly and courteous	1.93	1.43	210	2.52	1.51	210	0.59	210	4.51	3.37	0.000 ***
15	I would be able to go trekking or backpacking	1.34	2.11	183	2.00	1.73	183	0.51	171	3.40	3.37	0.001 ***
16	I would be able to buy cheap Vietnamese artifacts	1.61	1.59	207	2.34	1.73	198	0.69	197	4.61	3.37	0.000 ***
17	I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	2.98	1.10	210	3.18	1.18	207	0.20	207	2.49	3.37	0.014
18	Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	0.45	2.08	209	2.39	1.58	210	1.94	209	11.62	3.37	0.000 ***
19	I would be able to visit religious sites and temples	2.47	1.19	210	2.86	1.20	210	0.39	210	4.07	3.37	0.000 ***
20	I would be able to visit National Parks and Reserves	1.71	1.85	203	1.79	1.76	180	0.66	179	4.34	3.37	0.000 ***
22	I would be able to witness traditional Vietnamese music and dance	1.96	1.36	206	2.23	1.74	202	0.25	200	1.82	3.37	0.070
23	I would be able to visit historical sites	2.69	1.22	210	2.84	1.18	209	0.16	209	1.90	3.37	0.059
25	Phoning home or using the Internet would be easy	-0.25	2.44	204	0.86	2.57	192	1.05	192	4.53	3.37	0.000 ***
26	I would be able to mix and talk with Vietnamese people	1.36	2.17	210	2.50	1.66	206	1.06	206	6.24	3.37	0.000 ***
28	I would be able to sample local food and drink	2.70	1.45	210	3.01	1.30	210	0.31	210	2.73	3.37	0.007
29	I would be able to shop in local markets	2.85	1.36	210	3.25	1.03	210	0.40	210	4.29	3.37	0.000 ***
31	I would be able to use local transport (e.g. tri-cycle ['cyclo'])	2.44	1.26	208	2.91	1.47	206	0.49	206	4.48	3.37	0.000 ***
32	I would be able to visit museums	2.50	1.26	210	3.02	1.06	210	0.52	210	6.83	3.37	0.000 ***

No	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION)	t-TEST			
		X	SD	n	X	SD	n		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>
5	There would be crowding at attractions	1.32	2.20	206	0.18	2.36	206	-1.20	203	7.04	3.37	0.000 ***
8	<b>There would be many beggars and street vendors</b>	2.11	1.62	208	2.78	1.64	210	0.66	208	4.75	3.37	0.000 ***
10	There would be a lack of public toilet facilities	1.69	1.75	208	1.54	2.32	210	-0.17	208	0.95	3.37	0.345
21	I would have difficulty obtaining cash from my credit card or ATM	1.72	1.98	204	0.92	2.45	169	-0.78	169	3.47	3.37	0.001 ***
24	I would have to be careful about what I eat and drink	2.47	2.10	210	-0.12	2.68	209	-2.58	209	11.89	3.37	0.000 ***
27	Changing money would be difficult	-0.07	2.38	210	-0.77	2.65	210	-0.70	210	3.28	3.37	0.001 ***
30	<b>There would be pollution in the cities</b>	2.25	1.63	210	2.36	1.85	210	0.11	210	0.85	3.37	0.395
33	Immigration and Customs clearance would be slow and inefficient	1.07	1.86	210	-0.26	2.48	210	-1.32	210	8.24	3.37	0.000 ***

1. Mean of Differences 2. Number of Pairs of Scores 3. Non-directional (or "Two-tailed") Test for Paired (Matched) Samples for N> 120, < ∞

4. Critical Value of t 5. SIG: Level of Significance, \*\*\*p<0.001 (1:1000)

Statement in **bold** text indicates **decrease in satisfaction with Attribute**

- Negative Attributes for FIT's Group

Based on the mean of differences, six Negative attributes appear in the “Win” area, whereas the other two lie in the “Loss” area of the HOLSAT Matrix as shown in figure 8. This implies satisfaction with these six attributes.

Based on the application of the *t-test* at the 1:1000 level, the FIT Group rated 3 of the 8 Negative attributes high in significance with  $t_{obt} > 6$ :

- [24] “I would have to be careful about what I eat and drink” ( $t_{obt} = 8.58$ )
- [33] “Immigration and Customs clearance would be slow and inefficient” ( $t_{obt} = 7.24$ )
- [8] “There would be many beggars and street vendors” ( $t_{obt} = 6.21$ )

However, attribute number [8] indicates a *loss* of satisfaction as it shows a positive mean of differences, although it obtains a significant outcome from the *t-test*.

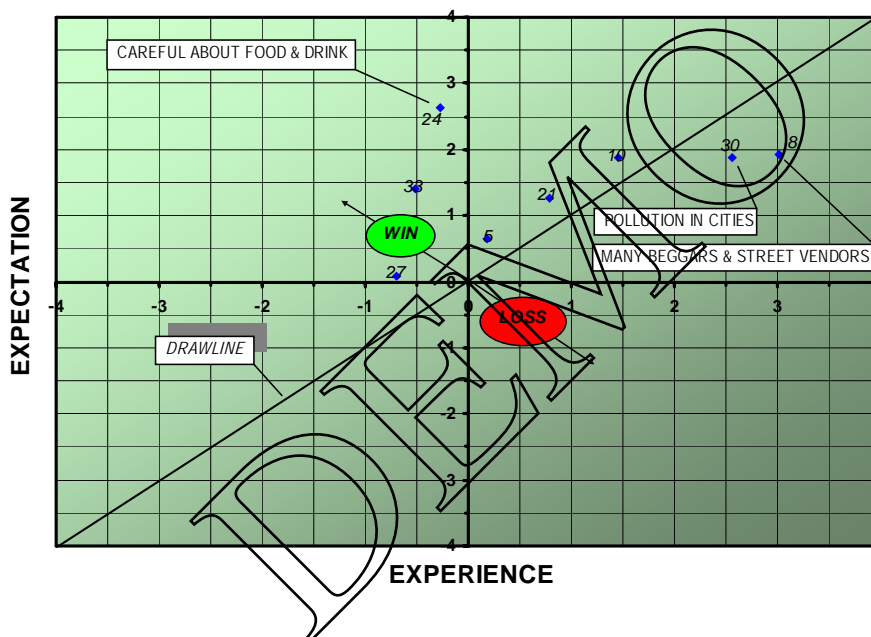


Figure 8. HOLSAT Matrix for Negative Attributes for FIT's Group.

### Common Significant Positive and Negative Attributes for Package Tour and Free and Independent Travellers (FIT's)

The results for the mean score of (Experience minus Expectation) for all attributes are detailed in table 6, which provides a comparison between the total sample, the Package Tour and the FIT group.

Respondents from both groups were satisfied with 8 out of 25 Positive attributes. However, the FIT's rated 7 out of these 8 attributes higher than their Package Tour counterparts on the basis of the mean of differences, and on the significance of the *t-test*, except the attribute number [26] “I would be able to mix and talk with Vietnamese people”.

Table 5. Segmentation Analysis for Free and Independent Travellers Group

No	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION) <sup>1</sup>	t-TEST				
		X	SD	n	X	SD	n		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>	
POSITIVE ATTRIBUTES	1 The climate would be pleasant	1.43	1.74	99	1.64	1.57	100	0.24	99	1.38	3.40	0.170	
	2 I would be able to see French colonial architecture	1.79	1.62	97	2.51	1.58	98	0.70	97	3.45	3.40	0.001 ***	
	3 I would be able to relax on beaches	0.84	2.01	95	1.72	1.82	92	0.72	89	3.34	3.40	0.001 ***	
	4 I would be able to rent a bicycle or motorcycle and go sightseeing	1.79	2.00	96	2.21	1.86	97	0.38	94	2.05	3.40	0.044	
	6 I would feel safe whilst traveling	1.42	1.59	100	1.58	2.21	100	0.16	100	0.67	3.40	0.505	
	7 I would be able to visit archeological ruins	0.88	2.05	96	2.19	1.55	95	1.22	92	5.81	3.40	0.000 ***	
	9 I would be able to visit Vietnam War sites	2.66	1.17	100	2.72	1.41	100	0.06	100	0.36	3.40	0.716	
	11 I would be able to cruise on a river (e.g. in Hue or similar)	2.18	1.31	100	3.02	1.23	100	0.84	100	5.13	3.40	0.000 ***	
	12 I would be able to visit ethnic minority people	1.78	1.60	98	2.78	1.34	97	0.97	95	5.26	3.40	0.000 ***	
	13 Food and beverages would be cheap	2.92	1.08	100	3.02	1.08	100	0.10	100	0.61	3.40	0.544	
	14 Hotel staff would be friendly and courteous	1.88	1.36	99	2.40	1.36	100	0.51	99	2.74	3.40	0.007	
	15 I would be able to go trekking or backpacking	1.43	1.89	91	1.96	1.81	91	0.51	87	2.72	3.40	0.008	
	16 I would be able to buy cheap Vietnamese artifacts	1.40	1.48	97	2.49	1.57	98	1.07	95	5.03	3.40	0.000 ***	
	17 I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	2.69	1.31	99	3.82	1.19	100	0.34	99	2.05	3.40	0.043	
	18 Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	-0.08	1.88	96	2.30	1.43	100	2.44	96	10.43	3.40	0.000 ***	
	19 I would be able to visit religious sites and temples	2.26	1.38	100	2.94	1.00	100	0.68	100	4.03	3.40	0.000 ***	
	20 I would be able to visit National Parks and Reserves	1.70	1.51	100	1.93	1.89	92	0.22	92	0.92	3.40	0.360	
	22 I would be able to witness traditional Vietnamese music and dance	1.37	1.71	99	2.58	1.41	97	1.24	97	5.57	3.40	0.000 ***	
	23 I would be able to visit historical sites	2.28	1.27	100	2.80	0.98	100	0.52	100	3.55	3.40	0.001 ***	
	25 Phoning home or using the Internet would be easy	0.93	2.17	99	1.07	2.18	95	1.96	95	6.58	3.40	0.000 ***	
	26 I would be able to mix and talk with Vietnamese people	1.46	1.77	100	2.24	1.76	100	0.78	100	3.52	3.40	0.001 ***	
	28 I would be able to sample local food and drink	2.83	1.40	99	3.18	1.07	100	0.36	99	2.62	3.40	0.010	
	29 I would be able to shop in local markets	2.88	1.18	100	3.08	1.12	100	0.20	100	1.45	3.40	0.150	
	31 I would be able to use local transport (e.g. tri-cycle ["cyclo"])	2.36	1.19	100	3.12	1.00	100	0.76	100	6.01	3.40	0.000 ***	
	32 I would be able to visit museums	2.22	1.27	100	2.88	1.15	100	0.66	100	4.73	3.40	0.000 ***	
	NEGATIVE ATTRIBUTES	5 There would be crowding at attractions	0.65	1.98	99	0.18	2.19	100	-0.46	99	1.76	3.40	0.082
		8 <b>There would be many beggars and street vendors</b>	1.92	1.55	97	3.02	1.22	100	1.09	97	6.21	3.40	0.000 ***
		10 There would be a lack of public toilet facilities	1.88	1.67	98	1.46	2.54	100	-0.39	98	1.22	3.40	0.227
		21 I would have difficulty obtaining cash from my credit card or ATM	1.26	1.96	97	0.79	2.31	91	-0.41	88	1.21	3.40	0.231
		24 I would have to be careful about what I eat and drink	2.64	1.68	100	-0.28	2.83	100	-2.92	100	8.58	3.40	0.000 ***
		27 Changing money would be difficult	0.08	2.02	99	-0.70	2.38	100	-0.77	99	2.92	3.40	0.004
		30 <b>There would be pollution in the cities</b>	1.88	1.57	98	2.56	1.58	100	0.67	98	3.05	3.40	0.003
33 Immigration and Customs clearance would be slow and inefficient	1.39	1.73	99	-0.52	2.29	100	-1.90	99	7.24	3.40	0.000 ***		

1. Mean of Differences 2. Number of Pairs of Scores 3. Non-directional (or "Two-tailed") Test for Paired (Matched) Samples for N> 60, < 120

4. Critical Value of t 5. SIG: Level of Significance, \*\*\*p<0.001 (1:1000)

Statement in bold text indicates decrease in satisfaction with Attribute

**Table 6. Mode of Travel by Australian Pleasure Travellers**

	No.	STATEMENT	(EXPERIENCE-EXPECTATION)			
			TOTAL SAMPLE	INDEPENDENT	PACKAGE	
POSITIVE ATTRIBUTES	1	The climate would be pleasant	0.15	0.24	0.11	
	2	I would be able to see French colonial architecture	0.46	0.70	0.34	
	3	I would be able to relax on beaches	0.36	0.72	0.19	
	4	I would be able to rent a bicycle or motorcycle and go sightseeing	0.63	0.38	0.77	
	6	I would feel safe whilst traveling	0.72	0.16	0.99	
	7	I would be able to visit archeological ruins	0.65	1.22	0.38	
	9	I would be able to visit Vietnam War sites	0.10	0.06	0.12	
	11	I would be able to cruise on a river (e.g. in Hue or similar)	0.52	0.84	0.37	
	12	I would be able to visit ethnic minority people	0.61	0.97	0.45	
	13	Food and beverages would be cheap	0.17	0.10	0.20	
	14	Hotel staff would be friendly and courteous	0.56	0.51	0.59	
	15	I would be able to go trekking or backpacking	0.51	0.51	0.51	
	16	I would be able to buy cheap Vietnamese artifacts	0.82	1.07	0.69	
	17	I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	0.25	0.34	0.20	
	18	Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	2.10	2.44	1.94	
	19	I would be able to visit religious sites and temples	0.48	0.68	0.39	
	20	I would be able to visit National Parks and Reserves	0.51	0.22	0.66	
	22	I would be able to witness traditional Vietnamese music and dance	0.57	1.24	0.25	
	23	I would be able to visit historical sites	0.28	0.52	0.16	
	25	Phoning home or using the Internet would be easy	1.35	1.96	1.05	
	26	I would be able to mix and talk with Vietnamese people	0.97	0.78	1.06	
	28	I would be able to sample local food and drink	0.33	0.36	0.31	
	29	I would be able to shop in local markets	0.34	0.20	0.40	
	31	I would be able to use local transport (e.g. tri-cycle ['cyclo'])	0.58	0.76	0.49	
	32	I would be able to visit museums	0.57	0.66	0.52	
	NEGATIVE ATTRIBUTES	5	There would be crowding at attractions	-0.96	-0.46	-1.20
		8	There would be many beggars and street vendors	0.80	1.09	0.66
		10	There would be a lack of public toilet facilities	-0.24	-0.39	-0.17
		21	I would have difficulty obtaining cash from my credit card or ATM	-0.65	-0.41	-0.78
		24	I would have to be careful about what I eat and drink	-2.69	-2.92	-2.58
		27	Changing money would be difficult	-0.72	-0.77	-0.70
		30	There would be pollution in the cities	0.29	0.67	0.11
33		Immigration and Customs clearance would be slow and inefficient	-1.51	-1.90	-1.32	

Regarding common Negative attributes, both Package Tour and FIT's were very satisfied with the attributes number [24] and [33] and were dissatisfied with attribute number [8] based on the mean of difference. The FIT group however rated these three attributes higher than their Package Tour counterparts. It is noted that attribute number [8] shows significance from the *t-test* at the 1:1000 level for both groups.

### HOLSAT with Gender

The HOLSAT model was again used for two sub-groups within the sample surveyed: Female and Male groups and the results are shown in table 7 and table 8. Significant attributes are shown in dark colour.

#### Female Group

Table 7 summarises the results obtained for Positive and Negative attribute statements for the Female Group. Significant attributes are highlighted in dark colour.

- Positive Attributes for Female Group

An initial analysis of the raw data suggests that female respondents were satisfied with all the 25 Positive attributes, that is Experience exceeded Expectation for each. All the 25 Positive attributes appear in the “Win” area of the HOLSAT Matrix as plotted in figure 9. As the mean difference of these attributes is positive, the Performance of these attributes exceeded the expectations of the female Australian tourists, resulting in an apparent *gain* of satisfaction.

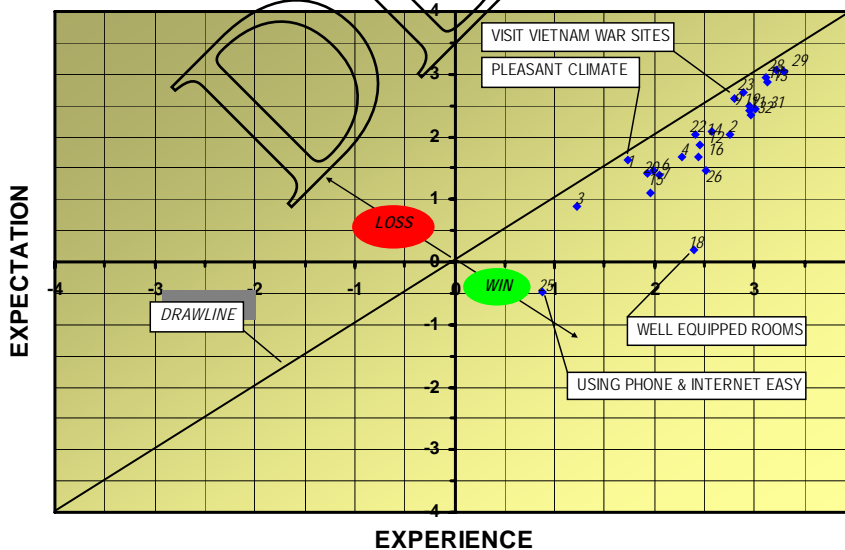


Figure 9. HOLSAT Matrix for Positive Attributes for Female Group.

When the *t-test* is applied to verify the statistical validity of the difference between the scores, only 15 attributes have significant scores of (Experience minus Expectation) at the 1:1000 level. The other 10 attributes do not show significant difference.

- Negative Attributes for Female Group

Six of the eight Negative attributes appear in the “Win” area of the HOLSAT Matrix, which shows apparent satisfaction for these attributes, indicating the scores for these attributes were better than expected, as shown by figure 10.

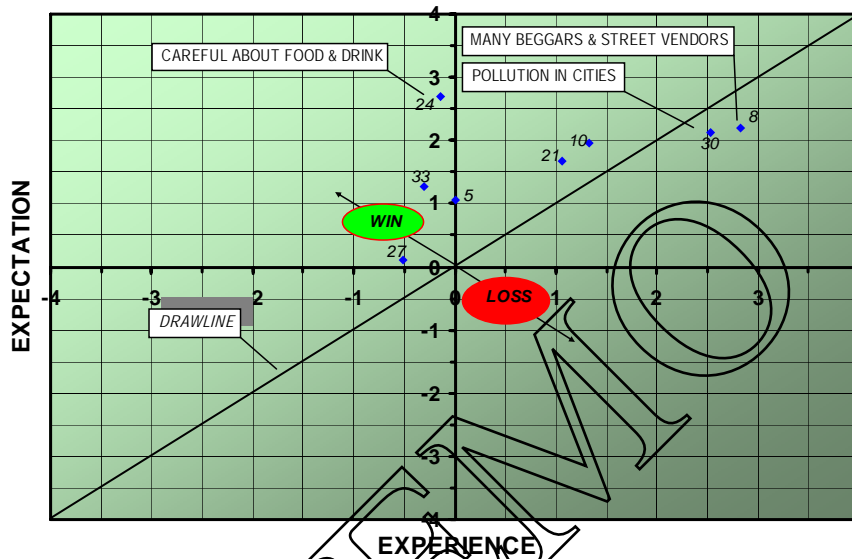


Figure 10. HOLSAT Matrix for Negative Attributes for Female Group.

It must be recalled that for Negative attributes, satisfaction is implied if the difference between Experience and Expectation scores is negative. According to Tribe and Snaith (1998), for the Negative attributes, a positive Experience indicates an increase in performance, which means that the attribute was not as disappointing as initially expected. Therefore, the Performance of these six Negative attributes was better than initially perceived. These six Negative attributes, although negative, actually contributed to a sense of satisfaction to female respondents whilst travelling in Vietnam.

The results of the *t-test* show the difference for four out of the eight Negative attributes is significant at the 1:1000 level where  $t_{obt}$  results are ranked. Three of the four Negative attributes showed a very high level of satisfaction with  $t_{obt} > 6$ :

- [24] “I would have to be careful about what I eat and drink” ( $t_{obt} = 12.52$ )
- [33] “Immigration and Customs clearance would be slow and inefficient” ( $t_{obt} = 8.78$ )
- [8] “There would be crowding at attractions” ( $t_{obt} = 6.21$ )



Table 7. Segmentation Analysis for Female Group

No.	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION) <sup>1</sup>	t-TEST				
		X	SD	n	X	SD	n		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>	
POSITIVE ATTRIBUTES	1 The climate would be pleasant	1.62	1.76	190	1.73	1.86	192	0.12	190	0.91	3.37	0.362	
	2 I would be able to see French colonial architecture	2.03	1.60	190	2.75	1.38	191	0.72	189	5.51	3.37	0.000 ***	
	3 I would be able to relax on beaches	0.90	2.19	176	1.22	2.27	172	0.22	167	1.04	3.37	0.298	
	4 I would be able to rent a bicycle or motorcycle and go sightseeing	1.68	1.84	175	2.27	1.81	170	0.49	163	3.49	3.37	0.001 ***	
	6 I would feel safe whilst traveling	1.47	1.68	188	1.99	2.10	192	0.59	188	3.56	3.37	0.000 ***	
	7 I would be able to visit archeological ruins	1.10	2.21	183	1.96	1.91	182	0.85	174	4.76	3.37	0.000 ***	
	9 I would be able to visit Vietnam War sites	2.61	1.27	189	2.81	1.49	191	0.20	189	1.80	3.37	0.074	
	11 I would be able to cruise on a river (e.g. in Hue or similar)	2.43	1.25	192	2.95	1.49	191	0.52	191	4.29	3.37	0.000 ***	
	12 I would be able to visit ethnic minority people	1.86	1.70	189	2.46	1.74	184	0.54	183	3.77	3.37	0.000 ***	
	13 Food and beverages would be cheap	2.94	1.12	192	3.11	1.21	191	0.18	191	1.47	3.37	0.144	
	14 Hotel staff would be friendly and courteous	2.08	1.30	191	2.58	1.35	191	0.48	190	3.71	3.37	0.000 ***	
	15 I would be able to go trekking or backpacking	1.40	1.99	166	2.05	1.77	165	0.57	154	3.83	3.37	0.000 ***	
	16 I would be able to buy cheap Vietnamese artifacts	1.68	1.51	189	2.44	1.75	186	0.77	183	4.67	3.37	0.000 ***	
	17 I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	3.07	1.14	192	3.22	1.19	189	0.16	189	1.61	3.37	0.108	
	18 Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	0.20	2.21	189	2.39	1.59	191	2.18	188	11.37	3.37	0.000 ***	
	19 I would be able to visit religious sites and temples	2.49	1.12	192	2.94	1.19	191	0.45	191	4.30	3.37	0.000 ***	
	20 I would be able to visit National Parks and Reserves	1.40	1.81	188	1.93	1.83	165	0.50	165	2.94	3.37	0.004	
	22 I would be able to witness traditional Vietnamese music and dance	2.04	1.49	191	2.40	1.74	183	0.35	183	2.27	3.37	0.025	
	23 I would be able to visit historical sites	2.70	1.26	192	2.89	1.10	191	0.20	191	2.01	3.37	0.046	
	25 Phoning home or using the Internet would be easy	2.49	2.39	188	0.88	2.41	177	1.34	177	5.72	3.37	0.000 ***	
	26 I would be able to mix and talk with Vietnamese people	1.47	1.84	192	2.52	1.82	189	0.99	189	5.61	3.37	0.000 ***	
	28 I would be able to sample local food and drink	2.88	1.37	192	3.13	1.31	191	0.26	191	2.11	3.37	0.036	
	29 I would be able to shop in local markets	3.04	1.23	192	3.30	1.02	191	0.26	191	2.72	3.37	0.007	
	31 I would be able to use local transport (e.g. tri-cycle ['cyclo'])	2.33	1.25	190	3.01	1.41	187	0.60	187	5.30	3.37	0.000 ***	
	32 I would be able to visit museums	2.34	1.26	192	2.96	1.08	191	0.63	191	7.20	3.37	0.000 ***	
	NEGATIVE ATTRIBUTES	5 There would be crowding at attractions	1.05	2.11	188	0.01	2.35	190	-1.11	186	6.21	3.37	0.000 ***
		8 <b>There would be many beggars and street vendors</b>	<b>2.19</b>	<b>1.49</b>	188	<b>2.83</b>	<b>1.58</b>	<b>192</b>	<b>0.62</b>	<b>188</b>	<b>4.38</b>	<b>3.37</b>	<b>0.000 ***</b>
		10 There would be a lack of public toilet facilities	1.97	1.73	190	1.33	2.55	192	-0.66	190	3.15	3.37	0.002
		21 I would have difficulty obtaining cash from my credit card or ATM	1.68	2.02	185	1.06	2.38	159	-0.54	156	2.07	3.37	0.041
		24 I would have to be careful about what I eat and drink	2.69	1.91	192	-0.15	2.76	190	-2.82	190	12.52	3.37	0.000 ***
		27 Changing money would be difficult	0.11	2.33	192	-0.51	2.57	191	-0.65	191	2.81	3.37	0.006
		30 <b>There would be pollution in the cities</b>	<b>2.12</b>	<b>1.55</b>	191	<b>2.52</b>	<b>1.75</b>	<b>191</b>	<b>0.40</b>	<b>190</b>	<b>2.55</b>	<b>3.37</b>	<b>0.011</b>
33 Immigration and Customs clearance would be slow and inefficient		1.27	1.68	191	-0.30	2.32	191	-1.56	190	8.78	3.37	0.000 ***	

1. Mean of Differences 2. Number of Pairs of Scores 3. Non-directional (or "Two-tailed") Test for Paired (Matched) Samples for N> 120, < ∞

4. Critical Value of t 5. SIG: Level of Significance, \*\*\*p<0.001 (1:1000)

Statement in **bold** text indicates **decrease in satisfaction with Attribute**



Negative attribute number [8] “There would be many beggars and street vendors” also showed significance at the 1:1000 level. However, as there is a *positive* value for the mean of differences, it implies a *loss* of satisfaction.

### Male Group

Table 8 summarises the results obtained for Positive and Negative attribute statements for the Male Group. Significant attributes are shown in dark colour.

- Positive Attributes for Male Group

Preliminary examination of the raw data suggests that male respondents were satisfied with 23 out of 25 Positive attributes. These attributes appeared in the “Win” area of the HOLSAT Matrix as shown in figure 11. As the mean difference of these attributes is positive, the Performances of these attributes have exceeded the Expectations of the male group, resulting in an apparent *gain* of satisfaction.

Attribute number [9] “I would be able to visit Vietnam War sites” is above the Draw-line indicating a loss of satisfaction. Attribute number [2] “I would be able to see French colonial architecture” is situated on the Draw-line, indicating respondents’ Expectations were exactly matched with their Experiences in this instance. When the *t-test* is applied, sixteen Positive attributes have significant scores for (Experience minus Expectation).

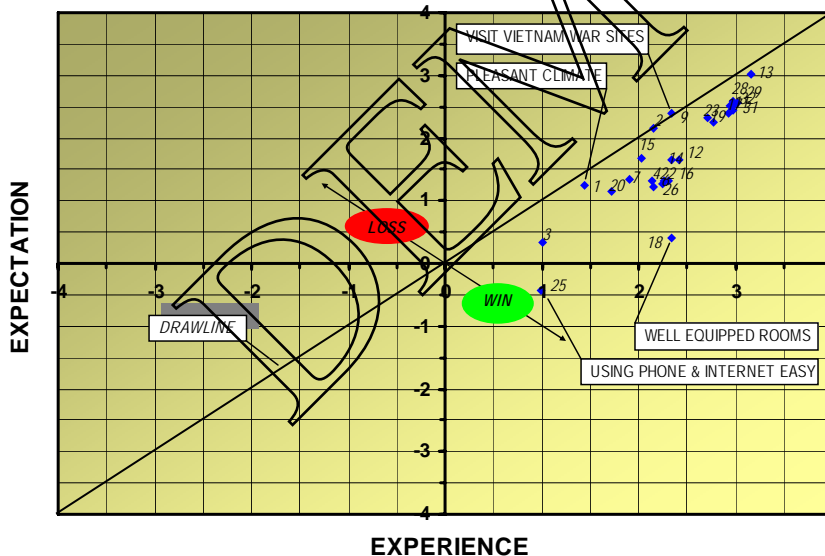


Figure 11. HOLSAT Matrix for Positive Attributes for Male Group.

- Negative Attributes for Male group

Based on the mean of differences, six Negative attributes appear in the “Win” area, whereas the remaining three lie in the “Loss” area of the HOLSAT Matrix as shown in figure 12. This implies satisfaction with five attributes and a loss of satisfaction with three.

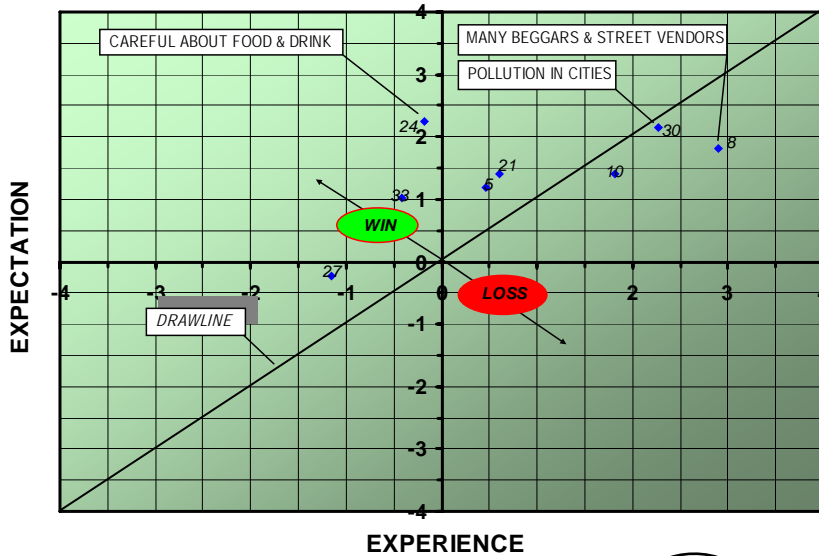


Figure 12. HOLSAT Matrix for Negative Attributes for Male Group.

The Male Group, however, rated 4 out of the 8 Negative attributes high in significance of the *t*-test at the 1:1000 level. Two of the four Negative attributes showed a very high level of satisfaction with the  $t_{obt} > 6$ :

- [24] “I would have to be careful about what I eat and drink” ( $t_{obt} = 7.82$ )
- [33] “Immigration and Customs clearance would be slow and inefficient” ( $t_{obt} = 6.46$ )

Attribute number [8] “There would be many beggars and street vendors” indicates a *loss* of satisfaction, as it shows a mean of differences. This result is also significant at the level 1:1000 using the *t*-test.

### Common Significant Positive and Negative Attributes for Gender Group

Respondents from both Female and Male groups were satisfied with 12 out of 25 positive attributes as determinant by significance from the application of the *t*-test.

The Female and Male travellers differ in their level of satisfaction rating for many of the common attributes. This is illustrated in table 9. The Male Group however has rated 9 of these 12 attributes higher than the Female Group on the basis of the mean of differences and the significance of the *t*-test as determined by the *t*-test. Attribute number [18] “Rooms would be equipped”, attribute number [31] “I would be able to use local transport” and attribute number [26] “I would be able to mix and talk with Vietnamese people” are ranked lower than the females.

Regarding common significant negative attributes, both Female and Male groups were satisfied with attributes number [24] “I would have to be careful about what I eat and drink” and attribute number [33] “Immigration and Customs clearance would be slow and inefficient”.

Both groups were dissatisfied with attributes number [8] “There would be many beggars and street vendors” based on the mean of differences. However, the Male Group rated attribute number 8 higher than their Female counterparts as shown in table 9. It is noted that attribute number [8] “There would be many beggars and street vendors” shows significance dissatisfaction for both groups.

## INTERPRETATION AND DISCUSSION

### HOLSAT with the Whole Sample

A comparative questionnaire designed to survey the pre- and post-holiday period of Australian pleasure travellers to Vietnam yielded a clearer picture of the change in tourist attitudes as a consequence of Expectation and actual Experience. In this study, the measurement of Australian pleasure travellers’ satisfaction is seen from the results of a comparative process between Experiences of holiday attributes in Vietnam compared with the Expectations of those attributes.

### Positive Attributes

Based on the mean of difference, all the 25 Positive attributes have been rated very high in satisfaction and appeared in the “Win” area of the HOLSAT Matrix. As the differences between Experience and Expectation of these attributes are positive, thus the Performance of these attributes has exceeded Australian tourists’ Expectations indicating a *gain* of satisfaction. This is supported by the results of the open questions.

However, the findings reveal from the data show that respondents have rated 21 out of 25 positive attributes high in significance *t-test*, whereas 4 attributes do not show such significance. These 21 attributes are the strength of the tourism industry in Vietnam. The VNAT Tourism Board should maintain and enhance the quality of these attributes to satisfy the requirements of the potential tourists. Furthermore, the outbound Tour Operators should also promote these attributes in Australia and continue to include them on the Australian itineraries.

The other four Positive attributes, even though not been statistically significant in *t-test*, they still appeared in the “Win” area of the Matrix. This indicated that the Performance of these attributes has met the Australian tourists’ Expectations and, therefore, satisfaction within the holiday experience in Vietnam can be inferred. These four attributes such as “Relaxing on beaches”, “Cheap food and beverages”, “Pleasant climate” and “Visiting War sites” are slightly weaker than the other 21 attributes and require further improvement.

Table 8. Segmentation Analysis for Male Group

No.	STATEMENT	EXPECTATIONS			EXPERIENCES			(EXPERIENCE- EXPECTATION) <sup>1</sup>	t-TEST				
		X	SD	n	X	SD	n		N <sup>2</sup>	t <sub>obt</sub> <sup>3</sup>	t <sub>crit</sub> <sup>4</sup>	SIG <sup>5</sup>	
POSITIVE ATTRIBUTES	1 The climate would be pleasant	1.24	1.83	118	1.44	1.97	118	0.20	118	0.99	3.40	0.326	
	2 <b>I would be able to see French colonial architecture</b>	<b>2.14</b>	<b>1.54</b>	<b>111</b>	<b>2.16</b>	<b>1.82</b>	<b>112</b>	<b>0.02</b>	<b>111</b>	<b>0.10</b>	<b>3.40</b>	<b>0.919</b>	
	3 I would be able to relax on beaches	0.33	1.98	108	1.01	2.01	109	0.59	105	2.46	3.40	0.016	
	4 I would be able to rent a bicycle or motorcycle and go sightseeing	1.32	2.24	106	2.15	1.48	110	0.85	103	4.31	3.40	0.000 ***	
	6 I would feel safe whilst traveling	1.22	1.74	118	2.15	1.62	118	0.93	118	4.64	3.40	0.000 ***	
	7 I would be able to visit archeological ruins	1.69	1.77	115	2.03	1.65	115	0.33	114	1.59	3.40	0.115	
	9 <b>I would be able to visit Vietnam War sites</b>	<b>2.39</b>	<b>1.31</b>	<b>118</b>	<b>2.34</b>	<b>1.51</b>	<b>118</b>	<b>-0.07</b>	<b>117</b>	<b>0.47</b>	<b>3.40</b>	<b>0.639</b>	
	11 I would be able to cruise on a river (e.g. in Hue or similar)	2.44	1.17	118	2.98	1.19	118	0.54	118	4.36	3.40	0.000 ***	
	12 I would be able to visit ethnic minority people	1.65	1.81	114	2.42	1.58	114	0.77	112	3.87	3.40	0.000 ***	
	13 Food and beverages would be cheap	3.02	1.13	118	3.17	1.15	118	0.15	118	1.22	3.40	0.226	
	14 Hotel staff would be friendly and courteous	1.64	1.54	118	2.34	1.62	118	0.69	118	3.78	3.40	0.000 ***	
	15 I would be able to go trekking or backpacking	1.33	2.12	108	1.91	1.82	108	0.47	103	2.46	3.40	0.016	
	16 I would be able to buy cheap Vietnamese artifacts	1.32	1.61	115	2.31	1.57	109	0.93	108	5.11	3.40	0.000 ***	
	17 I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	2.58	1.34	117	2.97	1.16	117	0.40	116	3.16	3.40	0.002	
	18 Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	0.41	1.70	116	2.34	1.44	118	1.97	116	10.92	3.40	0.000 ***	
	19 I would be able to visit religious sites and temples	2.25	1.45	118	2.78	1.05	118	0.53	118	3.62	3.40	0.000 ***	
	20 I would be able to visit National Parks and Reserves	1.15	1.68	115	1.72	1.76	106	0.53	105	2.65	3.40	0.009	
	22 I would be able to witness traditional Vietnamese music and dance	1.33	1.42	116	2.26	1.49	115	0.92	113	4.85	3.40	0.000 ***	
	23 I would be able to visit historical sites	2.32	1.20	118	2.72	1.16	117	0.41	117	3.56	3.40	0.001 ***	
	25 Phoning home or using the Internet would be easy	-0.43	2.31	115	0.99	2.50	109	1.36	109	4.45	3.40	0.000 ***	
	26 I would be able to mix and talk with Vietnamese people	1.27	2.36	118	2.24	1.45	116	0.91	116	4.36	3.40	0.000 ***	
	28 I would be able to sample local food and drink	2.51	1.51	117	2.95	1.10	118	0.44	117	3.58	3.40	0.000 ***	
	29 I would be able to shop in local markets	2.55	1.38	118	3.02	1.10	118	0.46	118	3.51	3.40	0.001 ***	
	31 I would be able to use local transport (e.g. tri-cycle ['cyclo'])	2.39	1.21	118	2.93	1.22	118	0.54	118	4.36	3.40	0.000 ***	
	32 I would be able to visit museums	2.81	1.29	118	2.98	1.10	118	0.47	118	4.23	3.40	0.000 ***	
	NEGATIVE ATTRIBUTES	5 There would be crowding at attractions	1.18	2.22	117	0.47	2.20	116	-0.72	116	2.95	3.40	0.004
		8 <b>There would be many beggars and street vendors</b>	<b>1.81</b>	<b>1.74</b>	<b>117</b>	<b>2.90</b>	<b>1.42</b>	<b>118</b>	<b>1.09</b>	<b>117</b>	<b>6.16</b>	<b>3.40</b>	<b>0.000 ***</b>
		10 <b>There would be a lack of public toilet facilities</b>	<b>1.40</b>	<b>1.67</b>	<b>116</b>	<b>1.81</b>	<b>2.08</b>	<b>118</b>	<b>0.45</b>	<b>116</b>	<b>1.92</b>	<b>3.40</b>	<b>0.058</b>
		21 I would have difficulty obtaining cash from my credit card or ATM	1.40	1.92	116	0.60	2.42	100	-0.84	100	3.20	3.40	0.002
		24 I would have to be careful about what I eat and drink	2.25	2.05	118	-0.19	2.67	118	-2.44	118	7.82	3.40	0.000 ***
		27 Changing money would be difficult	-0.24	2.15	117	-1.15	2.50	118	-0.91	117	3.97	3.40	0.000 ***
		30 <b>There would be pollution in the cities</b>	<b>2.15</b>	<b>1.73</b>	<b>117</b>	<b>2.27</b>	<b>1.81</b>	<b>118</b>	<b>0.10</b>	<b>117</b>	<b>0.61</b>	<b>3.40</b>	<b>0.543</b>
33 Immigration and Customs clearance would be slow and inefficient		1.02	2.02	118	-0.42	2.57	118	-1.44	118	6.46	3.40	0.000 ***	

1. Mean of Differences 2. Number of Pairs of Scores 3. Non-directional (or "Two-tailed") Test for Paired (Matched) Samples for N> 60, <120

4. Critical Value of t 5. SIG: Level of Significance, \*\*\*p<0.001 (1:1000)

Statement in bold text indicates decrease or no change in satisfaction with Attribute

**Table 9. Comparison of Gender Segmentation for Australian Pleasure Travellers**

	No.	STATEMENT	(EXPERIENCE-EXPECTATION)			
			TOTAL SAMPLE	FEMALES	MALES	
POSITIVE ATTRIBUTES	1	The climate would be pleasant	0.15	0.12	0.20	
	2	I would be able to see French colonial architecture	0.46	0.72	0.02	
	3	I would be able to relax on beaches	0.36	0.22	0.59	
	4	I would be able to rent a bicycle or motorcycle and go sightseeing	0.63	0.49	0.85	
	6	I would feel safe whilst traveling	0.72	0.59	0.93	
	7	I would be able to visit archeological ruins	0.65	0.85	0.33	
	9	I would be able to visit Vietnam War sites	0.10	0.20	-0.07	
	11	I would be able to cruise on a river (e.g. in Hue or similar)	0.52	0.52	0.54	
	12	I would be able to visit ethnic minority people	0.61	0.54	0.77	
	13	Food and beverages would be cheap	0.17	0.18	0.15	
	14	Hotel staff would be friendly and courteous	0.56	0.48	0.69	
	15	I would be able to go trekking or backpacking	0.51	0.57	0.47	
	16	I would be able to buy cheap Vietnamese artifacts	0.82	0.77	0.93	
	17	I would be able to visit coastal regions (e.g. Ha Long Bay or similar)	0.25	0.16	0.40	
	18	Rooms would be well equipped (mini-bar, IDD telephone, air conditioning, etc)	2.10	2.18	1.97	
	19	I would be able to visit religious sites and temples	0.48	0.45	0.53	
	20	I would be able to visit National Parks and Reserves	0.51	0.50	0.53	
	22	I would be able to witness traditional Vietnamese music and dance	0.57	0.35	0.92	
	23	I would be able to visit historical sites	0.28	0.20	0.41	
	25	Phoning home or using the Internet would be easy	1.35	1.34	1.36	
	26	I would be able to mix and talk with Vietnamese people	0.97	0.99	0.91	
	28	I would be able to sample local food and drink	0.33	0.26	0.44	
	29	I would be able to shop in local markets	0.34	0.26	0.46	
	31	I would be able to use local transport (e.g. tri-cycle ['cyclo'])	0.58	0.60	0.54	
	32	I would be able to visit museums	0.57	0.63	0.47	
	NEGATIVE ATTRIBUTES	5	There would be crowding at attractions	-0.96	-1.11	-0.72
		8	There would be many beggars and street vendors	0.80	0.62	1.09
		10	There would be a lack of public toilet facilities	-0.24	-0.66	0.45
		21	I would have difficulty obtaining cash from my credit card or ATM	-0.65	-0.54	-0.84
		24	I would have to be careful about what I eat and drink	-2.69	-2.82	-2.44
		27	Changing money would be difficult	-0.72	-0.65	-0.91
		30	There would be pollution in the cities	0.29	0.40	0.10
33		Immigration and Customs clearance would be slow and inefficient	-1.51	-1.56	-1.44	

The attributes “Relaxing on beaches” appear as being relatively unimportant to Australian travellers as they can have a cheaper option of travelling domestically in some quality beach resorts along the coast of Queensland. Furthermore, replies from open questions suggest that weather was important in influencing this attribute and levels of satisfaction experienced. The destination factors such as weather could influence the level of tourists’ satisfaction and the seasonal travel. Therefore, it is suggested that Vietnamese tourism industry could implement different marketing policies, including reduced prices for goods and services at the destination. Furthermore, the outbound Tour Operators can offer an incentive tour price to take into account possible seasonal impacts.

Regarding “War Sites”, Vietnam should market its wartime heritage in an effective, appropriate and consistent manner and the interpretation should be presented in an informative and unbiased manner.

Concerning the attribute “Cheap food and beverage”, Australian tourists reported enjoying Vietnamese food. The result again suggests that instead of arranging for all meals in the hotel, the Tour Operators should organise for visitors an opportunity to try some cheap specialities in the local food stores, but travel organisers must first confirm safe hygienic standard to tourists.

## Negative Attributes

With regard to Negative attributes, it is interesting to note that respondents rated six out of eight attributes very high in satisfaction. However, only five out of these six attributes show high significant *t-test* such as: “Be careful what to eat and drink”, “The inefficiency of immigrations and customs”, “Crowding at attractions”, “Difficulty in changing money” and “Difficulty obtaining cash from credit cards or ATM”.

All the six attributes appeared in the “Win” area of the HOLSAT Matrix. This means that these attributes scored better than expected and although they are considered as Negative attributes, in reality the experience of Australian pleasure travellers was higher than anticipated. Hence, respondents were satisfied since the difference of Experience minus Expectation for these six attributes is *negative*. With regard to services, there was significantly less difficulty in withdrawing cash using a credit card or ATM facilities than was expected. There was also less difficulty in changing money and clearing Immigrations and Customs requirements than expected. Concerning eating and drinking local food, the actual experience suggests there was less risk for Australian travellers during their travel time in Vietnam than was expected. Regarding amenities, public toilet facilities in Vietnam were perceived to be adequate and there was less crowding at attractions than initially perceived by Australian prior to travel to Vietnam.

However, in order to enhance the satisfaction level of tourists, the Vietnam tourism industry still requires a great effort to improve the quality of these six Negative attributes. The banking facilities and the immigration procedure services need to be improved to provide better levels of service to tourists. Good maintenance should be undertaken particularly in regard to the hygiene and sanitation such as food handling and public toilets, as respondents generally expressed concern about cleanliness. Furthermore, despite the positive economic impact that tourism industry contributes to the country, the Vietnamese Government should also pay more attention to control the carrying capacity in order to develop sustainable

tourism and avoid negative environmental impacts that may be caused by the overcrowding at the attractions.

There are only two Negative attributes “Pollution in the City“ and “Beggars and street vendors” that appeared in the “Loss” area of the HOLSAT Matrix. Since the difference of Experience minus Expectation for these two attributes is positive, the Performance of these attributes failed to meet the Australian travellers’ Expectations resulting in a *loss* of satisfaction. This result indicates that there is a gap between what respondents desired and what they actually experienced with regard to these attributes. It is obvious that Australian visitors are from a country that has a high awareness of concern for a cleanliness, many felt unhappy with pollution problems evident in Vietnam. Furthermore, living in a country with good social welfare, many were concerned when seeing beggars. For many respondents, harassment by hawkers and beggars was considered to be the worst experiences of respondents during the entire vacation in Vietnam. These two attributes had the greatest adverse impact on travellers and consequently showed the highest levels of dissatisfaction from respondents. Therefore, these two attributes are the weaknesses of the tourism industry in Vietnam and required a lot of attention from the government for further improvement even though they may be perceived as uncontrollable items from a tourism management perspective.

Given the results of HOLSAT, it is obvious that respondents are generally satisfied with the holiday characteristics of Vietnam. This is supported by the results from the open questions that also indicate that Australian pleasure travellers were satisfied with their holiday to Vietnam. The above findings of Vietnam holiday’ attributes might be useful for marketing, tour planning and other decision-making.

## HOLSAT WITH SEGMENTATION

### HOLSAT with Mode of Travel

The mode of travel used by Australian pleasure travellers is associated with the differences in their perception and their satisfaction. Compared with the total sample, the Package Tour and the Free and Independent Travellers have wide differences in the mean rating of (Experience minus Expectation) and show different levels of satisfaction.

Regarding Positive attributes, both groups were very satisfied with the accommodation and telecommunication services in Vietnam. They were very satisfied with the cruising on the river, using “Cyclo” as a local transport, buying Vietnamese artefacts and visiting religious sites and museums. But to them, the most attractive feature of Vietnam was to mix and talk to the local people. This feature was reconfirmed by the findings from the open questions.

However, the FIT group was more satisfied than the Package Tour group with all seven attributes referred to in the previous paragraph except for the attribute "Talking to local people". The friendliness and hospitality of Vietnamese people is the strength of Vietnam holiday’s attribute. The Tour Operators should pay more attention to this attribute in designing a special tour which allows visitors to explore and further understand Vietnamese culture and life-style.

Besides some common Positive attributes mentioned above, both groups have different preferences with regard to the holiday aspects in Vietnam. The package tour respondents were more satisfied with certain holiday activities such as shopping in the local markets, renting a bicycle or motorcycle for sightseeing, visiting National Parks and Reserves, trekking or backpacking than the Free and Independent Travellers. In comparison with their counterparts, they felt safer whilst travelling in Vietnam and were pleased with the attitude of hotel staff. It is important for the Tour Operators to understand the likes and dislikes of this group as the Package tour is still a very popular mode of travel for Australian holidaymakers to Vietnam. More attention needs to be paid to certain attributes as mentioned above.

The Free and Independent Travellers were more satisfied than their counterparts in several holiday attributes. With a possibly longer stay and more flexible itinerary, they were able to relax on beaches and were also more interested in activities, which focussed on art and culture. They enjoyed witnessing traditional Vietnamese music and dance, visiting archaeological ruins, historical sites, French colonial architectures as well as ethnic minority people. With appealing features, budget accommodation and the visa relaxation in the last few years Vietnam has continuously attracted a high number of Australian who travelled as “backpacker” tourists. Therefore, the Travel Agents in Vietnam, when scheduling itineraries, should take into account the Free and Independent travellers’ opinions and preferences as according to Scheyvens (1999), providing goods and services for backpackers can promote tourism development, especially at the local level. And in the case of Vietnam, this type of travellers may greatly contribute to the welfare of the local people, especially in the remote villages and highlands.

Regarding negative attributes, both groups were pleased with the immigration and customs services and were less concerned about what they ate and drank in Vietnam. However, both groups were very dissatisfied with the harassment from beggars and street vendors.

## **HOLSAT with Gender**

The HOLSAT model applied to gender segmentation of respondents has indicated the differences of Australian pleasure travellers to Vietnam in their perception as well as their satisfaction. Female and male travellers have wide differences in the mean rating of (Experience minus Expectation) which reflects different levels of satisfaction.

Regarding Positive attributes, both Female and Male groups were very satisfied with the quality of accommodation available, the attitudes of hotel staff as well as the telecommunication services in Vietnam. They felt safe whilst travelling and enjoyed a number of common activities such as renting bicycles or motorcycles for sightseeing, cruising on a river and using local transport. However, the Male group was more satisfied than the Female group with eight attributes referred to in the previous paragraph except for the following four attributes “Talking to local people”, “Rooms would be equipped”, “Local transport” and “Visiting museums”.

For both groups, the most attractive feature of Vietnam was to mix and talk to the local people, to visit ethnic minority people and religious sites and temples. The friendliness and hospitality of Vietnamese people is the strength of Vietnam as a holiday destination. Tour Operators could enhance this attribute and ensure that tours offered included meeting local



people as part of the itinerary as well as other cultural experiences that bring satisfaction to tourists of both gender.

Apart from some common Positive attributes mentioned above, both groups have different preferences with regard to certain holiday aspects in Vietnam.

The Female respondents were very satisfied with trekking or backpacking as activities and they showed more interests in French architecture and archaeological ruins in comparison with their Male counterparts. The Male group was more satisfied than their Female counterparts in several holiday attributes. They were more interested in activities, which showed more emphasis on art, culture and foods. They enjoyed witnessing traditional Vietnamese music and dance and visiting historical sites. It is interesting to find out that the males seemed to enjoy sampling local food and drink and shopping in the local markets.

Regarding Negative attributes both groups were satisfied with immigration and customs process and were not overly concerned about what they ate and drank. Both groups were very dissatisfied with the harassment from beggars and street vendors and the pollution in the cities. It is interesting to note that males show a much higher level of dissatisfaction with the attribute concerning "Beggars and street vendors"; suggesting gender attitudes could be at play.

The above analysis shows that HOLSAT can be applied to different groups of respondents, based on their gender and their travel mode. From these results, some important differences emerge. Information on these four different user groups should be useful for marketing, tour planning and other decision-making. Both HOLSAT and conventional statistical analysis such as the *t-test* should be used when dealing with the differences noted.

## FINDINGS FROM THE OPEN QUESTIONS

As quantitative methods cannot extract the detailed information about the sample group, a qualitative approach was also used to complement the shortcomings of the quantitative methods. The in-depth information gained from the open questions has complemented the analysis of the findings obtained using the HOLSAT model. Respondents were asked a number of open questions regarding their Positive and Negative experiences while holidaying in Vietnam as well as their comments on Vietnam compared to other Southeast Asian holiday destinations. The results of the open questions regarding "Positive and Negative aspects of Vietnam" were analysed under the heading of the "Five A's": Attraction, Activity, Amenity, Accommodation and Accessibility. The majority of the results obtained from HOLSAT with and without segmentation were supported and supplemented by the findings from open questions. These findings reveal that respondents showed strong interest in Vietnamese culture and history, which is consistent with the benefits sought in a foreign destination. These results are further interpreted below.

### Positive Aspects of Vietnam

Regarding Positive aspects of Vietnam as a holiday destination, the findings reveal that respondents showed strong interest in Vietnamese culture and history, which is consistent

with the benefits sought such as different cultures and famous attractions in a foreign destination. These findings are interpreted under nine headings: Culture seekers, Friendliness of local people, Vietnamese food, Attractions, Activities, Accommodation, Accessibility, Vacation Value for Money and Personal Safety.

### ***Culture Seekers***

The changing ethnic composition of Australian society as a result of increased migration from Asia has expanded Australians' awareness of Asian cultures. The respondents rated as very high in satisfaction their experiences of culture and life-style in Vietnam including meeting and talking to local residents, tasting local cuisine, visiting minority ethnic people, witnessing traditional music and dance and purchasing the local artefacts. To experience different cultures and life-styles and broaden their knowledge of history are important benefits sought by Australian tourists during their visits to Vietnam. The major personal gains Australians achieve through tourism including understanding other cultures and histories and appreciating new foods. The people from such a strong individualistic culture as Australia focus on understanding other cultures through scientific observation. They seem to perceive hosts as equals and not just part of the tourist industry. And it is by developing these friendships that Australian tourists reported gaining a greater understanding of the host culture. Furthermore, Pizam, Jafari and Milman (1991) confirmed the tourist experience affects the attitudes and opinions that tourists have of their hosts. The findings from the open questions indicate that tourism has positively affected the attitudes and opinions that respondents have of Vietnamese hosts and this can lead to the reduction of negative ethnic attitudes. Tour operators should take the "culture seeker" features of Australian pleasure travellers into consideration when arranging suitable itineraries for potential Australian tourists.

### ***Friendliness of Local People***

Australian pleasure travellers were very impressed with the friendliness of the Vietnamese people. The overwhelming hospitality of the people made their trip to Vietnam a truly memorable experience. Pizam et al (1978) emphasised the vital role of the psychological determinants of satisfaction such as the hospitality of the host community, which they defined as a willingness to help tourists, friendliness and courtesy towards tourists. Furthermore, respondents were very satisfied with the service and the courtesy of tour guides, which helped them to avoid uncomfortable contacts with Vietnam hosts. According to Schmidt (1979), a good guide can provide tourists with authentic tourist experiences and psychological satisfaction. This attribute is another strength that the Vietnam tourism industry should consolidate and further develop to enhance visitors' experience.

### ***Food***

Vietnamese cuisine is another great aspect of the country which respondents very much enjoyed. In many cases, the food experience was a highlight of their holiday and it exceeded respondents' expectations. However, there were a small number who experienced occasional ill health because of poor hygiene or drinking contaminated water. In order to avoid these problems, tour operators or travel agents should inform respondents about travel issues and to be more aware of what they eat and drink in Vietnam. Information and referral sources to be used in the event of sickness should be provided as part of a pre-departure package.

Preventative measures such as better food handling as well as improving the quality of food and drink will be essential for the hospitality industry and other related organisations in order to limit these health risks to tourists.

### ***Attractions***

The findings reveal that respondents showed strong interest in the diversity of attractions offered in Vietnam. They rated the visits to many tourist sites as very high in satisfaction. These attractions ranged from man-made attractions such as French colonial architecture, archaeological ruins (Cham sculpture and towers), religious sites (such as pagodas and temples), historical sites (such as Royal Palaces), war sites and art museums as well as natural attractions such as coastal regions, national parks and reserves and beaches. This is supported by a study by Jansen Verbeke (1995) which indicated that the “combination of natural and cultural resources in Vietnam forms a strong basis to develop a unique tourist product. It has the potential to make Vietnam an attractive destination for visitors seeking beach type holidays and those who are interested in visiting natural and scenic locations, historic places and cultural attractions”. However, many respondents expressed disappointment when witnessing inadequate maintenance and the poor signposting which therefore be carried out to preserve these attractions and to erect more English language signs.

Regarding Vietnam War sites, respondents' level of actual Experience in relation to this attribute is approximately equal to their Expectation but still above the “Draw” line. Vietnam represents a site of personal sacrifice for many war veterans and the purpose of the pilgrimage is a search for the meaning of a place of war, the place of their youth. According to MacCannell (1976), in the desire for authentic experience, the tourist is the modern embodiment of the religious pilgrim. In this study, even though respondents were not the war veterans, they were disappointed with the one-sided approach to history in some war sites and museums in Vietnam. Therefore, a balanced and sensitive interpretation is important to provide appropriate experience for visitors who come with different needs and expectations. On the other hand, the findings proved that Vietnam appealed to Australian travellers much more as a pleasure destination than a country of war or destitution. Therefore, promoting a positive image of Vietnam is much needed in order to attract more tourists and foreign investment.

### ***Activities***

Respondents have also considered activities as another important part of their holidays. They enjoyed the activities such as trekking and backpacking, cruising on the river, boating on the bay, visiting minority ethnic groups, shopping at local markets and riding by cyclo, a popular form of local transport. This is confirmed by Lang et al. (1997) who found seven benefit factors sought by Australian tourists: “new experience, escape and entertainment, show and tell, family oriented, cultural groups' interest, physical challenge and nature and relaxation”. Respondents also enjoyed bicycling in ancient towns like Hoi An and Hue or in some quiet country lanes. Cycling tours are popular with Australian tourists because the pace is relaxed and allow time to browse through villages. This type of experience is included as part of a package holiday sold by some tour operators in Australia. One Tour Operator in particular reported that since pioneering their cycle ride holiday through Vietnam, the trip reports have far exceeded their expectations (Intrepid, 2000). Therefore, activities and attractions are key attributes of a specific destination such as Vietnam that should be

successfully exploited by tour operators in order to deliver effective travel products and services to Australian holidaymakers

### ***Accessibility***

Most of the respondents used Vietnam Airlines when they travelled to Vietnam. Price was the main criterion influencing the choice of airline used although travellers on a package holiday to Vietnam in most cases did not have an opportunity to choose the airline (PATA News, 2000). Vietnam does not yet have a large international long-haul national airline as do their neighbours Hong Kong, Malaysia, Thailand, Singapore and China. The absence of large airports also denies the country large numbers of tourists who may take stopovers at the airline hubs. With the lifting of airline restrictions and reciprocal agreements between Vietnam with other countries such as Australia, USA, Britain, Germany and others, a significant opportunity will emerge for tourists in the future when making their choice. Therefore, the "open policy" regarding air regulations should become a decisive strategy for the development of the tourism industry in Vietnam.

In addition to air travel to Vietnam, there were also a number of Australians who reported that they have travelled overland from Cambodia, Laos, Thailand and China. This mode of travel seems to have increased since Vietnam was admitted as a member state of ASEAN in 1995. The benefit of this event was that it allowed ASEAN-bound visitors to extend their trip to Vietnam. Furthermore, the new Asian Highway and the Trans-Asian Railways should also contribute to the smooth flow of international trade and tourism. All these factors suggest that Vietnam can attract more overland tourists once the road linkages have been established between Vietnam and its neighbours. These options should be taken into account in the arrangement of itineraries for Australian holidaymakers.

### ***Accommodation***

Since 1986, restrictions on private investment have gradually lifted and foreign investment and ownership has been encouraged in Vietnam. Particularly, with the open door policy pursued by the Vietnamese government in 1990, the number of joint-venture hotels and private hotels has increased significantly since then. The competition of so many hotels created a rapid decrease in room rates in Vietnam but the hotel amenities have seen considerable development. Rooms were not only well equipped with mini-bar and IDD telephone, but also many provided complimentary exotic fruit trays and fresh flowers. Respondents were satisfied with room quality in Vietnam. However, some mentioned that the service quality from a number of hotels needed more improvement. Despite their friendliness and courteousness, the staff still lack experience in dealing with Western customers. To overcome this aspect, hotel managers should devote more effort to human resources training. In-house or professional training programs should be arranged to improve employee helpfulness, communication, language skills, appearance and check-in/check-out efficiency.

### ***Vacation Value for Money***

The qualitative factors such as beautiful scenery, quality of accommodation and different culture were more important than price when tourists were at the initial stage of selecting their vacation travel destinations, however, tourists from different countries valued these attributes differently. In the case of Vietnam, the results of this study indicated that Australian travellers rated Vietnamese culture and history, landscapes, people and food as very high in

satisfaction but they also still preferred a good bargain or value for money for their holiday. A significant depreciation of the local currency has made the price of travel and accommodation in Vietnam extremely competitive in comparison with domestic travel and accommodation in Australia (TFC, 2000).

A majority of respondents reported that Vietnam provided value for their holiday money. For them, money spent in Vietnam was well spent because they received a good bargain when purchasing goods and products on their holiday. The average of respondents' expenditure was between \$A2000-\$A3000, excluding return airfares. This amount is a reasonable cost for long-haul travel by Australian tourists. The price sensitivity of respondents is confirmed by Bywater's (1989) study which mentioned that "price consciousness" is one of the overriding characteristics of the Australian market. Furthermore, Lang et al. (1996) in their study indicated that "Budget/Value Travel Cost" is one of the trip-driven factors for Australian outbound travellers. In the case of the present study, some respondents were displeased with the dual price policy sanctioned officially by the Vietnamese government whereby Westerners pay more for goods and services than the local people, especially transportation. Therefore, a revision of this policy might be desirable, to make the travel fares in Vietnam more competitive and more attractive to potential Australian tourists.

### ***Personal Safety***

Personal safety seems to be one of the major concerns in today's environment. Natural disasters, political instability and other forms of disturbance are causes of concern for travellers. Vietnam was considered by the majority of respondents to be a safe place to visit in comparison with other countries such as Thailand, Laos or Cambodia. However complaints about safety did arise. A respondent complained that she was robbed in Ha Noi. This negative impression could be harmful to the Vietnamese tourism industry because of the impact of word of mouth. Measures should be taken by responsible authorities to alleviate these problems. Furthermore, the majority of respondents felt unsafe when crossing the road in heavy traffic in Vietnam, the local tour guides therefore should instruct their clients how to negotiate traffic safety. In the meantime, the government should pay more attention to the improvement of the infrastructure in Vietnam such as providing pedestrian crossings at busy intersections to ensure the safety of tourists as well as the local people.

### **Negative Aspects of Vietnam**

Apart from the many Positive aspects mentioned above, Australian tourists had indicated several Negative aspects about Vietnam as a holiday destination. These aspects are interpreted under five headings such as: "Beggars and street vendors", "Hygiene and sanitation", "Pollution", "Immigration and Customs clearance" and "Amenities".

#### ***Beggars and Street Vendors***

This attribute is considered as the lowlight of many Australians' holiday to Vietnam and is confirmed with the results from HOLSAT. As a developing country, Vietnam places considerable reliance on tourism as a source of foreign currency. At the local level, street vendors and beggars view tourists as an easy way to make good money. Consequently, harassment by hawkers and beggars as well as the aggressiveness of cyclo drivers were

considered as the worst experiences of respondents during their entire vacation in Vietnam. This issue of nuisance from beggars, street vendors and cyclo drivers requires urgent attention in order to enhance the comfort and the enjoyment of tourists while visiting Vietnam.

### ***Hygiene and Sanitation***

Respondents had a great concern about the hygiene and sanitation whilst travelling in Vietnam. Many expressed disappointment when witnessing inadequate maintenance in some hotels, public buildings, tourist sites and especially, in public toilets. Furthermore, the signposting to tourist attractions and facilities is poor with very little signage in English. Good maintenance and procedures should be carried out in these areas if further travellers are to be attracted.

### ***Pollution***

Coming from a country which has a high level environmental awareness, Australian travellers were surprised at the level of pollution in Vietnam. They were also concerned about wildlife protection when witnessing the locals logging trees or eating wildlife meat. Therefore, the preservation of the environment is a key issue for the country. There is a need to prevent forest destruction, pollution of the rivers and, in general, the pollution of inland waterways, air and the coastline. The issue of a sustainable tourism development and an increased environmental awareness by the local people is dependent upon the political will of the Vietnamese government to adopt conservation measures and to restore and sustain the country's natural resources.

### ***Immigration and Customs Clearance***

This is one of the first service procedures that tourists encounter on entering or leaving a particular destination. As first impressions always count, this service could significantly influence the overall satisfaction of travellers. Therefore, conducting appropriate training programs for these "frontline" personnel is considered essential in providing more efficient and courteous services and to encourage more user-friendly procedures with tourists.

### ***Amenities***

With regard to amenities, banking facilities and telecommunication charges require further consideration.

- *Credit card* paying facilities are considered important for Australian travellers because of security issues associated with carrying cash and the overall convenience. Credit cards offer purchasing flexibility with the benefit of itemised expenditure records and the ability to earn points through loyalty programs. However, this service is not yet popular in Vietnam. Many respondents complained that many ATM facilities did not operate properly, creating difficulties for them when withdrawing money. Others were very disappointed as payment by credit card was rejected in many places in Vietnam. In order to avoid these inconveniences, Tour Operators need conduct an induction program to their customers before travel to Vietnam, and local government should provide more banking facilities to satisfy the needs and wants of growing numbers of tourists.

- *Telecommunication services:* Many respondents complained that the telephone charges in Vietnam were very expensive. The Internet rate was acceptable but its accessibility was quite difficult in many places in Vietnam. Keeping in touch with family and relatives is very important for tourists when travelling overseas. Therefore, telecommunication facilities should be expanded in order to offer a better service and possibly in the process review current pricing tariffs to tourists.
- *Infrastructure:* According to respondents, the roads in Vietnam are in a very bad condition. Flooding of roads after downpours is very common in tourist destination sites and can cause a great deal of inconvenience to tourists. The poor transportation networks and facilities have impeded travel by international tourists within the country. Such infrastructure weaknesses, although massive in scale, they require urgent attention and improvement.

## COMPARISON THE HOLSAT AND OPEN QUESTIONS RESULTS

The findings obtained from the Open questions suggest that the following aspects could possibly have been encapsulated as additional HOLSAT attributes which were not included in the original Survey Questionnaire instrument.

1. Strong regard for the friendliness and the hospitality of the local people. This is one cultural feature that immensely satisfied respondents during their experience in Vietnam;
2. Vietnamese culture and history are considered as a drawcard for Australian travellers;
3. Exotic scenery and landscape in Vietnam;
4. Vietnamese food as a highlight for Australian travellers;
5. Vietnam is a value-for-money destination for Australian tourists who are considered to be price conscious travellers. Price and value are the key drivers in the purchase for Australian tourists. Hence, price competitiveness or incentives with transportation, particularly with domestic airlines is highly recommended;
6. Accommodation standard is acceptable but the quality service of hotel staff needs further improvement;
7. Vietnam War sites are considered a highlight of Vietnam but a balanced interpretation is required;
8. Telecommunication costs are too expensive which needs examination;
9. Pedestrian safety and safety on extended journeys by train or bus concerning personal belonging needs to be improved;
10. Litter bins are recommended to improve hygiene and sanitation;
11. Maintenance of public buildings, accommodation and particularly with attractions should be improved with proper signposting at the tourist sites; and,
12. Environment and wildlife protection is recommended.

## ACADEMIC AND MARKETING IMPLICATIONS

### Academic Implications

The study's findings illustrated the successful application of HOLSAT model in different tourist destination. It allows satisfaction/dissatisfaction to be expressed through the use of both Positive and Negative attributes. It encompasses the whole holiday experience and the tourism destination as opposed to service quality instruments that focus only on narrow aspects. HOLSAT appears to be very useful with the best results came from a combination of the model and the qualitative questions which complement each other and create richer data. It has great potential because it does not require a fixed menu of attributes, which are generic to all destinations. It demonstrates of looking at the attributes relevant to the particular destination. In comparing with other satisfaction models, that seeks to identify attributes common to different situation. The results also suggest that the leisure behaviour of Australian pleasure travellers to Vietnam is strongly influenced by several variables such as socio-demographics (Female versus Male respondents), travel characteristics (Package Tour versus Free Independent Travellers) and the level of satisfaction. The use of the HOLSAT model together with multi-variables is a theoretically and methodologically sound approach to segmenting Australian tourist market as well as to understanding Australian pleasure travellers to Vietnam and substantiates much of the research findings of previous studies. Moreover, HOLSAT is a quantitative technique that allows the application of statistical analysis. It allows graphical interpretation through the use of matrices. Consequently, HOLSAT is a good instrument for measuring tourists' holiday experience as it specifically addresses the multi-dimensional character of consumer satisfaction with a holiday.

### Marketing Implications

The results have identified several key benefits sought by respondents that will be useful for promoting Vietnam in Australia. Vietnam is perceived as most attractive in terms of its scenic beauty, history and culture, friendliness of local people, food, cultural and natural attractions as well as being a vacation showing value for money. The Vietnamese tourism industry and Australian outbound tour operators should use these benefit factors to promote Vietnam as a tourist destination in Australia.

The findings provide relevant information on the development of tourist products, tour planning and design of programs. Activities and attractions are key attributes of a specific destination such as Vietnam that should be exploited by Tour Operators in order to deliver effective travel products and services to holidaymakers. However Vietnam should market its wartime heritage in an effective, appropriate and consistent manner (with interpretation presented in an informative and unbiased manner) instead of adopting a one-sided approach.

Australian travellers are interested in learning more about the history and culture of a Vietnam. Understanding culture is one of the major aspects of the Australian tourist experience. They reported activities that expanded their own experiences such as meeting with hosts, appreciating different customs and enjoying the Vietnamese cuisine as being significant. Tourism has positively affected the attitudes and opinions that they have of



Vietnamese hosts and this can lead to a reduction in contrary ethnic attitudes. As culture was considered to be one of the important beneficial factors to Australian tourists when considering Vietnam as a destination, these attributes thus will strengthen the cultural tour's itinerary and allow tourists to fully explore the rich tradition and heritage of the country.

Regarding costs of products and services offered, it is suggested that the Vietnamese tourism industry should implement different marketing policies, such as reduced prices for goods and services at the destination, or an incentive tour price to take into account seasonal impacts. Furthermore, a revision of the dual-policy concerning transportation pricing might be desirable to make the travel fares in Vietnam more competitive and more attractive to potential Australian tourists.

There are also some negative images of Vietnam prevalent amongst the Australian pleasure travellers surveyed. Given the current economic situation in Vietnam, it is difficult to see that very much can be done in the short term to improve the situation concerning harassment by beggars and street vendors in major cities of Vietnam. However, approaches to various government authorities, particularly at a local level, may be successful in curbing these activities.

Although pollution is considered as an uncontrollable item for destination management, this negative attribute still requires a concerted effort from the Vietnamese government. Vietnam, like many developing countries in South East Asia, does not assign pollution control significant importance at present. Again, approaches to government may succeed in reducing existing levels. Similar comments apply to the issue of general cleanliness. Preventative measures such as appropriate food handling as well as improving the quality of food and drink will be essential to limit health risks to tourists.

Given the outcomes of the study, it is obvious that respondents are generally satisfied with the holiday characteristics of Vietnam. The good experiences reported and the significant levels of satisfaction of Australian travellers indicate that Vietnam has great potential to offer to tourists.

## **CONCLUSIONS AND RECOMMENDATIONS**

The objectives of this study were to test the suitability and applicability of a newly developed model –HOLSAT– which compares the Performance of holiday attributes against a holidaymaker's Expectations as well as presenting Australians travellers' views and their assessment of Vietnam as a holiday destination. The findings from this study have illustrated the potential usefulness of the HOLSAT model in capturing Australian pleasure travellers' sense of satisfaction/dissatisfaction with various attributes of Vietnam as a holiday destination.

Methodologically, the current study attempts to improve the approach of the HOLSAT model in a several ways. Apart from the HOLSAT survey instrument, a series of open questions were also included to gain richer information about the overall holiday experience. HOLSAT has also been applied to four sub-segments of the Australian pleasure market in order to provide information on the differences between each group: Female versus Male respondents, and Packaged Tour versus Free Independent Travellers.

The combined use of quantitative and qualitative data analysis has been very effective in the current study, with frequent comparisons made during data analysis. Most results from the survey were supported and supplemented by the findings from open questions. More detailed information has been obtained from respondents' perception and evaluation of Vietnam as a holiday destination than derived from the qualitative results revealed from the HOLSAT instrument alone. Differences between findings from the two approaches thus point out the need for further research to identify possible reasons.

The current study provides insights into how Vietnam is perceived as a holiday destination by Australian travellers. The data demonstrate that the respondents hold a generally positive view of Vietnam and the experience of travelling within the country. The identified overall perception of respondents (the pre-trip Expectation and the actual Experience) and their satisfaction level have strong practical and policy implications in targeted marketing, product development and management. As a result of a comparison between Expectation and Experience, the findings facilitate a better understanding of the leisure behaviour of Australian pleasure travellers during their visit to Vietnam. The use of the HOLSAT model has provided another approach to understanding Australian pleasure travellers to Vietnam.

According to Mok and Armstrong (1995) "The tastes and styles of travellers are still of an emerging nature". Therefore, longitudinal research on Australian pleasure travellers should be conducted to obtain patterns of travel and to monitor the changes in attitudes towards different types of activities and services. It might be worthwhile to include other segmentation studies with an application of the HOLSAT model to see for example, if there is any difference in responses between first-time and repeat travellers to Vietnam. The relatively high cost of holidaying in Australia, the strength of the Australian dollar compared with Vietnamese currency and particularly the attractiveness of Vietnam with its interesting history and culture, should further boost travel from Australia to Vietnam.

In summary, the results of this study could be helpful for the Vietnam tourism industry in targeted marketing and the development of more effective promotional strategies as well as product development for the Australian market. Nonetheless, providing satisfactory experience to Australian tourists is equally as important as building a good image of Vietnam in the Australian market. Tourism service providers should ensure that their Australian customers' travel experiences in Vietnam are satisfactory. They should consider how to provide added value to customer experience in order to secure share in this large emerging market.

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DEMO

*Chapter 3*

## INSTITUTIONS AND TOURISM DEVELOPMENT

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### INTRODUCTION

This chapter<sup>1</sup> considers the impact on the tourism sector of the major institutional constraints arising from the issue of property rights in Fiji. It traces the development of the tourism industry in Fiji in the context of the country's new economic policies and the controversial property rights in land. The tourism industry in Fiji has grown substantially since the late 1960s when annual average visitor arrivals were about 150,000.<sup>2</sup> Since the 1960s there has been a remarkable growth in the industry. For example, the number of visitor arrivals in 1990 was 279,000. Growth in the last decade, particularly, has been rapid and the tourism industry is now the single largest foreign exchange earner for Fiji, surpassing the traditional sugar exports, which in 1998 amounted to F\$244 million, representing about 9.5 percent of GDP. In the year same earnings from tourism accounted for F\$568 million, about 21.1 percent of the GDP. It is, as well as, one of the major industries where employment has grown over the years and currently about 40,000 people are directly employed in the industry (Fiji Government, 2002). Growth of the industry is fostered by concerted government policies to promote its development. The Fijian government believes that the standard of accommodation, support facilities and infrastructure and marketing strategies are well established for future development of tourism.

Wanting to reduce Fiji's dependence on the sugar industry as a major export-earner, the Fiji government aims to make the tourism industry in Fiji a leading sector of its economy. The development of the tourism industry fits in well with the Fijian government's export-

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<sup>1</sup> An earlier version of the chapter was published as Prasad, B.C. and Tisdell, C. (1999) "Tourism in Fiji: Its Economic Development and Property Rights", in Tisdell, C.A and Roy, K.C. (eds) *The Development of Tourism: Economic, Political, Social and Environmental Issues*, New York: Nova Science Publishers.

<sup>2</sup> For earlier details on the arrival of tourists in Fiji see Britton (1983), Sutherland (1992) and Plange (1996).

oriented restructuring of the economy. The tourism industry has provided some hope and optimism in the midst of the disappointing overall performance of the economy since the 1987 military coups. Nevertheless, while the tourism industry has experienced high growth rates in recent years, it is vulnerable to a number of factors. First, it faces stiff competition from similar tourist destinations such as countries in the Caribbean, the Indian Ocean rim countries and the South East Asian nations. Secondly, there is concern that the foreign leakage from the industry and the small local multiplier effect could erode local community support for the industry. Thirdly, the uncertainty of property rights in land and the climate of political uncertainty may affect long-term investment in the industry. Finally, some are worried about the impact of the industry on the environment and its ability to achieve long-term sustainable development, while many are also concerned about political instability in Fiji.

The World Bank (1995:15) points out that “improving air services, changing the structure of accommodation, expanding the tourism product, promoting Fiji in new and existing markets and training workers to meet changing human resource needs” will ensure the long-term survival of the industry. As far as we are aware, the study of institutional factors and in particular the issue of property rights has not been considered in previous studies on tourism in Fiji. This chapter therefore discusses this issue and puts it in the perspective of the overall policy development for the tourism industry in Fiji.<sup>3</sup>

What follows is a review of some theoretical issues relating to tourism as a development goal in developing countries and some global issues and trends; then a brief overview of the tourism industry in Fiji and an outline of some of its general trends follows. Subsequently we consider the implications of property rights in land for the future development of the industry before concluding.

### **SOME GLOBAL TRENDS AND THEORETICAL ISSUES IN TOURISM DEVELOPMENT**

The contribution of the tourism industry to the economic growth of many countries has surpassed those of traditional sectors such as agriculture and manufacturing. While there are regional differences as well as differences between the developed and developing countries, the overall trend worldwide has been a significant growth in the contribution of tourism to the GDP. Dieke (1995) points out that global tourism activity can be classified into three features: regional, developed countries and global. Based on the World Tourism Organisation's statistics and projections, world tourist arrivals and receipts are likely to increase substantially in future. According to Fletcher and Latham (1995) the annual average increase in visitor arrivals between 1950 and 1993 has been 7 percent. It is projected that in the year 2002 and beyond global tourist arrivals will be about 637 million and the earnings will amount to US\$527 billion. The 1990 figures for tourist arrivals and earnings were 482 million and US\$298 million respectively (WTO, 1990). Table 1 provides the details on world tourism growth rates and its contribution to the GDPs of various regions in 2001.

<sup>3</sup> For general historical and more recent analysis of land tenure system in Fiji and its impact on economic development see Ward (1965, 1969, 1980, 1985, 1987, 1992), France (1969), Overton (1989, 1994), Nayacakalou (1972) and Prasad and Tisdell (1996)



While the world trend shows increasing international visitor arrivals, individual regions provide different trends. The East Asia and the Pacific region show growth in the number of tourist arrivals.

Within the South Pacific region, excluding Australia and New Zealand, thirteen countries form the South Pacific Tourism Organisation (SPTO) experienced an absolute increase in the number of tourist arrivals<sup>4</sup>. Fiji, Western Samoa, French Polynesia experienced strong growth while Papua New Guinea, Marshall Islands and Solomon Islands experienced a drop. Fiji alone accounts for about 40 percent of the total tourist arrivals in the TCSP (Tourism Council of the Pacific) region. French Polynesia, New Caledonia and Fiji account for about 70 percent of the tourist traffic to the TCSP region.

**Table 1. World Travel and Tourism Contribution to GDP: 2001**

Gross Domestic Product			
Regions	US\$ billion	Tourism and travel as a % of GDP	Growth Rate
World	3,497.1	10.7	4.6
Africa	48.0	8.7	8.3
North Africa	26.5	11.0	6.7
Sub-Sahara Africa	21.5	6.4	10.9
Americas	1,514.0	12.6	3.8
North Americas	1,379.1	11.7	5.5
Latin Americas	108.7	8.0	3.2
Caribbean	26.2	16.5	2.9
Asia/Pacific	710.5	8.5	5.2
Oceania	53.7	11.7	3.1
Northeast Asia	552.0	8.5	3.6
Southeast Asia	70.1	9.1	5.3
South Asia	34.7	5.2	9.0
Europe	1,457.1	11.3	4.6
European Union	1,017.2	12.2	4.0
Other Western Europe	66.9	11.5	0.6
Central and Western Europe	73.0	10.2	9.3
Middle East	66.4	9.7	5.7

Source: World Travel and Tourism Council, 2001.

Tourism receipts overall show an increase, as does the number of tourist arrivals. There are however, marked regional variations. The figures show that the global growth rate was more than 4 percent in 2001. Areas such as South Asia, Africa and Sub-Saharan Africa show high growth rates. In sum, what is clear is that tourism, as an industry has grown worldwide.

Many developing countries see the development of the tourism sector today as the panacea for their economic ills. This is because the growth of the tourism industry worldwide has exceeded that of traditional sectors such as the oil and motor industries and is growing at

<sup>4</sup> The SPTO region has 13 member countries, Cook Islands, Fiji, French Polynesia, Kiribati, Marshall Islands, New Caledonia, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Samoa.

a significant rate. The economic significance of the industry directly comes from the amount of tourist dollars received and retained by the host countries and the level of employment generated by the industry. However, the actual measurement of the contribution of the industry to the economy is beset by conceptual and empirical difficulties. The tourism industry itself cannot be defined as a homogeneous collection of goods and services. Economic factors such as fluctuations in the currency, travel fares and prices of goods and services in general affect the flow of tourists. Non-economic factors such as political instability and terrorism attacks also affect the industry in a number of ways (Hagan and Harrison, 1984).

There is currently no widespread agreement on the methods used to quantify the benefits and costs of the tourism industry to the economy. A number of methods such as the inventory/budget method (Kottke, 1988), input and output (I-O) analysis, and more recently the cost-benefit analysis have been used. Input-output analysis is the most commonly used and has been applied to study the impact of tourism on the economy at both regional and country levels. For these types of analyses see Liu (1986), Milne (1987), Summary (1987), Khan, Seng and Cheong (1990), Toh and Low (1990), Milon, Mulkey and Ellerbrook (1992), Baier (1994) and Archer and Fletcher (1996).

Apart from the economic impact of tourism, environmental, social and cultural issues have become major factors in the development of the industry. Before the 1960s, the relationship between tourism and environment was one of normal coexistence. As the scale of tourism increased, conflicts between the environment and tourism activity were perceived. Since the 1970s, this conflict has received greater attention (Akoglu 1971, Mathieson and Wall 1982, Holder 1988, and Smith and Jenner 1989). From the point of view of the environment, the development of ecotourism is seen as the most desirable goal by many developing countries. This is so because tourists demand uniqueness of the environment and they are prepared to pay a premium for it (Tisdell, 1988). However, the development of nature tourism is not always economical. Tisdell (1995) for example, points out that while nature tourism ought to be promoted, the returns from investment in it are not always assured. He points out that the private profitability of investment in nature tourism is dependent on the ability of governments to provide appropriate infrastructure.

Environmental concerns also relate to the need to maintain natural habitats and historical sites for the tourism industry. The demand from the tourists, mainly from the developed world, includes access to natural environment in the developing countries. In fact, the interest of both the developed and the developing countries coincide when the positive impact of the tourism industry on the environment is considered (Lea, 1988).

According to Mathieson and Wall (1982), there are at least four positive conservation influences from tourism. These are as follows:

- rehabilitation of historic sites and buildings
- transportation and recreation of old sites and buildings for new uses.
- conservation of natural resources for example the establishment of national parks
- the adoption of planning and implementation of controls for the good management of the environment.

These influences, though, imply the adoption of Western systems of control and management. For many developing countries, this is not always possible as the appropriate

institutions and funding are limited. The negative influences include permanent changes to the environment as the need for more infrastructure arises. Airports, new roads and so on often put stress on agricultural land in smaller countries. The tourism industry also produces by-products that are waste materials, and these affect mainly air, soil and water quality. The attraction of people to centres of tourism activities, mainly in the urban areas, has put stress on the urban environment in many smaller developing nations. The small island nations in the South Pacific, such as Kiribati and Fiji, are already experiencing urban environmental problems (Bryant, 1993). Negative social and cultural influences have been identified as potential problems for the industry. In particular, the negative social effects on moral behaviour have been highlighted. Positive impact includes the preservation of traditional art and culture and the skills associated with these.

## **TOURISM AND ECONOMIC DEVELOPMENT: A GENERAL DEBATE**

The theoretical rationale for tourism as a development strategy derives from the relationship of exports to economic growth. The inbound tourism industry is considered an export industry from the point of view of the foreign exchange earnings by the host country. Ecotourism, for example, has been likened to the establishment of export processing zones within the model of export-oriented growth strategy (Bandy, 1996).

In the 1950s, 60s and the early 70s, the import-substitution strategy for industrialisation and agricultural production was seen as a panacea for economic development. The theoretical underpinning of this strategy was provided by economists such as Rosentein-Rodan (1943), Prebisch (1950) and Singer (1950). Prebisch and Singer were particularly influential in the adoption of the import-substitution strategy in most of the Latin American countries. This strategy reflected the post Second World War independent countries mood for economic self-sufficiency. The strategy involved high levels of protection for domestic industries. Towards the end of the 1970s, the success of the import-substitution strategy was increasingly questioned. The debt crisis and the economic malaise in Latin American and African countries provided greater impetus for a move towards alternative strategies. The import substitution strategy came under scrutiny and criticisms from economists. See for example Power (1966), Hirschman (1968), Bruton (1970), Little, Scitovsky and Scott (1970), Krueger (1974), Gillis, Perkins, Roemer and Snodgrass (1987), Kirkpatrick (1987 and Todaro (1994).

As an alternative strategy, export-oriented policies were promoted from the late 1960s onwards. In many developing countries excluding the East Asian newly Industrialising Countries (NICs) the move towards an export-oriented strategy has been a recent one. The theoretical rationale for this strategy derives from the concept of comparative advantage through trade and more so from the failure of the import-substitution strategy. For arguments in favour of export-oriented development strategy, see Ranis (1973), Krueger (1983) and Bhagwati (1988). While the export-oriented strategy is widely recognised and applied, there is no unanimity on the effectiveness. There is still debate whether the strategy is workable in all the developing countries. Some of the counter arguments to the promotion of export-oriented strategy have been discussed by Streeten (1982), Cline (1982) and Fields (1984). On the question of appropriate trade policies and the structure of protection, see Corden (1971), Balassa (1983), Krueger (1983) and Bhagwati (1994).

Despite the ongoing debate about the effectiveness of the two strategies, export-oriented policies are now widely believed to be producing favourable results in many developing countries. The success stories of the Asian NIC's are usually taken as examples. Furthermore, the adoption of outward-looking policies has accelerated due to the support from the IMF and the World Bank and widely favoured by developed countries. See, for example, the World Development Report (1987). The adoption of structural adjustment policies (SAPs) by many developing countries is now a precondition for IMF and World Bank loans. The structural adjustment policies advocated by the IMF and the World Bank place emphasis on the private sector as the 'engine of growth'. The policies are geared towards creating conditions for the efficient functioning of the market. The development of the tourism industry fits in well within this overall development strategy for developing countries. Governments are attracted to this sector, as it is generally the private sector that invests in the tourism sector. Whether tourism can be relied upon as a long-term development means for many developing countries depends upon domestic institutional and political factors and the demands generated by the international tourism market.

## OVERVIEW OF TOURISM INDUSTRY IN FIJI

Tourism plays an important role in the economic development of Fiji. With the growing international demand for tourism, tourism provides a major prospect for growth in Fiji. The industry in the past has survived the impact of rising fuel prices in the 1970s and the 1980s, political upheavals of 1987 and 2000, and changing economic conditions in visitor markets and fluctuating exchange rates. Fiji has a relatively narrow economic base and is largely dependent on the export of sugar. It has, however, in the last 10 years or so moved towards promoting the manufacturing sector, which has seen some growth. The development of the garment industry for example, in the manufacturing sector provided a significant boost in Fiji's manufactured exports.

Despite some of the bottlenecks, the tourism sector has grown remarkably in comparison to other sectors. The annual growth in visitor arrivals was estimated to be around ten percent in the 1990s. The actual growth rate however has remained between 3 - 4 percent since 1990.

The government of Fiji has increased its emphasis on the development of the industry, and the broad thrust of its policies can be summarised as follows:

- Active marketing of the tourism industry through the Fiji Visitors' Bureau and the private sector to boost visitor arrivals and diversify source markets;
- securing adequate airline capacity through attracting additional foreign airlines to Fiji;
- encouraging investment in tourism plant to realise the full development potential of the industry;
- strengthening linkages with the rest of the economy to ensure increasing retention of the tourist dollar through increased local participation;
- contributing to enhanced Fijian participation, particularly in rural areas, through encouragement of small business commercial activities focussing on secondary tourism activities, with direct links to established tourist plants;

- promotion of education and training to ensure availability of suitably trained manpower and increased tourism awareness within the community; and
- integrated planning of tourism development." (Government of Fiji, 1993:98)

Successive governments since the late 1980s and early 1990s have continued with plans to expand the industry. The political crisis in 2000 affected tourist arrivals drastically, but these recovered remarkably in 2001 and 2002. For example, in 2001, tourist arrivals totalled 348,014, an 18 percent increase from 249,070 in 2000. In the Fiji Governments Strategic Development Plan for 2003 to 2005, the plan for the development of the industry is clearly articulated. Table 2 summarises the plans.

**Table 2. Tourism Development Plan for Fiji: 2003-2005**

Policy Objectives	Key Performances Indicators
<ul style="list-style-type: none"> <li>• To increase visitor arrivals</li> </ul>	<ul style="list-style-type: none"> <li>• Direct flights to new markets.</li> <li>• Over 4488,000 visitors by 2004</li> <li>• Improved target marketing by FVB</li> <li>• An additional 2000 rooms available with the new 3 to 5 star hotels completed by 2005</li> <li>• "Keep Fiji Clean" program established by 2003</li> </ul>
<ul style="list-style-type: none"> <li>• To increase economic contribution and the retention of the tourist dollar</li> </ul>	<ul style="list-style-type: none"> <li>• 26,500 new jobs by 2005</li> <li>• Tourism satellite accounts implemented by 2004</li> <li>• Establishment of Nadi Bay and Mamamucas as Pilot Tourism Development Area by 2005</li> <li>• New Duty-free regime introduced by 2003</li> <li>• More senior management positions held by resource owners</li> </ul>
<ul style="list-style-type: none"> <li>• To increase resource owner's participation in the tourism industry</li> </ul>	<ul style="list-style-type: none"> <li>• More resource owner businesses established</li> <li>• Resource owners' representative body established by 2003</li> <li>• More Senior Management positions held by resource owners</li> </ul>
<ul style="list-style-type: none"> <li>• To promote sustainable eco-tourism development</li> </ul>	<ul style="list-style-type: none"> <li>• 2 nature parks and walkways by 2004</li> <li>• 2 marine parks by 2004</li> <li>• Best practice framework for ecotourism by 2003</li> <li>• At least 50 % of nature based and community based tourism operations meet or exceed ecotourism best practice guidelines and standards by 2004.</li> <li>• Ecotourism awareness education for hosts and guests established by 2005.</li> </ul>

Source: Fiji Government, 2002:85.

While these stated policies capture some of the key issues, they do not address the fundamental problems such as the availability of land and the way property rights affect investment in the industry. The demand for up-market facilities and competition from other destinations calls for increased investment and the improvement in the delivery of essential services.

## TOURISM DEMAND

In the early 1980s and particularly during the period of Development Plan Eight (1981-1985), growth in visitor arrivals averaged 5.5% per annum and foreign tourism receipts rose at an average of 6.2 percent per annum (Fiji Government, 1980). Growth of the industry continued until the military coups of 1987, when severe damage was inflicted. Visitor arrivals, for example, fell by 26 percent. Growth rebounded once an interim government was put in place and confidence in the country improved. Tourist arrivals to Fiji improved dramatically from 190,000 in 1987 to 319,000 in 1995. The World Bank (1995) points out that despite rapid growth in visitor arrivals after the coup, the annual average growth rate in 1981-1994 was only 3.8 percent. The average annual growth rate for the Oceania region was about 9 percent in the same period. Figure 1 shows the trends in visitor arrivals to Fiji between 1975 and 1994.

With respect to tourism demand, Narayan (2002) uses error-correction and co-integration techniques to construct a tourism demand model for Fiji based on its main tourist source markets including Australia, New Zealand and the United States, for the period 1970-2000. Narayan's analysis shows that income growth in the source markets for Fiji's tourists has led to growth in the number of visitor arrivals. The analysis also suggests that a key factor influencing Fiji's tourism competitiveness includes the cost of travel to Fiji. However, these are only some of the determinants of tourism demand. Narayan rightly points out that issues such as expenditure on marketing to promote Fiji as a destination and other factors such as the unattractiveness of competitive destinations due to terrorism or political instability could determine the actual number of tourists that may visit Fiji at any time. As will be pointed out later in the chapter, price and income determinations may all attract tourists but, the availability of tourism infrastructure and investment in hotels and other facilities will determine whether Fiji's tourism industry can develop to its full potential. Institutional factors such as property rights in land are considered in the later part of this chapter.

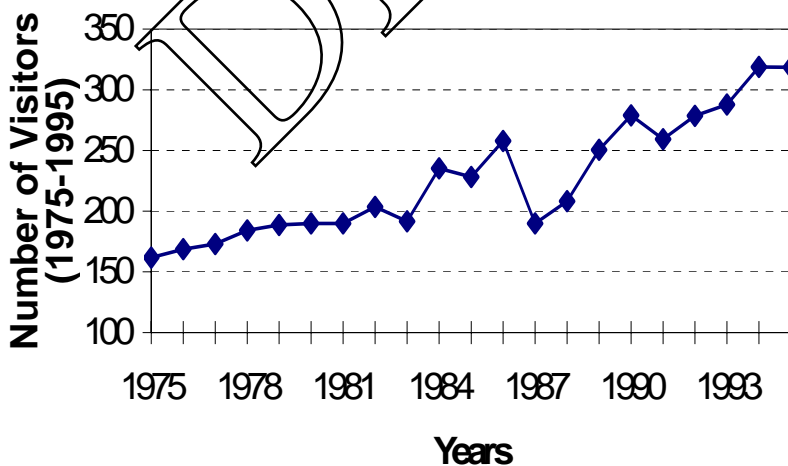


Figure 1. Annual Visitor Arrivals, Fiji, 1975-1995.

## ORIGIN OF VISITORS

Traditional sources of visitors for Fiji have been Australia, New Zealand and the USA. These three countries accounted for about 75 percent of the total arrivals in Fiji between 1975 and 1986. As shown by table 3, this trend has been changing, with visitor arrivals from Japan and Europe increasing from 11 percent in 1975-1986 to about 25 percent in 1988-1994. More recently, however, Australia, New Zealand and the United States account for 60 percent of tourists coming to Fiji (Reserve Bank of Fiji, 2002).

**Table 3. Fiji Visitor Arrival: Period Average Growth Rates**

Year	AUST	NZ	NORTH AMERICA	UK	JAPAN	EUROPE	OTHERS
1975-86	40	17.5	23.4	2.9	4.0	4.1	8.1
1988-94	32.9	12.6	20.4	5.9	9.2	10.0	9.0
1995-00	-0.4	-3.2	5.2	3.9	-11.3	-8.7	2.1
2001-03	22.2	6.4	0.6	31.6	7.5	2.2	7.5

Source: (Fiji Bureau of Statistics (1996) and RBF Quarterly Review, March (2004)).

The relative decline in the number of arrivals from the traditional sources is due to the increase in the cost of the holidays in Fiji and cheaper alternatives available to Australians and New Zealanders, particularly in the South East Asian Region. This has come about as a direct result of Australian economic policies to move into the Asian market and integrate its economy into that region. Furthermore, deregulation policies, especially in the airline industry have provided more competition and hence cheaper airfares to some of the well-known tourist destinations such as Bali and within Australia. The World Bank (1995) points out the increase in the cost of holiday packages as a factor in the reduction of visitor arrivals to Fiji from Australia and New Zealand. Table 4 shows the cost of holiday packages originating in Sydney, Australia. As shown by table 4 the cost of holiday to Fiji is more expensive than other destinations such as Bali and those available in Australia. Australia is the largest source of visitors to Fiji and cheaper alternatives to similar kinds of holiday destinations has had an adverse impact on the number of visitors. The trend is likely to continue given Australia's promotion of its own tourist industry and as "tropical island" tourist destinations within Australia are further promoted.

**Table 4. Cost Of Holiday Packages Originating in Sydney, Australia**

Destination	Price
Fiji	\$1,034-\$1,337
Western Samoa	\$1,073-\$1,380
Vanuatu	\$929-\$1,132
Bali, Indonesia	\$926-\$1,132
North Queensland, Australia	\$854-\$1,087
Queensland Islands, Australia	\$799-\$1,344

Source: World Bank, 1995:44.

## TOURISM EARNINGS AND TOURISM'S CONTRIBUTION TO THE FIJIAN ECONOMY

Tourist earnings in Fiji have been significant and this has been used to justify the importance of the industry to the economy. Estimates of the tourist earnings are compiled by the Fiji Bureau of Statistics from the information obtained for the Tourist Expenditure Index. As shown by table 5 the gross tourist receipts have significantly increased in the last decade. In 1992, tourist receipts from visitors amounted to 59 percent of the total domestic exports, while in 2002 it went up to 64 percent.

**Table 5. Gross Tourist Receipts from Tourism, Fiji, 1971-1995**

Year	(1) Gross Tourist Receipt	(2) Sugar (fob)	(3) Total Domestic Exports	(4) Total Re-exports	(5) Tourist Receipt as % of (3)	(6) Tourist Receipt as % of (3)+(4)
1973	49.2	34.3	52.1	21.5	94.4	66.8
1974	60.6	67.0	95.4	28.4	63.5	48.9
1975	69.0	94.7	115.9	26.3	59.5	48.5
1976	76.0	67.7	89.4	33.1	63.0	62.0
1977	80.0	93.6	124.5	39.8	64.3	48.7
1978	86.0	83.3	121.9	44.6	70.5	51.7
1979	102.0	117.0	167.6	47.4	60.9	47.4
1980	108.0	174.2	229.7	75.9	47.0	35.3
1981	122.0	131.6	193.7	75.2	63.0	45.4
1982	142.0	125.1	181.2	86.4	78.4	53.1
1983	135.0	111.9	177.8	67.1	75.9	55.1
1984	161.4	110.0	197.8	82.0	81.6	57.7
1985	168.7	111.8	190.6	80.8	88.5	62.2
1986	185.0	133.7	242.0	70.4	76.4	59.2
1987	148.4	186.1	334.1	74.5	44.4	36.3
1988	186.5	198.3	449.3	84.0	41.5	35.0
1989	269.6	228.3	552.5	106.2	48.8	40.9
1990	294.6	223.7	585.4	146.4	50.3	40.3
1991	286.3	220.4	554.3	109.8	51.7	43.1
1992	328.1	221.3	556.8	112.2	59.0	49.1
1993	296.2	258.5	543.6	74.5	54.4	47.9
1994	320.8	269.7	587.2	66.8	54.6	49.1
1995	442.3	299.2	650.2	73.7	68.0	61.0

Source: Fiji Bureau of Statistics, 1992: 52.

While Fiji's foreign tourism receipts have increased substantially over the 1990s, its multiplier effect from these receipts has been lower than for the sugar industry, as will be specified below. Significant leakage of tourism earnings occurs in the form of profit repatriation, expatriates workers particularly by middle-level and senior-level management and for imports of tourism-related goods. The actual impact of the tourism industry is measured through its multiplier effect.

According to Keynesian theory, exports are injections into the economy and this stimulates economic growth. Foreign tourism receipts are like exports and may stimulate



economic growth. The extent to which the tourist dollar multiplies depends on the extent of leakages in the form of savings, taxes, imports and dividends. The higher the leakages the lower the multipliers that is, both income and employment multipliers. Measuring the economic impact of tourism is complex, as it does not take place within the framework of each specified sector of the economy. Various approaches have been applied to study the impact of tourism and the choice of a particular approach depends on the purpose of the research, resources available and the structure of the economy. The most common approach, however, is based on various multipliers of tourist spending in the economy.

Multipliers provide a measure of the impact of expenditure in one sector on various economic aggregates. In the case of tourism expenditure, it is possible to establish its impact on national income, employment, government revenue and imports. The most common approach to deriving multipliers is the use of input-output tables. For a general review of literature on tourism multipliers see Archer (1977) and Fletcher (1989) and multiplier studies on individual countries see Briguilio (1992) for Malta, Curry (1986) for Tanzania, Liu (1986) for Hawaii, Lin and Sung (1983) for Hong Kong, Norton (1982) for Ireland, Archer and Wanhill (1981) for Mauritius and Varley for Fiji (1978).

One of the main issues, causing concern to policy-makers in developing countries, is how much of the tourist dollar leaks out of the country. It has been estimated that about 55 percent of the total tourist dollar spent in developing countries leaks out to investors in the developed countries (Bandy, 1996). Fiji falls into the category of countries that are heavily dependent on imports. Table 6 shows Fiji's tourism income multipliers together with those for some selected countries.

**Table 6. Tourism Income Multipliers for Selected Countries**

Destination	Income Multipliers*
United Kingdom	1.73
Egypt	1.23
Jamaica	1.23
Dominican Republic	1.20
Cyprus	1.14
Bermuda	1.09
Hong Kong	1.02
Mauritius	0.96
Antigua	0.88
Bahamas	0.79
Fiji	0.72
Cayman Islands	0.65
Iceland	0.64
British Virgin Islands	0.58
Solomon Islands	0.52
Republic of Palau	0.50
Western Samoa	0.39

From Personal Tourist Expenditure.

Source: Lundberg, Krishnamoorthy and Stavenga, 1995: 137.

Calculations of the tourism income multiplier for Fiji have varied over the years. For example, Lundberg, Krishnamoorthy, and Stavenga, (1995) estimate the tourism income multiplier for Fiji for 1992 to be 0.72. We observe that the income multiplier from inbound tourism seems to be higher for larger countries e.g. UK, lower for smaller economies such as Fiji's. Also the multiplier appears to be higher for the Caribbean economies and Mauritius therefore the Pacific island economies listed in the table.

The Fijian government estimated the tourism income multiplier for 1992 to be 0.94 and the multiplier for the sugar industry to be 1.47 (Fiji Government, 1995). More recently, a study by the Central Planning Office of the Fiji government puts the tourism income multiplier as 1.07. Table 7 shows the impact of tourism expenditure on national income, employment, government revenue and on imports.

**Table 7. Public Revenue, Employment and Imports of Fiji, 1995-1996**

	Multiplier	Impact in 1995	Estimated Impact in 1996
Tourism Expenditure's Impact on:	Impact of \$1	\$442.3	\$470.1
Employment	0.000096	42,461	45,130
Income	1.07	\$473m	\$503m
Public Revenue	0.3367	\$149m	\$158m
Imports	0.5624	\$249m	\$264m
Household Expenditure	0.2266	\$100.2m	\$106.m

Source: Fiji Government, 1995.

As Table 7 indicates that Fiji's foreign, tourism income multiplier was 1.07 and in 1995, and the effect of tourism expenditure on national income was \$473 million. This represented 20 percent of Fiji's GDP. Furthermore, it created 42,461 full-time jobs as a result of \$442.3 million of tourism expenditure in 1995. This represents about 15 percent of Fiji's total labour force. Tourists' expenditure also had a significant impact on public revenue and imports. The direct and indirect import multipliers for 1995 are 0.120 and 0.115 respectively. The import requirement therefore based on the 1995 expenditure is \$103.9 leading to a net positive impact on the balance of payments of \$338.4 million.

With an induced multiplier of 0.326, the total induced imports amounted to \$144.2 million. The total leakage, therefore, amounts to 57 percent. This figure, however, does not include outflows in the form of repatriation of profits, salaries and wages and dividends. The Central Planning Office of the Fiji Government estimates this leakage to be around 10 percent. The total leakage from expenditure on tourism in Fiji by visitors therefore amounts to 67 percent. It has been estimated that gross repatriation of profits alone amounts to 7.8 percent of the total foreign exchange outflow (Chand, 1996). This suggests a large proportion of foreign ownership of hotels and huge tax incentives for increased profit. The income multiplier and the extent of leakage indicates that the tourism industry's capacity to generate real import purchasing power (that is, foreign exchange per unit of service sold, deflated by the price of imports) is relatively weak.

As shown by table 8, the agricultural sector including sugar, and the manufacturing sector have a larger impact on income generation. Tourism, however, has a larger impact on the level of employment.

**Table 8. Impact of Tourism in Fiji Per \$1000 of Exports, 1995**

Sectors	Incomes	Public Sector Revenue	Imports	Employment
Tourism	1070.9	336.7	562.4	0.096
Agriculture	1511.1	315.7	521.1	0.052
Manufacturing	1290.0	341.8	540.8	0.080
Mining	777.6	190.6	190.6	0.051

Source: Fiji Government, 1995.

## PURPOSE OF VISITS TO FIJI

The majority of the visitors to Fiji are holidaying visitors. For example, in 1992, 82 percent of the visitors to Fiji were on holiday. Table 9 shows the percentage distribution of visitors by major purpose in 1988-1992. Japan had the highest number (94.3%) of visitors on holiday, followed by Europe, the USA, Australia and New Zealand. Those in the business category came mainly from Australia and New Zealand.

**Table 9. Distribution of Visitors by Purpose of Visit**

Years	Purpose of Visit			Total
	Business	Holiday	Others	
1988	5.9	80.5	13.6	100
1989	5.7	76.5	17.8	100
1990	4.9	76.3	18.8	100
1991	4.8	80.6	14.6	100
1992	6.7	82	11.3	100
1993	5.5	81.1	13.4	100
1994	5.6	80.2	14.2	100
1995	5.2	80.4	14.4	100
1996	5	80.9	14.1	100
1997	5.1	80.9	14	100
1998	4.9	79.7	15.4	100
1999	4.6	79.6	15.8	100
2000	4.8	76.1	19.1	100

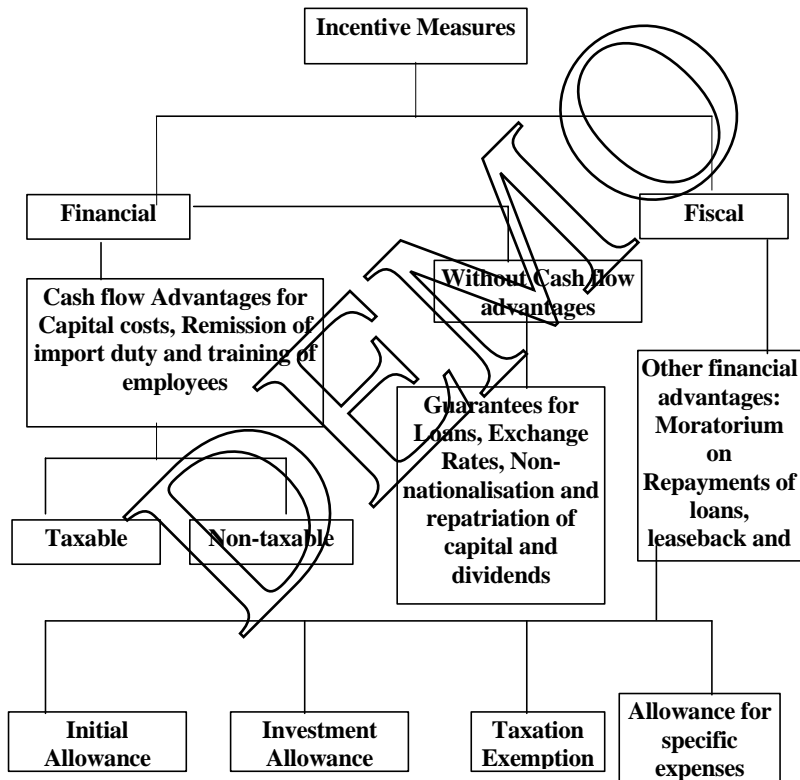
Source: Fiji Bureau of Statistics, 1992: 6 and 2000: 94.

## INCENTIVES AND INVESTMENT FOR TOURISM DEVELOPMENT

The Fiji government has adopted tourism development as its major economic policy goal. Tourism as in many developing countries is seen as a private sector led economic activity. Incentives to potential investors are often used as a key to the development of the tourism industry. According to Bodlender (1982) and Jenkins (1992), tourism incentives can be divided into financial and fiscal policy measures. Bloom and Mostert (1995) further discuss

these incentives in the context of the South African tourism industry and point out that lack of proper incentives can seriously impede investment in the industry. Financial incentives include grants and subsidies for the enterprises undertaking tourism investment, while fiscal incentives include government's use of the country's tax system to promote the industry. Figure 2 provides an indication of the kinds of incentives available to the tourism industry in general. The Fijian government's incentives and assistance to the tourism industry can be summarised as follows:

- Hotels Aid and Investment Allowance
- Carry forward of Losses
- Accelerated Depreciation Allowance
- Work Permits
- Hotels Aid Act
- Duty Concessions



Source: Based on Bloom and Mostert, 1995.

Figure 2. Government Incentive Measures Available To The Tourism Industry Generally.

Under the Hotels Aid Act, apart from the normal depreciation, a further 55 % of the approved capital expenditure on the tourism project is allowed for tax purposes. Carry forward losses under the Act allows for tax losses in any year to be offset by profits in subsequent years. Accelerated depreciation allowance involves an accelerated write-off of capital expenditure.

Work permits provide for the hiring of expatriate workers where local skills are not available. Normally these permits are for 3 years. Under the Hotels Aid Act a range of other concessions are granted to investors, for example concessions for a new hotel, extension or expenditures on buildings, fixtures, fittings and equipment. With the demand for upmarket hotels, the Fiji government has provided a package to attract 'five star' hotel investment. This package includes duty free entry for all capital goods, no corporate tax for 20 years and other related tax concession (Economic Intelligence Unit, 1996). Specification of the above incentives sets out broad guidelines but the procedures for approval are not transparent. For example, there is no formal application form on which investors can apply to the department of tourism as a one-stop shop for approval. Figure 3 shows the Government incentives available to the tourism industry in Fiji.

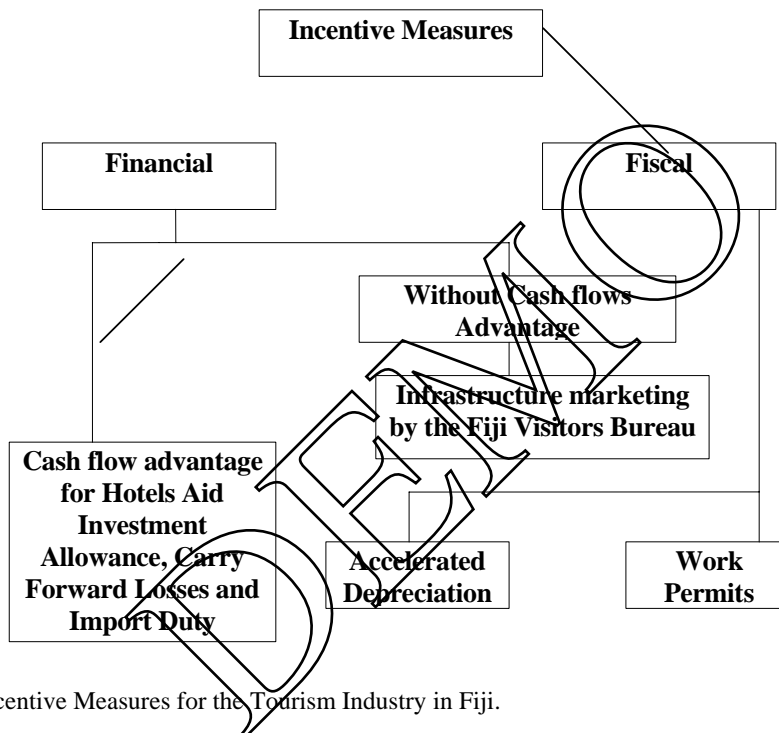


Figure 3. Incentive Measures for the Tourism Industry in Fiji.

## PROPERTY RIGHTS IN LAND AND TOURISM DEVELOPMENT

Natural environments are a resource for the tourism industry. Clawson and Knetsch (1966) point out that natural environments only become economic resources if they are in demand and in use by man. Mieczkowski (1990) points out that the interest in the study of natural resources and their link to the tourism industry is very recent. In his view, availability of natural resources for tourism/recreation had been taken for granted in the past. However, as the demand for tourism has increased it has become clear that this availability cannot be taken for granted. The resources are limited and therefore need protection, control and good management for the long-term sustainable development of the tourism industry.

Land is regarded as both a resource in itself and a carrier of other natural resources. With the growth of tourism activity, and particularly the emphasis on ecotourism, the demand for land has increased substantially. Some authors such as Mieczkowski (1990), regard land as 'finite geographical space', which in itself is a resource for tourism industry.

For the tourism industry, availability and supply of land is vital for long-term development of the industry. In many developing countries, land for tourism development must be taken from alternative uses such as agricultural and industrial development. Expansion of tourism activities concentrated near the urban areas also puts pressure on agricultural land. Budowski (1976) points out that the relationship between different land-uses can be complementary, parallel or competitive. In many developing countries, particularly island countries, the relationship is competitive, as tourism development is mainly concentrated in the coastal regions, which have productive agricultural land and fishing grounds.

Such competitiveness for land space is common in Pacific island countries, including Fiji. However, parts of some Pacific islands are in a rain-shadow, such as a part of the island of Hawaii. These parts, because of low rainfall, are unsuited to agriculture and forestry but can be quite suitable for tourism development because they mostly have sunny days and may be close to the sea.

In order to cater for different types of tourism and recreation, different quantities of land with varied qualities are required. Different types of land availability and management of it are needed to develop tourism optimally. Furthermore, appropriate combinations of privately secure rights in land and common property rights in land are required for such development. For example, privately owned land for hotels and common access to scenic sites and recreational areas, such as beaches, may be needed.

Land availability is a vital factor in the development of the tourism industry. The responsibility of governments in ensuring its availability on a sustainable basis has increased in the wake of increased demand for the development of tourism infrastructure (Mieczkowski, 1990). Government intervention does not necessarily imply nationalisation of land. However, some conservationists and environmentalists believe that land as a private commodity regulated by market forces cannot ensure sustainable development. They do not advocate nationalisation of private land but insist on government having the power to decide the way in which land is used, that is, having the power to impose controls and regulations for the use of land (Mieczkowski, 1990). Ideally, however, rights and responsibilities should be decided in advance so tourist developers have a clear idea of their property rights before embarking on their investment in the tourist industry.

Tourism infrastructure in most developing countries is fast becoming a private sector activity. Governments, under pressure from World Bank and the IMF, have embraced structural adjustment policies to advance their economic well-being. For Fiji, and indeed most of the South Pacific island nations, the issue of property rights in land and tourism is best summarised by a United Nations Report on Sustainable Tourism (United Nations, 1992: 26)

Many of the countries in the Pacific islands region have complicated landownership tradition where much of the land is in communal ownership and land is regarded as an inherited right to be held in trust for the good of the whole rather than an asset to be traded for personal wealth. In many cases, development must take place on leasehold land, which is not popular with developers. Many land agreements have to be made with

a community and each person in that community can rescind the agreement at any time. Many agreements are verbal with nothing written down. Landownership patterns are regional varying not only between countries but also between different regions of the same island. This is considered to be one of the major problems facing tourism development in the future

Therefore, the rights of tourism developers in land used for tourism in many Pacific island countries are uncertain. Tourism development in Fiji and the need for specification of property rights in land cannot be ignored in any policy development for the industry. For example, a report by a group of experts on tourism summarised its findings on the land and fishing rights in relation to tourism as follows (Fiji Government, 1996, 40):

The group raised concern at the increase in hotel cases where indigenous Fijian landowners opt to take unlawful acts such as road blocks to express their grievances as it relates to the application of their land and fishing rights

The group further pointed out that unlawful actions cause delay in the progress of various hotel building projects and discourage further investment in the industry. In the past, many projects have either been withdrawn by foreign investors or delayed because of disputes with the landowners.

Over recent years, the availability in Fiji of freehold and state land for tourism has declined and tourist development must increasingly take place on native land. Native land is administered by the Native Lands Trust Board (NLTB) on behalf of the landowners. This land by law cannot be sold and, therefore, has to be leased for use. During 1985 to 1989, the number of leases for tourism hotels granted by the NLTB increased from 48 to 60. The NLTB derived rents of \$F642, 000 and \$F1, 650,000 respectively in those years from tourist leases. Table 10 shows the NLTB rental income from various land use types. NLTB derived about 11 percent of its rental income from tourism, leasing of about 696 hectares mainly for hotel buildings.

**Table 10. NLTB Rental Income by Landuse, 1989**

Selected Landuse	Rental (F\$)	% of total NLTB rental Income	Number of Leases	Area (Ha)	Relative Value of Lease per hectare (F\$)
Agriculture	3,634,789	48	13,742	198,531	18.31
Residential	960,664	12	6,641	1,446	664.36
Hotel	800,084	11	63	696	1149.55
Commercial	454,281	6	789	524	866.94
Industrial	351,155	5	316	269	1305.41
Reserve Agri	386,845	5	2,590	74,264	5.21
Public Utility	300,367	4	436	14,997	20.03
Timber Concessions	100,667	1	8	45,336	2.22
Forestry	89,777	1	69	3,039	29.54

Source: NLTB Annual Reports. Since 2000 many agricultural leases have not been renewed but the percentage of rental income to NLTB from different types of land use has not changed.

The value of leases per hectare for the tourism industry is F\$1149.55 which is the second highest for the NLTB. The value of the industrial leases is the highest. However, the demand for native land for tourism development is likely to increase in future more than that for the industrial sector. The landowners are also inclined to lease more land for potential hotel development. There are two reasons for this. First, the value of the leases for hotels is high and secondly, landowners can demand guaranteed employment for the members of *mataqali* in the hotels. However, there are two problems associated with this as far as potential hotel investors are concerned. The first involves the question of guaranteed employment and the second is the value of the lease per hectare. In relation to guaranteed employment of the local *mataqali*, locals may not be well qualified for employment in the tourism industry, and because of their employment guarantee, they may not be diligent. The high rental value of the leases might act as a disincentive for further investment.

The role of NLTB in making the land available on terms that reflect the market conditions prevailing in the country will determine the future of the industry. In 1989, for example, 43 percent of the total hotel rooms were located on native land. Table 11 shows the distribution of accommodation on native land in Fiji in 1989. Note that native land policy affects not only hotel rooms but other infrastructure development for tourism, such as roads, electricity and communications. The development of ecotourism will further encroach on native land. The investment in tourism development has been promoted through various financial and fiscal incentives. These incentives are unlikely to work effectively if the issue of property rights is not resolved satisfactorily.

**Table 11. Distribution of Accommodation Units and Rooms on Native Land in 1999**

Region	No. of Units	No. of Rooms	No. of Units (% on native land)	No. of Rooms (% on native land)
Mamanuca/Yasawa	16	693	88	80
Nadi/Lautoka	33	1,758	33	66
Coral Coast	19	1,081	37	45
Pacific Harbour	8	240	-	-
Eastern Viti Levu	42	1,118	7	8
Vanua Levu	18	261	3	2
Taveuni	13	117	-	-
Lomaiviti	6	49	17	6
Kadavu	5	18	60	55
Lau	1	4	100	100
Fiji Total	161	5,339	25	43

Source: Based on NLTB annual reports. Recent figures taking into account new hotel developments are not available.

The real issue facing the tourism industry and potential investors is the conflict between the role of the NLTB and the land-owning units and the individual. While NLTB has its own plans for tourism development, the plan itself is dependent on the acceptance by the individual owners. As has been pointed out by Ward (1995), there is a conflict between practice, custom and the law regarding native land in Fiji. Hotel leases are negotiated in the same manner as other types of leases. NLTB consults the landowners before it makes a final



decision. In some cases, the leases are given for 99 years but the perceived insecurity is still there as the landowners have their own set of conditions, which are usually negotiated directly with the investors.

The orthodox legal model of land tenure in which NLTB is a legal owner has increasingly been questioned by the individual landowners themselves. This is one reason why there have been occasional illegal takeovers of resorts and hotels by landowners. For example, in 1996 on the island of Viti Levu, there were two cases where landowners illegally took over island resorts and closed them. This occurred despite the legal guarantee of land lease to the resort owners. The island resorts are very popular amongst tourists and is a major attraction (see figure 4). The conflict clearly involves the issue of who is the real owner of the land. Is it the NLTB or the individual *mataqali* members themselves? The NLTB legally is the owner but consults the landowning units, who feel that they are the real owners.

Ambiguity can arise in land transactions because the landowning units can customarily provide land to both Fijian and non-Fijians under a system described as *vakavanua*. Under this system, local landowning *mataqali* can provide land to 'outsiders' and collect all the rent themselves without involvement of the NLTB. While this system is illegal, this practice is widespread in Fiji (Ward, 1995). In the case of the tourism industry, there is still suspicion amongst the local landowners about the impact of tourism on the local culture and more specifically, the share of benefits that may finally accrue to the landowners in terms of rent.



Figure 4. Tourists on an island holiday in Fiji.

## NATIVE LAND TRUST BOARD AND TOURISM POLICY AND INVESTMENT

The NLTB acts as both a monopoly and a monopsony and is able to wield a large amount of power in determining the policies regarding the supply of land to potential investors. In the past, two issues of concern relating to the tourism industry have been highlighted. The first is the security of leases to the potential investors: the second, the benefits that flow from the industry to the landowners in terms of rent. There has been a series of conflicts involving

hotel-owners and the landowners in the past. This conflict arises mainly from the demands of the landowners for other benefits such as employment and increased rent. The key tourism policy goals of the NLTB are as follows (NLTB, 1990:6):

- the development of a sustainable economical prosperous tourism industry in Fiji;
- increasing the level of genuine Fijian participation in all aspects of the tourism industry from service industries through to ownership and management;
- ensuring a more equitable spread of development opportunities and revenues from the tourism industry throughout Fiji;
- basing the tourism industry more firmly on Fijian cultural and
- environmental heritage, and furthermore through appropriate development, enhance such cultural and environmental values.

The concern in the tourism industry is the lack of coordination between the various institutions involved in the development of the industry. The Fiji Visitors Bureau formed under Fiji Tourist Commission and Visitors Bureau Act No. 49 of 1969 is essentially a promotional organisation. It functions through an annual government grant. The Fiji Trade and Investment Board deals with new investment projects including the investment in hotels. This organisation does not have the final say in the decision; ultimately, the approval of the project rests with the NLTB as an organisation. The role of NLTB is crucial as most hotel development and infrastructure requires the use of native land. The NLTB has to go further to seek approval from the landowning *mataqali*. Table 12 shows the number of institutions involved in the final approval and implementation of new investment projects.

**Table 12. Approval of Foreign Investment Proposals in Fiji**

Government Department/ Statutory Authority	Assistance/ Facilities
Customs Department	Port clearance of plant, equipment and raw materials
Immigration Department	Issuance, renewal and variation of work permits and visas
Inland Revenue Department	Tax concessions and VAT registrations.
Reserve Bank of Fiji	Clearance of exchange control matters
Lands Department	Approvals for land access and acquisition
Department of Town and Country Planning	Development of vacant land and existing estates
Native Lands Trust Board	Approvals for native land leases
Fiji Electricity Authority	Provision of power supplies and related energy needs
Fiji Posts and Telecommunications Ltd.	Provision of postal and telecommunications services
Registrar of Companies	Company registration

Source: NLTB, 2003.

While various institutions are important for the approval of projects, it is the Native Land Trust Board that finally determines whether the investment proposal can be implemented. The claim by the Fiji Trade and Investment Board is that it is a one stop shop for all investors is not true in practice. For example, the Investment Board states that it takes 8 weeks to formally inform potential foreign and local investors on the status of their application. The real situation, however, is that after 8 weeks, it takes a further 7-12 weeks to get approval from the NLTB for appropriate leases to be issued. For example, a number of studies and reports since 1987 have concentrated on the creation of an appropriate climate for increased investment in the industry, particularly in the area of ecotourism. None of these reports, however, addresses the issue of property rights in land, which has been one of the major constraints on investment in hotels.

The Belt-Colins Report (1988) favoured more cultural tourism and the participation of local people in the industry. Cleverdon and Brook (1988) recommended a one-stop shop for potential tourism investors as a means of encouraging more investment. Coopers and Lybrand (1989) in another report emphasised the participation of local people in the industry and the need to create an appropriate investment climate for potential investors. The Native Land Trust Board (1990) produced its own report emphasising its role in the development of the tourism industry. Finally, Ayala (1992) identified similar issues emphasising the need for developing ecotourism infrastructure. While most of the reports indirectly referred to creating appropriate investment climate, they fall short of directly identifying the issue of property rights in land. The political sensitivity surrounding the use of native land in Fiji probably explains this omission.

Like investment in other industries, the tourism industry also requires the allocation of resources for fixed capital formation. Investment in the tourism industry is required for the following purposes:

- development of new fixed assets including building requirements;
- refurbishment of existing hotels and expansion of the current ones; and
- the provision of working capital.

According to Bodlender (1982), there are special features that influence the level of investment, which involves joint use between tourists and other local users. For example, investment in new and more buses will benefit both the tourism industry and local consumers.

In the case of Fiji, the major constraints to increased investment in Fiji's tourism industry and in particular the hotel industry are as follows:

- lack of infrastructure away from main centres of population;
- political uncertainty;
- landownership structure and dominance of native land;
- imposition of withholding taxes on management fees and royalties;
- the lack of availability of local funding; and
- cyclone risk.

The Fiji Visitors Bureau report (1994) predicted that the average annual increase in visitor arrivals was likely to be about seven percent between 1994 and 2000. It also estimated that visitors from Japan and other Asian countries will amount to about 23 percent of the total

overseas visitors compared to 24 percent from Australia. This implied that the demand for particularly upmarket hotel rooms was likely to increase. While demand for other related investment in infrastructure is likely to increase, this section concentrates on investment in hotels.

From the point of view of investment in hotels, the impact of land tenure problems is significant. This involves both foreign and local investors. Based on the projections of the Fiji Visitors Bureau, it was estimated that between 1994 and 2000 and investment of about \$F500 millions dollars was needed in the development of hotels. This projection also excluded the increasing demand from local residents. In 1993, it was estimated that local resident visitors grew by 9.4 percent. Calculations on a purely project finance basis show that hotel investment is viable. Table 13, for example, shows investment returns in three hotels with a different number of rooms in Fiji. The overall viability was assessed by calculating the internal rate of return (IRR) and net present value (NPV) using the research data on performance and development costing (Fiji Government, 1996).

Table 13, indicates that larger hotels give the highest interest rate of return. However, investment in this type of hotels has been low. The majority of the hotels in Fiji have an average of 25 rooms. Only four hotels have more than 250 rooms. A recent amendment to the Hotel Aid Act, called "short life investment", provides further concessions for building hotels where the capital investment is not less than \$F40 million dollars. This concession is intended to attract investment in large hotels. However, research by Fiji Visitors Bureau shows that investment is constrained by institutional factors such as property rights in land. It points out that investment is likely to be more responsive to investment if the external institutional factors are supportive.

**Table 13. Estimate Investment Returns on Resorts with Different Numbers of Bedrooms, Fiji**

	300 bedroom Resort	100 bedroom Resort	50 bedroom Outer-island resort
Initial Investment (F\$ million)	62.6	10.4	8.0
Annual Profits (F\$ million)	7.5	1.4	0.9
Internal Rate of Return (%)	11.7	8.4	7.1
Return on Capital Employed (%)	11.9	13.3	11.3

Source: Fiji Tourism Development Plan, 1996: Recent estimates are not available but it is expected to higher given the upsurge in tourism number since 2002.

The following assumptions were made in estimating economic returns on hotel investment in Fiji:

- In years one and two, deductions of 1.5 and 2 per cent from the net operating profits were made and from year three onward 3 percent had been assumed;
- The weighted average cost of capital range applied was between 9.5 and 11.0 percent;
- Taxation on profits was 35 percent and inflation was assumed 3 percent;
- Debt finance was assumed at 10 percent per annum and equity between 14 and 17 percent, with the value of  $\beta$  equal to one.

Insecurity of property rights in land in Fiji has been a disincentive for tourism development. First, it is a constraint from the point of view of the cost of acquiring the land. For example, about 8 percent of the initial operating cost goes towards the acquisition of the land. A further 3 percent of the gross turnover from hotels is paid to the landowners on top of the normal lease-rent paid by the hotel owners. However, a much more serious problem is the lack of security of the tenure from the NLTB. In the last fifteen years, there have been several cases of illegal takeover or demands for higher rent from existing hotel owners. For the purpose of further investment, this type of intervention by the landowners sends a very negative signal to potential investors. Table 14, for example, provides a rough estimate of the value of new investment that did not take place because of land disputes. This excludes the investment in refurbishment of the existing hotels.

**Table 14. Value of Investment Lost as a Result of Land Disputes in Fiji: 1987-1995**

Year	Value of investment lost (F\$ million)
1987	7.43
1988	7.12
1989	4.62
1990	15.14
1991	8.54
1992	12.78
1993	16.64
1994	11.20
1995	13.73
Total	97.2

Source: Estimated from records from the Fiji Ministry of Tourism and Fiji Trade and Investment Board: Recent estimates are not available.

### NATIVE LAND TRUST BOARD, ENVIRONMENT AND TOURISM DEVELOPMENT

For Fiji and most of the Pacific islands, the selling of the idea of the undisturbed natural environment has been the key to attracting more tourists to the region (Hall and Page, 1996, Ch 5). In fact, a survey by the TCSP found that 50-80 percent of the tourists regard Fiji's natural environment as a major attraction. In the context of developing countries in general, other forms of development have been more damaging to the environment than tourism. For example, Hall and Page (1996) point out that logging, industrial development, and unsustainable agricultural activities cause more damage to the environment than does tourism.

In the case of Fiji, ecotourism is now considered by government and the Native Land Trust Board as a serious alternative for the development of the tourism industry. While the Fijian government has developed a general policy on the environment in Fiji, the Native Land Trust Board has its own set of objectives, which emphasise the involvement of the land-owning *mataqali*. It does, however, support the government's strategy to promote the

conservation and management of the environment and the development of eco-tourism. For example, it states its policy goal as follows (NLTB, 1990):

NLTB recognises the link between the conservation of nature, the protection of the Fijian cultural heritage and the development of an internationally competitive and sustainable tourism industry. Furthermore, NLTB recognises the important role that 'eco' or 'cultural' tourism may play in the creation of employment and income at local community level and in helping to safeguard the country's environmental heritage.

The NLTB has so far concentrated on the development of pilot projects including sites of national significance. Currently the following areas have been listed by the government as sites of national significance:

- Sovi Basin, Viti Levu
- Mount Evans Range, Viti Levu
- Tomaniivi-Wabu-Nadrau Plateau, Viti Levu.
- Waisali Reserve, Vanua Levu
- Vunivia, Vanua Levu
- Tunuloa Silktail Reserve, Vanua Levu
- Taveuni Forest Reserve
- Monu, Monuriki islands, Mamanuca Group
- Reserves on the islands of Ovalau and Kadavu.

As stated before, legally NLTB has the power to decide on appropriate policies in line with the government's strategy to develop nature tourism. However, the practical difficulties involved are the major constraint. For example, several *mataqali* claim ownership rights in each of these nationally significant sites. There are a number of *mataqalis* involved and each has its own demands for the kind of development that should take place and the nature of involvement of their people.

Table 15 lists 19 different *mataqalis* within the Taveuni forest reserve wielding different levels of power and demands for their members. Two *mataqalis* own 60 percent of the reserve while all the rest combined own 40 percent. In addition, part of the significance of the forests lies in the diversity of their types.

Given the nature of conflict between the NLTB and the landowning *mataqali*, the coordination of the conservation of environment and the recreational demands from the tourism industry is likely to continue be a difficult one. While NLTB legally has the monopolistic power to enforce rules and regulations, it chooses not to do so in many cases, as the landowners from the *mataqali* have their own set of demands. At present, there seems to be no political will to change the system of land tenure and administration. In normal circumstances, the government could purchase the land for the development of nature/recreational parks. However, in the case of Fiji this option is not feasible under the current constitution.

In many of the developed countries, both economic and non-economic instruments are used to control the adverse impact of tourism on the environment. However, in many developing countries, the use of economic instruments for the conservation and management

may not be practical. The scope for using such instruments to control the environmental impacts of the tourism industry may be over-rated (Clarke, Dwyer and Forsyth, 1995).

**Table 15. Schedule of *Mataqali* in the Taveuni Forest Reserve**

<i>Mataqali</i>	KORO	Acreage within Forest Reserve	% of Total Forest Reserve
Valelevu	Somosomo	626	2.24
Valelevu	Lamini	765	2.74
Vione	Lamini	515	1.85
Nasuva	Welagi	295	1.06
Naqeru	Qeleni	295	1.06
Nacivaciva	Qeleni	370	1.33
Naqeru	Qeleni	1,000	3.58
Lekutu	Vidawa	2,950	10.6
Valelevu	Lovivonu	389	1.4
Cakaudrove	Lovivonu	180	0.65
Lawaki	Lovivonu	120	0.43
Vusaratu	Tavuki	1,040	3.73
Vuanisaqiwa	Tavuki	600	2.15
Saumaira	Tavuki	795	2.85
Vusaratu	Nakorovou	13,860	49.7
Naituku	Nakorovou	1,345	4.82
Vidawa	Nakorovou	325	1.16
Qali	Lavena	660	2.37
Matakuro	Lavena	1,770	6.34
<i>Total</i>		27,909	100

Source: NLTB, 2003.

Economic instruments include the use of the 'user-pays' principle. Examples of these include various charges such as fees for entry into nature parks, historical sites etc. The user-pays system is generally intended to make those who use the facilities and are likely to generate adverse impact, pay for it. It is like a Pigovian tax on the product that generates pollution. The assumptions underlying the user-pays system are zero or low transaction costs and certainty of demand and cost. These assumptions, however, do not hold in many circumstances. The prospect of the use of the user-pays is fraught with other difficulties apart from the uncertainty of demand and costs. The nature of conflict between the landowning *mataqali* and the NLTB does not allow the development of these systems. The use of quantitative controls is also difficult in the case of the Fijian tourism industry. Furthermore, foreign investors within the tourism industry are concerned with increased profitability and see any charges as an extra cost and a disincentive.

Tisdell (1994:12) suggests:

A further danger is that international tourist developers may effectively promote their private interests at the expense of the public interest. They may for example competitively play one country or region off against another to obtain the use of prime

natural sites for their tourism developments and/or in some cases they make suitable side payments (bribes) to local politicians for this purpose.

Possibly because of international competition for investment in the tourism industry, the Fiji government does not push for application of user-pays because it is concerned about the disincentive effect on investment. In the case of Fiji, the tourism industry attracts a lot of government attention but the focus is on providing economic incentives for its development. The environmental concerns, if they are seen to negatively affect potential investors, are not given serious consideration. For example, the government intervened in the case of Denarau Hotel development project on the island of Viti Levu when the landowning *mataqali* demanded compensation for the damage to its fishing ground. The use of economic instruments requires well defined boundaries for tourism development and hence, needs clear and secure property rights for the developer. Non-economic instruments such as education can complement the economic instruments.

## SUMMARY AND CONCLUDING COMMENTS

The tourism industry has gained worldwide prominence and its contribution to the GDP of both developed and developing countries has surpassed traditional sectors. For many developing countries, the tourism industry is the leading sector in their economies. In the case of Fiji, the tourism industry is the largest foreign exchange earner and has surpassed sugar as the leading sector in the economy. As pointed out by Doessel and Gounder (1996) argue that Fiji's economic growth is largely explained by the expansion of tourism. They also point out that merchandise exports are not statistically significant in explaining Fiji's economic growth. The development of the tourism industry fits in well into the government's current strategy of export-oriented development.

While the tourism industry is vital for Fiji's long-term economic growth prospects, it is not without serious problems. Questions have been raised about the real benefits of the industry to the economy. Like many small developing countries, Fiji experiences considerable leakage of tourist earnings. Including the profits, dividends and salaries and wages repatriation, the total leakage amounts to 67 percent of expenditure by foreign tourists. Tourism expenditure however has the largest impact on employment, while agriculture and the manufacturing sector has larger effect on local incomes.

The long-term sustainable development of Fiji's tourism industry depends on the solution to the problem of uncertainty in the property rights in land. Currently, the NLTB has a monopoly on the supply of native land for tourism development. The role of NLTB is more important now than it used to be a decade ago. This is because the availability of freehold land and state land is tighter and tourism infrastructure requires the use of native land. In recent years, investor confidence in the use of native land has been eroded as a result of illegal takeovers of hotels and disruptions to the construction of a number of hotels in Fiji. The conflict between the NLTB and the individual landowning units does not allow NLTB to operate independently and work with other institutions to make appropriate decisions about the development of the industry. Government action and priority has been concentrated on financial incentives for tourism development, such as duty concessions and tax breaks for



tourism investment. While these incentives are important and have stimulated investment, the issue of property rights remains a major obstacle.

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DEMO

*Chapter 4*

# **OPPORTUNITIES AND OBLIGATIONS IN DEALING WITH THE DISABLED STAFF AND CUSTOMERS IN HOSPITALITY INDUSTRY**

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## **ABSTRACT**

Travel and Tourism is a high-growth industry, which is forecast to increase its total economic activity by 4.2% per annum worldwide in real terms over the next ten years (World Travel and Tourism Council, 2006). Travel and Tourism, when taking into account transportation, accommodations, food services, recreational facilities and the related services forms one of the world's most important and wide spread employers. Almost 9% of world employment is comprised of Travel and Tourism and is growing at a current rate of 1 in 11.5 new jobs. There are governmental policies, legal aspects, laws, procedures and moral obligations that relate to the treatment of the disabled staff and disabled customers. Moreover, there are even broader opportunities that can be derived from an understanding of this subject since disability is one of the factors that may cause social exclusion and poverty. In 21<sup>st</sup> century, people with disabilities are still underestimated as employees, consumers and active participants in society.

The purpose of this chapter is to provide a basic introduction to the Equal Employment Opportunities requirements for the Disabled and the Human Rights of Disabled Guests in the Hospitality Industry.

## **INTRODUCTION**

In general terms a common definition of disability is “a physical or mental impairment which has a substantial and long term adverse effect on a person’s ability to carry out normal day to day activities” (Stevens, 2002). The rights or distinction of the handicap was slow in being recognized as a need by many national governments, even though it started in the 1880s

when Germany instituted the first general disability program (Dixon and Hyde, 2000). It was over 50 years later (1935) before the United States began to recognize the needs of the disabled, even though they are now seen as championing the cause.

There are legal aspects that relate to the treatment of the disabled and there are even broader opportunities that can be derived from an understanding of this subject. Although, it is the responsibility of all national governments to care for the well being of their citizens, especially those disabled among their population, we might come across news such as “According to the Ministry of Labor Wednesday, companies paid more penalties last year than the previous year for failing to meet a 2-percent job quota for the disabled.” This for the most part comes from most company’s inability to meet the needs of the disabled employee in obtaining equal facility access. Disability remains to be a health issue, not a political concern (Ustun, et.al., 2001), even though in many instances it has been politicized.

Data on the extent of disability among country populations are difficult to compare internationally since different countries have different definitions of what constitutes a disability and the level of disability, as well as the different degrees of political willingness to publicize such information. However, in just a general sense it is estimated that disability affects 10 to 20 percent of every country's population. This in essence is a monumental sum which constitutes about 1.32 billions people when taken world-wide. Likewise, this is an untapped workforce and a largely untapped market.

Travel and Tourism, when taking into account transportation, accommodations, food services, recreational facilities and the related services forms one of the world’s most important and wide spread employers. Almost 9% of world employment is comprised of Travel and Tourism and is growing at a current rate of 1 in 11.5 new jobs. It is projected that by 2016 that there will be 279 million people employed in the Travel and Tourism Industry (World Travel and Tourism Council, 2006).

The purpose of this chapter is to provide a basic introduction to I) the Equal Employment Opportunities requirements for the Disabled and II) the Human Rights of Disabled Guests in the Hospitality Industry.

The prime topics to be covered are what constitutes a disability; the legal requirements when dealing with employment and accessibility; types of disability, the current status of disability employment issues in the Hospitality Industry; improvements need to be made; how to comply with these requirements and future opportunities when dealing with the disabled staff; hiring techniques; accessibility and accommodation; confidentiality; termination of the disabled; applications of Laws and Policies; examples of prohibited discrimination in the hospitality industry; examples of discriminative treatments in Hospitality Industry; reasonable and justifiable discrimination; how hospitality industry service providers can deal with human rights issues; and some examples of settlements.



## **PART I: EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS FOR THE DISABLED**

### **What Constitutes a Disability?**

When considering equal opportunity and age, race, or gender, disability is a more complex concept to define or measure due to its dynamic nature. Many organizations, including the World Health Organization, the United Nations, and many national governments and many scholars provide differing and broad definitions, classifications, frameworks and models for what constitutes a disability. Mashaw and Reno (1996) assembled more than 20 different definitions of what constitutes a disability is. These definitions were for the purpose of entitlement based on public and private considerations, government services, or for statistical analysis. Definitions vary in terms of an individual's health and the socioeconomic environment conditions in which the individual finds themselves, thus making it difficult to measure the degree of disability in an objective and consistent manner (Burkhauser and Daly, 2002). Employment and access depends on the severity of the impairment, the availability of employment, the availability of accommodation, the individual's rehabilitation, the presence of legal supports or protections, and the accessibility and understanding of government programs and organizations.

The Americans Disability Act (ADA) (1990) (<http://www.usdoj.gov/crt/ada/adahom1.htm>) defines disability as “a physical or mental impairment that substantially limits one or more major life activity, possessing a record of such an impairment, or being regarded as having such an impairment.”

Yet another definition provided by Canadian Employment Equity Act (1995) (<http://laws.justice.gc.ca/en/E-5.401/index.html>) challenged the physical phenomenon of disability, but by suggesting that it is not only the disability, but the person who is considered as having a disability. They stated:

Persons with disability means persons who have a long-term or recurring physical, mental, sensory, psychiatric or learning impairment and who (a) consider themselves to be disadvantaged in employment by reason of that impairment, or (b) believe that an employer or potential employer is likely to consider them to be disadvantaged in employment by reason of that impairment, and includes persons whose functional limitations owing to their impairment have been accommodated in their current job or workplace (Canadian Human Rights Commission, 1995).

This in essence gave a broad form to the term “disability”. There can be definite disadvantages to having such an all encompassing definition in that it leaves the definition to the disabled themselves. The ADA definition is more in line with most country's definition of a disability. It would be wise to refer to the specific sanction which sets out what a specific country considers to constitute a disability.

## Types of Disability

Types of disability vary in both classification and degree, to which one is limited in the performance of the daily tasks. As the severity of one's affliction comes about, it can be presumed that the disability will also limit the ability to perform given tasks. They can fall into generally three types, physical, mental or physiological in nature. The following listing will give you an idea of what is considered and what is not considered as a disability. Disabilities are deafness, blindness, any permanent condition requiring the wheelchair use, mental illness, cancer, communication disorders, learning disabilities, recovering alcoholism, multiple sclerosis, epilepsy, diabetes, heart disease, AIDS, recovering drug abuse, back or spinal ailments and amputees. Questionable items that are not considered disabilities are kleptomania, transvestism, pyromania, pedophilia and homosexuality (Perry, 1994).

## The Legal Requirements when Dealing with Employment and Accessibility

In general terms most national equal opportunity laws prohibit discrimination against people with disabilities and guarantees equal opportunities for individuals with disabilities in employment, transportation, public accommodations, state and local government services, and telecommunications. This covers all employment-related activities, including job application procedures, hiring, pay, benefits, job training, firing, promotions, and other terms, conditions, and privileges of employment.

There have been different governmental regulations, policies, quotas, fines, political approaches, applications and public awareness to each country and even to different regions within countries. Basically, these sanctions have addressed minimum standards by which the disabled are employed and how public access to facilities are met. Following are some selected examples.

The Americans with Disabilities Act (ADA) (1990) (<http://www.eeoc.gov/types/ada.html>) prohibits discrimination against people with disabilities and guarantees equal opportunities for individuals with disabilities in employment, transportation, public accommodations, state and local government services, and telecommunications.

Title I: Employment (<http://www.eeoc.gov/policy/ada.html>) prohibits covered employers from discriminating against people with disabilities in all employment-related activities, including job application procedures, hiring, pay, benefits, job training, firing, promotions and other terms, conditions, and privileges of employment. Covered employers include private businesses, educational institutions, employment agencies, labor organizations, and state and local government entities with 15 or more employees.

In Canada, the Employment Equity Act (1995) (<http://laws.justice.gc.ca/en/E-5.401/index.html>) only applies to federal Crown corporations and federally regulated private-sector organizations with at least 100 employees and is often referred to as the equivalent of the USA affirmative action programs.

In European Union countries European Employment Strategy was introduced in the Amsterdam Treaty in Luxembourg (1997) (<http://www.eurotreaties.com/amsterdamtext.html>) to create a new policy based on four main pillars: employability, entrepreneurship, adaptability and equality of opportunity. Each year the Labor and Social Affairs Council adopt a set of guidelines which each Member State must implement under its yearly National

Action Plan (NAP). Special attention is paid in the NAPs to the situation of people with disabilities, ethnic minorities and other disadvantaged groups.

One aim is to develop appropriate forms of preventive and active policies to promote integration of the disabled into the labor market. There are benchmarks and indicators to determine how different strategies affect people with disabilities. It is important to have comparable statistics as the NAPs are also used to compare the employment strategies in the Member States. People with disabilities are of course included in all other target groups, young people, long-term unemployed adults, the elderly, etc.

When we consider the Hospitality Industry and the application of these definitions, the broader context becomes quite specific. We can apply it to the whole realm of those employed within the Industry. For instance, the front desk attendant may be limited to personnel that have good hearing and sight and, certainly, those without mental retardation, however, what about those that are confined to wheel chairs. Does the front desk physically limit the possibility of using these personnel? Can the physical plant (the actual hotel itself) limit the personnel? The answer is yes and what can be done to accommodate those confined to wheel chairs. We would conjecture that the front desk can be lowered to allow those in a wheel chair a suitable employee in such a situation. But, is this the responsibility of the hotel owner, certainly not, but were it undertaken, it would show affirmative action. We would conjecture that it is the moral responsibility to accommodate the disabled person.

### **The Current Status of Disability Employment Issues in the Hospitality Industry**

The European Year 2003 (<http://www.eypd2003.org/>) was run by people with disabilities. As many disabled people say, "Nothing about us without us". A recent European survey presents that there is a serious lack of understanding of what disability means and how many people it affects. Disabled people are often excluded from society through poor education and unemployment, leading to poverty. The European Year 2003 was about raising awareness of the rights of disabled people to full equality and participation in all areas.

When we examine the current facilities, based on hiring policy and the accommodation of the disabled employees we find that older hotels have done little to accommodate the disabled. Their facilities may be faced with a requirement for considerable financial investment in order to bring them up to a standard which would permit the inclusion of the disabled. Even the movement around such facilities may be limited. In essence, the hospitality industry has, so far, been a follower rather than a leader when compared to other industries. In newer facilities there has been an attempt at least alleviate movement throughout the building, however, the implementation of complete handicap requirements may or may not have been accomplished, such as wheelchair access ramps, automatic doors, braille code, handicap toilet fixtures, etc. A large number of hotel buildings are old and therefore provide little flexibility in making modifications for the accommodation of employees or guests with disabilities. Further, there is stigmatization with the hiring of the handicap in that the management personnel feel that it will make the guest feel uncomfortable being served by the disabled.

The Hospitality Industry could potentially address personnel shortages were they to broaden their search by changing "their recruitment practices and employ more disabled, ethnic minority, long-term unemployed and older workers." Likewise by doing so the costs of

recruiting new talented employees could be reduced. Some of the major hotel chains have started doing this worldwide and have seen good results. This relates to both the employees and the broader customer base. As an example Hilton, has undertaken a program of improved access for the disabled and also effectively recruits employees from a broader spectrum, (Caterer and Hotelkeeper, 2005).

It has also been pointed out that persons with disabilities represent an important under-utilized labor source for hotel organizations (S. Gröschl, 2004). They are termed to be loyal, hardworking, team players, more concentrated on their job and more apt to be service oriented. With these qualities they are in many ways the ideal workers, when compared to their non-handicapped co-workers. For what ever handicap they may possess, they make up for it in their attributes. They are “a reliable source of motivated labour,” (Weisberg, 2005).

It should be understood that not all facilities are required to meet handicap and disabled requirements. Further, the laws do not require that employers hire unqualified individuals. If there are two potential employees, one being handicapped and one able-bodied, the employer is not required to hire one over the other; however, by hiring the disabled, it will help the organization to meet mandated quotas. If the task required to be accomplished by the specific position is beyond the capability of the individual by the fact of the disability, then the employer is not required to hire the particular person. For instance if the position requires the potential employee to inter-react with the clientele and the disability of the person, makes communications impossible then they would be unsuitable for the position. Each position should be analyzed to assure that the needed skill set and skill level is well defined. From this definition, an analysis can be performed to determine whether any of the skill sets preclude particular disabilities from performing vital functions required of the position. Once a particular skill set is identified as being an exact requirement of a position, and then a further analysis can be performed to determine if a work-around is possible in order to accommodate a given set of handicaps. Given that there are means by which constraints can be overcome, then an assessment of the drawbacks from implementing one or more of the alternatives should be listed. By going through this brain-storming session, all possibilities should be listed. One never knows when the most ridiculous or outlandish idea actually brings about a creative idea that would otherwise have been overlooked. Especially during this exercise, the financial consequences should be factored-in. Under most disability laws, an individual with a disability must be qualified to perform a given task, meaning that they must meet the job requirements and perform the essential job related tasks with or without reasonable accommodations. In this regard what constitutes “reasonable accommodation”? There are certainly fine lines between some needs to receive accommodation. If, however, in the course of normal business, a company would be required to provide an accommodation to a customer or client then it only stands to reason that such an accommodation should be provided to disabled employees, i.e. wheel chair ramps, braille marking, automatic door openers, and handicap hardware. The laws do not require you to do anything that would in essence be dangerous or degrading to the individual, such as placing a blind person on a forklift or having an amputee as a doorman.

There are also the "Exclusions" and "Restrictions" in Restaurants and Other Food Service establishments under ADA. In order to protect the public from diseases transmissible through food the ADA provides a guide for Restaurants and other Food Service Employers regarding the issue of employee health for the ones working around food. There are the Big 4 pathogens (Salmonella Typhi, Shigella spp., Shiga toxin-producing Escherichia coli, Hepatitis A virus)

addressed by FDA Food Code. Those 4 pathogens and a list of infectious and communicable diseases are to be published by the Centers for Disease Control and Prevention (CDC). Symptoms of gastrointestinal illness such as diarrhea, vomiting and fever are also included in the FDA Food Code. Employers must follow the Restrictions and Exclusions in the document "How to comply with the Americans with Disabilities Act: A Guide for Restaurants and Other Food Service Employers" ([http://www.eeoc.gov/facts/restaurant\\_guide.html](http://www.eeoc.gov/facts/restaurant_guide.html)).

Even the law establishes statutory limits on the application of the hiring quotas; especially small businesses may or may not have to comply with the disability laws. Businesses with less than a specified number of employees (in most instances 15) are not covered by the employment provisions. Again, even employers in many instances don't have to provide reasonable accommodation, if that accommodation would cause an employer "undue hardship." In this instance an "Undue hardship is defined as an action requiring significant difficulty or expense when considered in light of factors such as an organization's size, financial resources and the nature and structure of its operation."

## Hiring Techniques

The hiring and screening process for any entity (regardless of it being within the hotel industry or other industry) must take special steps to assure that it provides an equal employment opportunity to all applicants. It must also take affirmative actions to recruit from as broad a field as possible, thus assuring that it reaches out to as many groups, whether minority or disabled. In doing so, it will enhance its workforce and assure that by diversity it has in essence complied with the existing laws.

In order to do this, as stated above, the job description must be well defined and have been thought out to assure that there are no ambiguities within its definition and its explicit essential requirement. During the recruitment stage, this description should be set out to all of the applicants, in the same terms. The institution can not change the terms based on a case by case basis.

The ADA ([http://www.eeoc.gov/facts/restaurant\\_guide.html](http://www.eeoc.gov/facts/restaurant_guide.html)) lets the employer hire the most qualified person for the job, regardless of disability.

To be qualified, a person with a disability must:

- meet job-related requirements (such as having the required education, experience, skills or licenses) and
- be able to perform the job's "essential functions" (that is, the duties that are central to the job) with or without a reasonable accommodation.

During position interviews there must be distinctions between permissible and discriminatory questions. The interviewers must at all times be sensitive to questions which may be termed "disability related". These questions are those which specifically elicit information regarding a person's health or physical condition, which could be construed to eliminate them from being considered for a position. Questions should have many possible responses, not just responses which apply to a disability. It can at some times seem that the interviewer is walking a tightrope. It should further be noted that an organization can not even ask for a person to be subjected to a medical examination until after a conditional job offer

has been made to an applicant. After such an offer has been made, disability questions can be raised, however, it should be noted that at this point the employer has made a determination that the applicant will be able to fulfil the needs of the position. It is now up to the applicant to make his/her own assessment of being able to meet all of the needs of the position based on their own knowledge of their abilities, certainly taking into account any disabilities. Likewise beyond this point the employer may require a physical examination (provided that it is conducted for all applicants for such positions) and raise issues certainly regarding any potential impairment to performance. At all times medical information regarding either applicants or employees is of a private nature and of a confidential nature.

During any point within the interview the applicant may ask that reasonable accommodation be made by the employer in order that the applicant can perform the needs of the position. The employer may also after the offer has been made ask if the employee needs reasonable accommodation due to the fact that there is an (1) obvious disability, (2) the applicant has a latent condition which he has made the employer aware of and/or (3) the applicant has made a direct request for accommodation.

The employer needs to state specifically the attendance requirements that are expected for the position for which the applicant has applied. Then should the applicant states that he/she will need time off for medical reasons, the employer has the right to ask the nature of the reason for the person being off and their previous absenteeism from a previous job. You, however, cannot ask an applicant how many days an applicant was sick.

Other items which can be ask, that may or may not apply to a disability are the use of drugs, drinking habits (you, however, cannot imply that they suffer from alcoholism), criminal records and licenses and certifications. These subjects can be asked provided that they do not infer a disability.

When considering those subjects that are taboo, the interviewer cannot come straight out and ask whether an applicant is disabled or whether they require reasonable accommodation in order to fulfil the requirement of the position for which they have applied. Any question which is explicit and would require the applicant to state that they had a disability and thus prejudice their position in being equally employed.

You may not ask an applicant how many days they were sick or how many days of sick leave they took over the previous year. This in essence would point to the fact that they had a disability or chronic ailments and would thereby prejudice their selection, regardless of their ability to perform the works for which they are applying.

The interviewer should not ask whether the person is capable of performing normal day to day activities such as being able to walk or lift or even just standing. By doing so, again, this would prejudice against the applicant regarding his ability to perform the position for which they had applied. Likewise, the applicant cannot be asked regarding worker's compensation history, or social programs which they have drawn from. Nor may you ask the applicant any question regarding health related history of themselves or their family members, alive or deceased. They cannot be asked regarding any legal use of drugs or medication or treatments which they may have received. Questions of this nature would raise question as to ones potential for health impairment or disability which would also prejudice against the applicant being hired.

This line of questioning may not be pursued to third parties such as previous employers or references. Items which apply to health may only be undertaken as explained above. As a note of caution, it is also discrimination not to hire a person who has a disabled person in their

care (generally family) and the same line of questions which apply to those disabled apply. The hotel might think that by the fact that the applicant has a disabled person in their family they will have to have more time off for the care of such an individual. If the applicant meets all of the requirements set out to perform the job, then the mere fact of a disability can not be used as an excuse for not hiring that individual.

Again, it is vital that the institution set out a job description, which defines the essential needs of the specific job and set these out in writing. You should not list marginal or superficial needs in the job description. By over doing a description in this regard, many courts have found this a proof of bad-faith on the part of the employer (Perry, 1994).

## **Accessibility and Accommodation**

Why does the hospitality industry need to be concerned about accessibility? In essence, there are three prime reasons, that being (a) there is a moral obligation; civilized societies have an obligation to remove barriers which prevent disabled access if no more than the fact that it is the right thing to do, (b) the disabled employees and clients represent a considerable business potential (from the standpoint of good employees, but also that they wield a considerable financial spending power), and, lastly, as societies face their moral obligations, there will be laws to require the business entity to provide accessibility (Springer, 2001). It should also be noted that certain government agencies are now offering incentives for the hiring of the disabled, in that they will subsidized the purchase of certain equipment which enhance or make possible their performance. These incentives can take the form of direct grants or tax write-offs. It is no longer a burden in hiring the disabled. In fact there are more reasons for their inclusion in the work force than are draw backs.

By including the disabled, it builds up the individual's personal esteem, allows them to become more self-sufficient and provides them an environment by which they can succeed (NRN Editorial, 2006).

Accommodation addresses another aspect of the disabled person's dilemma in obtaining gainful employment. By providing a means to supplement or overcome or negate the disabled person's inability to meet a certain aspect of their handicap. Providing accommodations for people with disabilities is expensive. Statistics show that the majority of workers with disabilities do not need accommodations in order to perform their assigned jobs. The U.S. Department of Labor's Office of Disability Employment Policy, estimates that 66% of accommodations requires less than \$500. Many of the cases cost nothing at all, but are just a change in methodology.

Unqualified applicants are not being discriminated against under the disability laws if they are not hired, so long as they cannot perform the essential functions of the position for which they are applying, with or without reasonable accommodations.

## **Confidentiality**

When it comes to the privacy of conditions which relate to a persons disability, laws in general protect the rights of the disabled. In general terms, only supervisors and managers may be told about accommodations which are required in order for the employee to perform

his or her job. This includes any restrictions which apply to their work conditions and duties which they may not be able to perform. From the practical standpoint, certainly their fellow employees will become aware of the accommodations, but from the standpoint of the reasoning for the accommodation, that information is confidential and at the discretion of the disabled to share such information.

Likewise, first aid and safety staff members may be informed of any condition which might have to be taken into account in an emergency situation. They are as well restricted to share this information with any other individual, unless required to administer health care or removal from an emergency condition.

The hotel may be required to relinquish information regarding a person's disability to government officials who are dealing with compliance with meeting disability requirements. The hotel may also be required to provide information to government agencies that deal with worker's compensation and insurance carriers depending on governmental regulations. When dealing with this sort of matter it would be advisable to consult with the hotels law counsel.

The last consideration in regards to confidentiality is the storage of this sensitive data. Records regarding an employee's medical conditions cannot be maintained in the employees personnel file. Sick leave and requests for unspecified leaves are the exception to this case. They may be kept in personnel records. All other files, notes, doctor's reports, interview notes and medical leave requests must be kept separate in an area which has limited access to manger or above. They may not be introduced as grounds for dismissal once a person has been hired. They in essence are for information purposes only.

Many of the positions offered to the disabled, especially those with mental disabilities has been relegated to behind the scenes, such as in the kitchen, in the stock room or on the loading dock, never at the "Front of the House" (Steintrager, 2001). Given proper training and supervision, the disabled can be an asset in many positions that come in direct contact with the clientele. It is only now being implemented and given a chance, these employees appear to serve as dedicated hard workers. It is agreed that strong job coaches and employment specialists are needed assure the proper placement is achieved, but by following up on these new trends, both hotel and disabled persons benefit in a positive way.

## **Termination of the Disabled**

Termination of any employee is a difficult task and has to be performed under only the proper conditions. It should be noted that termination for lack of work, theft, conviction of an offence which reflects on the hotel and misconduct are all grounds for dismissal so long as they are being applied in a like manner through out the hotel. The termination may not be in any way related to the disability. However, this is not always the case, if for instance, the employee's disability poses a direct threat health and safety of either himself, or any other employee or guests, or to the workplace itself, then the hotel may find it necessary to discharge the disabled person. A disabled person may be terminated if after assuming a position it is determined that in fact they are unable to perform the essential requirements of the position for which they were hired, with or without a reasonable accommodation.

In the hospitality industry behaviour is of the utmost importance. Disability does not constitute an excuse for not performing a job's essential tasks and, likewise, conduct standards are required of all of the employees. Conduct standards are common among all



employees and the failure to abide by these requirements can be a reason for termination regardless of which employee violates these requirements. This includes getting along with fellow employees, guests and supervisors and this forms a part of a legitimate job requirement. Termination is appropriate so long as the standard is applied common throughout the organization.

## **PART II: DISABLED GUESTS IN HOSPITALITY INDUSTRY**

### **Challenges in 21st Century Hospitality**

With the 21<sup>ST</sup> Century just starting, there are many challenges. Some that can be met and some that are beyond our reach. In hotel management one such challenge is to make our facilities and our services all inclusive and accessible for ALL, including those of us with disabilities. "WHY"? Among various reasons, it is a moral obligation; secondly, it's governmental policy and, moreover, it's a legal requirement; but it makes good business sense to not turn away customers, regardless of them being able body or disabled.

It's makes for good business first of all because Tourism and Travel Industry itself is a big market, yet this is also a big portion of that market. According to World Travel and Tourism Council (WTTC) report (2006), worldwide in 2006, it is expected to post US \$6,477 billion of economic activity (Total Demand) and it is forecast to grow to US \$12,119 billion by 2016. Moreover, in 2006, the Travel and Tourism Industry should contribute 3.6% to worldwide GDP. The broader Travel and Tourism Economy should contribute 10.3% to world GDP in 2006. Lastly, Travel and Tourism is a high-growth industry, which is forecast to increase its total economic activity by 4.2% per annum worldwide in real terms over the next ten years. Secondly, because apart from the direct benefit of being able to cater to a large populous of disabled people, it should be remembered that if you fail to meet the needs of one disabled customer you are invariably also turning away the business of their family, friends and perhaps even their working colleagues. Prager, J. H. (1999) in his article in the Wall Street Journal call the disabilities as the "Next Consumer Niche".

Increasingly, consumers expect companies to have a deeper commitment to the disabled. Urban Miyares, the president of the San Diego-based Disabled Businesspersons Association stays at the Marriott Hotels chain "because they hire people with disabilities." The Marriott chain consistently supports the inclusion and employment of people with disabilities. Invariable, the Marriott Foundation for People with Disabilities a organization sponsored by Marriott promotes the employment of young people with disabilities. They point out that 87% of the students they've placed with over 900 employers have been offered continued employment, as stated by Mark Donovan, the executive director of the program (Digh, P, 1998).

When considering the reasons for making facilities accessible we should consider the reasons one by one. We may well find that we can not afford not to perform this exercise. Take the moral obligation; let's say that, barring the other reasons, that we don't have to look after our disabled. This is to say that we feel no empathy for the disabled. We all stand a one in five chance of becoming disabled in one way or another through out our life. This does not take into account disabilities which come about with old age. When factored in the odds are

considerable that you will experience an ailment that would place you into this category. For instance in the US the elderly comprise approximately 12% of the population, yet they make up 34% of the disabled and 43% of those have a serious disability. The disabled, likewise, carry major financial buying power. One quarter of the Americans over 50 years or older control one half of the US buying power and three-fourths of its assets. They also represent a major users of the hotels in the US. Many people in these groups are not tied to school holidays or weekends for their holiday-taking. They can easily alleviate the problem of seasonality in the tourism business, in that they can adjust their holidays accordingly.

This is, likewise, the same through out the world. For example, there are at least 8.5 million disabled people in the UK alone, with an annual spending power of over £40 billion. Of these, at least 2.5 million travel regularly, but twice that many do not travel because the facilities are available to accommodate them.

It is, therefore, in our own interest that all facilities be made accessible. One's age catches up with all individuals and this is a group which constitutes a market that cannot be ignored.

## Applications of Laws and Policies

Government policy and legal requirement go hand in hand in that Government policy eventually translates into law. The current trend of government tends to point to the fact that most countries will have a policy which protects the rights of the disabled. It can be envisioned that these policies will tend to be expanded to cover most aspects of the hotel industry. When policy becomes defined into law, then as a business entity, you will have no choice but to comply with the requirements. This is currently the case in most countries now involved with tourism. It therefore, behooves us as professionals to become familiar with the current requirements for accessibility and equal opportunity with regards to disability.

In most countries it is illegal to refuse to serve anyone on the basis that they are disabled or even appear to be disabled. Likewise, the service that the hotel provides must be of equal quality for the disabled when compared to that provided the non-disabled. There also cannot be a difference made in charges applied to the disabled versus the non-disabled guest.

The American Disability Act (ADA) which officially took effect in 1990 makes it unlawful to discriminate against the disabled by providing them any service of lesser standard than that of able-bodied people for any reasons that relates solely to their disability. Moreover, a service provider must undertake reasonable adjustments within their establishment in order to accommodate the disabled. This can take the form of either a facility change or a service rendered change.

The U.S. Department of Justice makes ADA materials and literature readily available and free of charge. The ADA Title III Technical Assistance Manual (1993) can be obtained at (<http://www.usdoj.gov/crt/ada/publicat.htm>) and includes all current requirements that cover Public Accommodations and Commercial Facilities. All operators are encouraged to acquire a copy of this manual for reference purposes, if nothing else.

According to this document in restaurants, especially those located in a hotel, all dining areas that is open to the general public must have five percent of their fixed tables (but not less than one) accessible to the disabled. The raised and sunken dining areas should be accessible, however, inaccessible mezzanines do not fall under this requirement under certain circumstances. There are specified requirements for counters and bars, access aisles, food

service lines, tableware and condiment areas, raised speaker's platforms, and even vending machine areas. The manual is a comprehensive guide for disabled accessibility.

When considering the total number of rooms that are set aside for the disabled and are fitted out accordingly, 4% of the first 100 rooms and approximately 2% of rooms in excess of 100 must be accessible to persons with mobility impairments. They also have requirements for persons with hearing impairments (i.e., contain visual alarms, visual notification devices, volume-control telephones, and an accessible electrical outlet for a text telephone). In hotels with more than 50 rooms, an additional 1% of the rooms must be accessible rooms equipped with roll-in showers. Moreover, additional rooms must be accessible to persons with hearing impairments in the same percentages as above (i.e., 4% of the first 100 rooms and approximately 2% of rooms in excess of 100). There are special provisions for other disability requirements and it is highly advised to review your regional requirements.

In essence all hotels and restaurants are required to provide auxiliary aids and services to disabled customers. They are also required to modify their policies, practices and procedures to accommodate the disabled. This includes the policy for treatment of the disabled. The disabled must have access equal to that of the non-disabled. Though not yet a requirement, it can be envisioned that in the near future auxiliary aids consisting of induction loop system on a television in a common lounges so that the hard of hearing guests will have access these shared televisions.

Auxiliary service can even take on the need to serve the wheel chaired person breakfast in the room, should they not be able to access common dining rooms, especially if they are not physically able to be accessed by the disabled.

It is the responsibility of the Hotel management to assure that their personnel are fully aware of the provisions of the particular national laws or codes that apply to their establishment. It is also the responsibility of the Hotel management to assure that the facility fully meets the requirements of accessibility of the disabled. As an example, most hotels have a "no dog" policy regardless of the situation. Those blind that rely on guide dogs for their mobility may well have to be accommodated in the future with rooms set aside solely for this purpose. The whole situation needs to be thought out, with all of the implications. It even brings up the cleaning up of rooms or special furnishing. It can be envisioned that the room could potentially be given to a person with asthma after a dog had been in the room and could have a reaction to the fact. Care and thought needs to be given to these matters.

This also leads into the fact that the blind tend to remember where they have placed their belongings. When housekeeping takes care of a room they tend to tidy the area. The service staff must be sensitive to the needs to place things back in the same position that they were found to assure that the blind person can find their possessions.

The passage of the ADA in 1990, outlawing discrimination against people with disabilities, was a turning point. Many companies became compliant quickly and reaped the benefits of hiring workers with disabilities which far outweighed the costs. Many of the participants such as Pizza Hut, Inc.'s Jobs Plus™ Program championed the hiring of people with mental disabilities. By doing so their turnover rate dropped to only 20%, as compared to 150% turnover rate among similar organizations that use only non-disabled employees. After Carolina Fine Snacks in Greensboro, NC, began hiring people with disabilities in 1988, absenteeism dropped from 20% to less than 5%, and tardiness dropped from 30% of staff to zero (Digh, P, 1998). These are impressive numbers and they are representative of those establishments which followed suite.

## Examples of Prohibited Discrimination in the Hospitality Industry

By far the most common violation of the ADA is the lack of physical access for the disabled. This applies to those people confined to wheelchairs, those with walkers and canes. A barrier-free design of new buildings is a requirement and is now enforced by permit departments through out many countries. Prior to the construction permit is issued the design must be reviewed and approved. Even during the construction building inspectors visit the premises to assure compliance. Many older structures remain less accessible for persons with mobility disabilities, but this does not deter the application of the ADA requirements. When a modification is made to the existing structure that requires a building code, the building code department may well place a requirement that certain aspects of the ADA be implemented in order to obtain the building permit. This could easily take the correction of the addition of a ramp to the building entrance, widening of entrances that are too narrow, the addition of doors that automatically open, lowering of counters that are too high, correction of seating to allow access for a wheelchair, and even the relocation of washrooms to a more accessible area. It behooves a hotel owner of an older structure to consider upgrading their facility before they are faced with a building department refusing to issue a building permit or at least including these upgrades during your next remodel.

Possible one of the disabilities that is least accommodated in the hospitality industry is that of the hearing impaired. It should be noted that even the background music of many establishments is too loud that it prevents the use of hearing aids. Likewise, when checking out of restaurants or the front desks of hotels the cash register does not have visual display which would permit the hearing impaired to see the amount of the check. Granted these are things that are not thought of, however, they present real problems for those that are faced with hearing disabilities.

Persons with a visual impairment often find their needs are not accommodated as well. This can take on such things as poorly lit signage, small or light printing on menus or in pamphlets that is difficult to read, even the absence of Braille or raised lettering on washroom doors and in elevators prove to be major impediments to the blind getting around within a building.. These are small things but are often encountered in the hospitality industry.

As mentioned above those People who depend upon the assistive of guide dogs to help with everyday activities find that some restaurant and hotel operators are reluctant to provide them with service. Common examples include being told that there are no tables or rooms available when in fact they are available, and being placed in an obscure seat or room when better ones are available and are being offered to the non-disabled.

## What Are the Examples of Reasonable Adjustments?

In essence the law dictates that the hotel service provider take reasonable steps to avoid physical barriers which do not afford the disabled access and use of the premises. This means that in new establishments, elevators for the upper levels are an absolute must. Other levels of the facility may be accessed by ramps of a specified incline. Further, a specified number of rooms are required to be fitted with handicap hardware, especially in the restrooms. Likewise,

public toilets must have at least one stall fitted for the disabled. Most recent laws expect the operator to make “reasonable adjustments” so that they meet the needs of the disabled.

When determining the extent of reasonable, there are a number of factors that must be taken into account. The organization itself must be the first determining factor and related generally to financial capabilities, human and physical resources, the structure of the organization (major hotel chain or small private owner). An international hotel chain is placed in a different category from small local hotel and, likewise, an even smaller motel, to even a bed and breakfast. The requirements are the same, but the application is different. This does in no way mean that small businesses are exempt from provision of the law. However, the law does recognize that different methods apply based on the size and type of business.

If in fact the hotel has thought out how they can offer the disabled a comparable service, that in essence provide a method acceptable to the disabled then, in very general terms, they have met the intent of the law. This is not to say that we can ignore specific provisions. In most instances it is far more cost effective to comply with the letter of the law and follow guide lines.

It is not the intent of this text to provide legal advice and the individual should, once in the sector, consult with the organizations legal counsel on a specific case by case basis. However, we should note that the interpretation of the word “reasonable” is a grey subject and is open to discussion. Hotels should be proactive in anticipating the needs of their guests, especially those that are disabled. It would be highly advisable to consider the requests of the disabled that are current guests, in that they may well mirror the needs of other future guests.

## Examples of Discriminative Treatments in Hospitality Industry

Despite the governmental policies, the laws, public awareness and moral obligations, unfortunately, there, still, are common discriminative treatments in hospitality industry. Following are some of the examples (Human Rights in the Hospitality Industry, 2006)

Refusing to rent hotel rooms based on a disabled characteristics: a hotel operator refuses to rent a room based on a person’s disability. Some examples of this discrimination are:

- refusing to rent a room based on the excuse that the hotel is fully occupied when in fact that it is not fully booked;
- requiring hotel guests to pay a higher deposit than other guests;
- quoting a higher room rate based on the fact of a guest’s disabled characteristics;

Requiring a guest to vacate a hotel room on the assumption that he or she was responsible for a disturbance in the hotel, solely based on his or her disabled characteristics;

Rejecting or offering an inferior level of service in restaurants based on mental or physical disability: The most common examples of such discriminatory treatment

- refusing to seat a customer with a mental or physical disability during busy periods of the day;

- asking a customer with mental or physical disabilities to leave the restaurant after spending a set period of time in the restaurant, while not making the same demand of other customers;
- asking a customer with mental or physical disabilities to make a minimum purchase, while not making the same demand of other customers;
- seating a customer with mental or physical disabilities at the back of the restaurant, next to the washrooms, when there is plenty of more desirable seating available.

## **Discrimination May Be Reasonable and Justifiable**

In some circumstances, discrimination is reasonable and justifiable. A service provider, for instance, may refuse to offer services to some people based on one or more disabled characteristics if that refusal is necessary for the provider to meet the objectives of its service.

- For example if a person is disrupting the quiet environment of a restaurant to the extent that other customers are being disturbed. However, the restaurant operator will need to show that the disabled customer was accommodated to equal extent until it became a situation that imposed an “undue hardship”. Your placement of the disabled person at first was among all customers thus not showing discrimination and then in order not to disturb a majority of the customers that were at the adjacent tables you moved the disabled person to a more isolated location (again this may in fact place the disabled at the back of the restaurant). You have made a reasonable attempt to accommodate the disabled.
- Just because other customer’s feel uncomfortable being around the disabled is not a sufficient reason for a restaurant operator to move or not seat a disabled person, this applies to all forms of disability. The mental disabled are protected from this form of discrimination. For example, it is not reasonable or justifiable to provide a different level of service to a person simply based on another customer’s comments or requests. Perhaps, it should be handled by inviting the customer expressing displeasure to take the obscure table.
- On the other side of the coin the service provider’s is required to ensure a safe environment for both employees and customers, to protect their establishment from damage. These obligations in the US are set out under the Gaming and Liquor Act (online at [www.qp.gov.ab.ca/documents/Acts/G01.cfm?frm\\_isbn=0779721373](http://www.qp.gov.ab.ca/documents/Acts/G01.cfm?frm_isbn=0779721373)). For example, refusing to serve customers who are intoxicated. This could be construed to discriminate against persons with disabilities related to alcohol, but it is reasonable and justifiable to refuse to serve the person for the protection as stated above.

## **How Hospitality Industry Service Providers Can Deal with Human Rights Issues**

The subject of dealing with the disabled is an inevitable reality, and regardless of ones feeling on the matter it is a subject that must be dealt with. As a manager in the hospitality

industry there are great opportunities for those that do face up to the responsibilities. Hospitality establishments are at the front line of organizations that can become discrimination-free. If the correct decisions are taken at this point in time you can be assured to reap the benefits in even the short term.

Here are some thoughts and strategies to be considered:

- Your customers, clients, and guests should be treated fairly regardless of their position in life. The misfortunes of life should not stand in the way of people striving for self respect.
- Don't make assumptions about the disabled's abilities or needs.
- Educate your staff regarding human rights legislation that prohibits discrimination and make them aware of their obligations.
- Promote organizational awareness of providing accessible services to all people regardless of their disabilities.
- Contact organizations dealing with the disabled in order to obtain help for in educational workshop or seminars on human rights in the hospitality industry. Assign a manager/staff member to be the contact for human rights issues.
- Perform a survey of your establishment to determine where it really stands for accessibility of the disabled.
- Identify policies which are in place that may restrict service.
- Interview and hire the disabled when they meet the needs of your establishment. Make accommodations which allow them to perform up to levels that are needed.

## Augmented Case Law

Human Rights Case Law is constantly evolving, based on cases that come before the courts and human rights tribunals. The following legal cases set important legal principles as well as standards for the hospitality industry in providing discrimination-free services.

For further information on this ever evolving subject we would advise reading some case studies. There is a wealth of knowledge on the internet but we would recommend you review the Freedom of Information/Privacy Act (FOIA) Branch of the Civil Rights Division, U.S. Department of Justice. They operate an electronic reading room which contains ADA documents that address recent court cases and settlements. Refer to the following: (<http://www.usdoj.gov/crt/ada/settlemt.htm#anchor502508>).

The following cases have been gleaned of the names of the complainant and the establishments for privacy, however, they come from are actual hearings and court cases.

## Case 1

A complaint was filed under title III of the Americans with Disabilities Act of 1990 ("ADA"), with the United States Department of Justice against a Restaurant Owner/Operator of a Restaurant in Virginia. The Department of Justice complaint alleged that on in 2003, a patron being led by a seeing eye dog was told to leave the Restaurant for no other reason than the fact that he had the dog. The court ruled that this was discriminatory under the Disabilities

Act and as such the Owner/Operator was directed to, “as soon as practicable, but in no event more than thirty days (30) from the effective date of the ruling and subsequent agreement, post the following notice, in minimum 24 font print or larger, in a conspicuous place in the Restaurant: “Individuals with disabilities and their service animals are welcome at the *Restaurant’s Name*.”

The Owner/Operator shall adopt and distribute to all Restaurant employees the Restaurant Policy Regarding Services Animals for Customers with Disabilities. The Owner/Operator shall train the Restaurant’s current employees as to their obligations under the ADA with respect to service animals so as to ensure that persons with disabilities accompanied by service animals have access to its Restaurant equal to persons without disabilities. Furthermore, during the life of the Agreement, employees hired by the Owner/Operator to work at the Restaurant shall be trained and informed of the Restaurant’s Service animal policy within 24 hours of hire. The Owner/Operator, within sixty (60) days of the effective date of this Agreement, shall submit a written report to the Department outlining its compliance.”

## Case 2

A very large motel owner/operator through out North America was charged with non-compliance with providing accessibility through out their facilities located in the US. They had not provided adequate number of rooms fitted for the disabled and had not properly trained their employees to deal with the disabled. In August, 2004 the court ruled in favor of the United States against the motel chain that they had failed to comply with Title III of the ADA. As part of a settlement agreement the hotel chain was to provide it staff with ADA training, perform comprehensive ADA surveys of all of its facilities, and prepare detailed plans and cost estimates of what it would require to bring each of its facilities into compliance with ADA. Both the scope of performing this survey and the monetary requirements needed to perform the remedial actions were so great that the chain requested a time extension to perform the ADA upgrades. The court granted the extension.

## Case 3

A joint complaint was filed with the Department of Justice regarding a Missouri hotel alleging violation of Title III of the ADA multiple architectural barriers to the access of the hotel. Even the rooms that were designated for the disabled were not properly fitted to accommodate a person’s with disabilities. The court ruled in favor of the United States against the hotel and a settlement agreement. The hotel owner professed that he wished to be in full compliance with the ADA and therefore undertook a remodel of the hotel. It was agreed that the hotel owner would ensure that individual’s with disabilities, including those in wheelchairs, would have an opportunity to enjoy all of the amenities of the facility. He was required to provide a minimum of four fully accessible rooms and to modify signage in the hallways so as to designate sleeping rooms. This signage was to be in both raised letters and in Braille and be mounted at 60 inches above the floor level in compliance with ADA



standards. In addition to the four fully fitted rooms, three other rooms were to be fitted for the hearing impaired.

#### Case 4

A group of disabled individuals who had formed an organization decided to have one of their social gatherings within a local inn for coffee before the regular meeting. Due to their disabilities the group was treated in a discriminatory manner and was asked by the waitress to leave the establishment. She went further by stating that the manager did not want retarded people in the inn. A complaint was filed with the the British Columbia Human Rights Board of Inquiry and a ruling was issued that the inn had in fact discriminated against the individuals in question. The inn had used the excuse that one of the individuals had acted intoxicated and therefore they were refused service. As it had turned out the man who had acted intoxicated had in fact suffered from polio from childhood and was unsteady on his feet. He had also had brain surgery which had given him a slurred speech. This had been explained to the waitress a number of times, yet she still refused service. The man in question likewise had a leg brace on which was visible. The ruling was given against the inn based on "Differential treatment of persons with mental disabilities is discriminatory." They further cited that the inn should have made reasonable decision as to the fact of intoxication, which it did not.

#### Case 5

A complaint was filed in the Human Rights Board of Inquiry regarding a discriminatory action of a restaurant to serve a woman who was required to inject herself with insulin in the abdomen before breakfast and dinner meals daily. Further she was required to eat within 30 minutes of this injection. While attending a dinner at the restaurant in question, she discreetly injected herself in the stomach and a waiter observed her performing the process. The waiter immediately informed her that it was a disgusting act and immediately reported the action to the manager, whereupon, both individuals informed her that the act was disgusting and they proceeded to ignore and not serve all individuals at the table. With the time limit on the effects of the shot the woman who had taken the insulin had no choice but to leave due to the effects that the insulin might have on her.

The court did find in her favor and ruled that the restaurant had been differential in its treatment of the woman based on a physical disability and that this was discriminatory.

#### Case 6

A man who was blind and did use a guide dog was refused entry into a restaurant Manitoba Province of Canada and filed a complaint with the Manitoba Court of Queen's Bench. The complaint alleged that upon entering the restaurant, the owner stopped him and stated that he would have to leave his dog outside the premises, to which he refused. The owner then stated that he would have to prove that he was legally blind, to which the man was

insulted and left the premises. The court found in favor of the blind man citing that he had the right to have his dog with him at all times out of necessity. They declared that the restaurant was discriminatory and that the owner had no reasonable basis for refusing the blind man service. A visually impaired person has the right to accommodation when requiring the entrance into a restaurant with his guide dog.

## CONCLUSION

It has been said that the future will judge us by the way that we treat those of us who are least able to take care of themselves. This applies to our disabled. They are one of us, and as such, deserve all of the same rights and opportunities to enjoy life, be productive and have self respect. As stated earlier, the possibilities of becoming disabled are very high, certainly higher than winning the lottery. It behooves us to bring the hospitality industry to the highest level of providing employment and services to the disabled. We will be judged on how we meet this challenge and we will be rewarded in many ways by meeting the needs of our disabled.

In these competitive environment it is essential for the hotel industry and each individual establishment within it to analyze their competitive advantage and enhance what ever it is that they have to sell at a premium. These advantages can be "things such as the physical attributes of our properties, their locations, the wide variety of features offered and their rates" (Frietag, 2005). We tend to fail to look at our staff and place the importance on their ability to enhance these advantages (Collins, 2007). With the figures quoted above regarding staff retention, absenteeism and timeliness, as well as the enthusiasm displayed by the disabled, certainly this is an untapped resource. Further, given the purchasing power of the disabled, in many instances just waiting for the facility that provides accessibility and respect, how can we not overlook this untapped market?

It only makes sense that with the reams of new laws that encourage the industry to bring about change, how establishments can postpone compliance. How can the industry not take on a proactive role in meeting these challenges, both at home and on an international basis? In the US during FY 2006 alone there were over 15,000 court cases which resulted in almost \$50 million of fines and settlements made in favor of the disabled (<http://www.eeoc.gov/stats/ada.html>). Again in the US, there are tax incentives for those companies that want to bring their facility in compliance with their ADA and EEO provision and yet there would still be this many cases and charges paid out.

The hotel industry has not even begins to tap the human resources available, nor have they made the provisions which would allow them to market their facilities to these forgotten customers. I do not see how a business that is now expanding at an unprecedented rate can afford not to reach out for the golden band that is offered by hiring the disabled and luring them to their facilities to equal services. The choice rests with each hotel manager and owner. I am certain that the right decision will be made that bests meets the need of the organization.

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- <http://www.usdoj.gov/crt/ada/adahom1.htm> ADA Home page

<http://www.usdoj.gov/crt/ada/publicat.htm#Anchor-14210> ADA Regulations and Technical Assistance Materials

<http://www.opsi.gov.uk/acts/acts1995/1995050.htm> DDA Disability Discrimination Act 1995 (c. 50) 1995 Chapter 50

<http://www.opsi.gov.uk/acts/acts1995/95050--c.htm#19> DDA Discrimination in other areas, goods, facilities and services

[http://www.albertahumanrights.ab.ca/publications/Bull\\_hospitality.pdf](http://www.albertahumanrights.ab.ca/publications/Bull_hospitality.pdf) Alberta Human Rights and Citizenship Commission, Human Rights in the Hospitality Industry

DEMO

*Chapter 5*

## STATED PREFERENCES OF TOURISTS FOR RURAL ACCOMMODATION CHOICES

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### Abstract

Over the last decades rural tourism has risen to become one of the main economic activities in the majority of the rural areas in Spain (Albaladejo & Díaz, 2005). The appeal of rural areas for tourism and recreation lies firstly in their intrinsic rural characteristics (Kastenholz et al., 1999; Sharpley & Sharpley, 1997). However, like urban or seaside tourism, its appeal also comes from the range and quality of attractions and facilities. Hence, rural tourism enterprises have to adapt to current market mechanisms, which are becoming extremely competitive and which are dominated by communication and promotion techniques (Gannon, 1994).

In the context of rural accommodation business policy, it is important to gain insights into tourists' preferences on quality of establishments and facilities offered. These factors are intuitively involved in the tourists' choice of rural accommodation. This paper provides a study on how the incorporation of two new aspects in a rural accommodation might influence the choice. The first, whether the Q Tourist Quality Certification (a national award for the services and equipment of the tourist establishment) has been given, and secondly, whether there is the possibility of making the reservation over internet. Both the Q Certification and internet booking for rural lodging in Spain appeared at the beginning of the century. These two characteristics of the supply of rural accommodation may have a direct influence on the development and promotion of establishments in rural areas.

In order to carry out the study, a Stated Preference data bank was obtained from an experiment on choices of accommodation for rural tourists to a region in the South-East of Spain. Stated Preference data are based on stated behaviour of individuals under hypothetical scenarios and are useful, among other things, for analysing the problem of estimating demand for new alternatives in the real choice context, as in the situation presented in this paper. Finally, discrete choice models of stated data have

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been implemented to analyse accommodation choice behaviour for rural tourists in the region in question.

## 1. Introduction

Over the last decades rural tourism has risen to become one of the main economic activities in the majority of the rural areas in Spain (Albaladejo & Díaz, 2005). The appeal of rural areas for tourism and recreation lies firstly in their intrinsic rural characteristics (Kastenholz et al., 1999; Sharpley & Sharpley, 1997). Although, like other types of tourism, especially seaside tourism, the demand for a rural destination depends also on the range and quality of its offer of accommodations.

According to Sharpley (2000), accommodation typically accounts for around one-third of total trip expenditure, and as Wight (1998) asserts, accommodation is also an extension of the tourism experience. In the selection of a destination for holidays, accommodation is highly regarded by tourists and it is chosen according to their needs and expectations. Consequently, the quantitative and qualitative characteristics of the accommodation establishments, which are the supply of a destination, directly influence the type of tourism and tourists attracted to destinations, (Sharpley, 2000), and therefore a destination's success will depend on the growth and development of its accommodation sector.

Rural destinations are dominated by small, independent and family-focused establishments, such as rooms to let, self-catering apartments, villas, bungalows and camping. Although they play a vital role in the economic development of these destinations, they are often poorly managed and marketed, since they lack the resources to promote themselves adequately (Bastakis et al., 2004). Consequently, these small establishments have problems in adapting to current market mechanisms, which are becoming extremely competitive (Gannon, 1994).

Within this context, the evaluation of tourist preferences regarding attributes, equipments and amenities of establishments may contribute to an understanding of the ways in which accommodation establishments may work and improve their activity. Eliciting this information can be particularly difficult because the tourists' opinions are not transparent and there are various segments of tourists with different preferences. However, this knowledge helps to plan marketing and promotional campaigns or to make effective investment decisions (Dávila et al., 2002; Sharpley & Sharpley, 1997).

In order to evaluate and ascertain tourist preferences for rural accommodations, this paper adopts an approach based on the use of stated choice experiments and discrete choice models. The accommodation at a rural destination can be seen as a product that is characterized by different factors such as the number of beds, type of building, locations, amenities, equipment, etc. Hence, it is evident that there is an interconnection between the potential or effective characteristics of this product and tourist choices from among different accommodations. The discrete choice models constitute a formal theory for the estimation of this relationship and the quantitative evaluation of these features.

The investigation of accommodation choices in this paper is based on an analysis of stated choices. The stated choice experiments are used to replicate, as a controlled experiment, the choice procedure implicitly followed by tourists in hypothetical scenarios. In each scenario, the accommodations are described in terms of different levels of their attributes.

At the empirical level, the research of this paper concerns the choices of accommodation by rural tourists to a Region in the South-East of Spain. Using data from the designed, stated choice experiment in this Region, a study on how different attributes of the rural accommodation influence the choice has been carried out. In particular, of special importance is the incorporation of two new aspects. The first, whether the Q Tourist Quality Certification (a national award as regards services and equipment of the tourist establishment) has been given and secondly, whether there is the possibility of making the reservation over the Internet. Both the Q Certification and Internet reservation appeared in the context of rural lodging in Spain at the beginning of the century.

## 2. Rural Accommodation

Rural tourism in Europe boasts a long tradition (Cánoves et al., 2004). From the beginning of the twentieth century, lodging in farm houses was possible in the Tyrol and in rural England, but it is in the 1960s, that rural tourism begins to take off, with spectacular growth especially in France, Germany, Italy and the Netherlands.

The concept of rural tourism can be understood as “tourism that takes place in the countryside” (Lane, 1994). But this definition is fraught with difficulties, like the problem of defining “rural” in the context of the developed countries and the difficulty in recognising tourism activity (Barke, 2004). Hence, the supply of rural tourism is not homogeneous in Europe, but what it does have in common is that it has fundamentally been based on the supply of lodgings. At first, a room rented in the owner’s private home, independent lodgings, or rural campsites constituted the rural tourism product, although under different labels according to the country, e.g. “Bed & Breakfast” or “Cottage” in the UK, “Zimmer frei” in Germany and “Gîtes” in France, among others (Cánoves et al., 2004).

In the 1990s, new tourist behaviour patterns in respect of leisure time, the segmentation of holidays and the development of “long weekends” were decisive in the expansion of rural tourism. With the aim of capturing new customers and persuading them to come back, many rural establishments, in addition to accommodation, provide activities related to nature and rural life, such as horse-riding, fishing, hunting, trekking excursions, rafting, educational courses, therapy treatment, fruit picking, etc. The establishments also offer sophisticated local products, such as gourmet food or sale of country products. In Europe, therefore, the offer of the accommodation establishments varies greatly in terms of their attributes and the range of facilities and activities. Furthermore, each country or region places emphasis on one or more specialities (Cánoves et al., 2004).

Rural tourism appears in Spain in 1967 under the short-lived, state-organised programme “Vacaciones en Casas de Labranza”. The main driving force behind rural tourism in Spain was provided by the development of various institutionally supported projects in different areas and regions in the mid 1980’s. Of these, that of Taramundi, Asturias, is perhaps the best known.

Using the models of that period, the product has grown in all parts of the country ever since. Hence, it is in last decades, and especially in the 90s, that rural tourism has experienced considerable growth, which is much later than in most of Europe (Cánoves et al., 2005). Two forces have contributed to the development of this tourism (Barke, 2004). The first is the decline of traditional rural activities. Rural tourism has been understood as an

activity capable of creating employment and business opportunities in depressed areas, devoted for years to agriculture and which are today almost unpopulated. The second force, perhaps exclusive to Spain, is the need to diversify the mass seaside tourism product. Rural tourism has been offered as a specialized product to individuals seeking contact with nature, quality of environment, peace and quiet and non-overcrowding, as well as activities, including sports, and agriculture-related labours.

As at the beginning in Europe, rural tourism in Spain is based almost exclusively on lodging. The offer of activities is still in its early days in Spain. Moreover, the Autonomous Communities, with their extensive legislative powers, have created a wide range of commercial names for rural accommodations in Spain. In Andalucía there is “La Casa Rural”, in Cantabria “Las Posadas”, “Las Casonas” and “Las Casas de Labranza”, in Asturias “Las Casonas” and “Las Casas de Aldea”, etc. Thus, as Valdés (1996) and as Valdés & Del Valle (2003) have pointed out, different denominations exist for similar accommodations while sometimes the same denomination will refer to different products.

According to Valdés & Del Valle (2003), those principles pertaining to the characteristics of rural tourism which have been accepted and adopted by all the legislations refer to their location within a rural environment, to their offering a limited number of rooms/beds for guests, their being equipped with basic services and the requirement that they be architecturally consistent with the surrounding style. As regards the rent of these accommodations, they may be rented either in their entirety or on a room by room basis, sharing with other tourists or, in some cases, with the owners. Participation in farm work is also a possibility.

Another important characteristic of rural accommodation that is often forgotten but seems implicit in these establishments is their small size. In Spain, according to data from the Instituto Nacional de Estadística (National Bureau of Statistics, [www.ine.es](http://www.ine.es)), in 2003 the number of rural accommodations stood at 6,974 with 59,884 beds and 11,196 employees. Thus, on average, each establishment had 8.6 beds and 1.6 employees. In particular, in the Region of Murcia where the study was conducted, the number of rural establishments stood at 296 with 2,101 beds and 611 employees.

## 2.1. Study Area

The Region of Murcia, located in the Southeast of the Iberian Peninsula (as shown in the Figure 1), is bordered to the south by the Mediterranean Sea and has more than 170 km of coast. Murcia is, therefore, a region generally associated with seaside tourism, like the majority of regions of the Mediterranean coast. But in the last years tourism in its rural areas has notably increased.

Legislated Rural Tourism within the Region of Murcia began relatively recently with Decreto 79 (Act 79), dated 10 September 1992, which regulated a new type of accommodation known as “Alojamiento Turístico Especial de Interior” (Special Inland Tourist Accommodation). It covers properties located outside the built-up areas of the coast and those that are located more than 5 kilometres inland, and which are not deemed conventional places of accommodation.

Today, the rural accommodations are distributed throughout the region, although it is in Comarca del Noroeste (North-west area) of this Region where the greatest supply is con-





Figure 1. Map of Spain.

centrated. This area was, moreover, the first in the region to offer rural accommodations. The North-west area of Murcia is an inland mountainous area far from the traditional transit towns and villages of the Region (as seen in the Figure 2). It is characterised by vast plateaux, vineyards, grain and rice fields, and mountain ranges such as Macizo de Revolcadores, the highest range in the Region. There are five municipalities in this area: Bullas, Calasparra, Caravaca, Cehegín y Moratalla. They offer local culture and traditions as a complement to leisure, nature, sport and good food of the area.

There are several types of “special inland tourist accommodations” in the North-west area of Murcia. Many of them are those known as “rural houses”. There are restored old houses or new houses constructed respecting traditional architecture and materials. There also exist other types of accommodation, like wood houses, former mills or inns. All these accommodations have several communal rooms (sitting room, kitchen, bathroom(s)) and one or more bedrooms. But an accommodation may have a bedroom and a bathroom, or four bedrooms and a bathroom or four bedrooms and two bathrooms or other permutations. The accommodations also can be situated in different locations. There are rural houses in mountainous areas, in farming areas or in village.

The catering and activities offered serve as further confusion as to what constitutes rural accommodation. Meal delivery, canoeing, potholing, climbing, hiking, horse riding, cycling and farm-based activities are variously supplied by establishments.

Definitely, in the Region of Murcia the offer of rural accommodation varies significantly in terms of their attributes, equipments and amenities. In addition to the establishment are of small size and they are generally managed by the family, therefore they are lack of recourses to develop strategies which improve their activity or to gain advantages over their competitors. It is within this context that a clear understanding of the preferences of



Figure 2. Map of Region of Murcia.

the rural tourists on the rural accommodation constitutes an important tool to develop and promote the supply of rural tourism in this Region.

### 3. Methodology

The economic decision of an accommodation choice at a tourist rural destination can be conceptualised as a tourist selection of an accommodation from a set of discrete alternatives. These alternatives are not divisible and their consumption is related to the intrinsic properties of the products, i.e. their characteristics. Each accommodation can be seen as a product that comprises a variety of attributes such as location, size, type of building, facilities, etc. Moreover, the choice of an accommodation by a consumer is precise (in the sense that an alternative is chosen or not); multinomial (many accommodations are available) and unordered (Morley, 1994). Consequently, the decision of accommodation selection can be considered as a choice situation which is fitted to the criteria of the discrete choice models (Albaladejo & Díaz, 2005). They are commonly used to research empirically the relationship between product characteristics and consumer choice in tourism (Morley, 1994; Seddighi & Theocharous, 2002).

The discrete choice models can be calibrated using revealed preference or/and stated preference data. Given the objective of this study, the evaluation of tourist preferences regarding attributes, equipments and facilities of rural establishments, stated preferences data are used. From these data, it is possible to evaluate alternatives which are significantly different to the existing ones, or to include alternatives with attributes hitherto not considered for rural environments, as in the case of this paper.

### 3.1. Discrete Choice Modelling

The theoretical foundations of discrete choice modelling are Lancaster's characteristics approach (Lancaster 1966) and the random utility maximization theory (McFadden 1974). According to Lancaster's characteristics approach, consumer utility is assumed to be derived from the attributes of products that consumers buy (Huybers, 2003). The random utility theory starts from the assumption that the users select the alternative with the maximum value of perceived utility from among the alternatives of a choice set, which is the set of options that are available to the decision maker. Moreover, this theory considers that perceived utility is not known to the analyst with certainty and it is assumed to consist of two components. The first component is a deterministic one that can be explained by the alternative's attributes using Lancaster's approach, or the concept of an indirect utility. The second component is a random error term that indicates the unknown factors about individuals or measurement errors or imperfect information. Overall, then, individual  $i$ 's utility of alternative  $j$  is

$$U_{ij} = V_{ij} + \varepsilon_{ij}$$

where  $V_{ij}$  is the deterministic utility and  $\varepsilon_{ij}$  is the random error term.

According to the random utility theory, an alternative  $j$  from the choice set is chosen by an individual  $i$  if only if

$$U_{ij} \geq U_{ik} \quad \forall k \in B \quad k \neq j$$

where  $B$  is the choice set.

Because of the randomness of the utility, the alternative with the highest level of utility can only be predicted up to a probability

$$\begin{aligned} P_{ij} &= \Pr [(U_{ij} \geq U_{ik}) \quad \forall k \in B \quad k \neq j] \\ &\equiv \Pr [(V_{ij} + \varepsilon_{ij} \geq V_{ik} + \varepsilon_{ik}) \quad \forall k \in B \quad k \neq j] \\ &= \Pr [(\varepsilon_{ik} - \varepsilon_{ij} \leq V_{ij} - V_{ik}) \quad \forall k \in B \quad k \neq j] \end{aligned}$$

Any particular choice model can be derived using this equation, given specific assumptions on the joint distribution of the disturbances (Ben-Akiva & Lerman, 1985).

The most widely used discrete choice model is logit. The assumption used to derive the logit model is that the random components of the utility are independent and identically distributed (IID) and follow the double exponential distribution. Thus, it can be shown that the probability of an individual  $i$  choosing an alternative  $j$  is

$$P_{ij} = \frac{e^{V_{ij}}}{\sum_{k=1}^J e^{V_{ik}}} \quad \forall j = 1, \dots, J$$

The logit model rests on some simplifying assumptions. One of the most widely discussed aspects is the independence of irrelevant alternatives property (IIA), directly related to the IID assumption of the error terms. It implies that the ratio of the logit probabilities for

any two alternatives  $j$  and  $k$  does not depend on any alternatives other than  $j$  and  $k$  (Train, 2003). That is, the multinomial logit supposes proportional substitution across alternatives. This property can be seen either as a constraint imposed by the model or as the natural outcome of a well-specified model that captures all sources of correlation from alternatives in deterministic representative utility, so that only white noise remains (Train, 2003).

As stated above, the deterministic component of the utility,  $V_{ij}$ , is an indirect utility function for each alternative which is modelled using various specifications. The most traditional specification of the multinomial logit model does not account for systematic variation in preferences among individuals. Such preference heterogeneity means that two individuals faced with equal choice set will probably select different alternatives, just because they are people with different characteristics (Kelly et al., 2007).

A systematic heterogeneous specification generally used includes an alternative-specific constant (ASC), the attributes of the alternative, and socio-economic and/or attitudinal characteristics of the consumers. These last characteristics are included in the utility specification to capture preference heterogeneity among individuals. For each alternative, the ASC represents the mean of the difference between the unobserved factors in the error term of this alternative and that of an arbitrarily selected base case.

Moreover, the inclusion of individuals' characteristics and ASCs in the model may help to achieve compliance with the independence of irrelevant alternatives property (IIA) of the MNL model (Train, 1986; Louviere, 1994).

### 3.2. Stated Preference Data

The discrete choice models require choice data that can be obtained from one of two sources: revealed preferences (RP) and stated preferences (SP). The data on the revealed preferences have traditionally been used to estimate microeconomic models. These data are gathered by direct observation of the behaviour shown by subjects when choosing or through surveys in which individuals express their behaviour in a real choice situation. Thus, the models of the preferences revealed reflect the real behaviour of the individuals when making their choice. Moreover, the choice sets of these models are composed of the actual alternatives available to the subjects in the real choice context.

The data gathered from the stated preferences arise first as an alternative and later complement the data on the revealed preferences when estimating the microeconomic models. The data of the stated preferences are a set of choices made by real deciders in hypothetical choice scenarios which have been meticulously designed by the researcher. In other words, unlike the revealed preferences, which give information about the real choices made by the subjects, the data on stated preferences return information on how individuals behave when facing a set of hypothetical choice situations given by the experiments.

In the stated preferences models, the alternatives are described through a series of traits or attributes, in such a way that a change in an attribute level generates a new alternative. This leads to the set of choices in the preference models being, in general, quite large, and it is necessary to reduce it. To do so, the theory of statistical experimental design is used. This allows other efficient subsets of alternatives to be obtained in which the collinearity which exists between the attributes is eliminated.

Stated preference data had already been used in the field of market research and were

introduced at the end of the seventies into transport modelling by Louviere and colleagues (Swait & Louviere, 1993; Swait, Louviere & Williams, 1994; Ortúzar, 2000; Ortúzar & Garrido, 1994; Ortúzar & Willumsen, 2001; Espino, 2003; Espino et al., 2004, 2006). Nowadays, it is often used in many fields, such as in resource management problems and environmental valuation settings (Adamowicz et al., 1994, 1997; Boxall et al., 1996; Haider & Rasid, 2002); in the modelling of the choice of leisure places or shopping facilities (Timmermans et al., 1991; Dellaert et al., 1995; Oppewal, Timmermans & Louviere, 1997; Borgers et al., 1999), among others. It is at the beginning of the century that it is extended to tourist economics for different reasons: to analyze destination choice on the basis of the attractiveness of destination and trip attributes (Huybers & Bennet, 2000; Huybers, 2003; Papatheodorou, 2001; Crouch & Louviere, 2004), recreation demand and demand for heritage attractions (Costa & Manente, 1995; Apostolakis & Jaffry, 2005). But to date, to the best of our knowledge, there are no published studies on how different attributes of the accommodation establishment may be influential in its being chosen, which is what this paper covers.

The availability of PD data in principle allows certain problems of PR data to be solved which frequently detract from their suitability for econometric analysis. Problems commonly found with PR data are (Ortúzar & Willumsen, 2001; Espino, 2003):

1. They exhibit little variation or limited variability for the values of important variables. This reduces the accuracy of the estimated parameters.
2. The explicative variables are highly correlated. Such strong correlations between the explicative (independent) variables makes it difficult to measure the impact of each variable on the response variable and hence the number of parameters that can be estimated decreases.
3. Inability to incorporate new alternatives that differ substantially from the existing ones.
4. Latent variables cannot be studied. For example, when modelling the choice of type of transport, there may exist factors which override the normal behaviour and which would affect the relative importance of other factors like comfort, safety, punctuality, etc.
5. The effect of new policies cannot be studied, e.g. the arrival of a new type of transport.
6. There is no complete information on the market conditions, which makes it difficult to determine the real set of choices available.
7. RP data are prone to potentially important measurement errors.

The data obtained in laboratory choice experiments can avoid the collinearity by means of orthogonal designs - there is no problem in extending the ranges of variation of the variables nor in including alternatives with attributes as yet not considered in real environments. Thus, the PD data are not only a useful complement to the PR data, but they also show high levels of predictive validity in a wide variety of real choice contexts (Swait et al., 1994). Nevertheless, they have their shortcomings. The first of these is the hypothetical nature of

the choice alternatives, and the second is that it is impossible to be sure that an individual would behave in real life in the way they indicate they would do. There is no guarantee that what the respondents stated they would do in a hypothetical choice situation, is what they would actually do if the case arose. In other words, this type of data has an important source of error related to the response itself (Espino et al., 2004). In this respect, the following types of potential error that may arise in SP data can be listed (Bates, 1988; Bradley & Kroes, 1990): respondent fatigue, policy response bias and self selectivity bias. The outcome of this, as discussed in Ortúzar (2000), is that we may have measurement error in the dependent variable. This situation is important if we want to use the estimated model directly to give forecasts.

In this paper, we are interested mainly in determining which attributes directly affect the choice of rural accommodation in the Northwest area and in including alternatives with attributes that have hitherto not been taken into account in real environments. It is not our aim to provide forecasts.

### 3.3. Experimental Design

The first step in the design of a choice experiment is to determine the attributes which may be considered to affect customer behaviour when choosing a type of rural accommodation in the area under study. Information was therefore collected on 194 rural accommodations in the area which belong to NORATUR<sup>1</sup>. This information was used to draw up an initial outline of the attributes and their levels, which could be used in the design of the choices experiment. In order to treat and reduce the number of attributes<sup>2</sup> used a focus group was set up. It comprised experts in rural tourism in the Region of Murcia, the manager of the NORATUR booking office and users of that service. One outcome of the meeting was the selection of relevant variables for the choice of rural accommodation, which were as follows: size, type of construction, location, equipment, price, approaches and services, and installations.

In addition, in order to evaluate characteristics of other rural accommodations outside of the Region of Murcia were included in this study the variable ‘type of rent’ with the option of renting a house by rooms (this possibility was only available in Murcia in the case of rural hotels) and whether or not the room included a private toilet or bathroom. In general, the rural houses of the area did not incorporate this option and the guests were obliged to share bathrooms and toilet

Lastly, two new factors were added in as attributes. Both came in at the beginning of the century and, in the opinion of the authors, may be directly influential in the development and promotion of accommodations in rural areas. The first is whether the establishment has been awarded the “Q” quality control sign for Spanish tourism, which is awarded by the Instituto para la Calidad Turística Española, ICTE, (Institute for Quality in Spanish Tourism) and

<sup>1</sup>An association made up of owners and businesses offering rural tourism accommodation and activities in the Region of Murcia. The association accounts for more than 90% of the whole regional offer.

<sup>2</sup>The literature recommends that the number should not be very high for each choice scenario in order to avoid the fatigue effect (Carson et al., 1994) or that responses are lexicographical (Saelensminde, 2001).

**Table 1. Attribute and levels used in the design**

<b>ATTRIBUTE</b>	<b>LEVELS</b>	<b>DENOMINATION</b>
Type of building	4	ORIGINAL NEW WOODEN MILL HOUSE
Location	4	TOWN HUERTA COUNTRY-MOUNTAIN HAMLET
Number of Bedrooms	4	1 2 3 4
Price per room	4	80 100 120 140
Bathroom	2	SHARED PRIVATE
Play area	2	YES NO
Meal service	2	YES NO
Swimming-pool	2	YES NO
Sports facilities	2	YES NO
Mini-farm	2	YES NO
Horse	2	YES NO
Type of rent	2	WHOLE HOUSE FOR BEDROOMS
“Q” Quality Award	2	YES NO
Booking	2	INTERNET TELEPHONE

which is a recognition of the efforts made by the tourist businesses to incorporate Quality Systems. The second factor is the possibility of booking accommodation over the Internet. At the time this experiment was designed, there were very few rural accommodations in the Region of Murcia that had a website, and those that did were not equipped with booking facilities, they merely offered telephone bookings or through the Noratur Booking Office, or directly through the owners.

Once the attributes and levels have been selected, a complete factorial design determines the total number of rural accommodations that we can describe on the basis of the 14 attributes and their levels (there are 4 attributes with 4 levels and 10 attributes with 2 levels). The number of attributes and their levels used in this design is shown in Table 3.3..

After determining the attributes and their levels, the next step is to select the statistical design, i.e. the definition of the set of alternatives to choose from (rural accommodations) and the choice sets in which the alternatives appear. This has been done by conceptualizing the rural accommodation choice design as a problem in which individuals had to choose between spending a weekend at one of the two rural accommodations proposed or to "stay at home" (Adamowicz et al., 1997). Therefore, the choice scenarios are of a constant size (3 alternatives) and the alternatives described within them are generic and unlabelled (Louviere et al., 2000). Thus, each choice option contains no more information than that provided by its attributes. The inclusion of the third option, "stay at home", serves: (1) to make the choice experiment more realistic, since it does not force the subjects into choosing one of the two rural accommodations if neither attracts them as a place to spend the weekend; (2) to guarantee that it can be checked whether property HA of the multinomial logit model is violated or not, and (3) to preserve the orthogonality of the data matrix obtained with the design (Adamowicz et al., 1994).

The design of our study, therefore, comprises  $4^4 2^{10}$  possibilities for the first alternative and  $4^4 2^{10}$  possibilities for the second, and one for the third, which means that the total number of different choice sets is given by the following collective factorial,  $(4^4 2^{10}) \times (4^4 2^{10}) \times 1$ . In practice it is clearly not feasible that a subject can evaluate so many choices when stating his or her preferences, so the number has to be reduced without loss of data goodness. We use a fractional factorial design to select a sample of pairs of profiles from the collective factorial.

The difference between the complete factorial design and the fractional factorial is that we cannot measure the interactions among the attributes since these are mixed up together or with the principal effects (Montgomery, 2002). The main effects may be defined as the response to moving to the next level of a variable when the rest of attributes remain constant (*ceteris paribus*). Louviere (1988) points out that normally the main effects are the main determiners of change in a choice (80% or more of the variance in the data is explained by the main effects, while the terms of interaction of two terms rarely explain more than 2% or 3% of the data variance). However, if there are significant interactions and they are not included in the specification of the utility, their effects will be mistakenly attributed to the main effects (Kocur et al., 1982). But, the cost of allowing for interactions in an experimental design may mean that the design becomes impracticable, especially when the number of attributes and levels is raised.

In this respect, Louviere & Woodworth (1983) show that the necessary and sufficient condition to estimate the parameters for a wide class of multinomial logit models can be



satisfied by selecting the smallest main effects orthogonal design from the collective factorial used to create the alternatives and the choice sets simultaneously. In the case in question, it would be that which allows us to estimate the main effects of the 14 attributes included in our model plus the constant term (Hensher et al., 2005).

A Resolution III main effects design plan required 64 choice sets chosen from the  $4^8 2^{20}$  full factorial of possible attribute level combinations. Again it is totally implausible to think that individuals can state their preferences about all 64 choice sets. Hence, in order to soften the fatigue effect of the respondents (Carson et al., 1994) and the repeated observations effect, the 64 choice sets were divided into 16 blocks with four choice scenarios and using a four-level block factor. This division of the choice sets ensured that all the blocks of choice sets were approximately equal statistically. The selection of the definitive design was made using the factex and optex packs from version 7 SAS<sup>®</sup> System for Windows.

The last step of the process is to translate the choice sets and their corresponding alternatives (defined as a set of attribute levels) into questionnaire form so that the subjects choose one alternative from the choice set. Figure 1 shows an example of a choice set. As part of a more complete questionnaire, each tourist received a set of instructions as to how to complete the choice experiment and one block with four choice scenarios. The stated preferences data are obtained once the subjects of the survey have completed the questionnaire. The order of the choice scenarios in the questionnaires was randomized to avoid order effects (Louviere et al. 2000).

### 3.4. Data Collection

The survey was conducted over several weekends in the autumn of 2003. Subjects were individuals who spent at least one night at a rural accommodation in the Northwest area of the Region of Murcia. The authors and trained students were posted at areas of maximum tourist affluence in the different municipalities which make up the area in question. Those individuals who agreed to participate in the survey were asked to complete a questionnaire which as well as asking for responses on the choice scenarios, also sought data about the subjects under survey such as: (1) their demographic socioeconomic details (province of residence, age, education, profession..), (2) their behaviour regarding tourist activities (activities undertaken during their stay at a rural accommodation, (3) how frequently they practised rural tourism and other types of tourism, etc.). Besides, the questionnaire also include information on their motivations for spending those days in a rural environment. A total of 307 questionnaires were completed and they were all valid for the study.

The survey was conducted in the Northwest area of the Region of Murcia since the data required for the study were relatively costly. Moreover, this is the area of the Region of Murcia where the rural tourism market is most established - it was the first to offer rural accommodations - and it accounts for over half the total offer of the region with its 179 accommodations and 1,208 beds (data for the year 2002 taken from the Instituto Nacional de Estadística (National Office of Statistics)).

Unlike seaside tourism, which is concentrated into the summer period, rural tourism in Murcia has a seasonal demand based on short holiday periods and weekends. After consultation with the managers of the NORATUR booking office, which handles a large part of the renting of accommodations in the area and which maintains close contacts with

**SCENARIO 1**

	<b>ACCOMMODATION A</b>	<b>ACCOMMODATION B</b>
<b>Description</b>	Recently built house with rustic decoration in the "huerta".	Recently built house with rustic decoration in a town of approximately 12,500 inhabitants.
<b>Installations and amenities</b>	4 bedrooms and 4 bathrooms. Equipped kitchen, heating, sports facilities and small yard with animals.	1 bedroom and 1 toilet with shower. Equipped kitchen, heating, swimming-pool, sports facilities, small yard with animals, children's play area and horse-riding.
<b>Price per weekend</b>	Accommodation can only be rented in its entirety.  Whole House: 320 €	80 €
<b>"Q" quality award</b>	YES	NO
<b>Booking</b>	Telephone/fax only	Internet or telephone/fax

Which of the above rural accommodations would you choose to spend a weekend at?  
(Please circle your choice)

**ACCOMMODATION A**    
  **ACCOMMODATION B**    
  **STAY AT HOME**

Figure 3. Choice scenario.

the owners of the properties, it was ascertained that Easter Week and autumn weekends are the most characteristic periods for rural tourism in the Region of Murcia, although August and the New Year were also periods of high demand - data which were confirmed by the National Office of Statistics for the year 2002.

Since the survey was carried out on tourists who were spending a weekend in Northwest Murcia, the sample cannot be considered as representative of the of the potential demand for the area, but it is representative of tourists who had been at the destination on at least one occasion. Consequently, the analysis may be a useful tool to improve the offer of the destination, which aims to meet current demands (and only indirectly the potential demand, assuming that the preferences of real and potential tourists are similar).

## 4. Empirical Investigation

Three multinomial logit models were considered to analyse accommodation choice behaviour for rural tourists in the Region of Murcia with the data given above. Each model had different specifications of the individuals' indirect utility function. The first model is a homogeneous specification that did not account for systematic variation in preferences between tourists. So, it was supposed that the indirect utility function depends only on the attributes of the rural accommodation. But, as many authors recognize, rural tourism is made by individuals with different characteristics, needs and wants (Barke, 2004; Frochot, 2005; Lane, 1994; Roberts & Hall, 2001; Sharpley & Sharpley, 1997) and they will probably differ in their preferences for rural accommodation attributes. Then two heterogeneous specifications which extended the traditional multinomial logit model were considered. One included the benefits that tourists sought in their holiday and the other the socioeconomics characteristics. These heterogeneous specifications are not uncommon in tourism contexts (Kelly et al., 2007; Apostolakis & Jaffri, 2005; Huybers & Bennett, 2000; Lindberg et al., 1999).

All multinomial logit modelling specifications were estimated using the LIMDEP 8 econometric software (Greene, 2002). A sequential procedure of selection of predicting variables is applied to build the model which defines each specification. A first estimation is made including all the explicative variables considered in each specification. Following this initial estimation, the least significant variables are determined by applying the t-student significance test, and these variables are then eliminated from the model. Once removed, a new estimation is made with the remaining explicative variables, with different combinations being taken into account. The process is repeated until all the explicative variables included in the model have a level of significance of 0.10. Finally, from all the estimations made, the model chosen is the one which best represents the model according to the information criteria of Akaike and the adjusted  $\rho^2$ . It is important to note that acceptable  $\rho^2$  values in multinomial logit models are generally lower than those expected of  $R^2$  in conventional regression analysis. According to Hensher & Johnson (1981), when the adjusted  $\rho^2$  values exceed 0.20, the estimated model is a really good fit of the data.

### 4.1. Homogenous Specification

In this specification, the stated data only were used. A traditional multinomial logit model under a homogeneous preferences specification was estimated to analyse the valuation of the tourist for the attributes of the rural accommodation in the Northwest area of the Region of Murcia. Table 2 presents the attributes and estimated coefficients for this model.

From the results shown in the table, it can be observed that the attributes referring to bathrooms, meal services, swimming-pools, sports facilities and to the booking procedure are not significant for the model. It is important to highlight one of the attributes which this study had considered to be of importance -booking accommodation over the Internet- is not a factor that the tourists valued. One explanation may be that in Spain in 2003 the purchase of products over the Internet was still too new an alternative and that many subjects did not feel very happy doing so. Moreover, it may be that this factor is only valued by one or some segments of tourists, especially when the factor in question is considered.

**Table 2. Attributes and coefficients for homogeneous staed preference model**

		RURAL TOURIST	
ATTRIBUTE	DENOMINATION	Coeff.	P-value
	CONSTANT	2,65517253	0,0000
TYPE OF BUILDING	MILL HOUSE	0,10095743	
	ORIGINAL	0,26003447	0,0004
	NEW	-0,53443282	0,0000
	WOODEN	0,17344092	0,0196
LOCATION	HAMLET	0,00483402	
	TOWN	-0,39014706	0,0000
	HUERTA	0,07571511	0,3034
	COUNTRY-MOUNTAIN	0,30959793	0,0000
NUMBER OF BEDROOMS	4	0,50258995	
	1	-0,64255256	0,0000
	2		
	3	0,13996261	0,0575
MINI-FARM	YES	0,05674767	0,1844
HORSE RIDING	YES	0,10127545	0,048
TYPE OF RENTING	WHOLE HOUSE	-0,09472064	0,0271
ACCOMODATION PRICE		-0,00354175	0,0000
QUALITY "Q" CERTIFICATE	YES	0,17722017	0,0000

number of observations 1228  
Log-verosimilitud -1064,801  
p-cuadrado 0,21073

One of the variables that does show a significant effect on the likelihood of a rural accommodation being chosen is the type of building. Given that the coefficient associated to the level “new” has a negative sign while the coefficients associated to the other levels of the variable are positive, the likelihood of choosing a new building will be less than that of their renting a traditional rural house, a wooden house or a renovated mill house. In other words, consumers in the Northwest area of the Region of Murcia prefer traditional buildings in the area which have been renovated for use as rural accommodation to those which have been built for the express purpose of renting them out.

Another attribute which is seen to be significant is the location of the accommodation. Consumers positively value the fact that the rural accommodation is in the country and negatively value its location on the outskirts of a town of more than 15,000 inhabitants.

One or three bedrooms in the house are the two levels of the size of the house attribute that are shown to be significant in the model. From the signs of the coefficients associated to these variables, it can be stated that dwellings with three bedrooms are those most likely to be chosen by the consumers, while those with only one bedroom are the least likely to be chosen.

Other variables presenting a significant effect on likelihood of choice are the price of the house, the type of rent and whether the accommodation has been awarded the “Q” certificate for quality. As regards the first of these variables, it can be concluded that the higher the

price of the house, the less the likelihood of its being chosen. As regards the second, it can be stated that when a house is only available for rent in its entirety it is less preferred than one which can also be rented by the room. As for the third, whether the establishment has the “Q” certificate of quality, the coefficient has a positive sign, indicating that consumers prefer accommodations which bear the “Q”.

Finally, the possibility of hiring horses is the only service offered by the dwellings that shows a significant effect in the model considered. Moreover, it has a positive effect on a dwelling's being chosen.

## 4.2. Specification of Benefits Sought in Rural Tourism

As some studies show, there are different segments within the category of rural tourists who perceive and use the rural space differently (Molera & Albaladejo, 2007; Frochot, 2005; Kastenholz et al., 1999). In the study of Molera & Albaladejo (2007), five segments of tourists who sought different benefits in their holiday in rural establishments of the Region of Murcia are identified. Four of these placed importance on nature, environment and peacefulness, although only two were attracted by activities (“outdoor and cultural” for one group and “typical of rural life” for the other). However, the remaining segment comprised individuals with relatively low interest in these benefits.

Based on the fact that if the tourists seek different benefits in the country they might have different preferences with regard to some attributes of the rural accommodation, differences in preference patterns of two segments of the population for the rural accommodation were also considered. Since an important finding of the study cited above is a segment of tourists with relatively low interest in the benefits of peace and quiet, environmental quality and nature and relaxation, a variable was included that defined whether an individual values these benefits poorly, and if this were so, the consumer was defined as a tourist of rural accommodation, and if not, as rural tourists. Thus, interactions were made between accommodation attributes and those tourists of rural accommodation or rural tourists. That is, this specification tests whether the utility parameters are constant across individuals or vary for the two segments according to the benefits they seek in their holidays.

Table 3 presents the attributes, modalities and the estimated coefficients obtained for the model that defines the accommodation preferences of rural tourists and tourists of rural accommodation in the Northwest area of the Region of Murcia. Certainly, there are differences in preference patterns between the two segments.

The type of building (original, new, wooden or mill house) significantly affected the preferences of rural tourists. In particular, they were more likely to prefer an original one or a wooden house and they preferred not to lodge at a new house or a mill house. The tourists of rural accommodation showed no preferences as to the type of building.

The rural tourists preferred accommodations located in the country or in the huerta. The tourists of rural accommodation however tended to prefer accommodations not located in the town but they did not have a defined preference for other types of location.

In relation to the number of bedrooms, the tourists of rural accommodation were more inclined towards large accommodation establishments, while the rural tourist preferred accommodations with fewer bedrooms.

Both rural tourists and tourists of rural accommodation tended to choose those accom-

**Table 3. Attributes and coefficients for specification of benefits sought in rural tourism**

ATTRIBUTE	DENOMINATION	TOURIST OF RURAL ACCOMODATION		RURAL TOURIST	
		Coeff	P-value	Coeff	P-value
	CONSTANT	2,6907	0,0000	2,6907	2,89E-15
TYPE OF BUILDING	MILL HOUSE			-0,056626	
	ORIGINAL			0,284111	0,000126401
	NEW	-0,138002	0,1833	-0,413731	0,00126828
	WOODEN			0,186246	0,0127761
LOCATION	HAMLET			-0,230096	
	TOWN			-0,203556	0,111623
	HUERTA	-0,218661	0,0694	0,085727	0,248267
	COUNTRY-MOUNTAIN			0,347925	4,26E-06
NUMBER OF BEDROOMS	4				
	1	-0,668081	0,0000		
	2				
	3	<b>0,369975</b>	0,0039	<b>-0,280638</b>	0,0309611
SWIMMING-POOL	YES	0,124485	0,1167	-0,121254	0,126525
MINI FARM	YES	0,0600183	0,1648		
HORSE RIDING	YES	0,115622	0,0075		
TYPE OF RENTING	WHOLE HOUSE			-0,089336	0,0310336
ACCOMODATION PRICE		0,00236656	0,0082	0,00148562	0,0089738
QUALITY "Q" CERTIFICATE	YES	0,759201	0,0000		

number of observations 1228  
 Log-likelihood -1052,762  
 $\chi^2$  0,21983

modations of lower price. The rural tourists preferred an accommodation when there was the possibility of renting by rooms or as units. The tourists of rural accommodation, on the other hand, preferred the establishment to include the possibility of riding horses.

If the lodge had the "Q" certificate of quality, this was more highly valued when the individual was a tourist of rural accommodation. Conversely, the rural tourists were completely indifferent to a national mark as regards services and equipment of the rural tourist establishment. Evidently, these last tourists are more worried about the quality of the lodgings than the rural tourists whose interest is in nature, the environment and peacefulness.

As stated above, some significant differences in preferences on attributes of rural accommodation emerged between the rural tourists and the tourists of rural accommodation. However, the attributes that proved significant to this heterogeneous specification were the same as for the homogeneous specification. There was no additional information about attributes like number of bathrooms, meal delivery service, swimming-pool, sports facilities and the possibility to book over the Internet.

### 4.3. Specification of Socioeconomic and Trip Behaviour Variables

In addition to the responses to the choice experiment, the survey made allows collecting other data on the individuals including socioeconomic and trip behavior characteristics of the respondents. Differences in preference patterns of different segments of the population about the rural accommodation were also focused on using these additional data. This specification therefore tests whether the utility parameters are constant across individuals or vary for certain segments in a specific way.

**Table 4. Attributes and coefficients for specification of socioeconomic and trip behaviour variables**

ATTRIBUTE	DENOMINATION	GROUP SIZE MORE THAN 6 PEOPLE		GROUP SIZE LESS OR EQUAL TO 6 PEOPLE	
		Coeff.	P-value	Coeff.	P-value
	CONSTANT	2,54529	0,0000	2,54529	0,0000
TYPE OF BUILDING	MILL HOUSE	0,108121			
	ORIGINAL	0,286497	0,0000	0,109928	0,1295
	NEW	-0,560213	0,0000	-0,105852	0,1488
	WOODEN	0,165595	0,0289		
LOCATION	HAMLET	0,0319768			
	TOWN	-0,42125	0,0000	-0,0732057	0,2372
	HUERTA	0,0759622	0,3098		
	COUNTRY-MOUNTAIN	0,31331	0,0000		
NUMBER OF BEDROOMS	4			-0,292693	
	1	0,526635	0,0060	0,247033	0,0086
	2	0,142393	0,0602	0,226589	0,0041
	3			-0,180929	0,0212
PLAY AREA	YES	-0,0491264	0,2758	-0,0593746	0,1866
MINI-FARM	YES	0,0532159	0,2241		
HORSE RIDING	YES	0,120743	0,0060		
TYPE OF RENTING	WHOLE HOUSE	-0,109103	0,0161		
ACCOMODATION PRICE		0,00316281	0,0000	-0,000373138	0,2697
QUALITY "Q" CERTIFICATE	YES	0,181282	0,0000		
RESERVE	INTERNET	0,0577377	0,1995	0,105265	0,0196

number of observations 1228  
Log-likelihood -1038,846  
 $\chi^2$  0,22997

Several interactions between product attributes and individual characteristics were tested, these included socioeconomic variables (e.g. age, income, education), destination variables (e.g. knowledge of destination, renting of accommodation) and trip characteristics (e.g. travelling with children, number of travellers). In this study, the model showing the interactions between products attribute and number of travellers is the only one presented. It was selected because the possibility of making the reservation over the Internet was a significant attribute only for this specification.

Table 4 presents the attributes, modalities and the estimated coefficients obtained for the model that defines the preferences of tourists who travelled with more than six individuals

and those in a group of six people or fewer in the Northwest area of the Region of Murcia.

The preferences of tourists who travelled with more than six individuals were more defined than the preferences of the tourists who travelled with a smaller group. The first were not indifferent to the type of building, location and number of rooms of the accommodation establishment. In particular, they were more inclined to prefer an original or mill house and they preferred not to lodge at a new house. They also preferred accommodation located in the country and with two bedrooms, but they were far less inclined to prefer accommodation located in the town.

If the accommodation establishment had the “Q” certificate of quality and the possibility of riding horses were two attributes that significantly and positively affected tourists who travelled with more than six individuals. Conversely, they were negatively affected if the house was rented out in its entirety and was of a high price.

The tourists who travelled in a group of six people or fewer were only concerned as to the number of bedrooms and the possibility of booking the accommodation over the Internet. Contrary to the evidence derived from the other specifications, in which the tourists were not affected by this facility, Table 4 shows that if an accommodation establishment can be reserved over the Internet it would provide a particular stimulus to the tourists who travelled with a small number of people.

It is certainly true that the number of travellers conditions the type of booking and the greater the number of travellers, the more difficult the booking becomes.

## 5. Conclusions

The rural tourism market is dominated by small, independent and family-focused establishments. Therefore, they are often poorly managed and marketed. A key aid for them is knowledge of tourist preferences regarding attributes, equipment and amenities of the establishments. This paper proposes the use of discrete choice models with stated preference data, which constitute a formal theory for the estimation of the attributes of the rural accommodation and tourist choices and for the quantitative evaluation of these factors.

In particular, this paper presents the results of a study on the preferences of tourists for rural accommodations in the Northwest area of the Region of Murcia. Using discrete choice models, the study evaluates the preferences of tourists for hypothetical accommodations defined by a series of attributes which may or may not be true of the accommodations in the area considered. The research also tests whether the utility parameters are constant across individuals or vary for different segments according to the benefits they seek in their holidays and their socioeconomic characteristics and trip behaviour.

The study results have revealed the importance of attributes such as the type of building, its location, the number of bedrooms, the price, the type of rent, the “Q” award, and the possibility of hiring horses. It is important to highlight that those accommodations bearing the “Q” award are positively valued, a fact that supports the idea that the consumers are ever more demanding when it comes to quality, and which also lends weight to the theory that a proven quality is of significant influence in the competition between accommodations.

The inclusion of interaction between accommodation attributes and the benefits sought in rural tourism allows differences in preference patterns between the tourists in rural accommodation and the rural tourists to be tested. In relation to the “Q” certificate of quality,



this was highly valued by the tourist of rural accommodation while the rural tourists were completely indifferent to this mark.

Although several interactions between product attributes and individual characteristics were possible, this study only analyses the model showing the interactions between product attribute and number of travellers. It has shown that the availability of reservation over the Internet was one of the most important determinants for the tourists who travelled with a small number of people.

Since the findings of this study are based on the responses of tourists in the Region of Murcia, it is not possible to draw conclusions from the results beyond this Region. However, this research shows the practical and conceptual sustainability of discrete choice models with stated preferences data when applied to ascertain preferences regarding tourist accommodations. Moreover, studies of this type in other rural areas would serve to confirm, modify and compare the findings obtained in this work.

In the rural tourism market, where small business and rural tourism establishments overlap, the methodology developed in this research provides a valuable tool for planners and managers of rural establishment. The evaluation of the tourists' preferences on facilities and amenities that are offered by an establishment may lead to achieve a better and greater development of its activity. The knowledge of consumer preferences on attributes such as type of building, location or size, which are not easy to modify, is also important in the development of rural tourism, especially in the case of investment decision on new establishments. In addition, preferences on rural accommodations for different segments have been obtained. This information permits the identification of specific groups that policy markers should address and it could well be an important tool in developing marketing strategies and advertising campaigns for these establishments.

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DEMO

*Chapter 6*

## **IT AND FIRM PERFORMANCE: A STUDY IN THE SPANISH HOSPITALITY SECTOR**

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### **ABSTRACT**

The introduction of Information Technologies (IT) has brought about a change in company behavior. This change has proved to be of particular importance in the tourism sector, due to its own peculiarities.

This work examines how the development of new technologies has affected the tourism environment and the way in which tourism enterprises compete and develop their tasks.

In addition our work analyzes theoretically the relevance of the use of ITs in different parts of tourism organizations; how they could affect the development of creativity, firm strategies, how they could be used to discriminate on prices or develop additional alternative distribution channels, to provide customers with new services, to improve the power over customers or suppliers, to improve internal reengineering, automatization of routine operations or increase productivity or the quality of firm products, get better internal and external communication, interconnections in the value chain, overcome certain informational asymmetries, to promote the cooperation and sharing of knowledge between organizations and create strategic alliances and associations between firms...

Finally our work test empirically the impact that the development of information technologies inside the enterprise has on the explanation of firm performance. In order to achieve this aim we use a questionnaire addressed to 189 Spanish hospitality managers, and Structural Equations Modelling (SEM) methodology.

To sum up, the study highlights the benefits associated with the use of IT, together with possible formulae to improve the managerial task.

**Keywords:** IT, Structural Equations, Hospitality Sector.

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## 1. INTRODUCTION

The service industry has played an important role in the development of every country (Kotler *et al.*, 1999). It has witnessed an important growth as a result of the vital role accorded to services by the information era in every economic advance (Rust *et al.*, 1996). Technology has become a key component in the service industry. Particularly in recent decades, the development of information technologies (ITs) has affected the way in which service enterprises compete and develop their tasks (Coulter, 1997:45; Buhalis and Licata, 2002). Ways of doing business and the competitive environment have changed, and technology plays an important role in organizational competitiveness (Buhalis, 1998; Wahab and Cooper, 2001:320)

Within the service industry, tourism has become the most important industry in the world in terms of the number of employees and its effects on the social and economic development of regions or countries (Holjevac, 2003:130). The tourism sector has not been able to avoid the profound effects of these changes. As a part of the service industry, tourism has necessarily been associated with the development of new technologies and structural and organizational innovations (Stamboulis and Skayannis, 2003:55). The travel and tourism industry has been a pioneer in the development of new innovations, a fact that has shaped its profile as an essential element in the modern framework of competition in the sector.

This study examines the impact that the development of information technologies inside the enterprise has on the explanation of firm performance. To achieve this aim, we analyze the relevance of ITs and how they affect performance. In addition, the empirical study uses a sample of 189 hospitality enterprises to corroborate the theoretical statements.

## 2. ITS AND FIRM PERFORMANCE

### 2.1. Information Society and ITs

The Information Society has been characterized by: 1) ease of access to information, 2) the wealth of interactions, and 3) the low costs of information and interaction (Kim *et al.*, 2002). This society has come about as a result of both the development of information technologies and the Internet.

According to Harvey *et al.*, (2000:652) the nature of the competitive environment has changed precipitously to become more dynamic, intense, aggressive, and taking on a global perspective. The growing turbulence of the environment has highlighted the importance of predicting changes, and the need for a larger volume of information (Camisón, 2000). If information is relevant to the generation of knowledge, then “information is the lifeblood” of the tourism industry (Vanhove, 2001:137), and more so if it is able to help us approach the situations that the firm will face in the future. Information can be used effectively in the search for competitive advantage within the enterprise, in the sectorial structure, or in decidedly diverse areas of competition (Camisón, 2000). However the obtaining of appropriate information at the right moment requires information technologies that search for and filter the precise information required by the enterprise; hence attention to new technological innovations is crucial.



This is especially vital in the tourism sector, because of its technological importance and because the sector has arrived late to the technological revolution due to the traditional nature of the sector's management and training (Wahab and Cooper, 2001:321). Within the new framework, the integrated use of information systems is being shaped as a basic asset for entrepreneurial and sectorial evolution. This is because the comparative advantages (natural and cultural resources) that previously formed the basis for the success of tourism destinations are giving way to competitive advantages in the new paradigm (the new era of Tourism), where information, intelligence, and know-how play a vital role (Fayos-Solá and Pedro Bueno, 2001:62).

However, despite the importance that information technologies represent for firm success, a very low percentage of firms have focussed on their development. This is mainly due to limited resources, lack of experience or training, or reluctance to explore new methods on the part of tourism managers (Wöber, 2003; Bastakis *et al.*, 2004). Nevertheless, "despite a well recognized conservatism in the adoption of new technologies" (O'Connor and Frew, 2004:179), we consider that its use can provide a competitive advantage to enterprises and we examine and demonstrate this issue in the present paper.

## 2.1. Influence of ITs in the Firm

Within the new framework, authors such as Barton and Peters (1993) or Legris *et al.*, (2003), show how information technologies can be a key success factor for some companies. Let us detail some advantages of the development of ITs.

According to Dussauge *et al* (1994), technology is a factor that affects many aspects of the firm strategy. Porter points out that ITs offer new innovative ways to compete through the reduction of costs and the differentiation of products. In this way, authors such as Bergeron *et al* (1991) show that firms can use Porter's work to identify areas where ITs can be used in a modern context. On the other hand, Booth and Philip (1997) study the fusion between an IT-based strategy to improve efficiencies and create strategic advantage, and another more dynamic and multidimensional strategy that recommends that organizations should identify their own capabilities through internal and external learning.

As Booth and Philip (1997) point out, the importance of Information Technologies lies in the role they play in the routes to carry out the success by the competence. With the New Economy, firms must observe the evolution of new technologies in order to know how to discriminate on prices and improve their power over customers<sup>1</sup>. According to Sinha (2000) innovation helps to overcome cost transparency, and managers who better understand the dynamics of cost transparencies on the Internet will be better prepared to face changes. In the same way, technological innovations are also essential to improve firm power over suppliers in the sense of Porter (1980), or to reduce stocks (Holland *et al.*, 1992). New technologies allow for access to a greater number of suppliers than was possible with traditional commerce. Furthermore, they help to overcome borders, both in terms of physical independence from the territory or workplace, and relative to the potential for global

<sup>1</sup> In this situation, organizations must discover how to discriminate on prices and on which products to discriminate, taking account of the possible information asymmetries with customers and the fact that customers' information search costs will be reduced. However, this reduction will not be symmetric in all products and services, so they will have to know about the new technologies in order to know how to discriminate.

commercial transactions with any firm (Conesa, 2003).<sup>2</sup> Information technologies also play a vital role in overcoming certain informational asymmetries among managers, and in providing firms with informational differentiation<sup>3</sup>. According to Fornell *et al.* (1985), and Szeinbach *et al.*, (1997), given these asymmetries, a pioneer firm in technological products can create access barriers to competitor firms, and switch costs to customers. In addition, suppliers may also establish loyalty relationships with customers who will eventually evaluate the reputation of these suppliers because the high quality of their products.

ITs and electronic commerce have had a major effect on the way in which firms manage suppliers, customers and internal operations (Hanson *et al.*, 2002:4). ITs are a key factor in business reengineering processes, or when they are combined with them (Devaraj and Koli, 2003), essential for facing competition in a global market (Chen and Zhu, 2004). In this way, these technologies provide significant opportunities for internal reengineering (office systems, administrative processes, treatment of orders, reservation systems, etc), and electronic commerce (with enterprises (B2B) or consumers (B2C)) (Holland *et al.*, 1992; Stamboulis and Skayannis, 2003:37).

ITs play a significant role in helping organizations to perceive the changes in their environment (Laudon and Laudon, 1998)<sup>4</sup>. Technology can improve the internal and external communication of organizations. This is fundamental in the integration of how an organization interprets what is happening outside with the notion of “how things are done here” (Barnatt, 1996:196).

ITs improve interconnections in the value chain, significantly reducing the coordination costs among activities and risks inherent to transactions (Clemons and Row, 1991). Technological innovations promote internal firm communication, improving communication among divisions or departments by creating new information networks and transforming the logistics chain (Conesa, 2003). For instance, potential integration can be observed between the management of marketing, reservations, food and beverages and personnel functions. In addition, they serve to improve efficiency and quality of service while rationalizing costs<sup>5</sup>.

They are also fundamental for the automatization of routine operations in hotels. In this way, from reservations to checking in or out, cleaning, auto-service, preparation of meals, security processes or employee control processes can be simplified or automatized (Pizam, 1999, Holjevac, 2003). Electronic support reduces the need for space and simplifies storage of the information needed for the running of the enterprise. In addition, the availability of database-linked filing systems guarantees the efficient accessibility to information, as well as

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<sup>2</sup> For instance, web pages examined by authors such as Seiders *et al.* (2000), or Sinha (2000), allow for contact between companies from a wide variety of industries, which may be essential to forging relationships with suitable suppliers as well as for identifying products, information and prices more accurately. Moreover, managers can acquire greater knowledge about costs structures, information that was previously only available through vertical integration processes, and that nowadays, due to Internet innovations, can be known and used by managers in order to increase their power and acquire advantages over traditional suppliers. This is the situation of B2B (“business to business”) commerce.

<sup>3</sup> This differentiation is the result of the different information by the customers about the characteristics of various products (existence, price, quality, etc.). Cases of differentiation could be also the so-called experience goods. From the agency theory, Sharma (1997) points out the wide asymmetries of knowledge that help professional agents in their market relationships.

<sup>4</sup> Nowadays, the world is bombarded with data; the problem is how to store them and access them in a specific moment. The essence of intuition rests in knowledge management for quick identification, and information technologies can help in this process (Mintzberg *et al.*, 1998).

<sup>5</sup> For instance the connections between the reservation systems, reception and various departments such as the purchasing department, the kitchen, etc. may be mentioned

ensuring that it is kept up-to-date and is adapted to individual needs (Conesa, 2003). In other way, hotels could reduce costs, increase their productivity (Holland et al., 1992) and rates of occupancy by the use of ITs, through tactics such as putting the last available rooms up for auction, and the daily or even hourly calculation of personnel requirements.

On the other hand, ITs allow for the development of more modern strategic management techniques, and the access to intelligent expert systems and external consultants that help to improve the managerial function (Regner, 2003:79). New technologies such as expert systems increase flexibility and organizational productivity, improve consistence in decision making, and foster opportunities in decision making processes (Stokes Berry, 1998). Information technologies play a vital role in helping firm management: the development of artificial intelligence can assist in the designing of new hospitality or tourism products or the better running of production operations. In this vein, the managerial literature has stressed the improvements in efficiency in industries that are highly integrated with networks (Eng, 2004:87)<sup>6</sup>.

Enterprises must integrate the new knowledge that they find in the external environment in order to be competitive (Teigland and Wasko, 2003:268). IT research allows for the creation and diffusion of knowledge from and by means of a variety of dispersed global sources. Nowadays, computer networks break down all physical, spatial and time limits, thus enabling contact between people and the creation of leisure networks. These connections strengthen social relations, allow for the communication of ideas, and promote the cooperation and sharing of knowledge between the different departments and offices in a firm, opening the opportunities to collaborate and increasing the possibilities and richness of the firm resources (Sambamurthy *et al.*, 2003). These technologies allow the learning about the opportunities derived from the mutual collaboration as sharing knowledge, and produce a feed back and the exploitation of synergies all over the firm (Broadbent et al., 1999; Weill and Ross, 2005). In addition they also promote the relations between organizations (Youndt *et al.*, 2004:342) or individuals across firms. Moreover, the ability of enterprises to assimilate external and new information depends to a great extent on their ability to internally process the information (Teigland and Wasko, 2003:270), and here the development of ITs plays a vital role.

A potential area of interest in the use of ITs lies in the management and development of creativity and the organizational learning (Tippins and Sohi, 2003). The benefits are felt in having greater knowledge and being able to act before competitors (Loebbecke and Wareham, 2003:178). Through the interchange of external information, individuals can combine the organization's internal knowledge with new ideas and innovations that can be accessed by external individuals, resulting in new and creative solutions (Teigland and Wasko, 2003). Certain organizations are introducing communication tools based on intranets, or electronic discussion networks, to promote the interchange of knowledge (Teigland and Wasko, 2003). Furthermore, new technologies provide economic and easy access to reports and studies published by specialists, which may otherwise be inaccessible or difficult to obtain (Conesa, 2003). Consequently, managers should prioritize actions such as the buying or gathering of external data and the standard, new research technology (Walters et al., 2003).

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<sup>6</sup> Although the tourism sector has concentrated on the exploitation of information and communication technologies in a defensive and limited way as a means of reducing costs and accelerating the interchange of information and transactions (Stamboulis and Skayannis, 2003:35), authors such as Quirechmayr and Schimak (1994) show how multimedia systems and artificial intelligence can improve traditional information systems in tourism.

In addition, ITs allow hotels to outsource many of their traditional functions, such as accounting, security, maintenance and so on to independent enterprises, in order to reduce costs and increase productivity (Pizam, 1999, Holjevac, 2003).

The huge power of tour operators at a global level has produced signs of oligopoly, and abusive commercial practices in the countries of origin (Bastakis et al., 2004). However, Buhalis (1998) points out that ITs and the Internet can provide strategic tools to small and medium-sized enterprises for the development of additional alternative distribution channels, thereby allowing them to communicate directly with customers and distributors, and increasing their power over them. The new technologies provide small and medium-sized enterprises with greater capacities to access new and more efficient markets and potential customers, either through electronic connections, or by replacing physical infrastructures with virtual shops (Conesa, 2003)<sup>7</sup>. In addition, Buhalis (1998) points out that the diffusion of interactions based on technologies of information and communication could also lead to a reduction in transaction costs, by carrying out disintermediation processes (Stamboulis and Skayannis, 2003). Global reservation systems allow end customers to reserve accommodation in any part of the world through electronic sales directly from global sellers. This may affect the development of tour operators, or result in travel agencies turning to tourism consultancy work.

The internal and external communication of the enterprise is facilitated, favoring the development of new strategies of collaboration with the environment (Conesa, 2003). In almost all the countries the small, independent and flexible accommodation firms dominate the market and play a vital role in structural terms and because of their contribution to the GDP and employment<sup>8</sup>. While concentration processes are endangering the competitiveness of small and medium-sized firms, ITs enable the development of strategic alliances and associations between independent hotels that combine the benefits of scale economies enjoyed by large hospitality chains with the advantages of flexibility associated with small and medium-sized enterprises (Garrigós and Narangajavana, 2002). According to Pfeffer (1992:88), the ownership of resources (such as information) is an important source of power. Without the development of ITs, the structure and development of entrepreneurial networks cannot be explained, networks that, as some supporters of agency theory point out, also promote an increase in the availability of information<sup>9</sup>.

In addition, new information technologies assure faster and easier business contacts, without the need for business trips. For instance, we could mention connections through the

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<sup>7</sup> Authors such as Buhalis (1998) point out the strategic weakness and technological incapacity of small and medium-sized tourism enterprises in peripheral regions. They propose strategic tools to solve these deficiencies and also highlight how technological changes have changed the conception of tourism products, producing both threats and opportunities to firms and destinations.

<sup>8</sup> For instance, it is estimated that more than 90% of European hotels are small and medium-sized family enterprises (Bastakis *et al.*, 2004).

<sup>9</sup> Authors such as Hamel (1991) analyze how these alliances can also act in helping to transmit innovation, information and knowledge for enterprises. Russ and Camp (1997) corroborate this viewpoint, and develop a theoretical framework that connects the areas of strategic alliances and the transference of technology. Ingram and Baum (1997:72) also emphasize the importance of knowledge transference when hotels are affiliated to hospitality chains, and Darr *et al.* (1995) conclude that restaurants belonging to a chain learn more easily from being exposed to the experience of the chain.

Internet, video-conference, or the development of electronic commerce<sup>10</sup>. This factor is affecting the design and introduction of ITs in hotels, and also the diversification of urban and business hotels to new modes of leisure, with the possibility of separating different services for different segments of business through the use of ITs (Garrigós and Narangajavana, 2002).

ITs are important for finding out in what directions competitors are moving, new trends in tourism, or possible business, such as underwater tourism destinations, submarine cruises, resorts designed for disabled people, theme parks, fantasy islands, etc. In addition, ITs are fundamental for the design and development of “green hotels” or “ecohotels”, or for the preservation of the environment or the countryside (Pizam, 1999). All these aspects can also affect the choice of sites for hotels, types of construction, equipment, products and services provided by the hotels and so on.

Information technologies are essential in determining the optimal localization of hotels; in observing the development of new modes of transport, of biological and electrical engines or of pedestrian, bicycle or no-parking zones in cities. (Pizam, 1999, Holjevac, 2003). Network technologies provide mobile solutions to any activity associated to the business, and also allow the relocation of the services the entrepreneurial activity requires (Conesa, 2003).

New technologies promise a lot of advantages to organizations, such as the improvement in operation efficiency, or the ability to provide customers with new services (Edmondson et al., 2003:197), thus increasing their added value. ITs are also essential on the new stage for formulating convenient strategies that will support relations with clients and increase their competitiveness to new levels (Seiders *et al.*, 2000). In addition, the interchange of information can improve the quality of the hospitality product, facilitating the development of new products (Eng, 2004:87)<sup>11</sup>. The use of ITs and the Internet could be important channels for future sales in the hospitality industry (Dev and Olsen, 2000). However, while their use is essential, of equal importance is knowing how to use these mechanisms. In the future, sites will be available with real added value, with personalization, recommendations for different alternatives, operating as assessors of virtual travel (Watkins, 2000:40), and managers will need to know how to operate appropriate mechanisms in order to deal more efficiently with customers, who will be better informed about prices, qualities, etc., due to the spread of the Internet. Cost transparency turns products and services into commodities (Sinha, 2000), which transform the way business is done to achieve the best performance.

Despite the importance of these technological advances, Booth and Philip (1997) pose the question of whether the situation of a company can be replicated for another when information systems can be so easily copied. According to Chapelet and Tovstiga (1998), successful firms focus on maintaining measures to protect their intellectual capabilities, and also constantly scan their environment in the search for new technological resources. In this sense, Schoemaker (1997:59) points out that explanations for best performance in certain firms can only be found in resources and capabilities that are difficult to imitate. Some researchers point out that physical resources in ITs are easy to imitate (Clemons and Row,

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<sup>10</sup> It is not demonstrated that this could affect in a negative way the development of the global tourism sector (Cooper *et al.* 1998). In addition, the number of people that travel because of leisure or learning will increase significantly in the future (Holjevac, 2003).

<sup>11</sup> For example, many Internet sites give access to new services that hotels could use in order to offer their clients supplementary products (such as car hire, plane or theater tickets purchases, holiday packages, etc...) at reasonable prices.

1991, Bruque et al., 2003, Wade et al, 2004), so they could difficult generate competitive advantages (Mata et al., 1995).

However, these criticisms are only valid if we consider information technology simply as an isolated strategic resource, and do not take into account the synergies of integrated systems (Bharadwaj, 2000). As O'Connor and Frew (2004:184) argue, "evaluation in the context of information technology based systems is both complex and multi-faceted". Initial empirical works did not find a direct positive effect between ITs and performance (Mahmood and Mann, 1993). However, authors such as Powell and Dent-Micallef (1997), Bruque et al (2003), Devaraj and Kohli (2003), Tanriverdi (2005) or Weiss and Ross (2005) have found that ITs can activate other intangible resources. These may include business strategies, organizational design, structures, human and managerial capabilities, competences or organizational culture in favor of the innovation and the interchange of information, or the development of learning and knowledge management practices in organizations, as explained previously, all of which are related to the achievement of superior performance. In addition, recent works by Bharadwaj (2000) and Santhaman and Hartono (2003) defend a direct positive impact of ITs over firm performance.

In the light of the above, we can hypothesize that enterprises with more developed Information Technologies will perform better than those that do not have these systems. This hypothesis is expressed in figure 1, where  $\xi_2$  indicates the latent variable that summarizes the development of ITs in the firm and  $\eta_{li}$  expresses the measurement of the different firm performance measures.

### 3. METHODOLOGY

The aim of this work is to contrast the causal relations between ITs and performance. The measurement of the development of ITs in the firm (scale of 4 items) and the firm performance (scale of 10 items based on Camisón, 1999) was carried out by means of a questionnaire. This was addressed by electronic mail to the top managers of hospitality enterprises that provide their e-mail addresses on the main specialized Spanish web pages. When we had excluded hostels and other residences, the final population totaled approximately 3,500 hospitality firms. The final sample was made up of 189 firms, from which the response rate gave a sample error of  $\pm 5.48\%$  for a confidence level of 95 %. The sample comprised city hotels (31.2 %), sun and beach hotels (21.2 %), rural hotels (39.7 %) and spa hotels (7.9 %). Most of our sample consisted of SMEs (fewer than 250 employees), with 44.4 % of organizations classified as micro firms (fewer than 10 employees). The survey was comprised of closed questions with multi-item 7-point Likert measurement scales that used a range of increasing importance to compare the firm with its competitors, following Slater and Olson (2000). The database was created using the SPSS program

#### 3.1. Scales Used

In order to observe the development of the Information Technologies within the enterprises we developed a scale of 4 items. These items gather, according to the opinion of

managers, the development or existence in their enterprises of: 1) a great deal of good technical resources which can collect, set up, and manage information 2) Hardware (computers, networks, Intranets...), 3) Software and data operating programs (database and data warehouses, tools for document and personnel flow management.), and 4) intelligence tools (artificial intelligence that helps in the decision making process, virtual reality, search engines, knowledge maps). The measurement of performance was based on a reduced scale of 10 items taken from Camisón (1999). Both scales used qualitative data. Traditionally, quantitative data and finance indicators have been used because they are seen as more rigorous. However, quantitative data can be of limited use in some studies (Pizam and Mansfeld, 1999:309) such as our analysis. The qualitative operationalization followed in this article is a typical and well-accepted practice in the strategic research literature (Campbell-Hunt, 2000:146). Theoretically, research has suggested that managerial perceptions are sometimes more critical of performance than some objective indicators that are “mentally distant” (Chattopadhyay *et al.*, 1999). Lyon *et al* (2000:1058-1059) point out that managerial perception provides the best evaluation of the condition inside an enterprise. The validity of this measurement is also corroborated by some authors, who observe the close association between this kind of measurement and objective ones (Venkatraman and Ramanujam, 1986).

### 3.2. Analytic Tools

This study used the two-phase structural equations methodology, both to validate the scales and to establish the causal relationships between “the development of information technologies” and performance (Anderson and Gerbing 1988). This methodological resource signified an innovation in the literature since it is capable of representing latent concepts from observed variables and of studying causal relationships with non-experimental data when these relationships are of a lineal kind. The statistical program EQS 5.7b was used. This program uses the Maximum Likelihood method by default, offering consistent estimators for large samples, with continuum variables, and multi-normal distribution (Bollen, 1989). However, our research violates the assumption of multivariate normality, as on using Likert scales it does not use continuous variables. In this situation, some authors such as Satorra and Bentler (2001) suggest using other methods such as Robust Standard Estimators and the Satorra-Bentler chi-square, which have been used in our work.

The two-phase approach essentially comprehends the measurement analysis of latent variables, and the study of their causality in a structural model. Following Bollen (1989) we proceed to the analysis of dimensionality, reliability and validity of the scales. We examined the dimensionality of the scale that measures IT development inside the enterprises using confirmatory factorial analysis (CFA). In addition, in the case of performance and with the aim of guaranteeing the convergence of the results, we previously carried out an exploratory factor analysis (EFA), whose dimensionality served for the posterior confirmatory analysis. In order to corroborate the suitability of the EFA method, we used the correlation matrix, the Barlett Sphericity Test, and the measure of sample adequacy, calculated with the Kaiser-Meyer-Olkin statistic overall and for each variable. In order to estimate the factors and to evaluate the general fit, principal component analysis was chosen as it is suitable for summarizing the original information in factors with prospective aims. The number of factors

was determined with the criterion of only considering eigenvalues greater than 1. Finally, to interpret the factors, orthogonal rotation with the VARIMAX method was used.

## 4. MAIN RESULTS

### 4.1. Evaluation of Measurement Scales

#### 4.1.1. Evaluation of the Development of IT within the Enterprises

The dimensionality analysis attempts to prove the existence of one single concept in all the indicators that form a scale (Anderson and Gerbing, 1988). We used the CFA technique, in an attempt to test the model shown in figure 1. In table 1 we show the adjustment measures of the model that indicate the individual dimension ITs. The observation of all indices shows the closeness of our fit. First of all, the model is supra-identified, with 2 degrees of freedom. According to the absolute fit measures we can that the Satorra-Bentler  $\chi^2$  is highly significant: greater than 0.05. In addition, the GFI is greater than 0.9, and the RMSEA lower than 0.08, outcomes which denote optimal values. As for the incremental fit measures, all of them (AGFI, BBNFI, BBNNFI, RCFI and IFI) are greater than 0.9, as described by theory. Finally, concerning the parsimony measure, the NC is lower than 1, which may even indicate a supra-adjusted model. Apart from the fit of the model, it can also be observed that all the parameters are statistically significant for a level of 95%, and most of the factor weightings are relatively high.

Reliability can be defined as the degree in which the measures are free of any bias resulting from casual errors, and give the same results regardless of the model (Hair et al., 1998). Following Bollen (1989) we estimated the individual reliability of the indicators with the squared multiple correlation coefficient. We can observe that the index of the last indicator is lower than the minimum value, 0.5. However, the construct reliability produces reliable results with appropriate measures greater than 0.7 in every case, thus ratifying the goodness of our analysis.

Convergent or internal validity indicates that the various items used to measure the concept are strongly and positively correlated. The fit of the models, especially due to the goodness of incremental fit measures such as AGFI or BBNFI corroborate this validity. Discriminant validity indicates the degree to which two measures developed to measure similar but conceptually different constructs are related. As we have developed ITs as only one dimension, discriminant validity analysis was not necessary.

#### 4.1.2. Evaluation of the Performance Measurement Scale

In order to dimensionalize the performance measurement scale, we opted to use an EFA (table 2). The number of factors to be extracted, according to the eigenvalue criterion, suggests a solution of 4 factors. In this classification, the Kaiser-Meyer-Olkin has a value of 0.806, and the individual measures of sample adequacy are over 0.7 in all cases except one, in which it is 0.637. If we look at Barlett's Sphericity Test, it has a  $\chi^2$  of 1177.18 (45 degrees of freedom,  $p < 0.000$ ). The four factors we extract have eigenvalues of 4.61, 1.69, 1.08 and 1.06. In addition, this solution explains 84.46% of the variance. Its interpretation implies the distinction between profitability (Prof, items 1, 2 and 3), growth (Growth, items 4, 5 and 6),



stakeholder satisfaction (Stak.Sat., items 7 and 8) and competitive position (C.Pos., items 9 and 10).

However, and with the aim of achieving a high degree of rigor, we conducted CFA for an overall performance variable (TOTPER). In this way, we considered the performance variable as a second order variable induced by the four dimensions isolated with the exploratory factor analysis, defined as first order latent variables formed from the indicators that are the observed variables. In order to reduce the complexity of structural models and facilitate posterior estimations (Landis et al., 2000) we followed a usual characterization in the literature using composite variables (with the sum of the indicators) for each dimension. The observation of all indices shows the closeness of our fit (table 3). First of all, the model is supra-identified with two degrees of freedom. The quality of the absolute, incremental and parsimony fit measures of the models states can also be appreciated (Hair et al., 1998). The CFA allowed us to validate the dimensionalization reached previously with the EFA. All the parameters are statistically significant for a level of 95%, and all the factor weightings are greater than 0.4, so we can highlight the convergence validity of the scale. The construct reliability is also acceptable, although adjusted (0.67); in addition the use of the Cronbach's alpha gives a value greater than 0.69.

Nevertheless, the aim of our study is to further reduce the number of factors, in order to carry out the structural equation modeling analysis. In this way, and observing the two last factors, close to 1, we opted for the evaluation of an EFA of two factors. Its interpretation implies the distinction between profitability (items 1, 2 and 3), and the other 7 items, which indicate the global competitive position of the enterprises. In this classification, the individual measures of sample adequacy and the Kaiser-Meyer-Olkin statistic have similar values to those of the previous model. The same situation arises with the Barlett's Sphericity Test, which has a significance level of 0.00 for the  $\chi^2$ . This solution only explains 63.096% of the variance, but this data is also acceptable. The high common factors ensure the reliability of the scales. The factor weightings above 0.4 ensure the convergent validity. Finally, the Cronbach's Alphas of 0.830 and 0.932 respectively for the two dimensions, compared with a correlation of 0.461 between these dimensions, ensure the discriminant validity.

Having carried out these two analyses of the performance, this study now considers in the causal structural modelizations the overall latent variable that we have just tested for in the CFA analysis, which we will call Total Performance (TOTPER), and a latent variable with the two performance dimensions that arise from the EFA of 2 factors, which we will call Global Performance (GLOBPER)

## 4.2. Analysis of the Causal Structural Models. Testing of the Hypothesis

Having validated the measurement instruments, the second phase in the use of the two-phase structural equation model refers to the causal relationships in order to test the hypothesis considered. In this model we want to observe the influence of the global development of ITs inside the enterprise on the explanation of firm performance. To do this we followed the specification, identification, estimation, and interpretation phases.

**Table 1. Measure of fit of the model to measure the development of IT in the enterprise**

FIT INDICES OF IT											
	Satorra-Bentler $\chi^2$	Degrees of freedom	Sign. Level	GFI	RMSEA	AGFI	BBNFI	BBNNFI	RCFI	IFI	NC
Fit measures	1.439	2	0.486	0.996	0.000	0.980	0.995	1.005	1	1.001	0.72

**Table 2. Organizational Performance. Exploratory factor analysis by Principal Components, with solution of 4 factors**

ITEM	Factor 1, Prof.	Factor 2, Growth	Factor 3, Stak. Sat.	Factor 4, C. Pos.	Community
P1=Average Economic Profitability (Return on Assets, ROA)	0.912	0.154	0.049	0.126	0.875
P2=Average Financial Profitability (Return on Investment, ROI)	0.917	0.164	0.102	0.106	0.890
P3=Average Profitability in Sales (Return on Sales, ROS)	0.874	0.357	0.022	0.085	0.899
P4=Average Growth in Sales (Historical Index n/n-4: (Sales Year n / Sales Year n-4) <sup>1/5</sup> * 100)	0.229	0.878	0.099	0.093	0.842
P5 =Market Share Increase ( $\Delta$ Participation in Total Sales of Industry during Period n/n-4)	0.207	0.873	0.157	0.176	0.861
P6=Wealth Creation (Ratio Market Value/Book Value of the Company)	0.271	0.724	0.292	0.309	0.781
P7 =Customer satisfaction (Average index of Customer Satisfaction)	-0.073	0.264	0.896	-0.015	0.877
P8 =Employee satisfaction (Average Index of Employee Satisfaction)	0.233	0.086	0.840	0.304	0.860
P9 =Overall Competitive Position	0.158	0.065	0.188	0.851	0.788
P10 =Success Rate in Launching New Products (Competitive Strength in relation to World Competition)	0.066	0.329	0.032	0.812	0.773
eigenvalues	4.615	1.695	1.077	1.066	
% of variance explained	46.147	16.950	10.767	10.596	

**Table 3. Global model to measure the performance (Total Performance). Measures of goodness of fit from the Confirmatory Factor Analysis**

GOODNESS OF FIT INDICES OF PERFORMANCE											
	Satorra-Bentler $\chi^2$	Degrees of freedom	Sig. Level	GFI	RMSEA	AGFI	BBNFI	BBNNFI	RCFI	IFI	NC
Fit measures	3.02	2	0.220	0.991	0.065	0.953	0.975	0.966	0.988	0.989	1.51

The object of the specification phase is to transform the theoretical hypotheses into an equation system. The path diagram showing these relationships is presented in figure 1. We consider as an exogenous variable the development of information technologies inside the firm ( $IT_s = \xi_1$ ), a variable that will be explained by the four items that make up this dimension ( $IT_1, IT_2, IT_3$  and  $IT_4$ ). Secondly, the endogenous variable was measured in two ways. Firstly, we observed the Total Performance ( $\eta_{11} = TOTPER$ ) as an overall aggregate variable from the previous 4 dimensions tested in the EFA with 4 factors, which were also tested and compiled with the CFA model. Secondly, we also considered a latent model comprising the two aggregate dimensions that were also tested by an EFA with the solution of 2 factors, that we have called Global Performance ( $\eta_{12} = GLOPPER$ ). The endogenous variable will be directly explained by the development of ITs in the firm

The identification phase sets out to ensure that the model's parameters can be derived from the variances and covariances between the observed variables. Both models are supra-identified, with positive degrees of freedom (table 4)

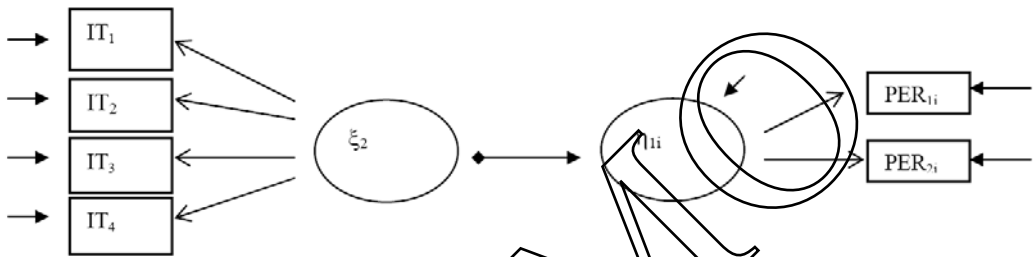


Figure 1. Path diagram of the structural models.

**Table 4. Fit measures of the structural models**

	Models IT-PERFORMANCE	
	IT- TOTPER	IT-GLOPPER
Identification		
Degrees of freedom	5	8
Estimation of the model		
Absolute fit measures		
<b>Satorra-Bentler <math>\chi^2</math></b>	3..91	6.070
<b>Sig level</b>	0.655	0.639
GFI	0.992	0.984
RMSEA	0.000	0.023
<b>Incremental fit measures</b>		
AGFI	0.976	0.959
<b>BBNFI</b>	0.988	0.976
<b>BBNNFI</b>	1.008	0.996
RCFI	1.000	1.000
<b>IFI</b>	1.004	0.998
<b>Parsimony fit measure</b>		
NC	0.66	0.76

The next step is to estimate the results in order to detect estimations without sense or theoretically inconsistent estimates. Previous to its analysis, we must prove the fit of the

model, evaluated with absolute, incremental and parsimony fit measures. Most of the indexes reach the desired values, reflecting an accepted fit of the model (table 4).

The next step is to focus on the fit of the structural estimated model, to find the significance level of the estimated parameters and the reliability of structural equations (table 5). We can observe that the two coefficients are significant and positive. In addition, the evaluation of the  $R^2$  shows us that the development of ITs in the firm is directly capable of explaining the 10% of the performance. This fact is very important if we take into account all the indirect effects of the development of ITs. Our theory is therefore corroborated, and confirms the acceptance of hypothesis.

**Table 5. Parameters estimated in the structural models**

	IT-results models	
	IT-TOTPER	IT- GLOBPER
Coefficient $\beta_{3i}$ in the equations $\eta_{1i} = \beta_{3i} \xi_2 + \zeta_{3i}$ ( $PERF_{1i} = \beta_{3i} IT + \zeta_{3i}$ )	0.298	0.326
Statistical significance of the coefficient ( $t > 1.96$ )	4.087	3.308
Reliability of the structural equations ( $R^2$ )	0.089	0.106

## 5. CONCLUSION

The first aim of this work has been to theoretically show the importance of ITs for enterprises, and their repercussions for competitiveness. The empirical testing of the hypothesis has also revealed the decisive direct importance of information technologies in the future of enterprises. In accordance with the statements developed in the theoretical section, we have corroborated the scale built to measure the development of ITs in the enterprise. This research also corroborates the performance measurement scale established. Once the constructs were verified, the study went on to empirically test the theoretical reasoning. The theoretical work stresses the transcendental importance of ITs in the explanation of firm performance, and this is also corroborated by our data. We now turn to highlight some of the advantages of ITs of those explained in the theoretical section.

ITs can help firms in the reduction of costs, both for entering in new business and for operations and transactions. It favors the reduction of time in new product launches, and helps competitive offers to be established quickly. There are clear cost advantages in the ways the companies operate in virtual markets, and thus the conventional theories of scale agglomeration of enterprises and regional competition undergo important modifications.

New technological innovation facilitates the process of communication and coordination of the internal business activities. ITs increase productivity through the process of automatization, thus liberating employees from routine tasks and eliminating transactional costs. In addition, they allow workers to be better capacitated and promote the sharing of their knowledge and information. At the same time they can establish creative formulas to maintain high worker satisfaction and motivation, which in turn also contribute to the quality of the products and the firm image.

These ITs allow firms to be in touch with a vast number of people cheaply and quickly, and with no geographical limits. They can enable added value to be created for customers,

allowing the smooth launch onto the market both of new products and services. They can also be included in web catalogs with their descriptions and prices, and are thus available to the final customers. This is also associated with an increase in income through the supply of additional services, due to the opening up of new distribution and sales channels. The interactivity of new technologies provides the opportunity to cheaply, easily and quickly create innovative products and services tailored to customer demands. These products can also differentiate the firm, and contribute to customer loyalty. Customer experiences can be also used to evaluate the quality of the products and services, which contributes to the efficacy and efficiency of new developments.

In addition, Information Technologies expedite the comparison of prices, and of suppliers' conditions and product characteristics. This encourages enhanced relationships with suppliers, associates and collaborators that lead to the creation of collaborative agreements which facilitate the interchange of information in real time. New technologies increase the firm's ability to cooperate at different levels of the supply chain, and facilitate the complex process of innovation in the intensive interactions of supplier – service producer – customer, and their corresponding learning processes.

New technologies encourage the emergence of virtual communities that overcome the traditional barriers between enterprises along the value chain. This may involve the sharing of business processes among groups of enterprises from different sectors and industries, which may in turn help to break down the structures of the traditional industrial chain, opening up new ways of communication and interchange of knowledge through new forms of economic interchanges such as electronic markets.

In addition, ITs allow the interchange and sharing of information among geographically distant firms, which again promotes external knowledge and learning. ITs increase transparency in business processes, in that different firms are able to communicate and interchange knowledge without major difficulties through extranets and remote access to central databases. The spread of knowledge can serve as a source of processes for technology change and adoption in the measure that firms conjugate different combinations of individuals and resources.

One of the fundamental factors is derived from the increased potential of knowledge. New technologies extend the process of integration and sharing of intelligence among firms and businesses, allowing for collaborative planning, prediction and replacement of the management of the value chain beyond national and regional barriers. Thus, managers' increased knowledge of the changes produced by the new environment and IT can be the key, as a source of mutual enrichment, to coping with the development of new technologies.

The importance of our study may be stressed both for its application to the Spanish hospitality sector of all the innovations that ITs can produce, some of which have been described in the theoretical section, and for the testing of the model established and its corroboration in the sector studied. In addition, if we also contemplate the practical use of our study, this analysis clearly highlights that a greater development of ITs by firms can lead to a better firm performance. It is clear that firms need to improve their knowledge of the post Internet competitive environment in order that managers might choose the best strategies, thereby taking advantage of the relationship between ITs and improved performance. We want to stress that enterprises should intensively use and develop ITs in the ways explained in this paper.

Inferences drawn from this study should take into account the limitations of our sample and the methodology used. Finally, we consider relevant the need for future research that could enrich our analysis. Further research might take the same perspective with different samples in the tourism or other sectors, or could use different methodologies.

## 6. ACKNOWLEDGEMENTS

The authors are associate professors and professor of management at the Department of Business Administration and Marketing, Universitat Jaime I. Their research interests include tourism management, knowledge management, and managerial cognitive processes. They have published in journals such as *Journal of Intellectual Capital*, *Journal of Knowledge Management*, *International Journal of Innovation Management*, *International Journal of Technology Management*, or more specifically in tourism journals such as *Estudios Turísticos*, *Tourism Today*, *International Journal of Hospitality Contemporary Management*, *International Journal of Hospitality Management*, *Tourism Management* or *Annals of Tourism Research*.

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DEMIO

*Chapter 7*

## **QUALITY MANAGEMENT IN THE TOURISM INDUSTRY: A LITERATURE REVIEW AND AGENDA FOR FUTURE RESEARCH**

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### **ABSTRACT**

Quality management has become a widely adopted management philosophy in most sectors of today's business activity. However, and despite services being a large segment of the economies of many countries, to date the research in quality management in the service sector is not as well developed as it is in manufacturing. As to this issue, some recent papers that provide a substantial review of the literature in quality management specifically do not address the area of service quality. Other papers suggest that current quality management research in the service sector is insufficient and that more survey studies are needed. In addition, the majority of the research carried out on quality in service sector companies has been done from the marketing perspective and has been centred preferentially on the study and measurement of service quality offered from the customer's perspective.

As a result of this research focus, and although both the theoretical foundation and methods of Total Quality Management can also be applicable to services, many of the elements and components of Total Quality programs have not been analyzed in existing studies. Examples of these elements include process management, information management and performance measurements, all of which play an important role in service organizations and are also critical aspects in hospitality and tourism. In the end, these factors have led to a more limited knowledge of the problems and implications that the implementation of a quality management program represents for a service sector firm, and especially within the context of the hospitality and tourism industry.

Consequently, the objective of this chapter is to carry out a review of the literature on quality management implementation in the service sector. To be more specific, we

aim to analyze the quality literature in the tourism context in an effort to synthesize and structure existing knowledge and offer suggestions for future research in this field. While we will make reference to studies from the marketing area, we mainly focus our review on management studies, written in the context of quality management and having a broad quality management perspective, an approach that should help us to identify interesting aspects which we feel have not been sufficiently treated in the research carried out to date.

## 1. INTRODUCTION

Over the last few decades, the clear implications relating to business competitiveness and operations that stem from adopting an orientation towards continuous quality improvement have contributed to the appearance of numerous academic works that analyze the contents and process of implementing quality systems as well as their consequences on business operations and/or results<sup>108</sup>. Most of the empirical studies that have adopted this focus have centred on industrial companies or on samples of businesses that include both industrial and service sector companies. In consequence, and despite services being a large segment of the economies of many countries today, research in quality management in the service sector is not as well developed as it is in manufacturing.

As to this issue, some recent papers that provide a substantial review of the literature on quality management do not specifically address the area of service quality (Sousa and Voss, 2002), while others suggest that current quality management research in the service sector is insufficient and requires more survey studies (Lemak and Reed, 2000; Sureshchandar et al, 2001a, b; Sila and Ebrahimpour, 2002). In addition, although both the theoretical foundation and methods of Total Quality Management can also be applied to services, the majority of the research carried out on quality in service sector companies has been done from the field of marketing and has been centred preferentially on the study and measurement of service quality offered from the customer's perspective. As a result of this research focus, many of the elements and components of Total Quality programs have not been analyzed in existing studies. Examples of these elements include process management, information management and performance measurements, all of which play an important role in service organizations and are also critical aspects in hospitality and tourism. In the end, these factors have led to a more limited understanding of the problems and implications that the implementation of a quality management program represents for a service sector firm, and especially within the context of the hospitality and tourism industry.

On the basis of these prior considerations, the objective of this chapter is to carry out a review of the literature on quality management implementation in the service sector and, more specifically, to analyze the quality literature in the tourism context, trying to synthesize and structure existing knowledge and offer suggestions for future research in this field. We will proceed towards this goal in the following section with a general overview of the literature relating to quality management and drawn mainly from the field of organization and management theory. In the third section we will focus our analysis on the contributions relating to quality within the service context, and in the fourth section we will review the

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<sup>108</sup> For an in-depth review of the literature on this theme, see Ahire et al. (1995), Sousa and Voss (2002) or Sila and Ebrahimpour (2002).

literature on quality within the tourism sector. While we will make reference to studies from the marketing area, we mainly focus our review on management studies, written in the context of quality management and having a broad quality management perspective, an approach that should help us to identify interesting aspects which we feel have not been sufficiently treated in the research carried out to date. Finally, the last section will include the conclusions derived from our study.

## **2. A LITERATURE REVIEW OF QUALITY MANAGEMENT FROM THE MANAGEMENT THEORY PERSPECTIVE**

Quality management is now becoming a mature field of study, with a vast body of literature. Thus, our aim in this paper is not to offer an exhaustive review of all the existing literature in this field. As we have pointed out, we focus our review on literature in the field of management and seek to maintain a broader quality management perspective. Consequently, we do not directly cover topics such as technical quality, quality standards and certification, definition of product quality, quality awards (e.g. EFQM, Baldrige), or single components of quality management (human resource management, leadership, supplier quality management). Within this remit, we review and synthesize the main findings of two of the most developed research streams from the management field relative to quality implementation: the identification of the factors or dimensions that must be adequately managed in order to implement TQM in an organization, and the analysis of the impact of quality management implementation on firm performance.

### **2.1. Quality Management Practice Dimensions**

Within this area of research there are studies which seek to make progress in the process of formulating a model or a management theory, such as the papers by Dean and Bowen (1994), Benson, Saraph and Schroeder (1991) or Anderson, Rungtusanatham and Schroeder (1994), while other papers are fundamentally empirical in nature and aimed at measuring the different dimensions or factors which make up a TQM program. Some of the most relevant studies within the latter approach are Saraph, Benson and Schroeder (1989), Benson, Saraph and Schroeder (1991), Flynn et al. (1994), Anderson et al. (1995), Black and Porter (1995, 1996), Ahire, Golhar and Waller (1996), Quazi et al (1998), Rungtusanathan, Forza, Filippini and Anderson (1998) or Rao et al (1999).

Beginning with the studies that are theoretical in nature, Dean and Bowen (1994) define Total Quality as a “philosophy or an approach to management” which can be characterized by its principles, practices and techniques. The three core principles underlying this focus are: a) customer focus, which implies carrying out activities like collecting information about customers’ expectations, disseminating this information within the organization, or promoting direct contact with customers; b) continuous improvement, through practices like process analysis or reengineering; c) teamwork, by forming various types of teams within the organization. Once having established these core principles, and taking as a reference the

content areas that comprise the Malcolm Baldrige Award<sup>109</sup>, the authors analyse the relation between Total Quality and the tenets of Organization Theory. They identify aspects (leadership and human resource management) in which both approaches are consistent. Dean and Bowen also mention other aspects in which the Total Quality approach should be informed by Management Theory. They cite the phase of strategic formulation in particular, which must include not only the evaluation of customer expectations but also the strengths and weaknesses of the organization, as well as design issues contingent on management practices, such as empowerment, instead of assuming that they are universally appropriate. And lastly, the authors treat a third category in which Total Quality suggests new research questions for Management Theory. These include areas as strategy implementation, information processing, process improvement and customer focus and satisfaction.

In the same *Academy of Management Review* monograph, Anderson, Rungtusanatham and Schroeder (1994) propose to develop a theory of quality management underlying the 14 principles put forward in the Deming method<sup>110</sup> (1982). By means of a Delphi study carried out by seven experts, they identify a total of 37 aspects associated with the 14 points of the model, which they then organize around seven concepts or dimensions. Subsequently, they analyze the interrelationships between the concepts to arrive at their theory of quality management. According to the theory, the leadership of top management is that which makes it possible to create a cooperative and learning-oriented organization, elements which, in turn, permit the implementation of process practices like statistical control, design of experiments, etc. Such practices contribute to continuous improvement and employee satisfaction, necessary requirements to achieve customer satisfaction and, ultimately, the survival of the organization. The proposed model is empirically tested by Anderson et al. (1995) using data collected as part of a large study on manufacturing practices in 41 plants, and the results provided support for several of the proposed relationships, although the relationships between Learning and Process Management and between Continuous Improvement and Customer Satisfaction were found to be statistically non-significant. Another empirical test of the model can be found in a paper by Rungtusanathan, Forza, Filippini and Anderson (1998), authors which apply in their replication path analysis to secondary, plant-level data provided by a stratified sample of plants in three different industries in Italy.

Benson, Saraph and Schroeder (1991) for their part, propose a quality management model drawing on the system-structural view, as well as incorporating aspects related to the managerial problem-solving process. According to the model, quality management can be characterized as a three stage process. It begins with the director's perception of the existing organizational context relating to quality, which consists of elements such as corporate direction and support in the area of quality, past quality performance, external quality demands, resources available and other variables relating to company classification, such as

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<sup>109</sup> The dimensions of quality identified in the Malcolm Baldrige Award are: leadership, information and analysis, strategic quality planning, human resource management and development, process management and customer focus and satisfaction.

<sup>110</sup> Deming's fourteen principles are: create constancy of purpose toward improvement of product and service; adopt the new philosophy; eliminate the dependence on mass inspection to improve quality; end the practice of awarding business on the basis of price tag alone; improve constantly and forever the system of production and service; institute training; institute leadership; drive out fear; break down barriers between departments; eliminate slogans, exhortations and targets; eliminate numerical quotas; remove barriers in order to foment pride of workmanship; institute a vigorous program of education and self-improvement; work to accomplish the transformation.

size or sector. From this context, management proceeds to formulate the change-needs in quality management, or to identify the existing quality problems, by comparing actual quality management to ideal quality management. The third stage involves the implementation of the necessary organizational response to minimize the gap identified in the previous stage. The resulting quality performance feedback becomes part of the organizational quality context and contributes to initiating the process once again.

In consequence, the model's key variables make reference to the organizational quality context, actual quality management (defined as the director's perception of the current quality management practices), and ideal quality management (defined as the director's beliefs of how quality should be managed within the organization). The two variables that make up the gap are measured using an eight dimension scale developed by the authors in a previous paper (Saraph, Benson and Schroeder, 1989), and the empirical analysis carried out made it possible to confirm the proposed hypothesis dealing with the influence of the context variables both relating to current quality management as well as to the ideal form.

The study just cited (Saraph, Benson and Schroeder, 1989), is the first of a series of works aimed at the development and validation of measurement instruments relating to quality management dimensions via survey research. Table 1 compares the dimensions identified in some of the most relevant studies. In their paper, Saraph et al. (1989) identify a total of 120 requirements or relevant aspects for effectively managing quality in a company, derived from a review of the contributions made by the principal *gurus* of quality management, like Juran, Deming, Crosby, Ishikawa and Monden. They then group these requirements into 8 dimensions in accordance with the opinion of quality experts.

This study constitutes the point of departure for the work of Black and Porter (1995) who apply an alternative method to that involving expert opinions, specifically Factor Analysis, to identify the relevant quality management dimensions. Additionally, they carry out a second study in this paper (also presented in Black and Porter (1996)), in which they identify 39 new items based on the criteria established in the Malcolm Baldrige Award and apply the same methodology as in the previous case in order to identify the dimensions or factors. Other studies which have tried to corroborate the reliability and validity of the instrument developed by Saraph et al. (1989), with positive results, are Badri et al. (1995) and Quazi et al. (1998).

Flynn, Schroeder and Sakakibara (1994) also contribute to the development and validation of an instrument of this nature. From a review of the existing literature, the authors identify a total of seven key dimensions in quality management, and go on to develop a total of 14 scales to measure these aspects. After analyzing these scales' reliability and validity, a rectified instrument is put forward, made up of 11 scales, which allows both researchers as well as managers to evaluate the effectiveness of quality management programs. Finally, Ahire, Golhar and Waller (1996) identify a total of 12 relevant quality dimensions, as well as the items that relate to each one, and apply a Confirmatory Factorial Analysis to validate their instrument for identifying and measuring the quality management dimensions.

## 2.2. The Impact of Quality Management on Firm Performance

This research approach includes theoretical papers, such as Reed, Lemak and Montgomery (1996), and empirical ones, such as those by Adam (1994), Powell (1995), Flynn et al. (1995), Madu et al. (1996), Grandzol and Gershon (1998), Dow, Samson and

Ford (1999), Choi and Eboch (1998), Easton and Jarrell (1998), Samson and Terziovski (1999), Ahire and Dreyfus (2000), Hendricks and Singhal (2001), Kaynak (2003), Fuentes et al. (2004) or Taylor and Wright (2006). Table 2 presents the main findings identified in these studies.

In terms of the theoretical works, Reed, Lemak and Montgomery (1996), analyze the components of the Total Quality concept, their relation to firm performance and the influence that variables such as company orientation (customer-focused or operations-focused) and company environment (specifically, the levels of dynamism and complexity) could have on these results. In their analysis, which is contingent in nature, the authors establish that firms with a customer orientation will increase their revenues when they use TQM to generate a market advantage, and will reduce costs when they use TQM to improve product-design efficiency, when uncertainty is high, whereas the results will be opposite in environments with low uncertainty. In an operations-based company, Reed et al. hypothesize that, when uncertainty is low, a firm will reduce costs if it uses TQM to generate process efficiencies, or it will increase revenues if TQM is used to improve product reliability, and the opposite will occur in a high-uncertainty environment. The authors then propose different types of measures in an effort to operationalize the variables or constructs identified in the paper (uncertainty, firm orientation, market advantage, product design efficiency, process efficiency, product reliability and financial results), although these measures are not empirically tested.

Among the works in this research line which also incorporate an empirical study, is that by Adam (1994), who relates alternative quality and productivity improvement approaches to eight quality, three operating, and three financial performance measures. The results of the study suggest that the profile of quality and productivity improvement approaches should depend upon whether the firm is most interested in performance quality, operating improvement or financial performance. This study is extended in a paper by Adam et al. (1997), where research is done on approaches to quality that lead to the best quality and financial performance across different regions of the world, and the results obtained suggest that the specific factors that best predict performance vary from region to region.

Other works, such as Flynn et al. (1995), explore the relationship of specific quality management practices to quality management. These authors identify core quality management practices, which are expected to lead directly to improvements in quality performance, such as process flow management, the product design process and statistical control/feedback, and quality management infrastructure practices, which comprise the environment that supports effective use of the former group, and include customer and supplier relations, work attitudes, workforce management and top management support. The results of the empirical study suggest that perceived quality outcomes are primarily related with the product design process and statistical control, whereas internal quality levels are highly related to process flow management and, to a lesser extent, to statistical control/feedback.

Powell (1995) examines the implications of TQM for strategic management research and practice by evaluating TQM from the perspectives of Resource theory, the diffusion of innovation literature and, lastly, the Organizational Ecology. Based on a review of the existent literature, Powell establishes that Total Quality Management programs are made up of a group of 12 dimensions or factors, and that the complete adoption of these dimensions in an organization could be complicated by the fact that they affect core organizational features



such as strategy or structure, and require the presence in a firm of complementary and intangible resources, such as a culture receptive to change, corporate perseverance, or leadership styles, that are difficult to imitate. The empirical study carried out to verify that the performance of companies that have adopted Total Quality programs relates positively to each of the 12 dimensions identified, and is superior to that of companies that have not adopted such a program, indicates that implementing a Total Quality program can generate value for a company. However, this positive impact depends on factors like management commitment, open organization and empowerment, and, to a lesser degree, on benchmarking, process improvement, flexible manufacturing, training and measurement. In consequence, Powell concludes that the presence of complementary and intangible resources is more likely to determine success than the imitation of procedures or techniques.

In a more recent work, Dow, Samson and Ford (1999) adopt a similar approach to Powell although they use a larger sample (698 surveys) in order to test their hypotheses. Based on a review of the existing literature, the authors identify a total of 44 quality practices as well as four indicators of results, and then carry out exploratory and confirmatory factorial analyses to validate the model developed which is made up of nine significantly inter-related dimensions. The analyses carried out to check if these dimensions are related positively and significantly with the outcome measures indicate that this situation only occurs with three of the dimensions: employee commitment, shared vision and customer focus.

Madu et al (1996), empirically test the association between three quality dimensions (customer satisfaction, employee satisfaction and employee service quality) and organizational performance, using data from 165 practising managers in manufacturing and service firms. The data were grouped into four typologies to include type of firm, size, age, and presence of formal quality department. The results indicate that managers in manufacturing firms more widely perceive a positive correlation between quality dimensions and organizational performance than managers in service firms. Also, managers from older manufacturing firms tend not to perceive a relationship between employee service quality and five items of organizational performance. In another paper, Easton and Jarrell (1998) examine the impact of TQM on the performance of 108 firms by comparing each firm's performance to a control benchmark designed to capture what the performance would have been without TQM. Their results indicate that performance, measured by accounting variables and stock returns, is improved for the firms adopting TQM, and that the improvement is consistently greater for firms with more advanced TQM systems.

Other papers, such as Grandzol and Gershon (1998), analyze the seven quality dimensions identified in the aforementioned paper by Anderson et al. (1994), in order to develop and validate a measurement instrument that also includes variables connected with results. These variables, proposed by Brown et al. (1994), deal with: product/service quality, financial performance, operations, public responsibility, employee satisfaction and customer satisfaction. Samson and Terziovski (1999) and Choi and Eboch (1998) use the Malcolm Baldrige Award criteria for categorising TQM elements, and analyze their relation to operational performance. In the first case the results obtained by Samson and Terziovski confirm the existence of a positive and significant relation for only three of the identified dimensions, specifically leadership, management of people and customer focus. In the second case, Choi and Eboch identify, in accordance with the Baldrige Award framework, four management practice areas to assess within a TQM program: process quality management, human resource management, strategic quality planning and information and analysis. They

then study the relation of these areas to plant performance as well as to customer satisfaction. The results of the empirical study suggest that TQM practices have a stronger impact on customer satisfaction than they do on plant performance. Furthermore, the plant performance fails to show a significant impact on customer satisfaction.

The relationships between one or various TQM dimensions and customer satisfaction are explored in papers such as the one by Ugboro and Obeng (2000), while the validity of the theoretical models underlying the Baldrige criteria is tested in the paper by Flynn and Saladin (2001), finding that both the 1992 and 1997 frameworks improved upon the foundation established by the 1988 framework. Ahire and Dreyfus (2000), for their part, analyze the relation between two elements of Total Quality management implementation (design management and process management) and quality outcomes, both operational and external. They also identify some contextual factors (firm size, TQM duration and industry) and explore the influence they might have on the quality outcomes. The empirical study confirmed the positive impact of both design and process management efforts on internal and external quality outcomes. In addition, a contingency effects test of the contextual factors of the relationships identified revealed that they are not affected by the factors. Finally, Taylor and Wright (2006) use data from 67 TQM firms to test the hypothesis that measurement of key TQM practices and performance outcomes -specifically the measurement of dimensions relating to customer satisfaction, employee satisfaction, process performance, impact of TQM on costs, impact of TQM on sales, self-assessment, and benchmarking- is essential for TQM success. The results of their empirical study show that increased measurement intensity is strongly associated with perceived TQM success and the authors conclude that to attain the highest levels of TQM success, firms need to engage in the measurement practices of self-assessment and benchmarking.

The influence of firm characteristics on effective implementation of TQM has also been treated in other works, such as those by Hendricks and Singhal (2001) or Fuentes et al (2004). In the first case, the variables examined are firm size, the degree of capital intensity, degree of diversification, maturity of the program and the timing of TQM implementation. The results obtained indicate that smaller companies or those whose quality programs have reached a greater degree of maturity obtain significantly better results, and, that there is weak support for the hypotheses that less capital-intensive firms or more focused firms obtain better results. Finally, no relation was observed between the performances of earlier or later implementers of effective TQM. With respect to the paper by Fuentes et al. (2004), they analyze the effect of organizational environment, characterized by its dynamism, munificence and complexity, as a variable for explaining the impact of TQM implementation on business results and the results of the empirical study indicate support for the relationship between organizational characteristics, TQM principles and performance.

By way of synthesis of the contributions mentioned in this section, and with respect to the first research stream, Table 1 presents the quality dimensions identified in the literature, grouped in function of their similarities, in order to facilitate comparison. An examination of the figure makes clear the existence of factors or dimensions identified unanimously in the literature as forming an essential part of a TQM program, such as top management leadership, favouring the development of a quality-oriented culture, and employee involvement. In consequence, there appears to be a clear consensus as to the fundamental role of the human factor, from the front lines and up through all levels of management, in the development of a Total Quality Management program. Along with these elements, other factors that are

considered relevant make reference to aspects that are more operational in nature, such as training, process management and the use of information. A focus on the customer, and relationships with other members of the value chain (particularly suppliers), are also present in the majority of the analyzed studies. The remaining dimensions identified, such as zero defects, benchmarking, flexible manufacturing, or Just in Time principles, have been tested in a smaller number of studies, thus raising doubts about the role they really play in quality management programs. Therefore, more research seems to be necessary to examine the extent to which these factors contribute to TQM success.

With respect to the literature about the impact of quality management on firm performance, the main findings and characteristics of the papers analyzed are presented in Table 2. An examination of the table reveals a diversity of approaches, levels of analysis and variables used in the literature, which makes generalizing about the conclusions more difficult. Despite this situation, some relevant issues can be pointed out regarding this question. First, the empirical studies suggest that the impact of TQM on firm performance is influenced both by organizational context and firm characteristics. However, within the latter category the empirical evidence available about the effects of variables such as firm size, age, program maturity or industry on the effectiveness of a TQM program is not conclusive. Consequently, more survey studies that analyze the influence of these variables on the success of a TQM program are needed.

Secondly, the empirical studies confirm the existence of a positive relationship between several TQM dimensions and firm performance, although the evidence for which TQM factors contribute most to improve performance is, again, not conclusive. The most relevant effects seem to be related to the dimensions "top management commitment", "customer focus" and "management of people". These dimensions are the ones identified in the first research stream as being the most relevant in the development of a TQM program, a circumstance that reinforces the consistency of the findings in both research lines.

### **3. QUALITY IN SERVICES: A LITERATURE REVIEW**

The literature on quality in the service sector has mainly been developed from the marketing perspective, and has a strong focus on the definition and measurement of service quality from the customer's perspective. There are, in addition, contributions from the management field; these, however, are considerably less numerous. Below, we review the contributions from each field.

#### **3.1. Service Quality from the Marketing Perspective**

With regard to the marketing approach, some authors (Brogowicz, Delene and Lyth, 1990; Lemak and Reed, 2000; Brady and Cronin, 2001) speak of the existence of two major schools of thought in service quality research:

**Table 1. TQM dimensions identified in the literature, grouped by similarity**

Saraph, Benson and Schroeder, 1989	Black and Porter, 1995	Black and Porter, 1995, 1996	Powell, 1995	Ahire, Golhar and Waller, 1996	Anderson et al, 1994, Anderson et al, 1995	Flynn et al, 1995	Dow, Samson and Ford, 1999
Top management leadership	Management-led quality culture	Corporate quality culture	Committed leadership	Top management commitment	Visionary leadership	Top management support	Shared vision
Employee relations	Employee involvement programmes	People and customer management	Employee empowerment	Employee empowerment/ involvement	Employee fulfillment	Workforce management	Workforce commitment
Training	Employee training		Increased training	Employee training	Learning		Personnel training
Supplier quality management		Supplier partnerships	Closer supplier relationships	Supplier quality management		Supplier relationship	Co-operative supplier relations
Quality data and reporting	Quality performance data	Quality improvement measurement systems	Measurement	Internal quality information usage		Statistical control /feedback	
		Customer satisfaction orientation	Closer supplier relationships	Customer focus	Customer satisfaction	Customer relationship	Customer focus
Process management	Operational quality responsibilities		Process improvement	SPC usage	Process management	Process flow management	
Product/service design	Operational quality requirements	Operational quality planning		Design quality management		Product design process	
	Strategic role of the quality department	Teamwork structures for improvement			Internal cooperation	Work attitudes	Teams
	External quality strategies	External interface management	Open organization		External cooperation		



**Table 2. TQM impact on firm performance. Summary of main findings**

Study	Sample	Main findings
Adam (1994)	187 US business firms	Strong relationship between a quality improvement approach and performance quality. Weaker, but significant, relationship between a quality improvement approach and operating or financial performance
Flynn, Schroeder and Sakakibara (1995)	42 manufacturing firms	Infrastructure practices –top management support, workforce management, work attitudes, supplier relationships- are related to some core quality practices and quality performance measures
Powell (1995)	54 manufacturing and service firms	TQM can produce economic value to the firm, but TQM success depends more critically on tacit, intangible features, such as open culture, employee empowerment and executive commitment.
Madu, Kuei and Jacob (1996)	165 practising managers from manufacturing and service firms	Significant positive correlation between quality dimensions -employee satisfaction, customer satisfaction and employee service quality- and organizational performance for both manufacturing and service firms. Different perceptions of managers from manufacturing and service firms
Adam et al. (1997)	997 firms across different regions of the world	The company approach to quality correlates to actual quality and, to a lesser extent, to financial performance. The best predictors of performance vary from region to region
Choi and Eboch (1998)	339 manufacturing companies	TQM practices have a stronger impact on customer satisfaction than they do on plant performance. Plant performance fails to show a significant impact on customer satisfaction
Easton and Jarrell (1998)	108 firms from multiple sectors	Adoption of TQM have a positive effect on performance
Samson and Terziovski (1999)	1024 Australian/New Zealand manufacturing organisations	The categories of leadership, management of people and customer focus are the most significant predictors of performance
Dow, Samson and Ford (1999)	698 Australian/New Zealand manufacturing organisations	Employee commitment, shared vision and customer focus contribute to superior quality outcomes
Ahire and Dreyfus (2000)	478 manufacturing plants from multiple industries	Design and process management have a positive impact both on internal and external quality outcomes. Firm size, TQM duration and industry have no effects on the model of synergies between design and process management
Hendricks and Singhal (2001)	435 quality award winners	Firm size, degree of capital intensity, degree of diversification and maturity of the TQM program moderate the benefits of TQM implementation. The timing of TQM implementation does not influence performance
Kaynak (2003)	214 US manufacturing and service firms	TQM practices have a positive effect on various performance levels
Fuentes, Albacete and Llorens (2004)	Quality managers in 273 Spanish firms from multiple sectors	Organizational environment (dynamism, munificence and complexity) influence the degree of implementation of the main TQM principles. The dimensions of TQM have an impact on performance
Taylor and Wright (2006)	67 TQM firms	Measurement of key TQM practices -especially self-assessment and benchmarking- is essential for TQM success.

1. The Nordic School, which includes works by Grönroos (1982, 1984), Gummesson (1978) and Lethinen and Lethinen (1991), maintains that quality results from a comparison of perceived with expected service and identifies two service quality dimensions: technical quality -that reflects what the consumer receives in the service encounter- and functional quality -that represents how the service is delivered-. The interrelationship between these two dimensions is the key factor in determining the corporate image relating to quality.
2. The North American School, dominated by the contributions of Parasuraman, Zeithaml and Berry (1985, 1988), can be defined by three core aspects: 1) the conceptualization of service quality as the gap between the expected level of service and customer perceptions of the level received, 2) the creation of a service quality measurement instrument (called the SERVQUAL scale, later revised by its' authors (Parasuraman, Berry and Zeithaml 1991, Parasuraman, Zeithaml and Berry 1994)) and the identification of five service quality dimensions -reliability, responsiveness, assurances, empathy and tangibility characteristics of the service experience- and 3) the development of a service quality model based on the existence of gaps which make clear the difference between consumer expectations and perceptions.

The conceptualization of service quality -based on the disconfirmation paradigm<sup>1</sup>- is similar in both schools, although there is no agreement as to the nature or content of the dimensions that make up the service quality construct. Whereas Grönroos and the Nordic School identify two dimensions, Parasuraman et al. propose five, and more recent papers, such as Brady and Cronin (2001), adopt Rust and Oliver's (1994) view that the overall perception of service quality is based on the customer's evaluation of three dimensions: the customer-employee interaction, the service environment and the outcome. The academic interest in the conceptualization of the service quality construct continues and, recently, researchers have begun to define factors or dimensions relevant to service quality as its antecedents rather than its components (Dabholkar et al. (2000), Brady et al. (2002)), as well as to explore empirically the role of image in the perception of service quality, as the Nordic School suggests (Kang and James, 2004).

The measurement of service quality is another controversial topic in the literature and, although the SERVQUAL scale developed and refined by Parasuraman et al. (1988, 1991, 1994) has been the dominant approach, several authors such as Carman (1990), Cronin and Taylor (1992, 1994), Babakus and Boller (1992), Teas (1993, 1994), Buttle (1996), Smith (1999), Dabholkar et al. (2000), Brady and Cronin (2001), Brady et al. (2002) or Coulthard (2004) have raised conceptual and empirical concerns about this measurement instrument. These problems have led to the development of alternative measurement instruments (e.g. the SERVPERF scale proposed by Cronin and Taylor (1992)) based on the use of performance-only measurements, or on directly measuring the differences between expectations and perceptions, as opposed to the computation of difference scores through separate determinations of expectations and perceptions. However, and despite the empirical evidence that both performance-only measurements and direct disconfirmation measurements outperform the SERVQUAL scale (see, for example, Brady et al. (2002) or Dabholkar et al.

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<sup>1</sup> To study this theme see, for example, Cardozo (1965), Oliver (1977, 1980), or Olshavsky & Miller (1972).

(2000)), the widespread use of SERVQUAL in the literature suggests that a consensus has not yet been reached relative to which measurement instrument is the most appropriate.

The third core contribution by Parasuraman, Zeithaml and Berry (1985), and the most relevant for the purpose of this paper, is the development of a service quality model with managerial implications. According to this model, consumers' perceptions of service quality performance (defined as the difference between customer expectations and perceptions, the so-called Gap 5) are influenced by a series of four distinct gaps seen in organizations:

- GAP 1: Difference between consumer expectations and management perceptions of consumer expectations.
- GAP 2: Difference between management perceptions of consumer expectations and service quality specifications
- GAP 3: Difference between management perceptions of consumer expectations and the service actually delivered
- GAP 4: Difference between service delivered and what is communicated about the service to consumers.

In a subsequent study, Zeithaml, Berry and Parasuraman (1988) identify a set of factors - mostly involving communication and control processes implemented to manage employees, and the consequences of these processes<sup>2</sup> that potentially affect the magnitude and direction of the four gaps. An empirical test of this extended service quality model is presented in another study (Parasuraman, Berry and Zeithaml, 1991), and the results indicate that Gaps 3 and 4, but not Gaps 1 and 2, have statistically significant associations with Gap 5. The authors suggest, then, an agenda for future organizational research which includes questions like: to conduct studies focusing on one organizational gap at a time; to identify new variables which might have been omitted in the model specification; to devise direct measurements of gaps 1 and 5; and lastly, to devise new ways to collect the necessary data to test the model. However, very few papers relating to these issues have been identified in the literature to date; Brown and Swartz (1989), Chenet, Tynan and Money (1999) and Frost and Kumar (2000) are some of such papers.

Brown and Swartz (1989) use gap analysis for examining the evaluation of a professional service, namely the medical services area, and specifically, the physician-patient relationship. The authors identify three gaps that relate to expected and experienced service and represent both sides of the service exchange. Two of them are equivalent to gaps 1 and 5 of the model by Parasuraman et al., and the third gap measures the difference between client experiences and professional perceptions of client experiences. The results of the empirical study suggest a significant relationship between all three gaps and the evaluation of professional services.

Chenet et al. (1999) re-evaluate and redevelop the service performance gap, or Gap 3 of the model developed by Parasuraman et al. (1985). The authors propose a conceptual model where the service performance gap is a function of trust, commitment and cooperation, which,

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<sup>2</sup> According to Zeithaml, Berry & Parasuraman (1988), the size of Gap 1 is proposed to be a function of marketing research orientation, upward communication and levels of management; the size of Gap 2 a function of management commitment to service quality, goal setting, task standardization and perception of feasibility; the size of Gap 3 a function of teamwork, employee-job fit, technology-job fit, perceived control, supervisory control system, role conflict and role ambiguity, and the size of Gap 4 is proposed to be affected by horizontal communication and propensity to over promise within the organization.



in turn, are influenced by personal factors (employee-job fit, perceived control and shared values), organizational factors (supervisory control systems and technology-job fit) and interpersonal factors (role ambiguity and role conflict). Finally, Frost and Kumar (2000), for their part, also design a conceptual model, known as the "Internal Service Quality Model", based on the original model developed by Parasuraman et al. (1985). The proposed model evaluates the dimensions, and their relationships, that determine service quality among internal customers and internal suppliers within a large service organization.

Along with these two major schools, and independent of the existence of other contributions<sup>3</sup>, a detailed review of the literature clearly manifests the existence of a reduced number of theoretical works, such as those by Brogowicz, Delene and Lyth (1990) and Candido and Morris, (2000, 2001) that not only attempt to integrate the contributions of both schools, but also to explicitly incorporate a management orientation. Brogowicz et al. (1990) propose a service quality model based on the idea that managers need to pay special attention to the planning, implementation and control both of the technical as well as the functional dimensions of quality as a way to prevent, or at least to minimize, the service quality gap that results from the difference between quality expected and that which is really received or offered -gap 5 of the Parasuraman et al. model.

Candido and Morris (2000), for their part, propose a model that expands upon the 14 quality gaps or inconsistencies related to the strategic process phases of the company. These gaps are: the perceptions of managers, service quality strategy, design and specifications of service quality in terms of customer expectations, the financial function's support of quality, internal communication, integration-coordination, coordination with other elements of the value chain, personnel selection and training, service provided, external communication, perceptions of contact personnel relating to customer perceptions, customer perceptions, evaluation of service quality. Once identified, the authors relate these 14 gaps to the strategic management process, linking gaps 1 to 7 with the strategy formulation phase, gaps 3 to 8 with the strategy implementation phase and gaps 5 to 14 with day to day operations. In a subsequent paper, Candido and Morris (2001) propose a service quality strategy implementation model combined with the service quality gaps they have defined in their previous paper, in order to provide a better understanding of how to anticipate, prevent and eliminate service quality gaps during the strategy process.

The issues that have been reviewed in this section are not the only ones that the services marketing literature has addressed up to now. Other topics related to service quality, such as the study of the relationships between service quality, service value and/or satisfaction, or the effects of these constructs on consumers' behavioural intentions, have also been widely debated<sup>4</sup>. However, these topics are not directly covered in this chapter because, as we have pointed out previously, the main purpose of this study is to analyze the literature relative to

<sup>3</sup> For example, Ghobadian et al. (1994) review several service quality models identified in the literature: the Gap Model of Parasuraman et al (1995); the Organizational Service Quality Improvement Model of Moore (1987); the Service Quality Trade-Offs Model of Haywood-Farmer (1988); the Service Journey Model of Nash (1988); the modified Service Journey Model of Johnston (1988); and lastly, the Behavioural Model of Beddowes et al. (1987). However, the authors make it clear that among all the models the best one in terms of practical application and diagnostic capacity is the Gap Model of Parasuraman et al. The other models do not deal with key questions such as the identification of the principal service quality problems, or the means required to correct them. Such factors hinder employing these models in an organization and therefore, make them less attractive to management.

quality implementation in service firms from a management and organizational perspective, and not that of 'consumer behaviour.

### 3.2. Service Quality from the Management Perspective

Research in quality management in the service sector is not yet as well developed as it is in manufacturing. This may be because the literatures addressing quality management have developed separately for manufacturing and services and, while TQM research has been mostly conducted within a manufacturing framework, the literature on service quality has mainly been developed from the marketing perspective and has not considered many of the elements of total quality. Therefore, there is a lack of research focused on building and contrasting the theoretical foundation and methods of TQM within the service context. The literature review clearly manifests the existence of a reduced number of papers that have made rigorous efforts in this direction, such as those by Lemak and Reed (2000), Terziovski and Dean (1998), Meyer et al. (1999), Sureshchandar, Rajendran and Anantharaman (2001a, b, 2002, 2003), Sureshchandar et al. (2002), Douglas and Fredendall (2004) or Gupta et al. (2005).

In a paper, theoretical in nature, Lemak and Reed (2000) contend that TQM cannot be viewed as a generic set of activities that apply equally in all service situations. The authors use Thompson's typology of interdependence (pooled, sequential and reciprocal) as a framework for addressing these differences. They theorize that differences in interdependence patterns and their interaction with TQM content - seen as having the four main components suggested in Reed et al. (1996) - and process -specifically leadership, training, teams and culture- is key to reducing output uncertainties, and thus improving performance. Consequently, Lemak and Reed conclude that the success of TQM in service organizations is dependent upon the fit among interdependence and the strategy content and process.

In the first of a series of studies, Sureshchandar, Rajendran and Anantharaman (2001a) identify in a theoretical paper a number of total quality management dimensions as being critical in service organizations, a topic widely investigated in manufacturing quality management, as we have pointed out earlier in this chapter. The dimensions identified, based on an extensive review of the literature on TQM and TQS (Total Quality Service), are categorized into three groups: 1) dimensions of quality management that are generic to both manufacturing and service organizations -top management commitment and visionary leadership, human resource management, design and management of processes, information and analysis, benchmarking, continuous improvement, employee satisfaction and customer focus and satisfaction-; 2) dimensions that are seldom addressed in the literature but, nevertheless, key elements of TQM in both manufacturing and service organizations -Union intervention and social responsibility-; and finally 3) factors that are unique to service organizations -servicescapes (the man-made physical environment) and service culture-.

In a subsequent paper (Sureshchandar et al., 2001b) the authors develop and test the reliability and validity of an instrument for measuring TQS, and also propose a model for TQS that illustrates the relationships between the various dimensions identified. The

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<sup>4</sup> For a review see, for example, Zeithaml, Berry and Parasuraman (1996); Cronin, Brady and Hult (2000), Dabholkar, Shepherd and Thorpe (2000), Brady and Robertson (2001), or Brady, Cronin and Brand (2002).

measurement instrument, consisting of 126 items spread over the 12 dimensions previously identified, is validated by collecting data from bank executives in a developing economy, specifically that of India. More recently, Sureshchandar et al. (2002) use this standardized instrument to investigate the discrepancies among the various groups of banks in India (public sector banks, private sector banks and foreign banks) with respect to TQS dimensions. The results of the empirical study indicate that the three groups of banks seem to vary significantly.

Sureshchandar, Rajendran and Anantharaman (2002) also examine the influence of total quality service dimensions on customer-perceived service quality, which is considered as one of the key determinants of business performance, and their results indicate that the soft issues of TQS -human resource management, customer focus, service culture, employee satisfaction, top management commitment and leadership and social responsibility- seem to be more vital than do hard issues in positively influencing customer-perceived service quality. Finally, Sureshchandar et al. (2003) have investigated the influence of the age of a TQS program on quality and operational performance. These authors have found that TQS age does not affect the effectiveness of quality management programmes and it is possible for firms to become successful (in terms of operational and quality performance) within 3 years of TQS implementation.

The effect of quality management practices on service quality performance has also been tested by Terziovski and Dean (1998) and Meyer et al. (1999). In the first case, Terziovski and Dean obtained results similar to those of Sureshchandar, Rajendran and Anantharaman (2002) ("soft" practices based on empowerment at all levels of the organization, strategic planning and customer/supplier involvement are the most significant predictors of high quality service organizations), although these authors also found that integrating quality systems and procedures into the organization had a significantly negative relationship with increases in productivity. In the second case, Meyer et al. (1999) carry out a cross-country examination of service management practice and performance of service organizations, and their results suggest that differences in service quality performance may be explained by the nature and market dynamics of the service sector within each country.

Douglas and Fredendall (2004), for their part, try to integrate the service quality and product quality literatures. The article uses the Deming management model developed by Anderson et al. (1994) and tested in manufacturing industries (Anderson et al., (1995), Rungtusanatham et al. (1998)) to evaluate potential commonalities between quality management concepts in manufacturing and service environments, and tests the Deming management model with data from hospitals, obtaining findings similar to the earlier manufacturing studies. The authors also use the Malcolm Baldrige Quality Award to suggest further enhancements to the Deming management model. The findings of the empirical study carried out to test the enhanced model provide evidence of the importance of leadership for ensuring the success of a quality improvement program, although this support is not found for the relationship between continuous improvement and customer satisfaction. Consequently, Douglas and Fredendall recommend to future researchers to integrate the service quality literature focused on customer satisfaction into the model to help resolve this issue. This call for research has been answered in a recent paper by Gupta, McDaniel and Herath (2005). These authors integrate the SERVQUAL instrument into the Deming management model to develop a conceptual model for understanding the interactions between customer satisfaction

and sustaining structures that support the Total Quality Service philosophy, namely leadership, organizational culture and employee commitment.

Douglas and Fredendall maintain in their paper that the theoretical foundation and methods of quality can be applied to any organization, either in manufacturing or services, and they demonstrate empirically this assumption with the Deming management model. Other papers (Huq and Stolen, 1998; Prajogo, 2005), have also found empirical evidence for the hypothesis that the underlying concepts of TQM apply equally to both manufacturing and service companies. Nevertheless, Lemak and Reed affirm that service organizations are different from manufacturing firms and, consequently, TQM cannot be viewed as a generic set of activities that apply equally in all situations. In line with this argument, which has also received empirical support in the literature (Madu et al., 1996), the recent works by Sureshchandar et al. (2001a, b) conclude that some TQM dimensions, i.e. servicescapes and service culture, could be unique to service organizations. These contradictory results suggest that the question of whether manufacturing and service firms are different with respect to TQM remains unresolved.

By way of synthesis of this section, it seems clear that until now the service quality literature has been mostly developed from a marketing perspective, with the contributions from the perspective of management being less numerous. Therefore, there is little research focused on rigorously testing the theoretical foundation and methods of TQM within the service context, and although recently some papers have begun to fill this gap, there is clearly a need for additional research, both theoretical and empirical, on this issue.

Some suggestions can be made for further research in this field. First of all, the evidence for whether manufacturing and service firms are different with respect to TQM is not conclusive, and sometimes contradictory. Some researchers suggest that the quality management philosophy is universally oriented and applicable to both manufacturing and services, while other authors maintain that the involvement of customers in the provision of services makes service organizations different from manufacturing firms. Consequently, it is necessary to carry out additional research that examines the issue of whether differences exist between manufacturing and service firms with respect to: 1) the content and process of implementing TQM, and 2) the consequences of this implementation on business performance.

Second of all, and relating to the former of the two questions mentioned above, the existent studies on the content of TQM in the service sector suggest that most TQM dimensions are generic to both manufacturing and service organizations, but other factors could be unique to service organizations. Nevertheless, the empirical evidence provided for these studies is clearly insufficient and presents a significant limitation, which is that the data have been obtained from a unique industry; banking, as in the works by Sureshchandar et al., or healthcare, as in the work by Douglas and Fredendall. This circumstance limits the generalization of these results and makes additional testing of the findings in other service industries necessary, as we share the opinion that only through cumulative analyses of multiples industries will it be possible to reach a consensus relating to the nature or content of the dimensions that make up the TQM construct in the service sector.

Thirdly, with regard to the relationship between TQM and performance in the context of services, the existent empirical evidence suggests that the “soft” issues of TQM are more relevant than the “hard” ones in positively influencing quality performance, a finding that is similar to that previously obtained in the manufacturing context. However, the studies have

also found some unexpected results that need to be explored in further research, such as the significant negative relationship between quality systems and productivity, or the absence of support for the relationship between continuous improvement and customer satisfaction.

Finally, and given that the literatures addressing quality management seem to have developed separately for manufacturing and services, an interesting approach that is recommended to future researchers when exploring all these issues, in line with the suggestions made by Douglas and Fredendall, is to integrate both bodies of literature.

## **4. THE QUALITY MANAGEMENT LITERATURE IN THE TOURISM CONTEXT: A REVIEW**

In this section we present a review of the literature on service quality within the tourism sector on the basis of the general overview of the literature relating to service quality that has been offered in the previous section. Consequently, the main findings as to quality in the tourism context and coming from the marketing and management perspectives are presented below.

### **4.1. Service Quality Research in Tourism from the Marketing Perspective**

As we have pointed out earlier in this chapter, some topics widely debated in the quality service literature deal with the conceptualization, measurement and identification of the dimensions that make up the service quality construct, the development of service quality models, the analysis of the relationships between service quality, service value and/or satisfaction, and the effects of these constructs on consumers' behavioural intentions. All of these topics have also received attention in the hospitality and tourism research literature.

Thus, and with regard to the measurement of service quality and the identification of its dimensions, this issue has been extensively addressed in the tourism sector. In general, the use of the SERVQUAL scale has been the predominant approach, being applied (either in its original form or with modifications to suit specific hospitality situations) in studies about hotels and lodging (Lewis, 1987; Saleh and Ryan, 1991; Getty and Thompson, 1994; Patton, Stevens and Knutson, 1994; Armstrong, Mok and Go, 1997; Mei, Dean and White, 1999; Ekinici et al., 2003; Juwaheer and Ross, 2003; Lopez and Serrano, 2004; Lau et al., 2005), restaurants (Bojanic and Rosen, 1993; Lee and Hing, 1995; Heung, Wong and Ou, 2000), wildlife national parks (Akama and Kieti, 2003), historic houses (Frochot and Hughes, 2000), ecotourist businesses (Khan, 2003), travel agencies (LeBlanc, 1992; Ryan and Cliff, 1997; Kaynama and Black, 2000; Bigne et al., 2003), tour operators (O'Neill et al. 2000; Atilgan et al., 2003), ski resorts (Weiermair and Fuchs, 1999), airlines (Gilbert and Wong, 2003), destinations (Tribe and Snaith, 1998; Truong and Foster, 2005; Lopez and Serrano, 2005) and a range of tourism subsectors (Fick and Ritchie, 1991).

Considered as a whole, these studies carried out in the tourism sector seem to stress that, although SERVQUAL needs to be adapted to the tourism context, it is a simple and useful diagnostic tool to measure service quality. In line with this argument, a recent study by Hudson et al. (2004) has assessed four methods of measuring customer service quality in the

tour operating sector -Importance/Performance Analysis (IPA), SERVQUAL, SERVPERF and SERVQUAL multiplied by Importance- and has not found statistical difference between the four methodologies analyzed. Recently, however, several papers have raised concerns about the use of SERVQUAL in the tourism industry. Luk and Layton (2004), for example, have found support in their findings for the view that performance scores outperform gap scores in terms of a reliable measurement of service quality, and Augustyn and Seakhoa-King (2005), for their part, have evaluated the potentialities and limitations of the SERVQUAL scale in measuring quality in leisure, tourism and hospitality, concluding that SERVQUAL is a necessary but insufficient measure of quality within these sectors. This opinion is shared by Min and Min (1997) which sustain that, although SERVQUAL may help identify the key determinants of service quality, it alone may not help evaluate the firm's comparative service performance, and propose the use of an analytic hierarchy process and competitive gap analysis as reliable service quality measures.

As to the dimensions that make up the service quality construct, the literature has also failed to confirm the SERVQUAL five-dimensional structure across the different tourism subsectors. Thus, the existing research has found evidence for three (Mei, Dean and White, 1999; Getty and Thompson, 1994), four (Lopez and Serrano, 2004), five -but different from those obtained in SERVQUAL- (Saleh and Ryan, 1991; Frochot and Hughes, 2000), six (LeBlanc, 1992; Khan, 2003), seven (Weiermair and Fuchs, 1999; Gilbert and Wong, 2003) and even nine (Juwaheer and Ross, 2003) service quality dimensions, whereas Luk and Layton (2004) have identified an additional dimension -core outcome components- to the five quality dimensions obtained in the original SERVQUAL study.

With respect to the development, or use, of service quality models in the hospitality and tourism literature, this topic has received very little attention by the researchers. A few studies have tried to explore the informative possibilities offered by SERVQUAL to identify additional gaps not included in the Parasuraman et al. model. Lewis (1987), for example, identifies three additional gaps: the gap between management perceptions of the service delivered and consumers perceived quality service (gap 6); the gap between management perceptions of the service delivered and consumer expectations (gap 7) and the gap between management perception of consumer expectations and management perception of the service actually delivered (gap 8). These new gaps have also been analyzed in the works by Saleh and Ryan (1991, 1992). Gabbie and O'Neill (1996), for their part, use both SERVQUAL and the Parasuraman et al. model in a case study to identify and analyze service quality gaps in the Northern Ireland hotel industry.

As to the analysis of the relationships between quality, satisfaction, and/or value, and the effects of these constructs on consumers' behavioural intentions, this issue has been addressed in several papers such as those by Getty and Thompson (1994), Simpson (2000), Baker and Crompton (2000), Bigne et al. (2001) and Gallarza and Gil (2006)<sup>5</sup>. Getty and Thompson (1994) develop and test a model in the hospitality sector that relates overall quality, satisfaction with the service experience and customers' intentions to provide positive word-of-mouth. The results of the empirical study suggest that customer intentions to provide positive word-of-mouth are a function of their perceptions of overall quality, rather than their

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<sup>5</sup> Additional research on these issues can also be found in a recent book: J.A. Williams & M. Uysal (Eds.). *Current issues and development in hospitality and Tourism satisfaction*. New York: The Haworth Hospitality Press, co-published as *Journal of Quality Assurance in Hospitality & Tourism*, vol. 4, 3/4, 2003.

expressed level of satisfaction with their stay. Simpson (2000) examines the importance of customer satisfaction as an influence on future behavioural intentions within a tourism industry context, specifically with reference to the museum sector. The results of the study indicate that perceived levels of satisfaction have little bearing on the visitor's stated intention to return; however, they show that a significant relationship exists between perceived satisfaction and intention to recommend to others.

Baker and Crompton (2000), for their part, obtained empirical evidence with a structural equations model that perceived performance quality had a greater total effect on behavioural intentions than satisfaction. Their analysis also indicated that the perceptions measure of quality fit the hypothesized model better than data derived from the subjective disconfirmation determination. Bigne, Sanchez and Sanchez (2001) use a structural equation model to examine the relationships between destination image as perceived by tourists, quality, satisfaction and tourist behavioural intentions. The results of their empirical study show that tourism image is a direct antecedent of perceived quality, satisfaction and behavioural intentions, and confirm that quality has a positive influence on satisfaction and intention to return and that satisfaction determines the willingness to recommend the destination. However, they can not corroborate the influence of quality on the willingness to recommend or of satisfaction on intention to return. Finally, Gallarza and Gil (2006) investigate the dimensionality of consumer value in a travel-related context and explore the relations between perceived value, satisfaction and loyalty. Their results confirm the existence of a quality-value-satisfaction-loyalty chain.

#### **4.2. Service Quality Research in Tourism from the Management Perspective**

The research literature about TQM within the context of the hospitality and tourism industry is quite scarce. An overall search in several online databases -Elsevier Science, ABI Inform, Blackwell Synergy- to identify research articles on this topic published in hospitality and tourism, as well as business and management, related journals reveals only a few papers. The papers identified are related to service quality implementation and business performance in hotels (Harrington and Akehurst, 1996, 2000), application of TQM and human-resources practices in hotels (Partlow, 1996; Breiter and Bloomquist, 1998; Arasli, 2002a, b; Tsaur and Lin, 2004), application of the EFQM model to hospitality (Camison, 1996, Ribeiro, 1999), and integrated quality management for tourist destinations (Go and Govers, 2000). All of them are reviewed below.

Harrington and Akehurst (1996) carry out an exploratory study that focuses on service quality in the UK hotel industry and examines the performance implications of the implementation of service quality initiatives. Their findings suggest that managers at the unit level do not have systems in place to effect implementation, and that firms who have adopted quality policies do not exhibit exceptional performance in financial and competitive terms. In a subsequent study (Harrington and Akehurst, 2000), the authors examine the components that facilitate the quality implementation process and develop an instrument to measure service quality implementation practices in UK hotel organizations. The instrument is tested using data from 133 managers of three star hotels and, after Factor Analysis, two relevant quality management dimensions are identified, labelled as "senior management commitment" and "employee resourcefulness". These results offer support to the importance of the human

dimension in quality implementation programs, a finding that is similar to the one previously reached both in manufacturing and in other service industries.

The role of human resource management practices in promoting service quality is analyzed more specifically in the papers by Partlow (1996) and Tsaur and Lin (2004). Beginning with Tsaur and Lin (2004), they empirically explore the relationship between human resource management (HRM) practices, service behaviour and service quality in tourist hotels. The results of their study, which used data from 203 employees and 272 customers in tourist hotels in Taiwan, indicate that HRM practices have both a direct effect on customer perceptions of service quality and an indirect effect through employees' service behaviour. More specifically, the authors suggest that the perceived service quality of customers could be promoted through the positive service behaviour delivered by HRM practices.

Partlow (1996) examines the human-resource practices of eight hotels that belong to the AH and MA's Committee for Quality to determine which human resource practices are most essential to TQM. The ten practices supporting TQM that are identified in the study are: top management's vision of a total quality culture; systems in place to allow employees to express their ideas and concerns regarding quality initiatives; jobs designed to empower employees; TQM training; performance-review systems focused on job-related quality efforts; variety of symbolic and material rewards for achievements in quality and customer satisfaction; proactive health and safety programs; employee recruitment, selection, promotion and career development that reflect the changing realities of a TQM environment; measurement tools in place to track internal and external customer satisfaction; and, lastly, Human Resources that not only manages the HR function, but also provides assistance to others in implementing processes to support TQM.

The application of TQM in American hotels is also studied by Breiter and Bloomquist (1998). After a review of the TQM literature, these authors developed a survey questionnaire that incorporated the major elements of quality management and carried out an exploratory study with a sample of 230 hotels from all sectors of the United States. The results of their study indicate that there are twelve principles present in most hotel TQM programs: leadership; guest focus; empowerment; process involvement; fact-based decision making; training and development; rewards and recognition; flexibility; tools and techniques; strategic planning; teamwork; and supplier involvement. Their findings also suggest that the main obstacle to implementing TQM for the hotels of the sample analyzed appears to be management's failure to support such a program, and that firm characteristics such as the size, or affiliation of the hotel, are significant factors in identifying which hotels are more likely to have a TQM system. More recently, Arasli (2002 a, b) has analyzed how different groups of managers, chief executives and employees of four and five-star hotels in North Cyprus perceive their readiness toward the TQM philosophy, and their results indicate that there is a significant difference in perception among the three groups.

Camison (1996) and Ribeiro (1999), for their part, analyze the application of the EFQM model to hospitality. Camison (1996) presents empirical evidence on the extent to which the EFQM model might assist hoteliers in Valencia, Spain, to know and to close the gap between perceptions of quality and self-assessed ratings of quality performance. As to the work by Ribeiro (1999), he asks seven hoteliers -also in Valencia, Spain- to identify the most important factors of a hotel TQM program, and compares those opinions to the weights given to the EFQM -the European Quality Model- criteria. Surprisingly, the results suggest that



hoteliers give a higher value to the “resources” and “policy and strategy” factors, and a lower value to the dimensions “leadership” and “personnel management” than the European Quality Model, a finding that is in contradiction with the empirical evidence existing in relation to the importance of the human dimension in quality implementation programs.

The EFQM model is also the basis for the study of Go and Govers (2000), who carry out a comparative survey of destinations, based on the mentioned model, to analyze whether selected European destinations apply integrated quality management. The results indicate that integrated quality management in tourist destinations is rather underdeveloped and that, in general, destinations tend to be strong in one element of the EFQM model, such as policy and strategy or human resources management, as opposed to showing a balanced and integrated approach to quality management.

By way of synthesis for this section, it seems clear that service quality research in leisure, tourism and hospitality has concentrated predominantly on measuring perceived service quality and its dimensions using the SERVQUAL scale, in its original form or with modifications, as well as on exploring the relationships between quality, satisfaction and consumer behaviour. While these studies are of practical value, and demonstrate the usefulness of quality measurement instruments such as SERVQUAL as a diagnostic tool, they rely almost exclusively on the analysis of quality from the customer's side. Consequently, these studies could be considered as a useful, but insufficient, starting point for improving service quality in tourist organizations, and need to be complemented by analyses of the problems and implications that the implementation of a quality program represents for a company, that is, the analysis of quality from the firm's side.

This last issue is usually addressed to a greater extent by the management literature. However, service quality research in tourism from the management perspective is rather undeveloped, and limited primarily to the analysis of one subsector, hotels, and a unique dimension of TQM, the human factor. Moreover, the few papers identified with a management approach mostly involve the use of case studies or are exploratory in nature, a circumstance that limits the possibility of formulating generalizations about the findings. For these reasons, we believe that an important gap in the service quality research in tourism and hospitality has been identified.

## 5. CONCLUSION

The economic realities of change and increased competitiveness have meant that in recent years quality issues have assumed greater strategic importance within the tourism sector. In this changed environment, and given the role that quality plays in achieving competitive advantage, it is important to explore the implementation of quality management initiatives in the tourism industry. However, and despite the significant attention paid to quality in recent years, strategic management practice and research remains a key area for extension of the service quality research literature in general, and in the context of tourism, in particular.

Our review of quality management research in hospitality and tourism reveals that there are several avenues for further research. With regard to the service measurement issues, the conceptual and empirical concerns about SERVQUAL appear to have moved to the tourism sector, and recently some papers have provided contradictory empirical evidence as to the

suitability of this service quality measurement instrument to the tourism context, despite its widespread use. Moreover, the numerous studies carried out on quality measurement in tourism have been unable to reach consensus on the dimensions that make up the service quality construct in the various tourism subsectors. In relation to the first of the methodological problems put forward, the existence of an open debate suggests the need for a greater number of studies to permit researchers to reach a consensus as to which measurement instrument is the most appropriate. With respect to the problem of service quality construct dimensions, alternative proposals to those put forward by the North American School, for example those of the Nordic School, have not been empirically examined in the research carried out to date. Doing so could likely shed some light on this question. Continuing with research topics analyzed fundamentally from the marketing perspective, a review of the literature also makes it evident that additional research is required to confirm the generalization of the theoretical linkages between quality, satisfaction and behavioural intentions in the subsectors analyzed. In addition, more research similar to existent studies should be replicated in other service contexts to ensure that current findings can be generalized to these other situations.

The questions indicated in the previous paragraph are interesting because they contribute to a better understanding of consumer behaviour, as well as to the improvement of service quality measurement tools which make it easier for an organization to diagnose its situation relating to quality as perceived by clients. However, the value of these questions is very limited in terms of acquiring greater knowledge of the problems and implications that the implementation of quality management initiatives represents for a tourism company.

In relation to this last point, and despite the fact that quality is clearly seen today as a source of competitive advantages, our review shows that hospitality and tourism research literature has an insufficient amount of TQM research. We feel that, in general, more survey studies dealing with the contents and process of implementing TQM, as well as the effects of both issues on performance, are necessary in this sector. With respect to the first of these aspects, the contents of the TQM construct, recent studies on the dimensions that make up TQM in service companies suggest that there are some dimensions (for example, social responsibility) that have received scant analysis in the literature about quality, while there are others, servicescapes and service culture, that could be unique to service organizations. The limited research on this question that exists in the tourism sector has confined itself to accepting the quality dimensions identified in the studies carried out in the manufacturing sphere, and to demonstrate their existence in tourism companies, or rather it has focused on the analysis of only one dimension, mainly the human resource management aspect of TQM. Consequently, the need to carry out additional empirical studies in this sector appears to be clear. These studies should adopt a more holistic approach in order to: 1) corroborate the existence in the tourism context of the TQM dimensions that have been clearly identified in the manufacturing context; 2) offer additional empirical evidence relating to the role played by dimensions that have been little analyzed in any context, such as corporate social responsibility, benchmarking or the principles of the Just in Time philosophy, in TQM programs developed in tourism sector firms; 3) explore the existence of dimensions specific to the services context in general, and to the tourism one in particular.

Along with identifying the relevant dimensions that constitute a TQM program in the tourism context, another subject of great interest is the study of the relative importance of each dimension to TQM implementation success, as well as to business performance. In

general, the available evidence to date suggests that the “soft” issues of TQM are more relevant than the “hard” issues in positively influencing quality performance, both in services and manufacturing. The evidence also suggests that the impact of TQM on firm performance could be influenced both by organizational context and firm characteristics. However, one could affirm that, to date, neither question has been treated by quality management research in hospitality and tourism. Therefore, it appears absolutely necessary to engage in studies that analyze the influence of all these variables on the success of a TQM program. A point of departure for such a task could be to replicate one of the numerous previous studies on quality and performance that have been identified in the literature, and to which reference has been made throughout this chapter.

In relation to the third question within TQM research indicated in our paper, that related to the process of implementation, a review of the literature has detected that, in general, a large part of the papers published about TQM implementation in the hospitality industry have important limitations due to the fact that they involve the use of case studies and / or researchers’ personal prescriptions. Therefore, it seems that more scientifically rigorous studies are needed which would also allow the formulation of generalizations from the results obtained. Once again, an initial approach that could prove worthwhile to future researchers in this field is to analyze the application possibilities of well-founded, developed and empirically tested TQM implementation models from the literature on quality from the manufacturing sphere to firms in the tourism industry. However, an alternative approach that could be equally interesting and fruitful involves integrating the contributions on quality management made in the marketing field with those from the management field. This is in line with the suggestions made by Douglas and Fredendall to integrate the service quality literature focused on customer satisfaction into the Deming management model. Another good example can be found in the development of the extended service quality model with managerial implications by Parasuraman et al. We believe that this approach may lead to further advances in the field.

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*Chapter 8*

## MANAGING TOURIST PURCHASING BEHAVIOR BY CREATING THE DUAL ROLES OF HIGHWAY SERVICE MALL

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### ABSTRACT

Highway service area is dual-embedded in a place as a convenient site for travel supply and a scenic or leisure spot for both travelers and tourists. Recognizing this scenario, some service areas have substantially featured affective cues in attempt to re-position. As a result, service area is becoming a modern mini shopping mall and a point of interest for leisure, where customer acquisition and loyalty are key business goals. Past studies have ignored the functioning changes of highway service area from pure travel supply site to tourist destination for daily leisure activities, as well as not aware of the impacts of such changes on the emerging demands. On the other hand, past studies also fail to identify the possible mediating effects of customer's mood and emotion in the relationship of store atmosphere and buying behavior in this particular context.

Upon closely field observation, the authors found that the repetitive purchasing behavior of visitors would exercise significant impacts on such functioning changes through frequent re-visiting. Based on the cognitive and affective theories, the authors assumed that the affective or emotional commitment for mall loyalty is mediated by the customers' emotional states toward the mall atmosphere, of which in turn foster the functioning changes of the service area mall.

Sampling from visitors of ten service areas located along two major arteries of Taiwan, the authors explore the factors that contained in customers' mood and emotion in

individual service area. We then examine the relationships between several important constructs with an attempt to find the main and secondary of effects. Mall atmosphere, customer satisfaction, loyalty, affection, purchasing behavior, and some control variables are included to build hypotheses for testing.

Test results confirm the efforts in creating pleasant atmosphere of the service area could attract and strengthen customer's affective commitment. Findings of this research provide valuable implications to academics, practitioners, and governments. This paper provides practicable imperatives for shop managers in similar context that is highly circumscribed. Shops that are targeting tourists in circumscribed setting may expand its business boundary by effectively responding and managing visitors' purchasing behavior. We suggest that sets of customer-centric activities such as re-modeling the function of the store shall be conducted in response to various customers' demands. The government shall also include the affection factors in selecting and designing the service area to secure and retain the users' [taxpayers and fee-payers] support.

**Keywords:** atmospheric cue, tourism, consumer emotion, purchasing behavior, highway service area.

## 1. INTRODUCTION

The cognitive and affective theories suggested that the affective or emotional commitment for mall loyalty [Sui and Baloglu, 2003; Shoemaker and Bowen, 2003] would be mediated by the customers' mood and emotion toward the mall atmosphere, which in turn foster the functioning changes of the service area mall.

Highway rest and service areas were originally built as tourist welcome centers for travel supply, such as gas refueling, toilette, drink fountain, temporary parking, and some basic mechanic maintenance. Services focus on satisfying the minimum needs of the vehicles and the drivers. This is typically true for those highways that are positioned as transportation artillery to support the transaction of business activities between major metropolitans. Significant changes emerged on the services lines as well as the services concept of the rest area when an increasing number of leisure seekers added to the traffic volume on the highways. The effects of such passenger flows are two folds and in mutual directions.

A growing number of diversified visitors brought new demands and challenges to the management authority of service areas, particularly with respect to the upgrading of the physical facilities. On the other hand, retailers have also realized that the road travelers represent a vast market potential that would otherwise be difficult to reach due to competitor strongholds. Today, service areas serve not only the drivers but also in an even higher proportion the tourists that come with more diversified demands for tour members. Newly termed as service areas, rest areas is now playing dual roles as rest area for travel supply on the one hand and mini-mall for general consumer demands on the other hand. To cope with emerging consumer trends, some service areas offer distinguishable elements with respect to location selection and facilities design. As a result, highway service areas become tour destinations themselves due to their unique properties, scenic setting as well as quality of services.

Consumer purchasing behavior imposes new challenges to the management of highway service areas. Thus, it is important to explore the interaction between customers and the

highway mini-mall, and the factor that influence this interaction. The focus of this research is to explore the relationship between mall atmosphere and the consumer behavior.

Differentiation is critical in retail industry where competition is fierce and advantage is hardly reached by traditional promotional activities. As a circumscribed business environment, the highway service area indeed prevent stores in this arena from direct competition, yet threats from substitutes and insufficient visitors to the particular service area remain. Consumer's decisions involved in the purchasing behaviors are complicated, yet mainly driven by their perceived value on the focal objects [Dickson, 1982]. Further research indicates that environmental context is the key effect on consumers purchasing attitude in the consumer decision process, particularly for unplanned shopping [Iyer, 1989]. In other words, purchasing intention is actualized as actual purchasing behavior in particular contexts where unique store cues bring into action. There are growing evidences confirmed that proper store atmosphere induce positive influences on the consumption context, of which in turn generate customers' favorable perception toward the store and the products displayed [Sirgy, Grewal and Mangleburg, 2000]. We may summarize that store atmosphere would be the most influential factor in the retail setting, for such factor motivates customers' needs and actualize corresponding actual purchasing behaviors during the shopping journey. Even more important, the shopping environment with pleasant store atmosphere would eventually generate higher customer satisfaction and loyalty consequently [Babin, Darden and Griffin, 1994; Sherman, Mathur and Smith, 1997; Yalch and Spangenberg, 2000].

The tourism and leisure industry in Taiwan has experienced a boom because of the flexible labor policy in 2001 that allow the national to take longer journeys. In the mean time, several governmental incentive programs on tourism industry have further infused resources to attract visitors by encouraging certain kind of integration of tourism and local-specific industries. As a result, a rising number of travelers choose the car as means of transportation highway as a means that direct to the destinations, and lately as an end of destination for leisure.

Before completion of the National Highway route 3 [NH 3], highway service areas had a negative image a place that sold products at high prices while providing little service. Users were reluctant to buy any services with exceptions of vehicle supply; consequently, their perception toward service areas was that of a place for vehicles and not for human beings. Today, service areas have become mini malls that offer multiple functions for both highway drivers and general tourists. Although substantial physical improvements have led to visits that are more frequent and longer staying in the service area, it cannot sufficiently explain the phenomenon of diversified sources of customers that pouring into this special shopping context [Geuens, Vantomme and Brengman, 2004]. Tourists emotional state toward the service area would play significant impacts on such behaviors, of which in turn reciprocally tune the tone of the mini mall in the service area.

Studies on the relationship between environment stimuli and emotion as well as purchasing behavior did not fully explore the antecedents in detail, instead the literature generally view these environmental stimuli as integral part of store atmosphere [Yuksel, 2007]. Discussions were limited to the effects of store atmosphere on certain dependent variables, such as employee training, work attitude, and purchasing behavior. Atmospheric cues are also limited to audio and visual factors, such as background music and interior lightness.

Drawing on a sample consisting of customers in the service areas of both National Highway route 1 [NH 1] and route 3 [NH 3], this research attempt to (1) identify individual cues within service mall atmosphere that shapes consumers emotion in the highway service areas, and (2) explore the effects of each individual cues on consumer emotion and purchasing behavior. As a result, we will provide evidence for the dual roles of a highway service area in the tourism industry.

## 2. LITERATURE REVIEW

### 2.1. Store Atmosphere

Store atmosphere is generally defined as designing the retail space to affect consumer emotions and accordingly appeals consumers purchasing behavior [Kotler, 1973]. This includes physical products in display, selling procedure, after sales services, and the most important the aggregate atmosphere circumscribed in this space. Other research includes lightening, goods display, floor, fixed setting, color, sound, smell, employee attire and gesture, and crowdedness, characteristics, and behaviors of consumers in the store as part of store atmosphere [Wart, Robertson and Zielinski, 1992] that can draw consumer's pleasant perception and ultimately the consumer's value perception [Babin, Grewal, and Parasuraman, 1994].

Contextual factors were found in 1980's as an important variable that drives the changes of consumer attitude [Harrell, Hutt and Anderson, 1980; Milliman, 1982], and then was applied in the retail setting. Studies of this kind ground on the elements of P-A-D [Pleasant-Arousing-Dominance] of the three-factor theory of emotion, or Mehrabian - Russell model [M-R Model] [Mehrabian and Russell, 1980; Donovan and Rossiter, 1982]. Customer's emotional state, as ascribed by arousal and pleasant, is the mediator between store atmosphere [environment stimuli] and customer's responses in terms of positive and negative purchasing intent and behavior [approach and avoidance]. Store atmosphere is termed to describe every possible environment stimuli that shape prospects' perception toward the store as a whole. Elaborately creating store atmosphere to accommodate the cues that induce pleasant experience is critical to the success of a store [Babin and Attaway, 2000; Yuksel, 2007]. To gain customer's favorable perception and subsequent behavior as business expectation for the dual roles of service area, store atmosphere is vital.

Dimensions of store atmosphere received intensive discussions in the past decade. Most studies illustrate store atmosphere by focusing the tangible components associated with in a store, such as coloring, lightening, background music [Sirgy et al., 2000], goods display, point-of-sale-poster [POP], employees, and visitors [Yalch and Spangenberg, 2000; Blackwell, Miniard and Engel, 2006] within the store, and exterior cues such as location, exterior lightening, and exterior coloring [Yalch and Spangenberg, 2000; Blackwell et al., 2006]. Some others further include those intangible elements, such as tone of the store, smelling, and temperature [Sirgy et al., 2000; Yalch and Spangenberg, 2000]. Studies of this kind draw fascinating conclusion on the effects of such environmental cues on both consumer behavior and employee behavior of which provide services to customers.

Some other studies include social or human factors as part of atmospheric cues. These elements, such as the service employee and the visitors and their associated gestures, attitudes, behaviors [Baker, Grewal and Parasuraman, 1994] as well as the status of personal buying readiness and past experience [Turley and Milliman, 2000], are help shaping customer perception and ultimate buying behavior and patronage.

In summary, atmosphere that affects consumer behavior in a particular store is a complex product of interactions between the participants and the store in which woven with tangible and intangible cues. As a result, atmosphere stimuli or cues could be categorized as five dimensions, from exterior at macro level to the interior at micro level. Exterior factor of a store comes as the first dimension, may include store signs and signals, shape and style of the store building, as well as the environment of the neighborhood. Several highway service areas have added attractive features to induce tourist affections, for example, magnificent ocean view with comfortable tourist facilities in Cing-Shuei; a landmark banyan tree in Dong-San; water-dance in Gu-Keng; delicious rice cooking in Si-Luo among others, as well as modern children playgrounds and outdoor facilities. Environmental cues inside the store are included as the second dimension. This dimension may include store layout, coloring, background music, lightening, smelling, and temperature, of which are found in all kind of stores. Location and design of a store is the third factor that related to store atmosphere. Baby care centers, sleeping lounges, modern restaurant offering local and western foods and drinks, shops for legendary local products are some notable new features that have been included inside the service malls. Issues of accessibility and related facilitators or barriers for such accessibility are included in this dimension, such as location, waiting time for service, and route planning. Step further to a lower operational level of individual transaction, there are two more factors that shape store atmosphere. One is found closely attached to the goods displayed within a particular store as the fourth dimension. These are promotional kits, in-shop signs, logo and slogans, instructions, and price labeling etc. that aim to supply useful information to appeal purchasing action. The final factor involved in the store atmosphere is those cues associated with the interactions between customers and employees, including personal characteristics and attitudes of sales persons as well as characteristics of customers [Turley and Milliman, 2000].

## 2.2. Consumer Emotion

Emotion is a kind of internal status of human being that is mild and temporary exists. While interacting with environment, emotion is shaped by subjective perception [Gardner, 1985] and expressed or to be observed externally as human behavior [Schachter and Singer, 1962]. Acting as a behavior driver, emotion dominates behavior by directing an individual's information searching and selecting. Understanding on the emotion behind a particular behavior of consumer will be helpful for us to know more precisely the elements that drive customer preferences and satisfaction.

Study of emotion originally stems from psychology, it is then applied in different context with wide vary interpretations and implications. Specific to this research, we limit our discussion on the consumer emotions in the scenario of a consumer's shopping journey is a retailing site.

Literature suggests that consumer emotion is formed by mutual interactions of store and the consumer [Holbrook and Batra, 1987]. Consumer's emotion swings as a product of various interactions with both physical store cues and social interchanges with store employees [Solomon, 1985; Foxall and Goldsmith, 1994]. Yoo, et al. [1998] categorized consumer emotion into two contradictory dimensions as positive and negative, of which was confirmed by a structural equation model [Babin and Attaway, 2000]. Measurement developed by Babin and Attaway [2000] further claims that it is the effects the atmosphere brought to the perceived value determine the direction of consumer emotion.

The typology of emotions has received extensive studies with remarkable achievement. Notably are some of the following studies. Mehrabian and Russell [1980] categorizes emotion as "Pleasure", "Arousal", and "Dominance" in its famous M-R model could be the first comprehensive study. Almost in the same period, Plutchik [1980] illustrates emotion in a more detail way as eight basic types of "Anger", "Joy", "Sadness", "Acceptance", "Disgust", "Expectancy", "Surprise", and "Fear". These two studies are the most frequent cited and adopted among others. Machleit and Eroglu [2000] later conclude a more relevant emotion measurement that keen to the consumer emotion involved in the shopping behavior. This study concludes that "Pleasure", "Interest", "Joy", "Surprise", "Anger", "Sadness", and "Acceptance" are the most salient expressions regarding consumer emotion in the process of purchasing. Studies in the oriental context reveal some distinctions of emotions that somehow deviate from those western-based studies. For example, Yoo et al. [1998] expressed types of emotion as charming, proud, satisfying, hectic, complacent, and joyful.

Drawing on literature, e.g. Yoo et al. [1998], Machleit and Eroglu [2000], and MacInnis and Park [1991], and consulting local experts in retailing industry, we use "Pleasant", "Surprise", "Delight", "Satisfying", "Interesting", and "Buoyant" to express positive emotion, and relevant expression for corresponding negative emotion.

### 2.3. Consumer Purchasing Behavior

Consumer behavior is a series of activities describing the way a consumer obtains, consumes, and disposes a product or service. There is consensus among scholars that understanding consumer behavior is the basis for successful marketing strategy formulation. This means marketing campaigns shall be conducted in accordance with consumer decision process [CDP] [Blackwell et al., 2006]. However, evidence shows that consumer purchasing behavior is sometimes induced or at least moderated by non-rational factors such as store atmosphere, for example, the so-called "impulse buying" [Jones, Reynolds, Weun and Beatty, 2003; Blackwell et al., 2006].

Purchasing behavior is influenced by various factors that include rational or planned and situational factors [Blackwell et al., 2006]. The store atmosphere, resulting in a specific purchasing behavior, could affect consumer emotion in a retail setting. The M-R model [Donavan and Rossiter, 1982] and a plethora of later studies have addressed the importance of environmental factors in constructing consumer emotion and subsequent purchasing behavior. In the M-R model, consumer purchasing activities and responses are found having a close relationship with distinct emotions of arousal and pleasant.



In their research, Turley and Milliman [2000] describe store atmosphere as an independent variable with several dependent consequences. For instance, store atmosphere is linked to dependent variables such as purchasing behavior, length of stay in store, amount purchased, and approach / avoidance behavior [Sherman et al., 1997; Babin and Attaway, 2000]. It needs to be emphasized, however, that highway service areas that operate under the mini-mall concept do have several features that distinguishes them from a general retail setting. After interviewing several executives of different service areas, we finally decided to include "pleasant atmosphere" as an additional factor to influence the choice of a specific service area.

## 2.4. Store Atmosphere, Emotion, and Purchasing Behavior

### *Store Atmosphere and Consumer Emotion*

The role of emotion emerged as important mediator between store atmosphere and consumer behavior has been confirmed by numerous researches. For example, Wart et al. [1992] confirmed that store atmosphere together with other environmental cues affect the status of consumer emotion, of which in turn together with product types and employee's service as well as atmospheric cues shape the consumer purchasing behavior [Yoo et al., 1998]. The behavioral perspective predicts that environmental stimuli will induce consumer's reactions of pleasure, arousal, and dominance [Foxall and Greenley, 1999]. Difference in emotional status will, in turn, trigger two distinctive behavioral reactions of consumers, i.e. approach or avoidance [Foxall and Greenley, 1999].

Individual cues of store atmosphere such as lighting and background music, or store atmosphere as a whole may influence directly the consumer emotion. In our research, the shopping environment of mini-malls in highway service areas is characterized by exterior and interior factors of the service area, including the atmospheric cues of the retail setting. We therefore hypothesize the relationship between atmospheric factors and consumer emotion as follows:

- H1 : Satisfaction on overall store atmosphere of highway service area will positively affect the emotion of service area consumers.
- H1a : Satisfaction on exterior factor of highway service area will positively affect the emotion of service area consumers.
- H1b : Satisfaction on interior factor of highway service area will positively affect the emotion of service area consumers.
- H1c : Satisfaction on design factor of highway service area will positively affect the emotion of service area consumers.
- H1d : Satisfaction on display factor of highway mini-mall will positively affect the emotion of service area consumers.
- H1e : Satisfaction on participants of highway mini-mall will positively affect the emotion of service area consumers.

### ***Consumer Emotion and Purchasing Behavior***

Literature on the effect of environmental stimuli on consumer emotion and consumer behavior [Darden and Reynolds, 1971; Babin, Darden and Griffin, 1992; Swinyard, 1993] generally agree that consumer in a positive state of emotion are more inclined to engage in a positive consumer behavior [Isen, 1988]. For example, a positive store image [Darden and Babin, 1994] has been associated with longer staying, frequent interaction with service employees with longer shopping sprees [Donovan and Rossiter, 1982; Dawson, et al., 1990; Hui and Bateson, 1991; Baker et al., 1994; Babin and Darden, 1995]. In the other hand, consumers in a gloomy state of emotion tend to engage in the opposite behavior [Sherman et al., 1997; Babin and Attaway, 2000], as expressed by intention to escape, impatience in waiting queues [Eroglu and Machleit, 1990; Chebat et al., 1995; Baker and Cameron, 1996] or low customer involvement [Mano and Oliver, 1993].

Some scholars argue that consumer emotion is a temporary status [Garden, 1985], therefore it may easily be influenced by atmospheric cues which exercise direct or moderating effects on the later purchasing behavior [Babin et al., 1992; Swinyard, 1993; Sherman et al., 1997]. Thus, service areas attempt to create more traffic and boost revenues by creating a landmark site with attractive exterior and interior elements. We hypothesize that the emotion of visitors to highway service areas will have the same effects on their purchasing behavior as in a general retail setting.

- H<sub>2</sub> : Positive consumer emotion has positive effects on purchasing behavior
- H<sub>2a</sub> : Positive consumer emotion has positive effect on time staying in a shopping journey
- H<sub>2b</sub> : Positive consumer emotion has positive effect on the quantity purchased in a shopping journey.
- H<sub>2c</sub> : Positive consumer emotion has positive effect on amount spent in a shopping journey
- H<sub>2d</sub> : Positive consumer emotion has positive effect on re-purchasing intention

### ***Store Atmosphere and Purchasing Behavior***

In practice, retailers are willing to create comfortable shopping environment in attempt to influence consumers' purchasing behavior [Spies et al., 1997]. Studies centered on the effects of atmospheric cues that result in favorable operational outcomes thus receive extensive interests. Studies of this kind have benefited both academics and industry by confirming the significant power of atmospheric cues on customers' perceptual and behavioral responses [Turley and Milliman, 2000]. Environmental cues that had been identified having power in shaping consumer behavior are many. Name the few include such as layout and crowdedness [Ward, et al., 1992], physical atmosphere [Babin and Attaway, 2000], display and color scheming [Bitner, 1992; Bellizzi and Hite, 1992], and background music [Milliman, 1982; Eroglu and Machleit, 1990; Garlin and Owen, 2006].

Notable findings on the relationship between store atmosphere and consumer purchasing behavior are particularly important in the context of tourist shopping [Yuksel, 2007]. Today's highway service area characterized by modern features of mini-mall is now rather a retail setting than a mere travel supply base. Success factors to the highway mini-mall may not sharply deviate from general retailers in terms of the effects of store atmosphere and

consumer purchasing behavior [Yuksel, 2007]. We therefore hypothesize the power of atmospheric cues of store for highway service area as follow.

- H<sub>3</sub>: Customer satisfaction on atmosphere of highway service area will have positive effects on consumer purchasing behavior.
- H<sub>3a</sub>: Customer satisfaction on exterior factor of highway service area will have positive effects on consumer purchasing behavior.
- H<sub>3b</sub>: Customer satisfaction on interior factor of highway service area will have positive effects on consumer purchasing behavior.
- H<sub>3c</sub>: Customer satisfaction on design factors of mini-mall of highway service area will have positive effects on consumer purchasing behavior.
- H<sub>3d</sub>: Customer satisfaction on display factor of mini-mall of highway service area will have positive effects on consumer purchasing behavior.
- H<sub>3e</sub>: Customer satisfaction on participant factor of highway service area will have positive effects on consumer purchasing behavior.

### 3. RESEARCH METHOD

#### 3.1. Research Structure

Based on previous discussion, we propose that store atmosphere will positively affect the consumer’s emotion as well as corresponding behavior. We further propose that consumer’s purchasing behavior is driven by the emotion. Figure 1 shows our conceptual framework. The dual roles of highway service area is actualized in visitors’ purchasing behavior.

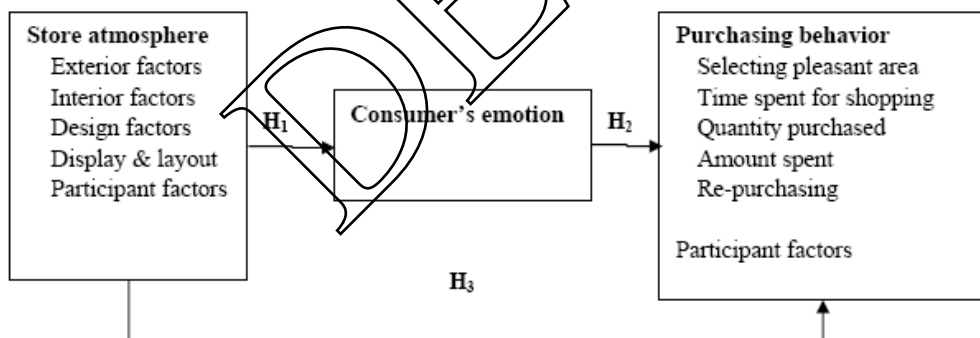


Figure 1. Conceptual framework.

Since this research aims to understand the effects of environmental atmosphere of highway service area on the consumers’ emotion and purchasing behavior, we circumscribe our scope in the national highway system that equipped with service area. Travelers aged over 18 years old in Jhong-Li, Tai-An, Si-Luo, and Sin-Ying service areas along NH 1 and those in Guan-Si, Cing-Shuei, Dong-Shan, and Gu-Keng service areas along NH 3 are aimed as research samples.

### 3.2. Variables and Questionnaire

Variables included in the research are drawn from literature. Items for each construct in the questionnaire are taken from the literature as well as the interview outcomes with the administrator of Don Shan service area. There are 39 items in total in the questionnaire.

#### *Store Atmosphere*

Exterior environment of the mall [exterior factors], interior environment of the mall [interior factors], design and layout of the mall [design factors], exhibitions and displaying of the mall [display factors], and the service personnel factors [participant factors] are the five factors account for the independent variable of store atmosphere, of which consistent to Turley and Milliman's [2000] study.

#### *Consumer Emotion*

Drawn from those terms used in Yoo et al. [1998] and that in Machleit and Eroglu [2000], we use "Positive emotion" and "Negative emotion" to describe the consumer emotion with referring to the emotion measurement that is performed by MacInnis and Park [1991]. Each construct is operationalized by seven semantic expressions that were used to describe respectively these two distinct emotions in the literature. For example, pleasant, amazing, affective, satisfying, appealing, and buoyant and their corresponding antonyms are some of them.

#### *Consumer Purchasing Behavior*

Drawn on the studies of Donovan and Rossiter [1982], Sherman et al. [1997], and Babin and Attaway [2000], we measure the consumer purchasing behavior as dependent variable in this research with five items of "selecting service area with pleasant atmosphere [selecting]", "time staying for shopping [time]", "quantity purchased [quantity]", "amount spent [amount]", and "re-purchasing intention [re-purchasing]". Likert scale is used to determine the level of agree of respondents on each items, of which "1" represents highly disagree, and "5" as strongly agree.

Cronbach's  $\alpha$  for each construct range from 0.8666 with five items for the consumer purchasing behavior to 0.9712 with six items for the consumer emotion, of which assure the reliability of the measurement [Nunnally, 1978].

### 3.3. Samples

Samples are randomly selected from visitors to the service districts. Adult consumers in the lobby of store building in service districts of Jhong-Li, Tai-An, Si-Luo, and Sin-Ying that serves NH 1 users, and Guan-Si, Cing-Shuei, Gu-Keng, and Dong-Shan that for the NH 3, of which geographically dispersed along entire highway system. In order to capture precisely the consumer's emotion, we collect the information right on the time after a particular purchasing within a service area [Donovan and Rossiter, 1982].

Investigator approaches to the prospective respondents with a gift of travel-kit worth around 2 US dollars to increase the response rate. We dispatched and collected 1440 questionnaires, and delete 59 incomplete questionnaires, with a response rate at 96%.

## 4. RESULTS AND ANALYSES

### 4.1. Importance and Satisfaction of Atmospheric Factors

This research first identifies customer's perceived importance as well as experience on service characteristics of store atmosphere. As indicated in table 1, interior factor is ranked the most important elements for store atmosphere. The rest in descending order are personal, exterior, display, and design factors.

**Table 1. Perceived importance and satisfaction of store atmospheric cues**

Factors	Sub-factors	Importance		Satisfaction	
		Mean	s. d.	Mean	s. d.
Exterior	1. Easy access and parking	4.47	0.61	3.92	0.74
	2. Building with charming exterior	3.91	0.71	3.57	0.85
	3. Scenic landscaping of the service area	4.14	0.70	3.72	0.86
	4. Easy access to the mall	4.20	0.69	3.65	0.81
	5. Art-ware exhibition	3.55	0.80	3.16	0.82
	Factor mean [rank]	<b>4.05 [3]</b>		<b>3.60 [1]</b>	
Interior	1. Attractive upholstery and coloring	3.96	0.69	3.47	0.79
	2. Cleanliness	4.49	0.62	3.70	0.88
	3. Lightness	4.25	0.61	3.62	0.78
	4. Temperature	4.27	0.71	3.61	0.83
	5. Roomy walkway	4.23	0.65	3.58	0.84
	6. Brightness and cleanliness of lavatory	4.55	0.60	3.70	0.94
	7. Availability of toilette tissue	4.40	0.75	3.57	1.03
	8. Intimate and orphic background music	3.91	0.80	3.27	0.89
	9. Availability of information desk	4.04	0.76	3.53	0.75
	10. Art-ware exhibition	3.73	0.84	3.25	0.82
	Factor mean [rank]	<b>4.19 [1]</b>		<b>3.52 [2]</b>	
Design	1. Matching of design and facilities	4.06	0.68	3.46	0.77
	2. Appropriateness of interior layout	3.78	0.79	3.28	0.74
	3. Availability of branded products	3.57	0.84	3.20	0.74
	4. Comprehensiveness of brand mix	3.58	0.83	3.16	0.75
	Factor mean [rank]	<b>3.74 [5]</b>		<b>3.27 [5]</b>	
Display	1. Display of product information	3.83	0.74	3.36	0.75
	2. Aesthetics of displaying	3.91	0.71	3.38	0.75
	3. Pricing information	4.10	0.73	3.31	0.79
	Factor mean [rank]	<b>3.95 [4]</b>		<b>3.35 [4]</b>	
Participant	1. Appearance of mall employee	4.16	0.66	3.47	0.78
	2. Employee's attitudes and knowledge	4.26	0.66	3.38	0.74
	3. Buoyancy of mall employee	4.16	0.75	3.36	0.79
	4. Information desk	4.27	0.77	3.34	0.76
	5. Customers' appearance and behavior	3.98	0.83	3.25	0.76
	Factor mean [rank]	<b>4.17 [2]</b>		<b>3.36 [3]</b>	

Exterior factor receives the highest level of satisfaction among all factors of store atmosphere, followed in descending order by interior factors, participant factor, display factors, and the design factors.

One factor analysis of variance is then conducted to examine the possible difference of respective service area in each factor. As indicated in the table 2 the perceived importance of interior, exterior, and design factors, as well as satisfaction on all atmospheric cues varies

from one service area to another. Notably that the consumer emotion appears as significant different to each other among service areas.

**Table 2. Weight and satisfaction of atmospheric cues difference**

Factors	NH 1				NH 3				F	P
	Jhong-Li	Tai-An	Si-Luo	Sin-Ying	Guan-Si	Cing-Shuei	Dong-Shan	Gu-Keng		
Store atmosphere [weight]										
Exterior	3.96	3.79	4.00	4.03	3.98	4.04	4.13	4.03	4.69	0.003*
Interior	4.13	4.00	4.17	4.15	4.04	4.18	4.27	4.16	3.01	0.030*
Design	3.76	3.62	3.74	3.71	3.63	3.73	3.90	3.58	2.95	0.034*
Display	3.84	3.77	3.91	3.90	3.88	3.94	4.03	3.93	0.66	0.575
Participant	4.10	4.07	4.19	4.14	4.01	4.17	4.16	4.18	0.06	0.979
Avg.	3.96	3.85	4.00	3.99	3.91	4.01	4.10	4.00		
Store atmosphere [satisfaction]										
Exterior	3.33	3.27	3.22	3.15	3.71	3.81	4.01	3.85	40.23	0.000*
Interior	3.46	3.39	3.20	3.05	3.49	3.76	3.92	3.76	35.08	0.000*
Design	3.21	3.16	3.01	2.92	3.26	3.52	3.67	3.35	23.00	0.000*
Display	3.40	3.25	3.18	2.91	3.30	3.60	3.74	3.42	23.30	0.000*
Participant	3.54	3.28	3.18	2.95	3.42	3.56	3.64	3.56	18.54	0.000*
Avg.	3.39	3.27	3.16	3.00	3.44	3.65	3.80	3.59		
Consumer emotion										
	4.19	4.23	4.14	3.39	4.22	4.74	4.93	3.44	40.06	0.000*
Purchasing behavior										
	3.63	3.55	3.83	3.86	3.55	3.71	3.95	3.80	0.68	0.568
n	176	170	167	170	178	177	164	173		

\*:  $p < 0.05$ ; \*\*:  $p < 0.01$ ; \*\*\*:  $p < 0.001$ .

#### 4.2. Store Atmosphere on Consumer Emotion

Store atmospheric cues have effects on the consumer emotion, shown as in table 4. The better the consumer perceived satisfaction, the better the emotion state. This implies that consumer emotion toward particular service area will be greatly affected by their satisfaction on the atmosphere [Yuksel, 2007].

Consumers' emotional preference could be shaped by atmospheric cues. This helps the establishment of dual roles of a service area that may further allure more visiting of both drivers and travelers. Adversely, negative perception on the atmospheric cues may result in low visiting. This provides evidence for the need of substantial investment in maintaining a satisfying atmosphere for the dual roles of modern service mall along the highway.

The relationship between store atmosphere and consumer emotion is significantly positive for Dong-Shan and negatively for Gu-Keng service area, as shown in table 3. The result is not as we expected significant for the rest of six service areas. However, exterior factor of Jhong-Li and Cing-Shuei as well as participant factor of Guan-Si and Cing-Shuei do significantly affect consumer emotion. This may advise that there are rooms left for service improvement.

**Table 3. Mall atmosphere and consumer emotion**

Factors	NH 1					NH 3			
	General	Jhong-Li	Tai-An	Si-Luo	Sin-Ying	Guan-Si	Cing-Shuei	Dong-Shan	Gu-Keng
Exterior	0.192**	0.833*	0.455	-0.058	-0.158	0.361	0.679*	0.657*	-0.440*
Interior	0.189**	0.253	0.433	-0.134	0.006	-0.112	0.375	0.556*	-0.378*
Design	0.188**	-0.028	0.084	-0.096	-0.149	0.268	-0.072	0.567*	-0.389*
Display	0.223**	0.392	0.008	-0.004	-0.137	0.130	-0.055	0.554*	-0.374*
Participant	0.190**	0.487	0.200	0.025	-0.025	0.845*	0.616*	0.522*	-0.329*

**Table 4 . Consumer emotion and purchasing behavior**

Factors	NH 1					NH 3			
	General	Jhong-Li	Tai-An	Si-Luo	Sin-Ying	Guan-Si	Cing-Shuei	Dong-Shan	Gu-Keng
Selecting	0.041	0.133	-0.079	-0.014	-0.218	0.020	0.091	0.402**	-0.357*
Time	0.202*	0.203*	0.044	-0.190	-0.259*	0.267*	0.218*	0.394**	-0.080
Quantity	0.181*	0.241*	0.113	-0.132	-0.130	0.174*	0.234*	0.259**	-0.124
Amount	0.197*	0.261*	0.109	0.033	-0.153	0.248*	0.165*	0.292**	0.007
Re-purchasing	0.279*	0.325*	0.177*	-0.112	-0.209	0.208*	0.407*	0.384**	-0.171
Overall	0.180***	0.183*	0.073	-0.097	-0.242	0.223*	0.223*	0.408**	-0.167

**Table 5. Store atmosphere cues and purchasing behavior**

Factors	General	NH 1				NH 3			
		Jhong-Li	Tai-An	Si-Luo	Sin-Ying	Guan-Si	Cing-Shuei	Dong-Shan	Gu-Keng
Exterior	0.092	0.460*	0.019	-0.073	-0.053	0.352*	-0.230	0.545**	0.159
Interior	0.058	-0.288	0.332	0.012	-0.021	-0.338	0.304	0.348**	0.013
Design	0.102	0.036	-0.358	0.179	-0.119	0.159	-0.147	0.288**	0.113
Display	0.100	0.093	0.147	0.072	-0.072	0.042	0.449	0.286**	0.071
Participant	0.109	0.270	-0.147	0.197	-0.085	0.312*	-0.088	0.343**	0.063

**Table 6. Summary of testing**

Hypotheses	I. V.	D. V.	Results	Area-specific
H1, supportive	Exterior	Emotion	Support	Significant only for Dong-Shan of NH 3
	Interior	Emotion	Support	
	Design	Emotion	Support	
	Display	Emotion	Support	
	Participant	Emotion	Support	
H2, supportive	Emotion	Selecting	N. S.	Significant for Jhong-Li of NH1; Guan-Si, Cing-Shuei, Dong-Shan of NH3
	Emotion	Time	Support	
	Emotion	Quantity	Support	
	Emotion	Amount	Support	
	Emotion	Re-purchasing	Support	
H3, not supportive	Exterior	Purchasing	N. S.	Significant only for Dong-Shan of NH 3
	Interior	Purchasing	N. S.	
	Design	Purchasing	N. S.	
	Display	Purchasing	N. S.	
	Participant	Purchasing	N. S.	

Note: I. V.: independence variable; D. V.: dependence variable.



### 4.3. Consumer Emotion on Purchasing Behavior

The consumer emotion appears to have significant and positive impacts on the consumer purchasing behavior, as shown in table 4. Four of five different factors of purchasing behavior as illustrated in section 3.2 are significantly affected by consumer emotion.

Result on the relationship between consumer emotion and purchasing behavior for each respective service area seems complicated. Consumer emotion of respondents from Jhong-Li, Guan-Si, Cing-Shuei, and Dong-Shan appear to have significant and positive effects on overall purchasing behavior, whereas such effect is not significant in other areas, shown as table 4.

### 4.4. Store Atmosphere on Purchasing Behavior

There are no significant effects between store atmosphere cues and consumer purchasing behavior, as shown in table 5. This means consumer will not change their buying behavior simply because of their satisfaction on the atmosphere. Something other than atmospheric cues may drive the changes of consumer behavior, for example, the consumer emotion as that is illustrated in previous section.

Store atmosphere on the consumer purchasing behavior are found positive and significant only for Dong-Shan, and not as what we expected for the rest areas. Notably is the exterior factor has significant impacts on purchasing behavior at both Jhong-Li and Guan-Si, of which implies that these two service areas indeed receive visitors preferences. It is also interesting to note that these two areas are the first service area of NH 1 and NH 3 respectively exit from the main airport of the state, Tao-Yuan International Airport. Beyond newly build or remodeling with modern architectural paradigm, their convenient location that next to the airport may provide additional user values.

In sum, consumers perceived "interior factor" as the most critical atmospheric cue, followed by "participant factor", "exterior" "design", and "display". In the other hand, the "exterior factor" is the atmospheric cue that received highest satisfaction, followed by "interior", "participant", "display", and "design" factor. However, visitors in different service area differ in valuing respective factors, so as satisfaction levels on each atmospheric cue. Service areas in NH 3 receive better satisfaction and emotion than those in NH 1. Dong-Shan is the only one secure twin champions.

We summarize the testing and present it as table 6.

## 5. CONCLUSION

Although inter factors may be the most important one that perceived by tourists, diversity exists in different service area. Examining interior cues in detail, ordinary items such as well-functioning air-conditioning and comfortable lighting may simply act as hygiene factors that are essential, they hardly contribute to customer satisfaction. Exterior cues that bring new tourism elements into the highway service area, particularly for those areas built in a site with

scenic view and customer-focus designed and maintained, will have substantial impacts on visitors' satisfaction.

Dong-Shan is the only site that achieves high levels of satisfaction both on atmosphere and consumer emotion. Many consumers view it as tourism destination. This reveals that modern facilities and scenic site may differentiate the level of satisfaction on mall atmosphere as well as consumer emotion.

In a global view, consumer satisfaction about the mall atmosphere has significant and positive effects on consumer emotion. Consumer emotion has significant and positive effects on consumer purchasing behavior in the highway service mall. However, some variations exist among individual locations. Positive relationship between consumer emotion and purchasing behavior exists only in those service malls with full lines of branded products for customer choices such as Jhong-Li of NH 1, and Guan-Si, Cing-Shuei, Dong-Shan of NH 3. More choices available in the service mall for consumers may induce better consumer purchasing intention.

Noteworthy is the fact that atmospheric cues did not significantly affect purchasing behavior, with the exception of Dong-Shan service area which tourists view it as a scenic destination. The consumer emotion turns the tourist's satisfaction into purchasing behavior.

It is evident that the physical environment indeed affects consumers' purchasing experience, and shapes the store's ability in securing and retaining consumers. This research reconfirms the effects of physical environment on consumer's emotions and consequently their purchasing behaviors in the highway service malls. Findings of this research are important because the dual roles of highway service area as both rest area and tourism destination have gained growing acceptance.

Interior factors, personal factors, and exterior factors are the top three that service mall visitors most valued whereas exterior, interior, and personal factors are the most satisfied. This explicitly provides evidence that the perception gap between the users and the administration of highway service area is narrow. Service areas along NH 3 were built incorporating with distinct geographical features of the planned site, in which environment-friendly concept was adopted to create a man-nature harmony scenario. The fact that growing numbers of visitors travel to the service area as destination indeed encourage a further remodeling of those service areas in NH 1.

There are several implications with the fact that visitors value the interior factors as the top mission of a highway service area. First, the role of highway service area is changing from a mere logistic transit to a multi-functional mini-mall. Second, consumers of service areas are becoming more demanding and more difficult to be satisfied. Third, some important customer's needs were not properly addressed and cared for in the past. This will need further investigation. Fourth, it is worthwhile for store managers to seek extending visitors' duration of stay in the store by providing more attractiveness. Since a longer staying has been proved that having a positive association with customer's arousal emotion and favorable purchasing behavior, to this could be achieved by such as background music and others.

Visitors view the participant factor as second in importance. However, the results show that the quality of service personnel does not meet customer expectations. Interpersonal interaction and instable service quality are two features for highway mini-malls, since much less time is entitled for service employee to secure favorable purchasing behavior. Service failure recovery is almost impossible to recover. The obsolete facilities and exterior factors of

NH 1 service areas may have institutionalized their service employees. Accordingly, all service areas along the NH 1 fall into the group with low satisfaction levels.

Satisfaction on store atmosphere has different levels of impact on consumer emotion in different service areas. Positive and significant relationships have been found only in the Dong-Shan area, Gu-Keng is the only one that has produced a significant but negative relationship. The proportion of consumers that were motivated by tourism and sightseeing is greater in Dong-Shan than the rest. The highest satisfaction scores on overall atmosphere provide additional evidence. The relationship between satisfaction on atmosphere and consumer's arousal emotion in Dong-Shan is also the highest with most favorable revenue growth and net margin. Noteworthy is the satisfaction on atmosphere is also high in Gu-Keng service area, yet consumer emotion is not accordingly aroused for subsequent favorable purchasing behavior. The case of Gu-Keng service area could be attributed to other unknown factors that deserve further study.

Arousal of emotion is found to be the highest among visitors to the Dong-Shan service area in which consumer emotion induce significantly longer staying and re-purchasing intention. Dong-Shan offers highest varieties of branded products may have added additional values to visitors. Taking Dong-Shan as a benchmark, it is evident that customer-centric marketing and management indeed matter in fostering the success of highway service areas in carrying out their double functionality.

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DEMO

*Chapter 9*

## RED TOURISM: A MISPLACED SEARCH FOR AUTHENTICITY

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### ABSTRACT

The rapid development and change of China have drawn increasing attention from the international society. The primary agents of those are the nation-state and capital, and one of the principal vehicles is tourism, in which places saturated with tradition and authenticity are produced and consumed. As such, the so-called 'red tourism' has been promoted by the Chinese communist state since 2004. Built on the Chinese Communist Party's 74-year history, 'red tourism' is hailed by the party leaders as a strategic engine that will drive both the nation's economic growth and search for 'authenticity' of communist ideology in the 21st century. Regarding 'red tourism' as a misplaced search for 'authenticity', this paper attempts to analyze some problems associated with the background, purpose, production and consumption of this new type of heritage tourism development in light of China's current modernization campaign. While arguing the nation-state's supreme control of 'red tourism' intends to stimulate a collective nostalgia for the communist past, the paper concludes that tourism development itself may promise an authentic modern China to evolve in the process.

**Keywords:** Authenticity, China, modernization, red tourism.

### INTRODUCTION

China has experienced rapid development and change since the communist central government started to reform the national economy by adopting a more 'open' policy to the outside world in the late 1970s. In the name of constructing a socialist society with typically Chinese features, the main purpose of the central government is to modernize the nation in the

development of industry, agriculture, national defense as well as science and technology—the so-called ‘4 modernizations’ (Rozman, 1981). The reform led to fast economic growth, yet has not helped solve the serious social problems that exist and are emerging along with the country’s rapid economic and socio-cultural changes. According to some (Han et al., 1998; He, 1998; Zhang, 1992), China’s current economic reform is facing two major problems. One is the ever widening gap of development among different regions of the country, which may become a hotbed for latent social disorder. The other is a centrifugal effect of modernization on the national morale, which carries significant implications regarding issues such as ethnic rights, cultural tradition, as well as political appeal for democracy; and may inevitably lead to dilating suspicion and even distrust on the communist ideology. Both are serious threats to the legitimacy of the communist party rule in China. Among the strategies adopted for coping with the threats, the so-called ‘red tourism’ was initiated by the communist central government in 2004. It is considered a strategic engine to drive the economic growth in the historical areas of the communist revolution, where the economy is still rather underdeveloped today, compared with the more affluent coastal provinces of the country. It is also designed to stimulate a collective nostalgia among the Chinese people for this country’s communist past.

‘Red tourism’ is promoted mostly to the Chinese domestic tourists. It exploits the heritage of the Chinese Communist Party’s (hereafter CCP) 74-year history, and the major attractions are communist sites such as past revolutionary events and monuments, residences of former communist leaders, and other objects laden with a ‘red spirit’—the Chinese communist ideology. In the practice, the communist historical attribute and ideological essence, such as collectivism and revolutionary spirit of devotion, are primarily emphasized. So ‘red tourism’ may be regarded as a type of culture and / or heritage tourism because the travels in some ways represent and / or celebrate the history, identity and inheritance of an area, community, or people (Nicholls et al., 2004). Not as simple as such, however, ‘red tourism’ carries explicit political meanings. According to some CCP leaders (Hu, 2005; Li, 2004), ‘red tourism’ is to stimulate a collective nostalgia among the Chinese people for the communist past and sustain CCP’s supreme rule in China. It will not only help to reconstruct a Chinese communist identity but also contribute to China’s current modernization campaign by reducing the development gap between the poor inland western provinces and the more affluent coastal regions. With such explicit political and economic meanings, the practice of ‘red tourism’ is a significant aspect of CCP’s ambition to achieve its ideal of modernization in China, namely, to build a modernized socialist society with typically Chinese features.

Tourism has long been used as a vehicle of modernization by communist China (Lew, 2001; Wei and Han, 2003; Zhang et al., 1999). From 1949 to 1978, nation-building was the major task for the Chinese communist central government. During this period of time, tourism was used as a diplomatic and political tool to both communicate China with the outside world and showcase the achievements of constructing a modern socialist country. After 1978, economic development was put on the top agenda of the government thus tourism development gradually lost the previous political and diplomatic orientations. Instead, it has joined the force of the newly introduced market economy to help China achieve the so-called ‘4 modernizations’. On one hand, the economic significance of tourism is recognized, and tourism has become one of the principal vehicles to drive China’s modernization campaign (Zhang, 1995; Zhang et al., 1999). On the other hand, contradictions of modernity gradually unfold between the centralized bureaucratic control over tourism and economic liberalization,



to create a troublesome but inevitable problem for the communist central government (Lew, 2001; Li, 2006; 2004).

Tourism scholars have debated much over tourism and modernization in the world tourism literature (Cohen, 1979; MacCannell, 1976; Oakes, 1998; Urry, 1990; Wang, 2000). Under the impact of scientific and technological revolution, modernization indeed has brought a series of seemingly indisputable benefits to people (Rozman, 1981). This, however, is just one of the two integral aspects associated with modernization that Giddens (1990) terms as the 'false modern'. The other is the so-called 'authentic modern' by which modernity is not constructed in discernible scientific and technological development but in a process-oriented approach in which human subjectivity is ambivalently but irrevocably engaged in a struggle against such as institutions of rationalism, scientific objectivity, and the consequent social changes.

Some scholars (MacCannell, 1976; Urry, 1990; Wang, 1999; 2000) view tourism as a means for modern people to achieve the so-called 'authentic modern' in their struggle against the 'false modern'. In Wang's view, for instance, this ambivalent nature of modernity in certain ways stimulates modern people's demand for tourism. On one hand, the technically positive outcomes of modernization such as development of transportation and communication, facilitate modern people's spatial and psychological mobility; and provide a social and economic environment for tourism industry to develop and boom. On the other hand, people desire for an escape from the daily routines of the modern institutionalized life in order to cope with some side-effects of modernity such as alienation and mental stress caused by heavy work pressure and severe competition of urban life. Tourism affords modern people such an escape and facilitates their search for the authentic self which, termed by Handler (1986) and Heiddger (1962), is a special state of being without any restrictions

In Palmer's view (1999), agents such as nation-state, tourism industry, and local community are all engaged in a search for authenticity through involvements in tourism development especially such as culture, ethnic and heritage tourism. Tourism may help a nation-state construct a distinct and authentic national identity relevant to the dominant ideology of nationalism (Tanasescu, 2006), because such kinds of tourism practice basically rely on cultural and historical symbols of the nation as means to attract tourists. Oakes (1998) asserts such tourism practice is inevitably connected to people's efforts of authenticating the meaning of traditions and identities of their places when the local communities attempt to utilize the cultural and historic objects or events for tourism development. In this sense, the purposes of involvement in tourism by the major agents are inherently different with various conflicts of interests; and thus their respective search for the 'authentic modern' rather is negotiable (Bruner, 1994). The basic issue regarding whose authenticity will be eventually realized through tourism is simply a matter of the strategy being used and the extent of its intention being infused into the process of tourism production and consumption. This, in Oakes's (1998) perspective, is understood as a 'misplaced search for authenticity'. Oakes argues, in his study of a contemporary Chinese context, it is a misplaced search for authenticity when the tourists and the local communities make tourism an effort of such a search. Because in many cases people have failed to note that authenticity—the mythic and monumentalized landscape of their celebrated cultures and heritages, is itself one of the institutionalized outputs of modernization in which the Chinese communist nation-state and capital are the major dominant power.

Taking a similar perspective, this paper attempts to analyze 'red tourism' within the broader context of China's current modernization process. The analysis is based on various sources including already existing research, historical documents, government publications, tourism pamphlets, websites and newspaper articles. Attention is especially directed to the inherent contradictions as manifest in the process of designing, producing, and consuming 'red tourism'. Efforts are made to examine, firstly, the general background, particularly the Chinese central government's roles in initiating the idea of 'red tourism'. Secondly, inquiries are made into the ways by which the communist central government infuses its political purposes into the practice of 'red tourism'. Thirdly, trivialization of the roles of both the tourists and the local community in 'red tourism' practice, especially regarding their search for authenticity, are discussed. The conclusion draws to the three contradictions that 'red tourism' implicates about tourism being a force of modernization; and an insightful mirror to reflect some most urgent issues faced by China in its rapid economic development and socio-cultural changes.

## DEVELOPMENT OF 'RED TOURISM'

A review of the historical background of 'red tourism' probably should take a two-dimensional approach--economic and socio-cultural. In economic dimension, attention should be directed to China's current modernization campaign and the problems that are emerging in the process, especially these associated with the ever widening gap of developments between the poor western provinces and the more affluent eastern coastal regions.

Since 1978, the economic and social development in the western provinces of China has lagged far behind that of the eastern coastal regions. The causes are various internal factors such as shortage of capital and qualified human resource, and the disadvantaged inland location; as well as external factor such as being marginalized by the national development policy (Li, 2006). Due to both factors, the old communist revolutionary base areas—mostly located in the western and central inland provinces—are still very poor and much less developed. Among 244 counties in the former communist revolutionary bases, 89% are located in mountainous rural areas where arable land is scarce, and the GDP is 20% less than the national average (Li, 2005). This uneven development has become a catalyst of social disorder that will challenge the supreme rule of the Chinese Communist Party (hereafter CCP). It has thus alerted the central government to seek strategic solutions. A so-called 'Western Region Development Strategy' was therefore initiated by the central government in 1999 in order to speed up the economic growth in ten western provinces. Encouraging tourism development is one important element of the strategy. In socio-cultural dimension, attention must be given to the erosion of the social morale as manifest, especially, in terms of the rapid increase of corruption scandals associated with high rank communist officials. This is regarded as a byproduct of the early modernization process of China (He, 1998). According to Eisenstadt (1966), two general themes may be identified as social protest against those negative changes. One is to search for principles of social order and justice, and of the legitimization of the center in general and the ruling groups. The other is the search for new common symbols with which various social groups may associate some sense of personal and collective identity. In the context of China's modernization, these two kinds of

social protest represent potential problems that threaten the legitimacy of the communist party rule in China. So the so-called 'red tourism' was proposed and launched in 2004, by the Chinese communist central government, as a political strategy to cope with the problems.

This political nature of 'red tourism' is explicitly expressed in the three main purposes for the communist central government to launch the practice. Firstly, according to Li (2004), 'red tourism' is a political task for the consolidation of CCP's supreme rule in China. It serves as a so-called 'people-favored' means to showcase the historic contribution of CCP to creating the People's Republic of China. By interpreting to the tourists—mostly domestic—the history of the Chinese communist revolution, it attempts to enhance the Chinese people's confidence with the leadership of CCP. The history of tourism development in China shows that politics has always played an important role. But it is with 'red tourism' that political purposes are, for the first time, explicitly expressed. Secondly, according to Jiang (2002)—former general secretary of CCP central committee—'red tourism' is a cultural project, part of the general efforts made by the communist central government to establish the Chinese communist ideology and ethics, compatible with the so-called 'socialist market economy'; and supporting the traditional virtues of the Chinese nation. So, the significance of 'red tourism' as an instrument to enhance ideological education, particularly targeting at minors such as college students who are regarded as successors of the Chinese communist tasks, is emphasized. To make it more acceptable to the 'future task carriers', the ideology of the Chinese communist party, namely 'red spirit', is primarily promoted in the name of patriotism education. This, under the single communist party rule of China, no doubt means that the fidelity to the Chinese communist ideology should be equated with patriotism in most occasions. Furthermore, traditional Chinese virtues such as collectivism are incorporated into 'red tourism' practice, in the name of carrying forward the national spirit and striving for the so-called 'renaissance of the Chinese civilization'. In this sense, 'red tourism' is to convey simultaneously the spirit of patriotism, classic communism, as well as the traditional Chinese virtues. Thirdly, according to Li (2004), 'red tourism' is to strengthen the socialist system of contemporary China by reducing gap of developments among different regions of the country. It bears important responsibilities for developing the economy, and improving the living standards of the people in the former communist revolution areas located in China's underdeveloped inland western provinces. The uneven economic and socio-cultural developments among different regions alert the communist central government that the people have been treated rather unfairly, who greatly contributed to the communist revolution in the past (Li, 2004). Efforts must be made from the nation-state level to guarantee these people a fair share of the economic benefits achieved by China's modernization campaign. 'Red tourism' is therefore an aid-the-poor project to help build the 'social harmony'—a popular slogan frequently used today by the current communist central leadership.

The three purposes indicate the political nature of 'red tourism' practice in China, To understand how the political policies and strategies are implemented; and in the ways they influence tourists' experiences and their interactions with destination communities, enquiry must be further made about the process of 'red tourism production and consumption.

Production of 'red tourism' in China is very much of a top-down approach as indicated by table 1. A hierarchical sequence is clearly presented, which illuminates, firstly, it is from the State Council and the Central Committee of CCP, to all sub-levels of CCP organizations and governments, be it provincial, municipal and county, to specific tourist entities. Under the State Council, fourteen specific departments are involved in initiating and launching 'red

tourism', including Central Propaganda Department of CCP, National Committee of Development and Reform, China National Tourism Administration (CNTA), Finance Ministry and so on. Each bears its relevant responsibility for facilitating 'red tourism' development (Li, 2005). Ministry of Transportation, for instance, handles transport related issues in the production process of 'red tourism', such as developing and improving the transport system to enhance accessibility to 'red tourism' attractions and sites. At the nation-state level, 'red tourism' has never been the 'private business' of CNTA. Rather, its development calls for close cooperation among a number of government departments.

**Table 1. Significant Events of Red Tourism (2004-05)**

Time	Agent	Theme
Feb, 2004	Central Committee of CCP The State Council of PRC	Opinions on promoting and strengthening ideological and ethical education among youth
Aug, 2004	Central Committee of CCP	Opinions on promoting and strengthening ideological and political education to college students
Sep, 2004	Li Changchun, a member of Politburos Standing Committee of Central Committee of CCP	Keynote speech at a conference on National Red Tourism Development Planning
Dec, 2004	Office of Central Committee of CCP Office of The State Council of PRC	National Red Tourism Development Planning (2004-2010)
Feb, 2005	National Committee of Development and Reform, Central Propaganda Department of CCP and CNTA	National Conference of Red Tourism Development
Feb, 2005	CNTA	12 major red tourism regions, 30 red tourism recommended routes and 100 key red tourism scenic areas were announced
Apr, 2005	CNTA	A workshop on Red Tourism Planning at provincial level
Oct, 2005	CNTA, Jiangxi Provincial Gov.	National Red Tourism Expo.
Nov, 2005	Hebei Provincial Government	Xi Bai Po Red Tourism Forum

Source: China Tourism News, 2004-2005

At a lower level, provincial governments are responsible for 'red tourism' developments in their own provinces. The top task is to make a specific work plan, relevant to the specific province, to exploit the local resources appropriate for developing 'red tourism'. Each provincial work plan of 'red tourism' development should be compatible with 'red tourism' projects of other provinces and regions within the national framework of 'red tourism' practice. It is by such a hierarchical system that the nation-state's policies regarding 'red tourism' development are implemented. Another notable feature of this top-down approach to developing 'red tourism' is the active involvement of the propaganda departments from all levels of CCP units. They are responsible for assuring 'red tourism' development take the correct political and ideological directions set by CCP. Affirmed by Hu (2005), Deputy Minister of Central Propaganda Department of CCP, all the propaganda departments must be actively involved in the national 'red tourism' practice, using the media (mostly government controlled) to implement 'Patriotism Education Strategies'.

In addition to favorable policy and political support, governments from the central top down to every lower level administration have arranged special financial resource to support the development of 'red tourism'. This is contradictory to the principle of market economy

that tourism—a business sector—should receive the majority of the capital investment from non-government sources. China's 'red tourism' project therefore presents a rather ironic picture of tourism practice that governmental financial support is crucial to sustaining the 'red tourism' business. For instance, in 2005, the National Committee of Reform and Development reserved a special budget of 700 million RMB (equivalent to 90 million US Dollars) to develop the infrastructures necessary for 'red tourism' (Li, 2005). Similar financial supports were also assured by the Ministries of Finance, Transportation, Construction, and Culture. In an official statement, Li—the then Deputy Director of National Committee of Reform and Development—request all levels of governments to reserve their special budgets for developing 'red tourism' (Li, 2005).

The communist nation-state defines development themes, allocates financial resources, and designates geographic locations for 'red tourism' development in order to ensure the practice be economically sound and politically correct. The so-called 'red heritages', defined by the National Red Tourism Planning Outline 2004-2010 (Office of Central Committee of CCP and Office of The State Council of PRC, 2004), are these communist historical sites such as communist revolutionary events, venues and monuments, residence of former communist leaders, as well as other relevant objects associated with the Chinese communist revolution from the establishment of CCP in 1921 to the birth of the People Republic of China in 1949. The so-called 'red heritages' obviously represent only parts of modern Chinese history exclusive of any non-communist events. The National Committee of Reform and Development categorizes these 'red heritages' into specific themes for tourism development (Li, 2005), such as Oriental Morning Twilight, Cradle of Revolution, Long March, Anti-Japanese War, Embracing Victory, Ethnic Solidarity, Great Peoples and Spirit of Heroes. A total of 30 'red tourism' itineraries are recommended and 100 key 'red tourism' scenic spots are identified (CNTA, 2005), forming a basic production network within the whole country (see figure 1).

This top-down bureaucratic hierarchy of the 'red tourism' production network indicates the supreme role of the communist nation-state in interpreting and representing the so-called 'red heritages'. The aim is to stimulate a collective nostalgia, among the Chinese people, for the communist past, which may be considered a search for the communist version of authentic modern China, namely, to build a modernized socialist society with typically Chinese features. This search, however, is misplaced because the current practice of 'red tourism' has largely trivialized the roles tourists and local communities may play in the process of 'red tourism' production and consumption.

Oakes (1998) considers the boom of heritage tourism and other similar alternative tourism developments in China direct results of the country's rapid modernization process. The current Chinese tourists favor such kind of alternative tourism; and regard it as an effective tool to search for their own 'authentic self'. Through such tourism experience, they wish to pursue a social relationship in places of 'others' and an experience different to their daily routine; as well as exercise an implicit protest against the disorder of the social morale and modern institutionalized life. As such, however, 'red tourism', like any other tourism experience, must satisfy two basic premises (Cohen, 1979; MacCannell, 1976; Wang, 2000). One is the demand of consuming 'red tourism' products should be spontaneously driven by a volunteering nostalgia for the communist past rather than by the government's arbitrary political summon and ideological infusion. The other must be that tourists have freedom of choice regarding what 'red tourism' products to consume; and the consumption will

encourage them to experience and interpret, out of their genuine understanding, of the ‘red heritage’ objects and the associated meanings, no matter whether their interpretations are compatible with the interpretation by the communist nation-state.

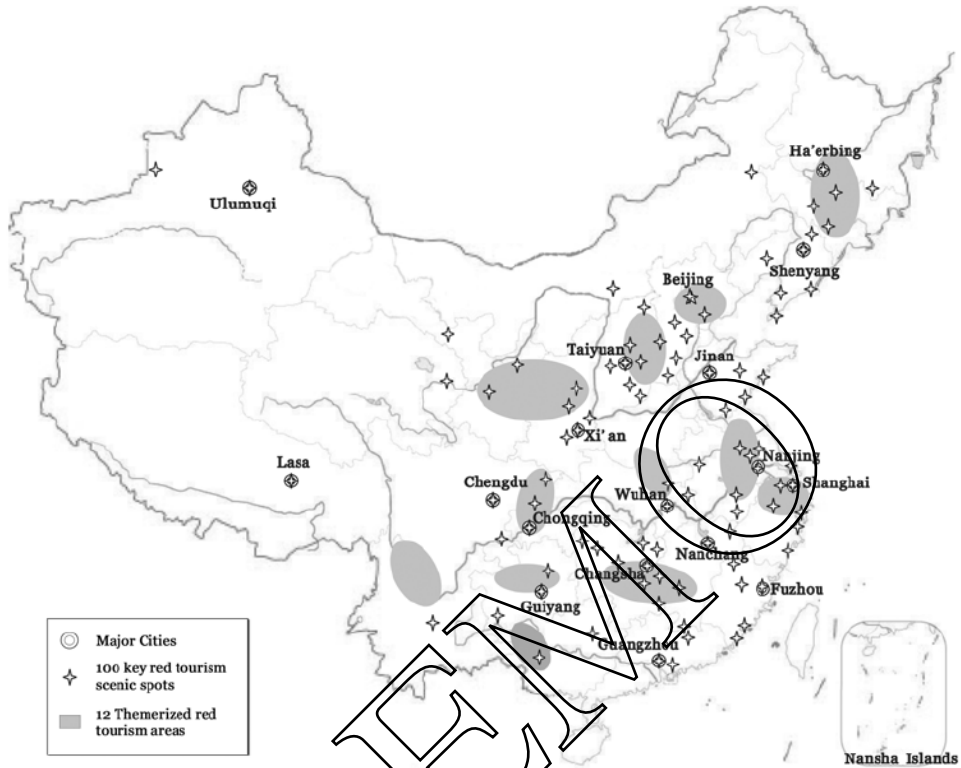


Figure 1. China's Red Tourism Production Network

In actual situation of ‘red tourism’ practice, however, the communist nation-state largely controls both the travel choice and the experience of the tourists, regardless of their true wants and needs. Consequently, ‘red tours’ in most cases are officially organized and arranged by collective units such as schools, government organizations, and state-run companies, to enforce a collective nostalgia among the organized tourists for the Chinese communist past (Chang, 2006; Wu, 2006). In this sense, ‘red tourism’ simply serves as somewhat a compulsory out-of-school course to ideologically brain-wash the tourists. Besides, usually it is the collective units that pay the tourists’ travel costs of consuming ‘red tourism’ products. Spending the tax payer’s money on recreational travel has been an incentive for the Chinese people to take this ‘red spirit’ education course (Liu, 2005; Deng, 2006). Good or bad, for the tourists such a ‘red tour’ is at least an escape from the daily routine of life—a basic driving force for any kind of tourism to boom (MacCannell, 1976; Urry, 1990; 1995). In fact the institutional influence of the communist nation-state has deprived the real purchase power of the tourists; and in the process trivialized and misdirected their personal search for authenticity.

Another distinct phenomenon to note about 'red tourism' consumption is the pre-fixed nature of the experience. The objects and themes of 'red tourism' are all designated and set by the Chinese central government; and in most cases 'red tours' are officially organized. The experience is politically predetermined, compulsory for the consumer—the tourists—to absorb the so-called communist 'red spirit and morale':

Red tourism experience is a valuable opportunity for the Chinese people, especially the young generations, to learn about the revolutionary spirit and glorious history of the Chinese Communist Party; helps them appreciate the destiny of the Chinese history selected the CCP as the leader of the nation and socialism as the right system for the development of the country (Li, 2005).

Heritage objects are always value-laden (Lowenthal, 1998). A value criterion is obviously set by the communist nation-state and attached to 'red tourism' attractions, not about what is real or false, but about what is right or wrong according to the Chinese communist ideology. In the process of 'red tourism' consumption, authentic tourist experience is sacrificed for a compulsory education of patriotism and communism, to learn what constitutes the communist 'red spirits'. Tourists probably will not doubt about the seemingly well-intentioned originality of 'red tourism' to account for problems of a false modern China. But it is, equally, rather doubtful whether 'red tourism' will enable the Chinese people to search for their authentic self in the process when individuality is subject to the political ideology set by the communist nation-state. In consuming 'red tourism', tourists have no way to involve themselves into a genuine, immediate, and communal relationship with the world they are experiencing. Their search for authenticity is thus tampered by the ambivalent experience of the so-called collective communist identity of typical Chinese features.

*Statistics* (Li, 2005) show that, within the bureaucratic hierarchy of 'red tourism' development network, the powerful influence of the communist nation-state guarantees a demand market for 'red tourism'. In 2004, 'red tourism' destinations and sites received a total number of 100 million visitors. The nation-state's powerful influence also promises large sum of financial investment in the improvement of the infrastructures and facilities, such as transportation, telecommunication and accommodation; as well as human resources, for 'red tourism' development. While the nation-state's top-down support may help the local people to gain certain economic benefits, it has not helped the local communities to exercise real control over the 'red tourism' developments. This not only trivialized the role of the communities but also has caused the following problems to occur in the process of 'red tourism' development.

The first problem is local people's lack of capital in defining their own goals and choosing proper programs for the 'red tourism' development within their own communities. Most 'red tourism' destinations are located in China's less-developed western inland provinces; neither the local governments nor the communities have the financial capacity to afford the cost of 'red tourism' development. Therefore, the majority of investment in 'red tourism' comes from upper governments. For example, National Committee of Development and Reform (NCDR) provided 700 million RMB to support infrastructure construction in those red tourism destinations in 2005 (NCDR, 2005). As a feasible solution for the deficiency of local investment, external private capital is also welcomed to involve in red

tourism project development (Jiang, 2005). The second problem is all 'red tourism' projects are initiated and planned by the central government. This top-down planning approach requires the local governments and communities comply with the general arrangements made by the upper administrations in terms of setting development goals, defining destination images, designing tourism products, and forming marketing strategies. The third problem is environmental impacts associated with 'red tourism' development. Quite a few high-rank nation-state officials (He, 2005; Hu, 2005; Li, 2005) emphasized environmental protection in 'red tourism' development. However, for local government and those external investors, the priority is rather to exploit the pristine and attractive natural environment for red tourism development, but not environment protection. This mentality of development encourages a series of exploitative projects (Li and Zhang, 2006), which violate the original intention of 'red tourism' being politically and ideologically educative; and transform 'red tourism' into merely a pleasure-seeking experience without any social and / or environmental ethic principles.

This examination of 'red tourism' development in China suggests, in the practice, the nation-state's top-down control intends to designate a common purpose of development, define unilateral meanings for 'red heritage' interpretation and representation, and guarantee a stable market demand. But it remains questionable whether the industry, tourists and local community will unconditionally accept this control, and whether such control will make this special type of heritage tourism economically sound for practitioners. A reflection of the aforementioned problems would lead to this argument for 'red tourism' the negotiation of heritage interpretation and representation among the involved agents should be recognized. As is indicated by the world literature of heritage tourism (Bruner, 1994; Cohen, 1988; Fees, 1996; Hall, 1994; Henderson, 2000; Richter, 1997), these agents have rather different purposes of involvement, and will most frequently intend to interpret and represent heritage on their own behalf. In the same token, the process of "red heritage" representation and interpretation cannot be unilateral, but rather negotiable and changeable.

## CONCLUSION

The seemingly common and unilateral purpose, representation and interpretation of 'red tourism', therefore, only represent the misplaced search for 'authenticity' by the Chinese communist government in its own wish to redefine the so-called 'authenticity of communism' in a rapidly changing China. Using 'red tourism' as a means to help build a modernized socialist state with typically Chinese features is rather problematic, as manifest in terms of these contradictions associated with the 'red tourism' development.

The first contradiction is political purposes versus market rules. In 'red tourism' development, the reach of the communist nation-state is wide-ranging and varied into every aspect of the business. Based on a hierarchical bureaucracy, the Chinese communist nation-state endeavors to infuse its political purposes and communist ideology into 'red tourism' themes, travel itineraries, and tourist activities. Favorable investment policies are assured for 'red tourism' development. Even financial supports are specially arranged to sustain the business. Under these circumstances, it is rather doubtful if 'red tourism' business practice will be economically sound over the long term. The market forces and regulations are largely



challenged by the political and ideological irrationality, and consequently China's current modernization campaign, such as 'red tourism' development, is more of an effort to build and sustain a modern communist nation-state rather than the search for an 'authentic modern' China.

The second contradiction is development of a modern socialist country with typically Chinese features versus construction of a modernized civil society. In theory, modernization is a two-dimensional process (Harrison, 1992; 1998; Mandel, 1978). It is both an economic process by which societies shift from agriculture to industry and rural to urban, where money and money market play a central role; and a progress towards civil society whereby the influence of institutional collectivism is constantly challenged by the modern consciousness that allows greater autonomy for the individual. Being part of China's modernization campaign, 'red tourism' is, rather ironically, not to introduce these modern values and institutions such as individualism and local autonomy, but to maintain the supreme power of the communist regime. In tourist consumption of 'red tourism', individuality of tourists is subject above all to the communist ideology, rather contrary to the ideal that toured objects exit out there and open, for tourist observation, judgment and interpretation. As Jamal and Hill (2002) assert, in the process of consumption, tourist individuality should be the ultimate power to decide what to experience and what feelings to derive from that experience.

The third contradiction is promotion of the communist 'red spirit' versus appreciation of a modern sense of democracy. The three purposes of 'red tourism' set by the communist nation-state are, in general, to promote in contemporary China the so-called 'red spirit'—fidelity to the Chinese communist ideology as manifest in terms of two major elements—collectivism and patriotism. This 'red spirit' is much needed for the communist nation-state to achieve the 'social harmony' so as to cope with the serious social problems exist and are emerging along with China's rapid economic and socio-cultural changes as consequences of the modernization campaign. The problems are potential hotbed for latent social disorder, carrying significant implications regarding issues such as ethnic rights, cultural tradition, as well as political appeal for democracy. They may inevitably lead to dilating suspicion and even distrust on the communist ideology. While the communist government prioritizes 'red tourism' in the wish of achieving specific political purposes, however, it has neglected that, for a developing country such as China, tourism is not simply a political issue, but rather a series of social, economic and moral issues (Tosun, 2000; Li, 2006). Being merely an economically aid-the-poor strategy, 'red tourism' may not help the communist nation-state achieve 'social harmony' if it does not socially and politically empower the destination communities to maintain an equilibrium. That is, according to Scheyvens (1999), to improve community cohesion among the members on the one hand and, on the other hand to regard the local voices and concerns as guides for tourism development. Regarding 'red tourism' practice, however, local grass-root force neither exists to counterbalance the supreme control of the nation-state over the development nor is encouraged, because 'red tourism' is, after all, a political strategy for the consolidation of CCP's supreme rule in China.

Those three contradictions manifest in some ways the paradoxes of modernity in China (Oakes, 1998; Wang, 2000), and indicate 'red tourism' is a misplaced search for 'authenticity'. They suggest obsession with achieving an industrialized communist regime still remains the paramount in the ultimate purposes of the Chinese communist nation-state for tourism development. However, 'red tourism' may also represent, like any other type of

tourism practice, the paradoxical struggle between the objectifications of the 'false modern' and the promise of an 'authentic modern' subjectivity that is potentially liberating.

A superficial glimpse of the communist nation-state's initiation and promotion of 'red tourism' in China could lead to such assumption that 'red tourism' is nothing but merely a political project to infuse the communist ideology into the minds living in an ever being modernized China. Putting it into the perspective of the country's modernization process and the associated economic and socio-cultural changes and the consequent contradictions, 'red tourism', as a manifestation of the current Chinese modernity, should be perceived as an on-going struggle for meaning within, along with a desire for repair of, the fragmentation, dislocation, and alienation inherent in the modernization process. Through that experience, the nation-state's idea of authenticity emerges as a 'false modern'—the seductive promise of a resolution to the struggle for new meanings of communism and desire for the repair. As such, 'red tourism' represents a 'misplaced search for authenticity' which, arguably, may also promise the 'authentic modern' to evolve in the seemingly chaotic process of China's modernization. Tourism in contemporary China, no matter what form it takes, develops rapidly as a direct result of the country's current modernization campaign. Given China's contemporary economic growth and socio-cultural changes, ever increasing numbers of the Chinese people are expected to be able to afford tourism experience. Tourism will enable the Chinese people to move freely not only on a domestic but also a global scale. This is significant because, pampered and admired as the middle class and the newly rich, this growing number of the Chinese people, for the first time in the history of the country, will start to consider the individual as being more important than the collective (Li, 2004). Their changing perceptions, expectations, attitudes and values, shaped, partially, by this modern tourist mobility, could be one of the significant 'changing agents' (Harrison, 1992) to introduce modern values and institutions to challenge the resistant communist tradition. With its patronizing policy towards tourism development, the regime itself may have unwittingly sown the seeds of its own destruction in which an 'authentic modern' China may be just evolving.

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DEMO

DEMO

*Chapter 10*

## THE OUTSOURCING PROCESS ORIENTED TO THE DEVELOPMENT OF RELATIONAL CAPABILITIES IN HOTELS

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### ABSTRACT

This work proposes a methodology to analyze the outsourcing process in hotels, from the perspective of internal and relational capabilities and the creation of value to the end consumer. This methodology has three stages. The first is the quality analysis, which determines the process, the activities and the creation of value. The second is a strategic analysis of the firm's internal and relational view in order to determine the activities to be outsourced. The final stage is the implementation of the outsourcing process, where the desired level of development relational capabilities in each of the activities to be outsourced is established and the most suitable service company selected. In that third stage, an example of possible hotel activities susceptible to outsourcing is presented, with an explanation of how the relational capabilities and the service companies have to be evaluated.

**Keywords:** outsourcing, core competences, relational capabilities, processes analysis, generation of value.

### INTRODUCTION

In today's new competitive framework, organizations require a new vision of the company, in terms of transforming organizational structures by analyzing the processes,

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(Harrington, 1993), the relationships between firms (Webster, 1992; Morgan and Hunt, 1994) and the outsourcing of activities (Sink and Langley, 1997). The relational and outsourcing strategies must not only be proposed as a simple relationship of intermediation or as the contracting of a third-party to perform the activities or functions that the company either is not able, or does not know how, to do adequately (Quinn, 1999), but as a closer relationship with intermediaries and supply companies that enables unique relational capabilities to be obtained. This work develops a methodology to define the outsourcing process (Harrigan, 1985; Quinn, 1999) in the hotel sector, with the aim of generating and enhancing relational capabilities (Dyer and Singh, 1998).

The current of theoretical opinion about total quality has proposed the analysis (Harrington, 1993) and reengineering of processes (Hammer and Champy, 1993; Davenport, 1993), offering a new theoretical orientation from which to analyze the activities and functions performed within, and between, organizations working together (Hammer, 2001). In this context, Ray, Barney and Muhanna (2004:25) consider that “business processes are the way that the competitive potential of a firm’s resources and capabilities are realized and deserve study in their own right. Most scholars acknowledge that resources, by themselves, cannot be a source of competitive advantage”. Porter (1991:108) argued that, “resources are not valuable in and of themselves, but they allow firms to perform activities business processes are the source of competitive advantage”. Moreover, Ray, Barney and Muhanna (2004:25) show that, in some circumstances, adopting the effectiveness of business processes as a dependent variable in resource-based research may be more appropriate than overall firm performance.

The combination of those theoretical perspectives in the development of highly competitive networks is the main objective of the methodology proposed in this work. To that end, the work begins by presenting the principal theoretical aspects that are used to determine the outsourcing process in hotels, starting from the concept of the creation of value (Zeithaml, 1988; Holbrook, 1994) as the linchpin of the analysis. The application of the proposed methodology permits companies to generate higher value to the end customers by focusing on the activities constituting the internal and relational capabilities. That value will be increased by the development of idiosyncratic resources and capabilities, and of relational capabilities when the company opts to strengthen links with other companies in the network and to outsource the activities that require it.

The study begins by developing the methodology for the outsourcing process, firstly setting out the stages related to the Total Quality theory, such as the analysis of processes and activities and of the orientation to the creation of value to the end consumers. The following section presents the internal and relational view based on the resource and capability theory, and addresses the strategic value of activities from both of those perspectives. Once the theoretical aspects have been developed, the proposed methodology is applied to specific activities that are susceptible to outsourcing in hotels. In that context, the first step is to analyze the objective of developing relational capabilities in the activities under consideration. The next step is to address the process of selecting the most suitable supplier to perform the activity with the aim of attaining an associative competitive advantage.



## DESIGNING THE OUTSOURCING PROCESS

The design of processes consists of a specific study of the activities performed within, or between, organizations with the aim of creating and adding value to the end consumer, resulting in the acquired products being valuable, higher-quality, lower-cost products. Various authors have addressed the redesign of processes (Hammer and Champy, 1993; Davenport, 1993), with Hammer (2001) proposing a methodology to achieve super-efficiency. That methodology comprised four stages: 1) overall view; 2) organization; 3) design or redesign, and 4) implementation. In this respect, Figure 1 shows a methodology to design processes according to internal and relational capabilities, which lead to the generation of greater value. Super-efficiency is an objective that is achieved by means of close collaboration and synchronization between focal companies. That cooperation determines the basis for defining and performing the outsourcing process between hotels and other companies that offer external services through the outsourcing of specific activities.

The methodology proposed in this work is based on the analysis and design of the outsourcing process to achieve the maximum possible efficiency and efficacy and the internal and relational capabilities of the activities. This helps develop a more complete, overall view of the competitive strategy of companies operating in the tourism sector. All the concepts used in the methodology and empirical study revolve around one key concept that determines the competitive capacity of each activity and, consequently, the process as a whole. That concept is the creation of value to the end consumers (Zeithaml, 1988; Holbrook, 1994), which facilitates the analysis of activities according to their real contribution to consumers and helps to determine which activities constitute the core and relational capabilities of the companies and the service companies with whom they operate.

Figure 1 shows that the methodology can be simplified into three stages: analysis from the quality perspective, strategic analysis and, lastly, the implementation of the designed process. In the first stage, the process and its activities are defined and will constitute the object of study in the following stages. The orientation of each activity to the creation of value to the end consumers is then addressed. This is a key concept used to determine the importance of the different activities to achieving sustained competitive advantage. The second stage is a strategic analysis from the internal and relational perspectives. First, the internal strategic value of the activities is determined in order to define the internal core competences. These will comprise those activities that constitute competitive advantage and, therefore, should not be outsourced but reinforced by the effective development of relational capabilities. The external view is then addressed by the analysis of the relational strategic value of the activities. In this context, there are three key points for the construction and strengthening of relational capabilities: relational competitiveness, which can be achieved through cooperation with suppliers and customers, the integration of processes with other, related, organizations, and finally, the simplification or elimination of activities. That last point materializes in an improvement in the general competitiveness of companies, and also represents one of the principal sources of competitive advantage by reducing costs and substantially improving the efficiency of the companies involved in the design of the outsourcing process. The last stage of the methodology is to implement the designed outsourcing process after considering the previous stages, and to select service companies for the development of relational capabilities.

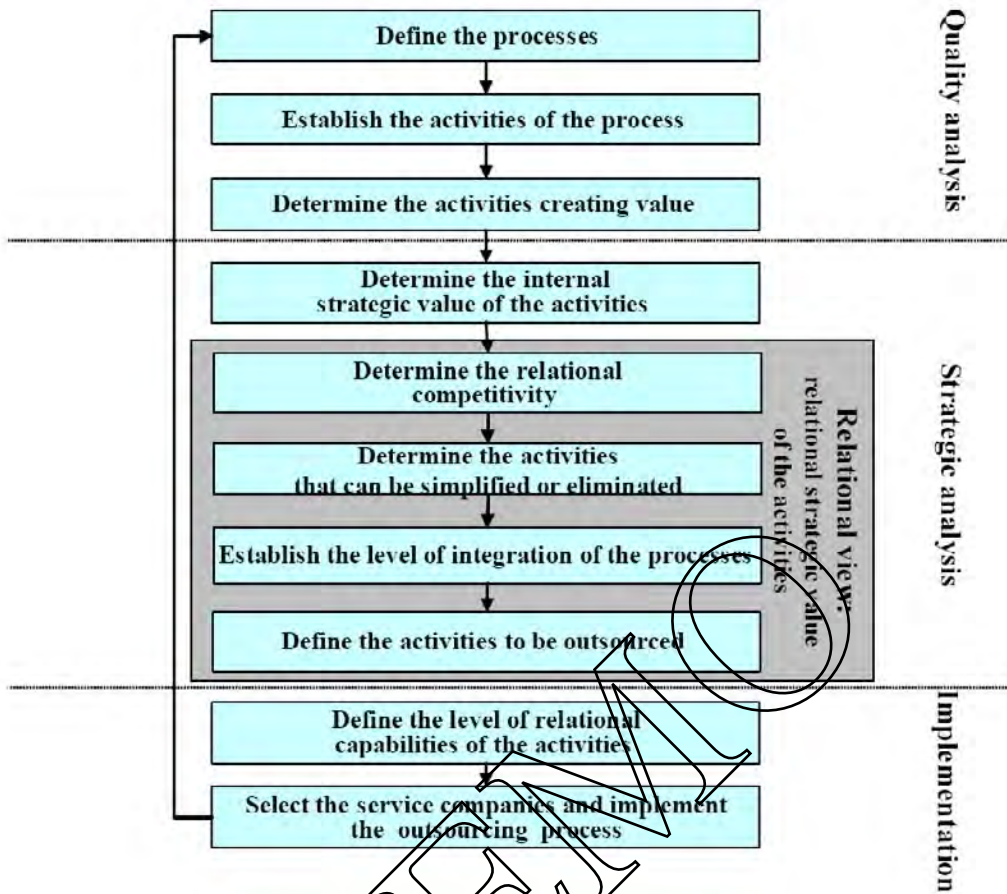


Figure 1. Methodology for outsourcing processes according to internal and relational capabilities.

In the theoretical development of the main concepts of the methodology, this section analyzes the first two stages: the analysis of the processes and their activities, and of the orientation to the creation of value to the end customers; aspects best dealt with from the perspective of the theoretical development of technical and service quality (Grönroos, 1990). The following section addresses the internal and external, or relational, views, which are based on the resource and capability theory developed by various authors, including Barney (1991), Rumelt (1984, 1991), Wernerfelt (1984), Grant (1991) and Peteraf (1993).

### Orientation to Processes, Activities and Creation of Value

The principal methodologies for analyzing processes are that developed by Harrington (1993), and the innovation or reengineering of processes proposed by Hammer and Champy (1993) and Davenport (1993). The objective of the first of those is to design and act on the processes in order to make them more efficient, effective and flexible. Hammer and Champy (1993:42) defined their proposal as “the fundamental revision and radical redesign of processes to achieve spectacular improvements in crucial measures of performance, such as

costs, quality, flexibility and speed of delivery". Its main characteristics are: questioning the entire existing organizational structure, being radical, achieving spectacular results and being oriented to processes rather than to departmental functions. There are many similarities between the two methodologies since they are both based on the analysis of processes and both have the objective of modifying the practices, procedures and routines of organizations. However, there are also clear differences, such as the period of application, which is continuous in the case of improving processes, while in the case of the innovation of processes it is generally applied for limited periods of time. Another difference is the degree of the redesign of processes, which is gradual in the improvement of processes while innovation or reengineering requires a radical change and produces much more spectacular results (Talwar, 1993).

The basis of the methodology is the creation of value, since the end goal of the design or redesign of processes is to concentrate maximum effort on the activities that create value to the end consumer, simplifying or eliminating the activities that do not contribute value. The definition of the concept of value has been studied by many authors; Holbrook (1994:27) defines it as "a relative preference (comparative, personal, situational) that arises from an interactive experience of a subject with an object". Rust and Oliver (1994:10) state that "value comprises the quality perceived by consumers, combined with the price". Those authors consider that value is equal to the benefit of quality minus the detriment of price and that the relationship between the price and quality and the benefit is not linear and varies between from one individual to another. That is the line followed by the methodology of this work and the empirical study to determine companies' orientation to the creation of value in each of the activities.

From a resource and capability perspective, the value of the resources supporting the activities depends on their capacity to be sources of competitive advantage, enabling the company to establish strategies that improve efficiency and efficacy, to exploit market opportunities and to neutralize potential threats (Barney, 1991). An organization's resources must contribute, in one way or another, to the value perceived by the customer (Hamel and Prahalad, 1994; Beatty and Schaefer, 1997). The greater the value of the resources supporting the organization's activities is, the greater the value perceived by the customers will be (Lepak and Snell, 1998). Therefore, the creation of value must be the main goal to be pursued by companies, and all their actions must be oriented to reinforcing the activities generating more benefit to end consumers, and to simplifying or eliminating those that do not contribute value or that mean extra costs that lead to a lower value being perceived by end consumers.

## **INTERNAL AND RELATIONAL VIEWS OF CAPABILITIES IN THE ANALYSIS OF PROCESSES AND ACTIVITIES**

### **Internal View**

The first authors to develop a general model of resources and results from an overall view were Barney (1991), Grant (1991) and Peteraf (1993). To understand the sources of sustainable competitive advantage, Barney (1991) establishes the hypothesis that resources can be heterogeneous and immobile. Competitive advantages are due to the ownership of

valuable resources that permit companies to perform activities better or cheaper than its competitors (Collis and Montgomery, 1995). However, not all resources have the potential to be sources of competitive advantage (Barney, 1991; Grant, 1991, Peteraf, 1993). Strategic resources that meet the conditions to be sources of competitive advantage comprise superior assets and core capabilities or competences (Day, 1994; Day and Wensley, 1988). Given the conditions necessary for a resource to be strategic, specific capabilities are the type of resource that generates rents and become strategic resources (i.e., distinctive or core capabilities) (Olavarriera and Ellinger, 1997). Distinctive or core capabilities are formed by the processes involving the combination of physical resources and the collaboration of human resources, who are responsible for the organization's tacit and explicit knowledge (Nonaka and Takeuchi, 1995).

Prahalad and Hamel (1990) state that core competences are the organization's specific resources that have additional characteristics and permit the exploitation of different markets. These core competences contribute to the formation of new capabilities and an increase in present capabilities by guiding the company as a whole in the creation of a logical control, defining the road to be taken, as well as its future market positions (Bettis and Parlad, 1995; Nelson, 1991). Hamel and Parlad (1994) use the term core competences to describe the strategies comprising the activities that the company performs better than its competitors. Once the strategic resources with competitive potential have been identified, the firm must exploit them by formulating functional business and corporate strategies. The strategic value of a firm's resources and capabilities increases as they become more difficult to buy, sell, imitate or substitute (Amit and Schoemaker, 1993).

Before taking the decision to develop a relational or outsourcing vision, firms must evaluate the strategic resources that will support the activities performed in their processes. An objective analysis enables firms to determine which activities will form the basis of their competitive advantage by developing internal capabilities. This is an essential aspect, since, when companies consider that the activities without high strategic value do not constitute a strength, they must study the possibility of outsourcing them (Dess *et al.*, 1995, Kotabe and Murray, 1990, Quinn, 1992). The development of relational capabilities is another factor to be taken into account, not only to consolidate and strengthen internal capabilities (Rodríguez Díaz and Espino Rodríguez, 2006), but also to establish how to develop a relational strategy that improves the general competitiveness of the network and the firms within it.

## Relational View

When a firm does not develop significant strength in a determined activity or improve its internal capabilities by means of close relationships with customers and suppliers, it must consider the possibility of developing relational capabilities in order to achieve an associative competitive advantage in activities where it cannot obtain internal competitive advantage (Dyer and Singh, 1998). In this context, the classification of activities according to their strategic value does fully comply with this new frame of design of the supply chain and distribution channels for various reasons. Firstly, from the perspective of the resource and capability theory, which is basically developed in an internal context with firms as the primary unit of analysis (Barney, 1991, Rumelt, 1984, 1991; Wernerfelt, 1984), the firm only creates basic capabilities that determine a competitive advantage and does not evaluate the

real possibilities of their constituting relational capabilities from an overall view of the supply, manufacturing and distribution networks. Secondly, certain activities that have traditionally been classified as strategic are usually outsourced without the firm losing control and leadership of the supply chain and distribution channels. Those activities include purchase management, financial services, market research, stock management, information systems, etc. Finally, basic relational capabilities can be developed at different levels and in different directions, achieving super-efficiency through collaboration between suppliers, who produce and market non-competitive products among themselves, and share a single distribution network in order to reduce costs and improve joint efficiency (Hammer, 2001).

The two most important perspectives from which to analyze sources of higher rents, namely, the industrial structure proposed by Porter (1980) and the resource based-view (Barney, 1991, Rumelt, 1984, 1991; Wernerfelt, 1984), have greatly contributed to the analysis of competitive advantages that mean better results. However, neither has made a detailed examination of the interrelation between the (dis)advantages of individual firms and those of the network in which they are integrated in a way that links between firms can become sources of relational rents as well as of competitive advantage (Dyer and Singh, 1998). This perspective suggests that some of the firms' crucial resources can be expanded or constructed beyond the limits of the firms and can be framed or integrated within inter-business processes or routines.

Dyer and Singh (1998) consider that the sources of relational rents depend on specific relational assets, shared knowledge and routines, resources and complementary capabilities and effective governance. However, for relational capabilities to be created and developed, it is necessary not only to detect the sources of relational rents, but also to determine how that is achieved in practice from an operational perspective. The sources determine the propensity to develop relational capabilities, which are achieved by being put into practice by means of four operational aspects: 1) relational competitiveness with suppliers and customers, 2) process integration, and 3) simplification or elimination of activities. All those steps aimed at developing the outsourcing process will result in the development of relational capabilities, with the consequent additional rents and provision of greater value to the end customers.

### ***Relational Competitiveness***

This concept includes the relationships with suppliers and customers within a relational framework (Morgan and Hunt, 1994). In this new competitive framework, organizations must adopt a new vision in interorganizational relationships in general and outsourcing in particular to be able to offer maximum quality at minimum cost. This competitive context obliges companies to consider long-term relationships with customers and suppliers that materialize in different levels of collaborative relationships (Webster, 1992; Lambert, Emmelhainz and Gardner, 1996).

Long-term cooperation and collaboration as a means to achieve a solid, lasting competitive advantage (Webster, 1992) are based on the development of great trust between the participants (Dwyer, Schurr and Oh, 1987; Ganesan, 1994; Morgan and Hunt, 1994; Dooney and Cannon, 1997) as well as a commitment that, strengthens as the exchange relations increase due to the creation and consolidation of shared values (Morgan and Hunt, 1994). The main implications of relational marketing in the supply chain stem from the implementation of service quality systems and the appearance of information technology. This has opened the way to new procedures to improve communication between

organizations and so optimize their operations and activities with the aim of offering greater value to the end consumer (Williams, Esper and Ozment, 2002).

### ***Process Integration***

The integration of processes is aimed at achieving maximum efficiency and efficacy, which are based on close collaboration between companies operating in the same distribution network. The consequences of that integration are: significant cost reductions, elimination or simplification of activities, and the synchronization of all the production and distribution operating systems (Short and Venkatraman, 1992; Hammer, 2001; Frohlich and Westbrook, 2001; Rosenzweig, Roth and Dean, 2003).

The objective of the proposed methodology is to increase not only the value perceived by end consumers, but also the value to the organizations and stakeholders. This is because it aims to optimize the processes in order to reduce costs, improve the performance of the network participants, and offer end consumers the best possible quality-price relationship. To reach those objectives, the analyses of the processes must be undertaken from a broader view, covering the entire supply chain and its overall management, since the value perceived by consumers is the end result of the design, planning, structuring and synchronization of the processes and activities carried out by all the companies in the supply chain (Croxtton et al., 2001; Hammer, 2001). The overall vision of company networks, such as the supply chain and distribution channels, and their development by means of process analysis and reengineering constitutes a procedure offering a rich source of analysis and study. This is due to the fact that it is aimed at rationalizing the distribution process, reducing costs, improving service and facilitating the creation of distinctive competences in companies operating in the same network. In this context, Short and Venkatraman (1992) point out that many of the opportunities to redesign processes of companies in a network, in fact, occur in the processes that are oriented to consumers and overcome the limits of each individual company. From that perspective, those projects that focus on the analysis of processes performed throughout interrelated organizations, overcoming the restrictive view of each of the participating firms, and aimed at process simplification and improved efficiency and efficacy, must be considered to be an innovation or reengineering of processes.

### ***Simplification of Activities***

The principal objective of the analysis and reengineering of processes is to detect activities that do not create value to the end consumer, in order to eliminate or simplify them (Harrington, 1993; Hammer and Champy, 1993; Davenport, 1993). There are also another activities that, while creating value to the end consumer, can be rethought or simplified, not only internally, by means of better allocation of internal resources and capabilities, but also externally, by strengthening relationships with the other companies in the same manufacturing or distribution network. In this context, process integration generates most of the associative synergies resulting from improvements in the operating processes, which are reduced to the activities creating value to the end consumer, which can not be outsourced but must be strengthened by developing a sustained competitive advantage.

The simplification of processes is the end objective of interrelations between organizations, since if an environment of close cooperation between partners is not generated (Webster, 1992), the supply companies will not reduce bureaucratic, or duplicated procedures that stem from mutual mistrust. However, commitment and trust between the partners and

sub-contractors (Morgan and Hunt, 1994) generate interorganizational work routines (Kale et al., 2000) and the gradual merging of cultures that create shared values that improve the climate for cooperation and working in multi-organizational teams. The result of developing those relationships is the streamlining and flexibility of the processes that goes beyond the confines of the individual organizations forming the network.

### ***Outsourcing Activities***

Decisions to outsource are often considered decisions of vertical integration. Traditionally, and as Harrigan (1985) states, four factors affecting outsourcing strategies have been identified: a) the stage of the industry's development, b) the nature of the competitiveness, c) suppliers' negotiating power and d) the needs of the corporate strategy. The decision to outsource was originally based on cost reduction but other, more strategic reasons are now recognized. In this respect, managers are increasingly aware that the decision to outsource to reduce costs generates neither long-term knowledge systems nor the strategic benefits of outsourcing, such as: greater intellectual access, a greater opportunity of visualization, better innovation, reliability and quality, and a more effective search for solutions that add value (Quinn, 1999). From a strategic view, outsourcing may be motivated by the need to improve quality in an activity that is not crucial to the firm, which does not have the necessary resources and capabilities available to perform such activities more efficiently or to access specialized, differential know-how.

Quinn and Hilmer (1994) and Rueda (1995) state that there are two basic criteria at the moment of taking the decision to outsource an activity. On the one hand, there is the activity's strategic importance, in other words, how critical it is to the business, or how differential from competitors it is, and on the other, how efficiently/effectively the organization performs the activity in terms of quality, cost and flexibility. The activities that the organization executes efficiently and that are important from a strategic point of view should not be outsourced. However, the activities that the organization does not perform efficiently and are not essential to obtain competitive advantage should be included in an outsourcing program.

The proposed methodology is based on the idea that the outsourcing process is the result of applying the internal and relational view to the activities in a process. As Figure 1 shows, the process starts with an analysis of the activities from the internal perspective in order to identify which activities do not constitute internal strengths and should be outsourced. The next step is an analysis of the development of relational capabilities, where the service companies are evaluated according to their ability to generate an associative competitive advantage.

In order to develop relational capabilities in outsourcing, there must first be a relational competitiveness between the focal companies and the service companies with which they have relations. However, for that relationship to be specific and generate additional rents, the activities must be integrated and simplified. This is achieved through cooperation and the synchronization of the activities performed by the focal and supply companies so that the relationship is specific and the result obtained is difficult to imitate and valuable to the end consumers.

## IMPLEMENTING THE OUTSOURCING PROCESS

The final stage of the methodology is to implement the outsourcing process in the activities that have been selected for subcontracting. First, there has to be a definition of the level of relational capabilities to be obtained in each of the activities according to their capacity to create value to the end consumer. Then, the most suitable service company to perform the activity with efficiency and efficacy oriented at obtaining additional rents is identified. The practical implementation of this process is what will determine the extent to which expectations are being met in terms of the selected supplier and the development of relational capabilities. We now explain those final two stages of the outsourcing process by giving examples of some activities that are performed in the hotel sector and are susceptible to outsourcing.

### Evaluating the Development of Relational Capabilities in the Outsourcing of Activities

This stage comprises a strategic analysis consisting of evaluating each of the activities selected for outsourcing. This analysis is the result of defining the processes and the activities comprising them and establishing the degree to which each activity contributes to the creation of value to the end consumer. On that premise, the strategic analysis to determine the extent to which the activities represent a strength for the firm is conducted. Then, the relational analysis is conducted to establish the relational capabilities of the focal and the outsourcing company, and the possibilities of simplifying activities and integrating the process. On the basis of those analyses, the firm takes the decision to outsource certain activities, such as those listed in Table 1, which presents an example of the strategic analysis that a hotel can carry out.

The aim in this stage is to determine the degree to which it is suitable to develop relational capabilities depending on each activity's contribution to the creation of value to the end customer. Table 1 shows that different activities have different importance, which, to a certain extent, is established in the creation of value column. The next step is to establish the level of relational competitiveness that is possible or desirable to develop in each activity in order to achieve a determined level of relational capability. In the example in this study, it can be seen that the laundry is considered an activity that requires lower relational quality with the service company than other activities such as room-cleaning or food and beverage.

As previously indicated, having a good partnership does not guarantee the development of relational capabilities: for that, it is must be possible to simplify the activities and integrate the processes. Those two aspects are what really have the potential to create additional rents and generate a long-term associative competitive advantage. Returning to the example in Table 1, it can be seen that it is difficult to simplify the activities in the room-cleaning process to the maximum but it is desirable to obtain a high degree of integration between the focal and subcontracted companies. The end objective established in this activity is to achieve the development of a solid, lasting relational capability. This is due to the fact that cleaning is an aspect that is essential to the quality of the hotel service. It is one of the attributes that most influences customer loyalty to the hotel.



A level of relational capability development that is not high means the firm forgoing the possibility of obtaining a competitive advantage in the activity in question. This is because a firm either has or does not have relational capability. A medium value only means that it is on the way to obtaining a relational capability while a low level indicates that the hotel firm does not consider achieving a relational capability in an activity such as laundry, for example. Therefore, the last column determines the hotel's end objective of achieving a specific, inimitable and rent-generating relationship with a supply company.

**Table 1. Evaluating the level of development of the relational capabilities in the outsourcing of hotels activities**

Activities	Creation of value	Relational competitiveness	Simplification of activities	Integration of processes	Development of relational capabilities
Laundry	Medium	Medium	Low	Low	Low
Roomcleaning	High	High	Medium	High	High
Food and beverage	High	High	High	High	High
Maintenance	High	High	Medium	High	High
Leisure activities	High	High	Low	High	High
Marketing & sales	High	High	High	High	High
Human resources (training, personnel selection and recruitment)	High	High	High	High	High
Information system	High	High	High	High	High
Administration	Medium	Medium	Medium	Medium	Medium

## Evaluating Suppliers for the Development of Relational Capabilities

Selecting one of the possible suppliers is a complex task since there are many circumstances that can influence the decision. Table 2 shows various examples of possible supply companies to which activities can be outsourced. Each of the four companies under consideration is evaluated in the three aspects considered in the relational view. The first aspect is relational competitiveness, where the levels of trust, commitment and relations maintained with the focal company are evaluated. The second aspect to be evaluated is the potential to simplify activities according to the supplier's experience in performing the activity and its suitability to achieve the objective jointly with the focal company. Finally, the service companies' ability to integrate their processes with the focal companies is evaluated. This is a result of the skill and culture they have developed in the field and of the complementariness of the operations conducted by the focal and service companies.

The first example in Table 1 refers to a firm with which there is hardly any relationship and that is not particularly capable of integrating with other companies or simplifying activities. Therefore, the possibility of being able to develop relational capabilities in the short or medium term is very low. Company 2 is in a slightly more advanced situation than the first in that it has maintained some satisfactory relations with the focal company and has a certain orientation to the integration of processes. As in the previous case, the possibility of developing relational capabilities is very low and, therefore, it is not currently the most suitable company for selection.

The case of the third service company is different since it has wide experience of relations with the hotel and there is a climate of high trust. The problem occurs in the capability developed by the company in the integration of processes and the simplification of activities. This results in a medium evaluation for the generation of a competitive advantage by means of relational capabilities. Finally, the fourth company is characterized by being highly experienced in the integration of processes and the simplification of activities. However, it has not maintained relations with the focal company. While the climate of trust necessary for the skills to appear immediately has not been generated, it is the company with the greatest possibility of developing relational capabilities.

**Table 2. Evaluating the service companies for the development of the relational capabilities in the outsourcing of hotels activities**

Supplier	Relational competitiveness $W_1$	Simplification of activities $W_2$	Integration of processes $W_3$	Development of relational capabilities
Company 1	Low	Low	Low	Low
Company 2	Medium	Low	Medium	Low
Company 3	High	Low	Medium	Medium
Company 4	Low	High	High	High

The selection of the service company according to the relational capabilities (RC) that may be developed can be done using the following equation. The relational competitiveness is represented by the variable RCp, the simplification of activities by SA, and the integration of processes by IP. The equation considers three factors of the relational view weighted by the loads  $W_1$ ,  $W_2$  and  $W_3$ , which vary between 0 and 1 and whose sum must equal 1. These can be determined by means of a subjective evaluation by experts or the managers of the hotel firm. If the examples shown in Table 2 receive identical values of 0.33, it may indicate that company number 4 is the service company that should be selected. However, it must be borne in mind that, for the relational capability to be developed, it is essential that interorganisational teamwork is favored. The aim is that the cultures of the different firms blend in the shortest possible time so that shared values are created. That is the ideal context to generate trust and an attitude toward a commitment to maintain and strengthen the relationship in the long term.

$$RC = W_1 \cdot RCp + W_2 \cdot SA + W_3 \cdot IP$$

## CONCLUSIONS

Outsourcing is currently a phenomenon of great strategic interest. The main problem lies in establishing the process to be followed in the outsourcing of activities with the aim of obtaining relational capabilities. This work proposes a methodology in which the outsourcing process is specified and the creation of value and an associative competitive advantage are fundamental elements.

The work shows that a good relationship with a supply company is not sufficient to obtain additional rents. It is also necessary that this climate of collaboration materializes in improvements in interorganizational operations. In that context, process analysis is a very useful tool to achieve the integration of processes and the simplification of activities, which will result in the creation of value to the end consumer and additional rents for the focal and service companies.

A series of examples are given for the hotel sector and the implementation of the process of outsourcing certain activities is demonstrated. It is clear that the creation of value is a key element in defining the level of development of relational capabilities to be achieved. Furthermore, a proper evaluation of the relational capabilities, the simplification of activities and the integration of processes permits the identification of the most suitable supplier of the activities to be outsourced.

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DEMO

*Chapter 11*

## **TOURISM AND NATURAL RESOURCES: MANAGEMENT TOOLS FOR THEIR SUSTAINABILITY**

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### **ABSTRACT**

International tourism is one of the economic phenomena that have come under most analysis in recent years, due to both its growing importance and its visible repercussions on the economy. The economic effects of tourism growth are widely accepted to be positive in terms of job creation and a rising GDP. Nonetheless, tourism is a complex activity that involves numerous different forces and effects. The negative environmental effects of tourism (the pressure on natural resources, pollution, generation of waste and damage to ecosystems) are used as counter-arguments in evaluation of the impact of tourism. In this sense, we must reflect on the link that exists between growing tourism development and the conservation of our natural resources. We must bear in mind that a good quality environment is not just an end in itself but an inherent factor in sustainable tourism, since depleted natural assets will have a detrimental effect on the competitiveness of the industry given that they are a destination's main source of appeal. Thus, it is crucial to reduce the over-consumption and damage that affects a destination's natural resources in order to guarantee the survival of the tourist industry. Planning and managing natural resources through regulations and economic mechanisms is an essential factor in sustainable tourism policies. How tourism influences the environment is not just dependent on its environmental effects but on public and private efforts to minimise them.

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## 1. INTRODUCTION

One of the most significant phenomena in recent decades is the growth in international tourism. A growing surplus family income, more leisure time and the incorporation of new technologies to transport and communications have all contributed to the huge growth in international tourism since the 2nd World War. Good proof of this is the spectacular rise in international travel demonstrated by world statistics. International tourist arrivals rose from 25.3 million tourists in the early 1950s to over 808 million in 2005, which represents an average yearly growth rate of 6.5% (WTO). As a result, tourism has become the world's top industry (Hall and Page, 1999) and one of the most important economic, social, cultural and political phenomena (Ceballos-Lascurain, 1996).

In terms of the supply, the main reason for the growth in tourism is evidently the industry's positive contribution to the income of its associated economies, particularly if we look at the evolution of certain macroeconomic variables. The increase in the number of visitors to the world's top tourist destinations can be observed to have gone hand in hand with a rise in their GDPs, with growth and employment rates higher than those of many neighbouring economies [among other studies, see Brau *et al.*, (2003) for a sample of 143 countries among which 14 specialize in tourism; Durbally (2004) for Mauritius; Balaguer and Cantavella (2002) for Spain; Dritsakis (2004) for Greece; and Hyun Jeong *et al.* (2005) for Taiwan].

Nevertheless, tourism is a complex activity that involves many (sometimes opposing) forces and effects. For example, there are big problems of how fairly income from tourism is distributed within a destination. Despite confidence in tourism's capacity to generate growth, there is concern over the socio-economic and spatial inequality caused by the unequal way in which income from tourism is shared out among the resident population. Tourism has generated 'winners' and 'losers' among the population, with no consensus on how fairly profits from tourism have been distributed (Brohman, 1996).

At the same time, other adverse effects are also attributed to tourism growth, such as a loss of the local population's cultural identity or the deterioration of the environment. The emergence of a lost sense of control among the local population and a decreasing cultural attachment are both serious negative effects (REFERENCE). Likewise, increasing threats to the environment become evident: the irrational consumption of natural resources and uncontrolled use of natural assets in economies that specialize in tourism (Wilkinson, 1989). Consequently, the abundant tourism services conceal a less obvious aspect: unsustainable tourism, which over-consumes and damages natural resources in order to make the most of production. From an environmental point of view, tourism growth also entails problems of congestion, atmospheric pollution, waste generation, the destruction of the local habitat, and over-consumption of resources that are in short supply. These are all the direct result of the increased production of a set of activities that supply direct private tourist services, together with an increase in the number of people that use a natural environment (OECD, 1980).

Nevertheless, we must not forget that the natural environment is an input in the tourist industry's production function, and so it plays a decisive role in the quality of the end



product. In literature, natural resources, like beaches or the scenery, are highlighted as one of the main attributes that attract tourists to a destination (Crouch and Ritchie, 1999; Buhalis, 2000; Mihalic, 2000; Dwyer and Kim, 2003). As a result, deteriorating environmental conditions are clearly influential in reducing a destination's competitive edge (Butler, 1980; González and León, 1998; Huybers and Bennet, 2000). A tourist destination's viability is therefore dependent on the maintained quality of its natural environment.

Some authors support that idea that the quality of the environment improves with economic development (the environmental Kuznet's curve), because when citizens have a higher per capita income they tend to place more importance on the quality of the environment. Thus economies that specialize heavily in tourism might achieve a higher level of environmental regulation.

Following this argument, when a destination seeks economic development and an improved competitive edge, the final balance of the management and exploitation of its natural resources should be positive, regardless of the negative impact inherent in the recreational use and urban development of natural assets for tourist purposes.

Nonetheless, as this economic theory itself infers, serious market shortcomings, generated by an absence of property rights and the public nature of most natural resources, explains why generally, in the short term, economic agents use natural assets intensively, without worrying about regeneration and reproduction cycles and without bearing in mind the long-term repercussions. Trying to make the highest possible profits in the short term causes serious problems of degradation, over-consumption and over-use. These can only be reduced through the proper planning and management of natural resources if a good quality environment and the future survival of most tourist destinations are to be ensured.

In short, the aim of this paper is to reflect on the relationship between tourism and natural resources. With this purpose in mind, in the following section, an analysis is made of the effects of tourism on natural resources and the importance of a good quality environment in destination competitiveness. The study confirms the existence of a potential conflict between tourism-based development and the preservation of natural resources, thus accounting for the introduction of environmental management tools in tourism economies. The third section of this paper explores these mechanisms before concluding with the main conclusions.

## 2. TOURISM AND NATURAL RESOURCES

Starting out from the premise that all human activities have environmental implications, the question to be answered is whether the expansion of international tourism contributes positively to economic wellbeing and the conservation of the environment or whether, in contrast, there is a conflict between both goals.

Methodologically, when assessing the impact of tourism on natural resources, it is important to distinguish between the consequences of rapid economic growth generated by specialization in the tourist industry and the inherent effects of tourism.

In this respect, some empirical studies purport that the relationship between environmental quality and per capita income, known as the environmental Kuznet's curve, is negative during the first stages of development but that, later, further economic growth leads to an improvement in environmental conditions (Grossman and Krueger, 1993 and 1995).

Consequently, it might be thought that, by helping to generate an increase in the population's per capita income, in the long term tourism might have a positive effect on some environmental indicators. There is evidence of this pattern in fields such as atmospheric pollution (Antweiler *et al.*, 2001; Bradford *et al.*, 2000; Selden y Song, 1994), deforestation (Shafik, 1994) and territorial protection (Bisonte, 2001). Theoretically, this relationship can be accounted for in several different ways (see Andreoni and Levinson, 1998). In principle, the curve could be reflecting economic development's natural progression from a 'clean' agricultural economic model to a 'pollutant' industrial one and, finally, to a service economy, which is once again 'clean' (Arrow *et al.*, 1995). One alternative explanation claims that for the externalities associated with pollution to be internalized, relatively advanced institutions are needed that are only available in developed economies (Jones and Manuelli, 1995). Similarly, other authors suggest that economic growth is accompanied by more pollution until a threshold income level is reached, where environmental investment is actually desired (John and Pecchenino, 1994) and where it is feasible to change technology (Stokey, 1998) or else where the associated level of pollution exceeds consumer preferences (Jaeger, 1998), from which point efforts are made to improve the quality of the environment. Lastly, the said pattern might be attributable to the fact that the demand for environmental quality grows as the population's income rises (an attractive environment is a normal good), leading to stricter regulations which in turn result in a better quality environment if these regulations are effective (Bradford *et al.*, 2000).

As for the inherent effects of a tourism-based economy, tourism helps to improve the quality of the environment through an effect of the composition of aggregate production. The environmental damage per unit of product varies from one sector to another. Thus tertiary activities like tourism tend to generate less pollution than manufacturing ones (Arrow *et al.*, 1995; Panayotou, 1993). Even so, the positive effect of the composition of production is only positive if it is contemplated from a local perspective. Tertiary economies replace domestic manufacturing industries with imported goods so that, in global terms, there is no reduction in industrial activity. As a result, there is no change in the environmental impact, except for the fact that manufacturing-based economies are more efficient in environmental terms.

At the same time, tourism growth also has negative effects on natural resources, since tourism development is associated with the over-use of a destination's natural assets, which generates environmental problems (Briassoulis, 2002). Tourism creates problems associated with atmospheric, noise and water pollution, the consumption of resources that are in short supply and the destruction of the local habitat (Pearce, 1985). Pollution is one of the main signs of the damaging effects of tourism (Gunn, 1973) and one of the main causes of complaint for residents living in tourist areas (Go and Govers, 2000). Likewise, it leads to a high consumption of natural resources. To cite an example, tourism accommodation centres generate a big increase in the demand for water, given the higher per capita consumption by tourists compared with local residents (Holden, 2000). Similarly, tourism accommodation establishments consume a high amount of energy (EEA, 2003), with consumption rising as the number of services they offer increases. The negative effects can be speeded up and/or increased if tourist facilities are inadequately designed or built. For instance, Tangi (1977) describes some tourist complexes as being architectural 'insults' to their natural and historical backdrop. Finally, mass numbers of tourists cause damage to ecosystems and generate congestion problems. In a study of the effects of purely recreational visits, Boyle and Samson

(1985) conclude that visitors affect the wild fauna and flora, causing disturbances and direct mortality.

The characteristics of most natural resources account for some of the environmental problems that emerge in tourism economies. Rivalry in the consumption of natural resources and the difficulty or impossibility of excluding additional users lead to problems characteristic of ‘common (shared) resources’ (Hardin, 1968). Thus common natural resources can easily be over-used (Healy, 1994, 2006), which is detrimental to the wellbeing of tourists and residents due to the resulting congestion, heightened pollution, destruction of flora and fauna etc.

The extent to which tourism affects natural resources is dependent on factors like ecosystems’ capacity for regeneration and/or how intensely the resources are used. When the number of users (tourists) exceeds a certain critical level, problems of deteriorating natural resources occur. The destination lifecycle (Butler, 1980), which describes the different stages through which a destination passes over the course of time, links the increase in the number of visitors, as a destination develops, with a growing environmental impact (see Table 1). In this way, a destination finally reaches saturation point, due to the over-deterioration of its natural resources, leading to stagnation and later to the decline phase in the number of tourists.

**Table 1. The Destination Lifecycle and Environmental Impact**

	<b>Introduction</b>	<b>Growth</b>	<b>Maturity</b>	<b>Saturation</b>	<b>Decline</b>
SITUATION	New fashionable destination	Many people are interested in investing in tourist accommodation and services	Peak number of visitors and an increase in services	Surplus supply. Original demand moves elsewhere	Drop in demand and special offers to boost visits
Environment and scenery	Intact	Improved	Not respected	Polluted	Damaged
Conservation and heritage	Intact	Improved	Not respected	Deterioration	Damaged
Ecological impact	Intact	Improved	Not respected	Deterioration	Damaged
Pollution	Unnoticeable	Low	High	Very high	Very high
Water pollution	Unnoticeable	Low	High	Very high	Very high
Congestion and traffic	Low	Low	Very high	Very high	Low
Erosion	Low	High	Very high	Very high	Very high

Source: Buhalis (2000; page 105).

Consequently, the lifecycle theory considers the relationship between tourism and natural resources in a passive way, regarding the environmental implications of tourism in a negative light.

Nonetheless, a heightened environmental awareness, calls for improved standards and increasing competition among destinations have all changed the situation (Mihalic, 2000). Today, rather than clashing with the conservation of natural resources, tourism demands actually seek a well-preserved natural environment. The environment has become an opportunity for tourism rather than a limitation (Pigram, 1980). This change of attitude is due to the tourist trade’s better economic understanding of the value of the environment. Tourists’

willingness to pay for the recreational activities that natural areas offer demonstrates the economic benefits that can be derived from the protection and conservation of natural resources in tourist destinations (Riera, 2000). Thus tourism offers the possibility of improving the environment, since there are clear economic incentives to conserving a destination's environmental attributes (Krippendorf, 1982). Tourism has therefore played an important role in the creation of protected natural areas in Europe and North America (Dabrowski, 1994).

In recent years, literature has highlighted the role played by natural resources as part of the tourist product and, by extension, as a key factor in destination competitiveness. Several different authors (Dwyer and Kim, 2003; Inskip, 1991; Middleton, 1997; Mieczkowski, 1995; Pizam, 1991) consider that the quality of a destination's natural attractions forms part of the quality of the destination itself and that they are therefore also a factor in how competitive it is (Hassan, 2000; Murphy *et al.*, 2000; Ritchie and Crouch, 1993; Crouch and Ritchie, 1999). As a result, the maintenance of a good quality environment is an important factor in ensuring the competitiveness and future survival of most types of tourist destinations (Mihalic, 2000).

Thus the threat of a lost competitive edge due to the declining quality of a destination's natural resources has acted as a catalyst, leading to the promotion of strategies aimed at creating a model of tourism that is less 'harmful' to the environment (Parrell and Runyan, 1991; Huybers and Bennett, 2000) since it is not realistic nowadays to expect less environmentally attractive destinations to be able to remain competitive by lowering prices. As a result, through planning and management, tourism can become an agent that is actively involved in improving the environment.

### **3. INSTRUMENTS FOR THE SUSTAINABLE MANAGEMENT OF TOURISM ECONOMIES**

Having ascertained the environmental repercussions of tourism, to achieve a good quality environment, problems associated with the deterioration and over-consumption of natural resources must be minimized and the necessary investment must be made to protect natural assets and rehabilitate areas that have suffered environmentally.

The first goal is normally achieved through programmes aimed at saving energy, water and other resources. By extension, this often results in lower costs. This type of practice also tends to lead to some kind of certification system that offers consumers information on tourism agents' environmental conduct, thus offering a visible response to a demand with a growing environmental awareness (Kotler *et al.*, 2003). In this way, the search for private benefits, by reducing costs and improving a company's image, leads almost voluntarily, in a decentralized manner, to an improved environment and, with this, to the destination's continued competitiveness.

Since the pioneering Blue Flag environmental quality certificate for beaches and marinas was introduced in 1987 (Font and Buckley, 2001), a growing number of self-regulatory mechanisms have been developed by the tourist industry, resulting in over one hundred current voluntary initiatives according to the World Tourism Organization, among which we

should highlight voluntary certification systems and environmental codes of conduct (WTO, 2002).

Certification systems include various different instruments, such as awards and distinctions created by the tourist industry, environmental labels for businesses and tourist resorts, and environmental management and auditing systems for tourism companies. Among these systems, we should highlight the numerous different eco-labels, which offer consumers information about the environmental conduct of the tourism companies to which they are awarded. This system has mainly been applied to tourist accommodation at a local and regional level (the Catalonia Environmental Quality Guarantee, the Ecotourism Label in Alcudia, Mallorca, or the Biosphere Hotels certificate in Lanzarote), although there are examples at a higher level, like the European eco-label for tourism accommodation services (Decision 2003/287/EC) or the Green Globe 21, a single eco-label applicable to tourism agents and destinations throughout the world (Synergy, 2000). Meanwhile, environmental management and auditing systems certify that tourist facilities are managed in a sustainable way. The most widely used standards for certifying that an environmental management system is effectively applied to tourism companies are the ISO14001 international standard and the European EMAS regulation (Chang and Wong, 2006).

As for codes of conduct, these are behavioural guides for agents from the sector, aimed at reducing the environmental impact of the activity. In short, they are recommendations directed at influencing the behaviour of tourism agents rather than coercive ways of making them take certain action. These codes include Agenda 21 for the travel and tourism industry (WTO, 1998b); the World Charter for Sustainable Tourism (WTO, 1995); the Principles of Sustainable Arctic Tourism (WWF, 1998) or the guides for tour operators in the Antarctic (Spletstoesser and Folks, 1994).

A *laissez faire* approach does not, however, fully resolve the conflict between tourism growth and the over-consumption and depletion of our natural resources, given the fact that they are public assets subject to external effects. What is more, a greater environmental awareness, more information, better coordination, more financial resources and a longer-term vision are needed if our natural assets are to be protected and areas in a state of deterioration are to be restored to their former condition, since present costs are necessary for future benefits to be reaped (Mihalic, 2000). As a result, measures aimed at achieving these goals require public intervention through direct regulatory mechanism or incentive measures.

Thus direct regulatory measures cover territorial planning regulations and a series of compulsory rules and regulations that usually take the form of legislation on qualitative or quantitative aspects. The European Union has directives that govern the quality levels of certain facets of the environment of tourists areas, like the quality of water for bathing (Directive 2006/7/EC), the quality of drinking water (Directive 1998/83/EC) or noise levels (Directive 2002/49/EC). These are subsequently adapted to the legislation of its different Member States. In this way, these quality standards prevent resources from deteriorating below what is considered to be a tolerable level, even if this 'threshold' is difficult to define with accuracy, given the gaps in scientific understanding of environmental processes and/or absence of data (Goodall and Stabler, 1997)

**Table 2. Mechanisms for the Sustainable Management of Natural Resources**

Mechanisms		
Tourist industry	Voluntary certification systems	Awards and distinctions
		Environmental eco-labels
		Environmental management and auditing systems
	Environmental codes of conduct	Behavioural guides
Public Authorities	Direct regulations	Quantitative standards
		Qualitative standards
		Territorial planning
	Incentives	Taxes on access to areas
		General taxes on users
		Other taxes

Source: own.

Similarly, quantitative regulations are often used in tourist areas to protect the surroundings or avoid problems of congestion. Limits are set in user numbers or else natural areas are divided into zones to prevent the habitat from becoming damaged and/or to prevent problems of saturation. One good example is the maximum number of visitors allowed to visit protected parks (the maximum yearly volume of tourists able to enter the Galapagos Natural Park in the 1970s) or boats able to visit coral reefs or sensitive areas (the control of vessels that are granted a permit to sail through the Australian Great Barrier Reef, through waters of the Galapagos National Park or Cabrera National Park in the Balearics). In most cases, non-compliance with these regulations leads to fines or sanctions, which is decisive in ensuring that they are environmentally effective.

Regulations governing the territorial and urban planning of tourist activities are aimed at ensuring environmental sustainability. In countries like Spain, Germany, Holland or Finland, tourist projects must include an assessment of the environmental impact of the project in order to calculate its possible environmental repercussions. At a regional level, the recent Balearic law for the conservation of areas of environmental importance (Act 5/2005) was a first step on the road to providing certain natural areas that are not contemplated in broader legislation with a protective legal regime in order to prevent their deterioration through the introduction of permitted/forbidden uses and the creation of zones.

Aside from regulatory methods, the public authorities have a wide range of instruments at their disposal to encourage more environmentally-friendly conduct through financial mechanisms. These instruments attempt to reflect the true monetary value of the environmental attributes that are consumed or used. This implies greater efficiency in the way they are supplied by equalling the private costs and social costs associated with their use. Proof of this is the introduction by tourism economies of levies on the use of natural resources. These tax instruments can be divided into three big groups: taxes levied on admittance to a natural area, general user taxes, and other taxes that are somehow related to visits (Font *et al.*, 2004). Taxes that are levied on admission are collected on entry to a protected natural area, although the public nature of some natural areas can hinder the application of an entry fee. In such situations, it is common for levies to be placed on other services associated with the use of the area, such as parking, diving, fishing, or mooring

vessels (Eagles, *et al.*, 2002; CFA, 2004), or on tourist activities that are not directly associated with access to and the use of the natural area, such as accommodation or hire cars. (Palmer and Riera, 2003; Palmer *et al.*, 2007).

Nevertheless, in some cases, the taxes that are applied are not aimed at incorporating external costs in order to improve how efficiently the resources are used but at generating income for the corresponding authorities (Gooroochurn and Sinclair, 2005), either to offset what is known as the net fiscal cost associated with the higher spending that is necessary for offering more public services, given the growth in the number of users (Hughes, 1981) or to take advantage of the potential that the activity offers for revenue collection. In these cases, the capacity for generating a large amount of revenue is dependent on the low elasticity of demand of the activities that are being taxed (Fuji *et al.*, 1985; Bonham *et al.*, 1992). Some of the best known examples of taxes that have been introduced in order to raise revenue for a conservation and management fund that would compensate for insufficient public funding are the conservation fee by the Protected Areas Conservation Trust in Belize, the Fernando de Noronha environmental conservation tax (Hercowitz and Puig, 2003), the tax levied on admittance to the Galapagos National Park (Benítez, 2001) or what was popularly known as the Balearic 'ecotax' (Palmer and Riera, 2003).

The list of available instruments that can be used to manage the natural resources of tourism economies in an optimum way is a varied one (Neto, 2002). Nevertheless, given the different elements that are involved in their makeup and implementation, each alternative has different effects, from the perspective of their economic and environmental costs and benefits. In the case of the industry's own self-regulatory mechanisms and incentive-based instruments, there is a voluntary aspect to their application which facilitates a reduction in environmental problems and a lower-cost use of the natural resources. In contrast, direct regulations involve the introduction of compulsory legislation. Although they guarantee a certain degree of environmental effectiveness, given their obligatory nature, this efficiency is hindered because similar demands are made on agents that pay very different costs to comply with legislation. Given this dilemma, to ensure that a policy is both efficient and environmentally effective, a combination of instruments is advisable (Buckley, 2002).

#### 4. CONCLUSION

Studies of how to make economic growth compatible with environmental conservation have existed in the field of economics since its very origins. While classic economists upheld free competition, they also showed a concern for the discrepancy between economic growth and improved environmental conditions.

Leaving aside whether those classic theories are valid or not, today pessimistic visions still form part of the debate. Nobody can deny that the tourist industry's use of the environment, whether as a supplier of the necessary production input, natural assets, or impact-assimilation and treatment services, has a high opportunity cost, given natural resources' finite nature. This is why it is claimed that as tourism develops, the environment undergoes increasing harm.

Despite this, there are solid counter-arguments that offer a more optimistic view of the conflict between growth and natural resources, based not just on possible methods of

improving the efficiency with which resources are used (thanks, among other things, to technological developments and a better awareness of how ecosystems work), but also on the positive effects that economic growth itself has on the environment. Various empirical studies show that the negative relationship between environmental quality and per capita income is limited to the early stage of development, but that, later, further economic growth contributes toward an improved environment (the environmental Kuznet's curve). This relationship is particularly important in the case of tourism, where environmental quality plays an inherent role in destination competitiveness and where obtaining a competitive edge involves reducing environmental deterioration and conserving existing natural resources.

However, economic growth and voluntary good environmental practice do not in themselves resolve the conflict between tourism and natural resources. Consequently, as a complementary measure, public authorities must introduce environmental regulations and tax instruments aimed at boosting a destination's competitive edge, making it more attractive to tourists and responding to citizens' needs in terms of their environmental wellbeing. How tourism influences the environment is clearly not just a matter of the environmental impact it makes but the efforts that are made to reduce this impact (Baumol and Oates, 1988).

Our considerations lead us to a conclusion that is neither optimistic nor pessimistic, but simply acknowledges that, unlike other economic activities, maintaining a good quality environment is crucial for tourism. Thus society can, if it wishes, make economic growth compatible with the conservation of natural resources or not.

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DEMIO

*Chapter 12*

## **FUTURE INSIGHTS INTO MASS TOURISM DESTINATIONS. WITH SPECIAL REFERENCE TO SPAIN**

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### **ABSTRACT**

Socioeconomic and technological developments have always led to changes in tourism demands, forcing tourist service providers to adjust. These constant challenges have spiraled during the early years of the new millennium, especially in the sun and sand holiday market. Wars, terrorism, extreme weather conditions, the ongoing internationalization of tourism and today’s ageing society have clearly demonstrated the latent vulnerability of tourism. A key factor in the survival of the tourist industry must therefore be the early recognition of relevant trends. Taking this scenario as a framework, this article identifies the most significant trends and their implications on mass tourism destinations by reviewing current tourist data, with special reference to Spain, one of the most popular destinations in the world according to the World Tourism Organization. Since the sixties, this country has accounted for an important share of the North European tourist market that travels south, especially during the summer months, in search of sun and sand. The results of the analysis show that highly significant trends include the use of the Internet as an information search engine and tool for booking and paying for tourist services, the substitution of traditional holiday packages (travel and transport) for direct booking systems, a reduction in the length of stays at a destination and the substitution of traditional accommodation establishments for other alternatives, such as free accommodation in private homes.

## 1. INTRODUCTION

The sharp rise in international and domestic travel has made tourism one of today's leading social and economic phenomena. Although numerous different factors have been threatened the survival of tourism in the early 21st century (such as bird flu, international terrorism, the rising price of oil, sluggish world economic growth and numerous natural disasters), long-term forecasts of the sector's development point to growth rates above those of the world economy, which demonstrates the inertial force of its positive growth.

However, if we look beyond the high volume of tourists and high level of world tourist expenditure, tourism is undergoing an intense period of change. While during the second half of the 20th century, the tourist industry was mainly characterized by a sharp rise in demand, in the early 21st century what distinguishes it are big qualitative changes rather than its high growth rate (which is still present). Over the last few years, an increasing interest in leisure, a progressive rise in the life-expectancy rate, a growing world income and the more widespread use of air transport have all led to new consumer habits by tourists. Then, it is not surprising that the share of the travel and tourism industry in the World GDP has been situated in the 3,6%, with positive growth expectations for the next years.

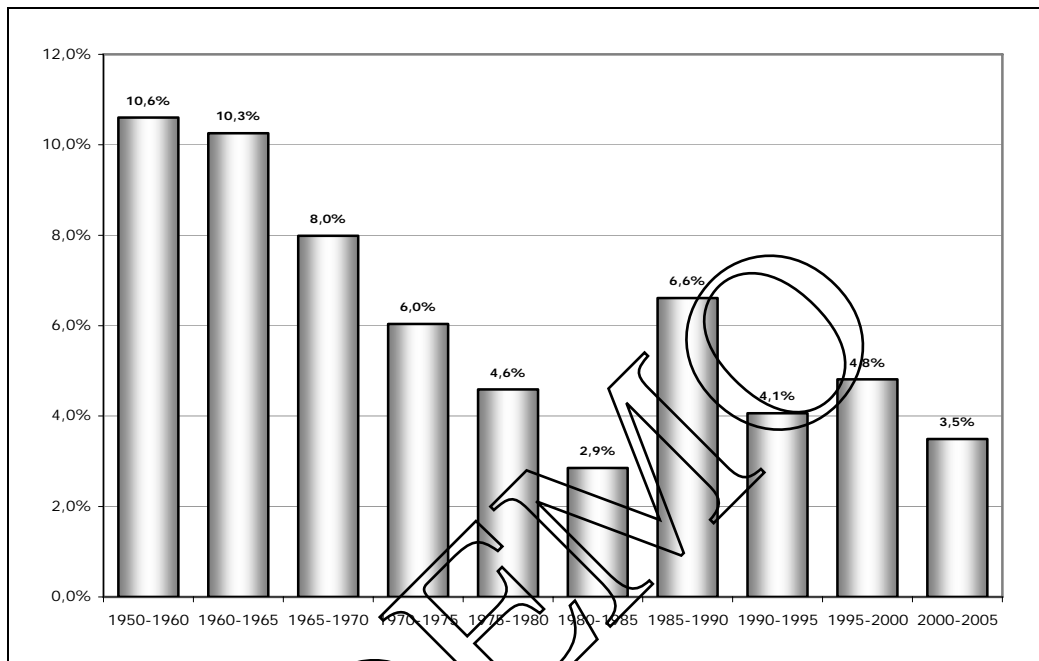
In this context, the aim of this paper is to explore major trends in international tourism, focusing particularly on mass tourism, which is mainly concentrated in coastal regions with a mild climate given the fact that one of its key motivations is a search for a summer destination with good weather and that consumers usually buy a tourist package that includes transport and accommodation. From an analysis of major trends in international tourist movements, Spain was seen to be a typical mass tourism destination for tourists in search of sun and sand. In 2005, Spain received 55.6 million international tourists with spending equivalent to 47,900 million dollars, making it the world's second top destination (WTO, 2006). Given the importance of the tourist industry in Spain, which was estimated to account for 11% of the GDP according to Tourism Satellite Accounts for 2004 (IET, 2006a), tourist data and statistics are more easily accessible compared with other regions where a lack of statistics hinders analyses.

Spain has been one of Europe's leading international tourist destinations since the sixties, the decade when international tourism really took off, and it accounts for a large part of all tourism from the United Kingdom, Germany and France who travel south during the summer months. It should be noted that Spain has played a pioneering role in tourism, with a model that has been imitated by numerous destinations throughout the world. It is therefore logical that some of the world's leading tourism companies (Sol-Melià, Barceló, RIU, etc.) are based in Spain.

## 2. THE EVOLUTION AND FUTURE PROSPECTS OF WORLD TOURISM

World international arrivals figures for the first five years of the 21st century show the second lowest yearly average growth rate since 1950 (Figure 1). Two factors might explain these results. Firstly, products undergo a natural process of depletion, since in the early stages of growth there can be very high growth rates because the initial volume of tourists in absolute terms is very low. However, as the number of tourists rises, it becomes more and

more difficult to achieve very high growth rates. Secondly, reference must also be made to the unusual events that have affected the world tourist industry since the early days of this century, particularly increasing international terrorism (with the events of September 11 marking a peak) and the increasing price of oil. Both factors have had a particularly strong impact on air passenger travel even though it is the means of transport that has seen the highest growth in recent years, with air passengers at a worldwide level accounting for 43.2% of all international arrivals in 2004, which represents a growth of 4.5% in the air passenger market compared with 1990.



Source: WTO (2005).

Figure 1. The Yearly Average Growth in the Number of World International Tourists.

At the same time, it should also be noted that the growing tourism demand is not evenly distributed across all the world's regions. While Africa, Asia, the Pacific and the Middle East began the new century with an above average growth rate, the corresponding figures for Europe and America are below average. Once again, two reasons might explain this unequal growth. Europe is the world region that receives the highest number of tourists, with a market share of around 55%. As a result, given the high level of development and maturity of its top destinations, it is hard to achieve high growth rates. In the case of America, this was the region that was hardest hit by the September 11 terrorist attacks, with big repercussions on international tourism from the USA, the world's top issuing market. It should be remembered that most international travel in America is within the continent itself and only 30% of all visitors to America are from other continents. Finally, in the case of Africa, Asia, the Pacific and the Middle East, their higher growth has probably been possible because they are still in the early stages of tourism development (together they account for less than 30% of all international tourism), combined with the growing popularity of intercontinental travel and their location close to emerging markets. Whatever the case, the international tourism market

seems to be undergoing a clear process of diversification, with a relative drop in the market share of more mature destinations in Europe and a growth in the market share of other emerging ones in Africa, Asia, the Pacific and the Middle East.

As for world tourist expenditure, although it is hard to assess a statistic that is based on numerous different currencies and, by extension, numerous different exchange rates, early data for the 21st century coincides in indicating a lower growth than the rise in the number of tourists (WTO, 2006). This signal a drop in average tourist expenditure which might, among other things<sup>1</sup>, be attributable to the continuous reduction in the average length of stay. Nonetheless, in parallel with the latter, the number of trips per tourist might be going up, thanks to widespread alliances among airline companies and the proliferation of low cost carriers (LCCs) (Costas-Centivany 1999; Morley 2003; Papatheodorou 2002a).

Thus long-term forecasts at a world level continue to point to a higher growth in tourism than that of the world economy. World passenger forecasts by the International Air Transport Association (IATA) indicate an average yearly growth rate for 2005-2009 of around 5.6%, even though a slight deceleration might be detected during this period. By world regions, Asia, the Pacific, the Middle East and Eastern Europe are expected to be more dynamic, while the rest of Europe and America will have below average growth rates.

Through Tourism Satellite Accounting, at a world level the World Travel and Tourism Council (WTTC 2006) estimates an average yearly growth in the demand for transport and tourism of 4.2% for the period up until 2016, with a higher percentage for Africa, the Middle East and Asia, while for America, the European Union and other Eastern European countries the corresponding figures will be considerably lower than the world average (3.5%). By countries, Montenegro (10.2%), China (8.7%), India (8.0%), Rumania (7.9%) and Croatia (7.6%) are expected to see the sharpest rises.

In its forecasts for 2020, the World Tourism Organization anticipates that the number of international tourist arrivals will rise to 1,560 million, representing an average yearly increase of 4.5%. By world regions, the forecasts coincide with former data, with East Asia and the Pacific, South Asia, the Middle East and Africa seeing above average growth and Europe's more mature regions seeing more moderate growth. Consequently, over the next few years, the trend that has emerged in the early years of the century is expected to continue, signalling greater market diversification and, as yet, continued positive growth rates for traditional destinations.

Finally, and from a more subjective point of view, climatic and other parameters influencing travel decisions should be considered at the local level. Hence, tourism is dependent on a range of climate variables such as temperature, precipitation and humidity (Smith 1993). Accordingly, it is expected that climate change will affect travel behaviour, both as a result of altering conditions for holidaymaking at the destination level and climate variables perceived as less or more comfortable by the tourists. Many authors have warned that tourist destinations might loose part of their attractiveness, for example as a result of loss of snow in ski resorts, even though there might also be 'gains' in terms of less rain or extended summer seasons. In this context some studies has thus sought to assess the consequences of climate change for the tourist industries of nations (Agnew and Viner 2001), destinations (König 1999; Staple and Wall 1996), specific attractions, such as national parks

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<sup>1</sup> For an analysis of the determinants of tourist expenditure, see Aguiló and Juaneda (2000), Jang et al. (2004), Lee et al (1996), Lee (2001), Mak et al. (1977) and Sun and Stynes (2006).



(Scott and Suffling, 2000), or particular tourism activities or sectors of tourism such as ski-tourism (Beniston 2003; Breiling and Charamza 1999; König 1999).

The conclusion of this literature is that tourists may shift to other destinations or travel during other periods of the year under a scenario of climate change. Such a conclusion has also been serving as the basis for a number of studies of potential direct (e.g. changes in temperature) and indirect (e.g. changes in water supply) impacts of climate change on the spatial and temporal flows and activity behaviours of tourists in tourism dependent regions such as the Caribbean (Belle and Bramwell 2005; Uyarra et al. 2005) and the Mediterranean (Kent et al., 2002; Perry 2000 and 2004).

### 3. TRENDS IN SUN AND SAND TOURISM: THE CASE OF SPAIN

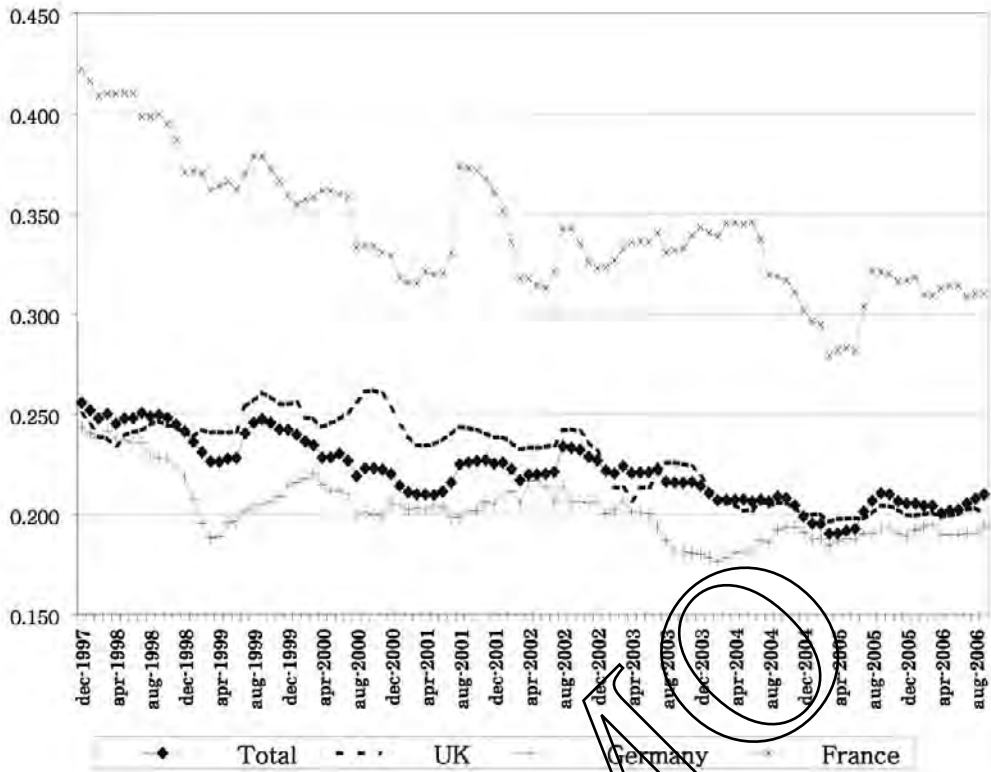
The growth of tourism has led to the economic specialization of numerous world regions. Given the rising world demand for tourism and current scenario of market diversification, it is important to analyse what changes can be expected by holiday destinations specializing in leisure, recreational and holiday tourism (which, according to the WTO, accounted for over 50% of all world tourism in 2004). As a result, this article examines the main trends that are affecting tourism in Spain: a country that has been a prime example of economic development from the mid sixties, with the tourist industry playing a major role in the development of the country.

Spain currently holds second place in the world tourist arrival and tourist expenditure ranks, with a market share of nearly 7% in both cases. In 2004, there was a ratio of 1 tourist to 38 residents, although it is important to add that tourism is unevenly distributed both geographically, throughout Spain, and throughout the year. Two groups of islands (the Balearics and the Canaries) and three Mediterranean coastal regions (Catalonia, Valencia and Andalusia) account for 80% of all international arrivals, while over 45% of the country's tourists come during the four hottest months of the year (June to September).

This high seasonality is one of the main problems faced by tourist industries in countries with mild climates in the south of the planet's northern hemisphere. In the case of international tourist arrivals to Spain, although the latest report by the Institute of Tourism Studies (IET, 2006b) insists on a continued seasonal trend, a more detailed analysis by nationalities using the Gini<sup>2</sup> coefficient (Figure 2) shows a slight reduction in this trend in recent years. Some authors have interpreted this reduction as a change in consumer habits, associated with higher incomes and higher levels of well-being. Rosselló et al (2004) comment that, in contrast with the past, when tourists took one long holiday a year, today's consumers prefer to have several rest periods throughout the year, even if they are shorter, thus making several holiday trips.

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<sup>2</sup> The Gini coefficient is a measure of inequality that ranges from 0 to 1, with a value of 0 for a uniform (and therefore equal) distribution and a value of 1 for the most unequal distribution possible. Although the Gini coefficient is hard to understand in absolute terms, its statistical properties (Sen, 1997) make it an ideal way of assessing trends in the seasonality of the tourism demand, as argued by Koenig and Bischoff (2003), Lim and Mcaller (2001), Lundtorp (2001), Sutcliffe and Sinclair (1980), Rosselló et al. (2004) and Wanhill (1980).



Source: Instituto de Estudios Turísticos (Tourist Studies Institute-Ministry of Industry, Tourism and Trade).

Figure 2. The Evolution of the Gini Coefficient for International Arrivals to Spain.

The validity of this hypothesis is supported by one of the clearest trends in the tourist industry in recent years: a reduction in the average length of stay. Taking average hotel stays as a reference based on the *Hotel Occupancy Survey*, the number of overnight stays by foreign visitors to Spain dropped from 5.3 days in 2000 to 4.7 in 2005. If an analysis of the evolution of the Balearic Islands is made (one of the most representative destinations, with historic data for certain variables like the average length of stay), the average number of overnight stays dropped from 9.5 days in 1992 to 6.6 in 2005 (Aguiló et al. 2004 and Aguiló 2005).

This reduction in the average length of stay has clearly had an impact on tourist expenditure, with a progressive drop in tourist spending per person in real terms. Nonetheless, it should also be noted that average daily spending per tourist has shown a slight increase in recent years, which can mainly be explained by the repercussion of the cost of the trip on its lower length. The final balance is an increase in total tourist expenditure, in keeping with the growth in the number of tourists albeit at a lower rate. Figure 3 summarizes the reasons for these dynamics.

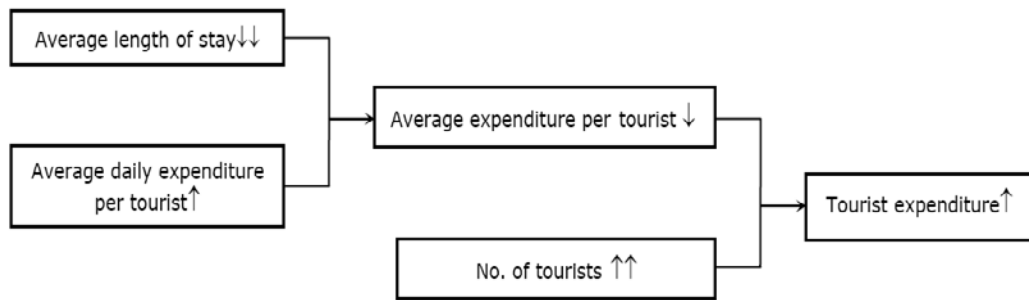


Figure 3. The Dynamics of the Trend in Tourist Expenditure in Spain.

New technologies are also playing a decisive role in this changing scenario, both in the way that information is sought and in the reservation and payment of tourism services. According to the IET (2003), in 2002 23.8% of all tourists to Spain consulted the Internet when seeking information about the destination or other aspects of the trip. 11% of the tourists reserved a travel service by Internet and 7.5% of them paid for the services they had booked through this trading platform. Just three years later (IET, 2006b), in 2005, these same percentages had risen to 39.4% in the case of online information searches, 27.2% in the case of bookings and 23.9% in the case of payment.

It is important to mention the extraordinary expansion of low cost carriers (LCCs) in association with the growing popularity of the Internet. LCCs have appeared on the European scene more recently than in the USA (Jarach 2004 .Morrell 2005). In the case of tourism to Spain, the evolution has been spectacular. From the 2.6 million tourists who travelled to Spain on a LCC in 2002 (that is 7.4% of all tourists arriving by air), the figure rose to 15.3 million in 2005, which represents a share of the air travel market of 37.6%. Forecasts regarding the growth of these companies are clearly positive, anticipating a European market share that might reach 25% in 2010 according to the Association of European Airlines and IATA (Jarach 2004). It must be remembered that, in 2000, these companies accounted for a market share of just 5%.

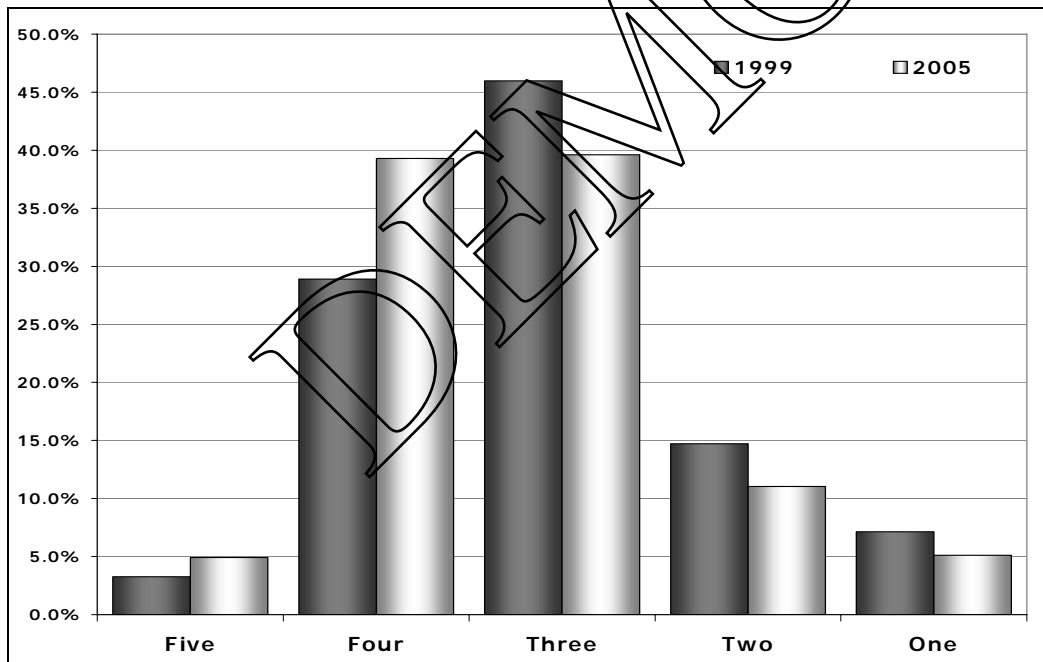
It is not clear what effect the expansion of LCCs is having on the cost of tourism products. It is argued that low cost airlines are the new substitute for charter airlines (Williams, 2001), whose profit margins were already being adjusted as a result of pressure from tour operators. Whatever the case, LCCs have given users greater flexibility, which seems to have made consumers more prone to travel.

Thus the replacement of charter flights with ones operated by LCCs is affecting the way in which holidays are booked, with consumers moving away from traditional package holidays (a package with one overall price whose minimum components are transport and accommodation) and instead reserving transport, accommodation and other services on an individual basis. Data by the IET (2003 and 2006b) on international tourism in Spain shows that while in 2002 52.6% of all tourists did not pay for a package holiday, in 2005 the corresponding figure was 61.5%. The trend is even more acute in the country's most popular tourist regions, where LCCs have penetrated the market more forcefully. In the Balearic Islands, the figure rose from 32.5% in 2002 to 37.7% in 2005; in Catalonia from 73.6% to 78.1%; in the Canaries from 18.1% to 24.2%; in Andalusia from 61.6% to 71.5%; and in

Valencia from 64.6 % to 79.4%. It is also important to add that these five regions accounted for 87.8% of all LCC arrivals to Spain in 2005.

Not only are traditional sun and sand destinations seeing a big change in transport and sales. The same is also true of tourist accommodation. Despite Spain's growing tourist industry, the hotel trade's share of the accommodation market is falling, even though the number of tourists staying in hotels has gone up by almost one million over the last six years. While, in the year 2000, 70.8% of all tourists to Spain chose to stay at a hotel or in similar accommodation (IET, 2001), in 2005 the corresponding figure was 62.9% (IET, 2006b). This shrinking market share can be attributed to the growth in second homes owned by foreign residents, who use these properties both for themselves and for friends and relatives. Whereas tourists staying in free accommodation<sup>3</sup> accounted for a share of the accommodation market of 15.5% in the year 2000, in 2005 the share had risen to 21.3%.

Despite this, it is important to highlight the continued modernization and restructurization of Spain's hotel portfolio. Over the last few years, there has been a significant improvement in the standard of its hotels (Figure 4). To give an example, in 1999 hotel beds in three and four-star hotels<sup>4</sup> (the highest category) were estimated to account for a share of about 32.2% of the tourist accommodation market, while in 2005 the percentage had risen to 44.2%. The conversion and upgrading of the country's hotels form part of a policy by different Spanish authorities aimed at differentiating the holiday product.



Source: Instituto Nacional de Estadística (National Institute of Statistics).

Figure 4. The Relative Importance of the Number of Beds per Accommodation Category. (Spain).

<sup>3</sup> Although "free" is a relative concept in this case, the term tends to be used to cover tourists staying in their own second home and those using the home of a friend or relative.

<sup>4</sup> The number of stars is a widely used measure of quality which largely summarizes the standards and services offered by hotels. See, for example, Aguiló et al (2001), Papatheodorou (2002b), Sinclair et al (1990) or Thrane (2005).

As a result of this restructurization strategy and other policies, tourists have a high level of familiarity with the holiday product and a high repeat visitation rate. It is striking that in, 2005, only 17.3% of all tourists were on their first visit to Spain, whereas 46.5% had visited it seven times or more. This indicator is crucial in helping to forecast a destination's future evolution, since studies have shown there to be a positive relation between the likelihood of a repeat visit to a destination and the number of prior visits a tourist has made (Court and Lupton 1997; Mazursky 1989; Petrick et al. 2001; Juaneda 1996). Tourist satisfaction also influences the likelihood of a repeat visit (Kozak 2001). In this respect, only 0.6% of all international tourists gave Spain a fail rate as a destination in 2005 when asked to make a general assessment of the trip they had made.

The figures presented above evidence the success of mature destinations like Spain until the present. In any case, it must be admitted that part of this success must be attributed to insecurity elements such as conflicts and terrorism that have threatened the world tourism during the last decades but especially to Mediterranean destination which are competitors of Spain; although it is certain too that, in general terms, the model has operated efficiently. However, the experts' forecasts doubt on the future of the mature destinations because of the changes on the tourist model. The question that arises is if these tourist zones are going to come in to a stagnation process or will be fallen inexorably due to this fact. Although some authors go for the depression in these destinations (Morgan 1991; Knowles and Curtis 1999) their future is not determined in this way if they are able to transform themselves accordingly with the changes in the tourist model.

Changes in tourism have their origin in the own evolution of the tourist as a recreational services consumer and of leisure when decides to accomplish a holiday, congresses or even business trips. This evolution is characterized by new motivations of the tourists whose origins are located in the fact that after fifty years of tourist development, tourism has reached sufficient maturity and consolidation levels that cause traveler take their own decisions more independently that in the seventies or the eighties. It is also evident that these demand transformations have their origin in the multiple technological changes. In this sense many of these transformations have been able to be materialized thanks to the new technologies and, more precisely, to the internet. Whatever the case, mass tourism has been influenced by variations in the motivations that have affected to the decision making process of the tourist consumer. This reality, with the technological changes and the globalization process, has become into new trends in tourist demand.

On the other hand, it must be highlighted that the high dynamic technological advances has led to a new framework in the organization formulas of the companies and, consequently, in the production processes and the occupational relationships. All these factors have contributed to the design of some different trends on future demand that can affect to the sun and sand mass tourism. According to Vanhove (2005) two main changes must be considered in analyzing future tourism demand, and consequently future mass tourism demand: a change in personal values and a change in the life styles.

In this way, first, it is necessary to talk about changes in the values related to a more natural environments preservation and the search of the authentic and real experiences. Consumers wish to express their individuality, a circumstance that implies that products must be adapted to each consumer. In the context of the sun and sand tourist product, the sun alone is not a guarantee for a sustainable and viable tourist destination. The mature tourist destinations of sun and beach should restructure in destinations "sun-plus" or, in other words,

sun destinations that can offer something more than sun. Furthermore, this mature destination should be faced to the handicap that the tourist wishes to know new cultures and societies and to live new experiences. And this is a challenge for the competitiveness of these destinations that will have to provide safety, comfort and capacity to offer new products for familiar and young tourism. In this changing scenario tourists will demand increasing levels of quality. In any case, it is important to note that quality does not mean luxury but the desire from obtaining some standards relatively increased in the services or in the preservation of the natural environment. It is evident that this is not only based on the new forms of tourism but also on the most traditional ones.

Concerning to the change in the life styles, tourism has been affected by fashions and the quick transformations of the society. This has motivated that tourists understand the holiday trip as a need for enjoying new experiences, maybe with interaction with different cultures and and, thus, he considers traveling to different destinations far away from her vital environment. On the other hand, the tourist consumption that chooses a traditional destination is a hybrid consumption that alternates higher-level expenses with others characteristic of lower purchasing power tourism. Furthermore, the tourist can alternate travels to exotic destinations with others more traditional more sure in the case of the familiar tourism.

In this context, it is not possible to be restricted in asserting that trends of tourist demand will change exclusively in function of the changing values and the changes in the life styles, as supporters of the "neo-fordism", as period of tourist development that substitutes clearly the "fordist" period, maintain. Thus, although below the average, tourism to the Mediterranean destinations is still growing. Many tourists are still requiring destinations where some certain levels of agglomeration and urban development exists, maybe because visitors wish to enjoy a wide variety complementary offer, ranging from the cultural and monumental to all the facilities created for the leisure in the traditional destinations. In order to maintain this complementary offer a minimum threshold of visitors is needed to make profitable the companies involved in the leisure industry.

To sum up, sun and sand mass tourism destinations like Spain should be able to develop private and public policies that will have to face new demands based on the individuality, flexibility, exigency of a greater adjustment to the quality, and the growing importance of the preservation of the natural environment. To summarize in an actual terminology, today the "fordist" mass destinations have the challenge of being adapted to the new requirements of the tourist through a "neofordist" development process.

#### 4. CONCLUSION

Despite the numerous different factors that seem to threaten tourism at a worldwide level, leading international bodies insist on presenting the tourist industry as one of the most dynamic in the world economy. In addition to the sharp rise in tourism, key movements by international tourists signal a process of market diversification. Although Europe continues to be the main issuing market and destination for international tourism, increasing numbers of emerging destinations are appearing, attracting higher and higher numbers of tourists, and the most optimistic growth forecasts for the next few years are mainly concentrated in Asia, Africa and the Middle East. However, there is no evidence about the fact that traditional sun

and sand mature destinations will not be able to adjust themselves in order to guarantee a certain growth level to middle and long terms.

In recent years, the trend in world tourist expenditure shows a lower growth than the volume of tourists, which means a drop in average spending per tourist. Some authors have pointed to the expansion of LCCs and the widespread formation of alliances among big airline companies as the possible driving forces behind the growth in the number of tourists, the reduction in the cost of transport and the resulting drop in average spending per tourist.

Due to its relative importance in world tourism and to its tourist industry's long history, Spain is a good case study to use in analyses of trends that affect leisure, recreational and holiday tourism at traditional sun and sand destinations. One initial analysis seems to point to a change in European consumers' preferences, with them preferring to take a number of holidays throughout the year instead of just one in the summer months. This would explain the reduced seasonality that has been observed in recent years and the reduction in the average length of stay by tourists.

New technologies are playing a decisive role in changing consumer habits, in the way that they seek information about destinations and reserve and pay for services. In this context, LCCs are growing in strength, using online booking systems as a prime method of reducing costs and replacing the custom of package holidays with the direct reservation of individual services.

As for the accommodation supply, continued public authority efforts can be observed to promote the modernization of tourist accommodation, leading to higher-quality hotels. Despite this, the hotel trade has not been fully able to benefit from the growth of the sector due to the increasing popularity of second homes owned by foreign residents, which are also widely used by friends and relatives.

In a more general sense, the sun and sand mature destinations could enjoy from possibilities of growing in terms of expenditures and tourist revenues since, contrarily to some thinking, these destinations can be adapted to the values and life style changes if they are able to generate, in addition to competitive accommodation, a diversified set tourist services that could satisfy a segmented, heterogeneous demand near the inexhaustible and persistent good weather, characteristic of the Mediterranean coastal environment.

To sum up, the challenge of the Mediterranean and Spanish mature destinations is to be capable of adapting to the changes imposed by the new desires and motivations of the tourists in the context of the new technologies that have stimulated the above-mentioned changes. This challenge could be not greater than others that sustain many products of the economic life in the time of surpassing the maturity step of their life cycle.

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DEMO

*Chapter 13*

# THE HIDDEN ECONOMY IN TOURISM: CIRCUMSTANTIAL EVIDENCE FROM THE HOTELS AND RESTAURANTS IN NORWAY

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## ABSTRACT

Wages and costs of goods sold represent significant cost items in the hotel and restaurant industry. Tax evasion on these items presents substantial gains. The turnover of employees and customers is high, customers mostly pay in cash, and the markets are international. Thus, hotels and restaurants include crucial features in accommodating hidden economic activities. This article reveals that the hotel and restaurant industry comprises more short-lived firms with a higher frequency of bankruptcy than other industries. The analyses reveal unexpected economies of scale in hotels and restaurants. The scale advantages are redefined as “honesty of scale”. The paper proposes that the smaller industry players conceal economic performance from the official accounts, while such conduct is riskier and thus less widespread in larger firms. It is suggested that these and other indicators provide circumstantial evidence of hidden economic activities within the tourism sector.

## INTRODUCTION

It is widely recognized that some companies operate partially or totally outside the law by under reporting employment, avoiding taxes and ignoring safety regulations. This represents a particularly important challenge for developing countries, but the problem is also present in the industrialised world. The World Bank estimates that these companies conceal economic activities equivalent to 40 percent and 17 percent of the gross national product (GNP) of low and high-income countries, respectively (Schneider, 2002). The phenomenon has produced a

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large literature on defining and measuring economic activities denoted as informal, hidden, underground, parallel, black, unofficial, or unrecorded. All currently unregistered economic activities which contribute to the officially calculated GNP are said to represent a popular and broad working definition of the phenomenon (Schneider, 2002). Smith

(1994, p. 18) defines the hidden economy as “market-based production of goods and services, whether legal or illegal that escapes detection in the official estimates of GNP“. The informal economy is multifaceted and most research papers remain vague as to the exact definition, which has caused disagreement on the term used. The term "informal" has tended to refer to unlicensed small-scale businesses and is mostly linked to low-income countries. The terms "hidden" and "underground" have tended to be related to tax evasion, while the terms "parallel" and "black" seem to be associated with currency dealings. "Unofficial" and "unrecorded" activities are mostly referred to as economic activities that escape the national statistics agencies.

This study introduces a conceptual framework to diagnose and compare the level of hidden economic activities in various industries. The purpose is to discuss whether tourism is more exposed as an arena for the hidden economy. The core businesses in tourism – hotels and restaurants - are chosen to represent the tourism industry. It is assumed that the potential monetary gain is a major motivation for concealing economic activities. Aspects related to employees, customers, markets, products and detection risks are also believed to be important considerations in the accommodation of hidden economies.

## THE DRIVING FORCES OF THE HIDDEN SECTOR

Schneider (2005) highlights four characteristic driving forces of hidden sector activities:

1. To avoid payment of taxes and social security contributions.
2. To avoid regulatory requirements.
3. To avoid statistical questionnaires and other administrative forms
4. To reduce costs and (unfairly) increase firm competitiveness

### 1. Avoid the Tax Burden

Many studies (i.e. Schneider and Enste, 2000; Schneider, 2005; Thomas, 1992) hold that tax and social security contribution burdens represent an important incentive for growth in the hidden economy. Taxes influence labor-leisure choices and stimulate labor supply in the hidden sector. The bigger the difference between the labor cost in the official economy and the after-tax earnings received by employees, the greater the incentive to move towards the hidden sector. Nevertheless, Schneider (2005) suggested that tax reforms with major tax rate reductions will not necessarily lead to a substantial decrease in the hidden economy. He argues that the hidden economy comprises substantial investments in real and human capital. These resources represent valuable tangible and intangible assets preventing the participants from abandoning them. Thus, tax cuts only tend to stabilize the hidden economy and to

prevent further growth. Schneider concludes that this phenomenon may deflate politicians' incentives for carrying out major reforms because they can expect few actual results.

## 2. Avoid Regulations

Researchers hold that the intensity of rules, such as labor market regulations and trade barriers, encourage firms to engage in the hidden sector. The literature suggests that the hidden economy can be interpreted as a reaction from individuals who feel overburdened by the state and who choose the "exit option" rather than the "voice option" (Hirschman, 1970). Jim Thomas (1999) asks whether the large, growing hidden sector indicates that economies are overtaxed and over-regulated and that a neo-liberal adjustment is needed. Mogensen, Kvist, Kormendi, and Pedersen (1995) claim that the hidden economy is all the time developing according to the 'principle of running water' – i.e. it adjusts to changes in taxes, to sanctions from the tax authorities and to the moral attitudes. Johnson, Kaufmann, and Zoido-Lobaton (1998) have found overall significant empirical evidence of the influence of labor regulations on the hidden economy. Regulations create higher labor costs in the official economy, and thus provide another excuse to enter the hidden sector. Johnson, Kaufmann, and Shleifer (1997) have documented that countries with more general regulation in their economies tend to have a higher share of hidden businesses. The authors conclude that enforcement, rather than the extent of regulations, is the key factor to reduce the size of the hidden sector. An unfortunate vicious circle may emerge if the increase of the hidden economy is caused by a rise in general taxes and regulatory requirements. This situation suggests that further regulations and more financial burdens will stimulate the hidden economy, and thus erode the social basis for collective arrangements. Giles (1999) holds that there is evidence suggesting that the recent growth in the informal economy is associated with increases in actual or perceived tax burdens as well as the 'degree of economic regulation'. Garagata and Giles (1998) provide more details and documentation to this argument.

## 3. Avoid Administrative Form

The managers of hidden activities save time and resources by avoiding bureaucratic administrative forms. Thus, a large informal economy implies that official indicators of unemployment, labor force, consumption and income are unreliable. The hidden economy therefore challenges the credibility of national accounts estimates. Policies based on erroneous official indicators are often unproductive. If a large part of the hidden economy comprises social security fraud, then the policies on unemployment and the social security system might be misleading. Political conclusions depend on sound quantitative foundations.

## 4. Avoid Fair Competition

The hidden economy attracts workers away from the formal sector, and it creates unfair competition for official firms by avoiding taxes and regulations. Concealing activities may receive more management attention than growth and productivity improvements. Small,

simple, and non-bureaucratic firms are well suited to this part of the economy, but they are inefficient for providing growth and progress to the economy as a whole. In some industries such as retailing and construction the hidden activities can account for as much as 80 percent of employment (Farrell, 2004). Research by McKinsey Global Institute (MGI) has documented that small informal firms distort competition by staying in business. They prevent more dynamic and formal companies from gaining market shares and fueling industry productivity and innovation. The cost advantage obtained by hiding activities in informal firms more than offsets their lower productivity. MGI also suggests that the employment benefits from the hidden economy are short-term and greatly outweighed by their long-term negative impact on economic growth and job creation. On the other hand, a significant proportion of the income earned in the hidden economy is immediately spent in the official economy, thus having a positive effect on the official economy (Schneider, 1998).

The literature holds that the hidden economy is smaller in countries with lower tax rates, relatively few laws and regulations, and little corruption. Countries with better law enforcement also have less hidden activities in their economies. Countries in transition, however, have higher levels of regulations - leading to more hidden economic activities. The research on hidden economies recommends governments to put more emphasis on improving the enforcement of laws and regulations, rather than increasing their number.

## **DEFINING AND MEASURING THE HIDDEN ECONOMY AT THE NATIONAL LEVEL**

The most common definition of the hidden economy relates it to the officially measured gross national product (GNP). This understanding assumes that the hidden sector comprises all presently unrecorded value-adding productive activities that should have been recorded in the GNP. The definition allows comparing and adding the underground economy to GNP. However, it excludes the production that by convention is not part of GNP. A typical example is private household activities, which has generated a research area of its own (Shende, 2002).

Defining the hidden economy is obviously problematic, but to estimate its size and evaluate its importance is even more challenging. The level of the hidden economy is perceived important to most governments because it reflects potential losses of income and undermines people's willingness to pay taxes. An accurate measure of the hidden economy can aid governments in identifying uncollected tax revenues and estimate more accurate GNPs. The strong desire from government bodies to map the hidden economies has encouraged researchers to analyze and estimate their importance. There are many different approaches that have been used in this area of work. The most common approach includes indirect estimation methods, such as the currency demand approach, the electricity consumption method, and the use of national income and expenditures figures. The direct method estimations involve labor force and household surveys. Neither of these approaches have been shown reliable, and they are all described and criticized intensely by Thomas (1999). His paper more or less questions the value of what he denotes as "guesstimating" the size of hidden economies. He further argues that "measurement without theory" is a fair description of the published empirical work in this area. The hidden economy is by nature immeasurable, and thus the evidence on its actual size is mixed and inaccurate.

Frey and Weck-Hanneman (1984) report that for seventeen OECD<sup>1</sup> countries in 1978, the size of the hidden economy ranged from 4.1% of GNP in Japan to 13.2% in the case of Sweden. UK, U.S. and Canada revealed estimates around the sample mean of 8-9%. Schneider (1997) has later found that the average OECD figure had risen to about 15% of GNP by 1994, with Canada still close to this international average. These figures can be compared to the 5-7% of GNP that Mirus and Smith (1994) proposed for Canada in 1976, rising to almost 15% in 1990. Spiro (1994), however, estimated the Canadian hidden economy to be between 8% and 11% of GNP in 1993. Other studies summarized by Aigner, Schneider, and Ghosh (1988) report highly contradictory figures for the U.S. in 1978 - ranging from 4% (Park, 1979) to 33% (Feige, 1982) of GNP. Further estimates for the U.S. in 1970 produce a range from 2.6% (Tanzi, 1983) to 11% of GNP (Schneider and Pommerehne, 1985). Bhattacharyya (1990) estimated the hidden economy for the UK to be 3.8% of GNP in 1960, peaking at 11.1% in 1976, and dropping back to around 8% in 1984.

The empirical literature clearly documents that the available evidence on this issue is imprecise and rather confusing. However, most papers propose that the hidden economy has been growing over the past two or three decades. This development has been indicated in almost all the countries for which comparable data has been assembled (Giles, 1999).

## DEFINING AND MEASURING THE HIDDEN ECONOMY AT THE INDUSTRY LEVEL

There has been more research into the hidden economy at the national level than at industry level. However, the OECD, the International Labour Organization (ILO), and McKinsey Global Institute (MGI) have indicated that the hidden economy in developing countries comprises around 80% of the gross product in construction and retail, whereas only 20-30% of the output is concealed in businesses involving software and consumer electronics. A similar overview of the hidden activities according to industry has not been found for the developed part of the world. The aim of this paper is *not* to construct uncertain estimates of the hidden economy in various industries. Instead, the analysis is based on the framework developed by Schneider (2002). He describes the driving forces and the indicators related to the hidden economic activities at the national level. The current analysis assumes that the macro based framework translates to the industry level. Mogensen et al. (1995) have stated that hidden economies develop according to the 'principle of running water'. This paper supports their view and intends to map the conditions for hidden economies in various industries. Figure 1 illustrates a framework to diagnose the hidden economy. The framework suggests that characteristics related to taxes, employees, customers, market places, products, and finally law enforcement, influence how challenging it is to conceal activities from the regulators in various industries. The signs in brackets denote whether a positive (+) or negative (-) correlation with the level of hidden economy is expected.

<sup>1</sup> Organisation for Economic Co-operation and Development.

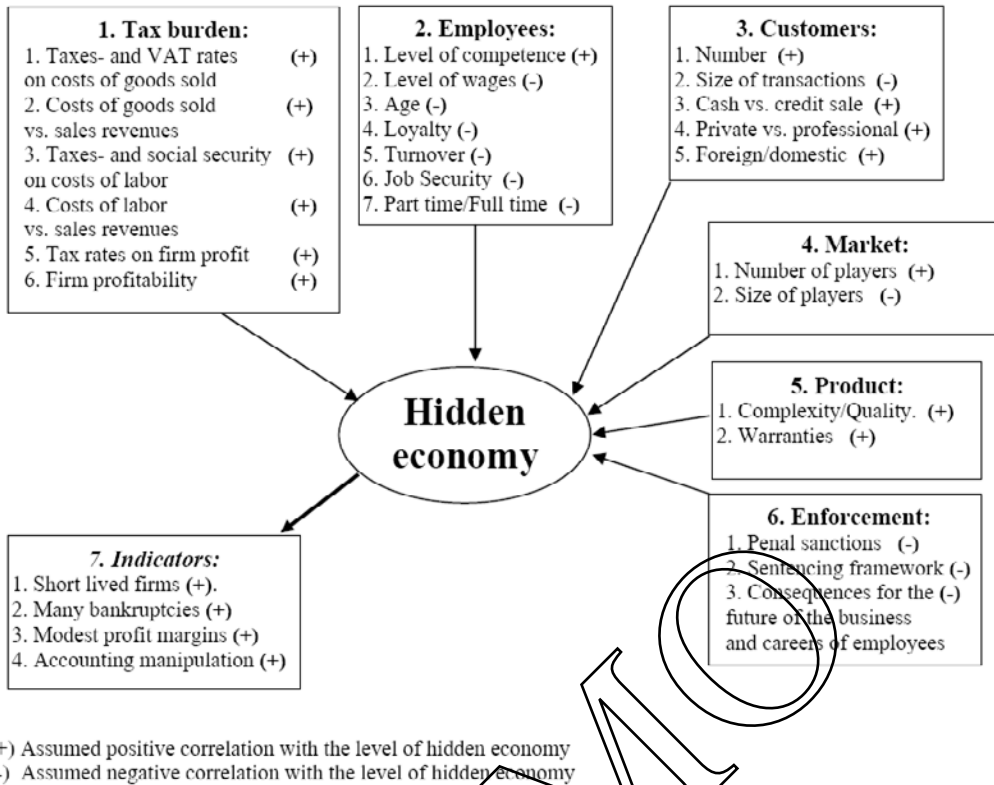


Figure 1. The hidden economy.

## 1. TAX BURDEN

The macroeconomic discussion of the hidden activities highlights the tax burden as an important cause of their existence. By concealing activities, firms obtain lower costs and improved competitiveness. Figure 1 illustrates that the tax burdens are likely to have different effects according to industry. The tax regimes in the developed world are complicated and sophisticated. Although there are dissimilarities, most countries have differentiated value-added taxes and special duty on certain goods such as alcohol and tobacco. Legitimate firms are exposed to significant costs and regulations related to employment, i.e. social security contributions, income tax, pensions, and labor laws. The firms' bottom lines are liable to corporation tax. This paper proposes that the economic effect of taxes varies among industries. Lawful labour-intensive firms in personal services will find employment-related taxes more relevant than for instance capital-intensive oil companies. The oil industry, however, is probably more focused on taxes on pecuniary profits and environmental pollution. The transportation industry is concerned by taxes related to energy consumption, while hotels and restaurants may find that employment taxes and special duties on alcohol and tobacco are burdensome.



## 2. Employees

Figure 1 hypothesizes that it is easier to hide activities in industries that employ unskilled and low-paid workers. It is assumed that young part-time workers have limited loyalty towards the firm. The figure suggests that high staff turnover and low job security makes it easier for the industry participants to avoid laws and regulations. Their employees have less to lose, as well as a higher marginal utility of consumption - compared to older, highly educated careerists in other industries. Thus, it should be easier and cheaper for the management to persuade and tempt unskilled, low-paid, part-time workers to contribute to irregular activities.

## 3. Customers

Figure 1 further argues that businesses encountering many small cash transactions with private customers are better suited for accommodating informal activities. It is also useful if the customers are foreign citizens. These consumers are less likely to request any documentation of the transaction, which both makes the activities easy to conceal and hard to uncover.

## 4. Market

A convenient environment for the hidden economy will comprise a market place with many small independent private firms. A complex and disorganized market structure makes it more difficult for authorities to enforce the law. The media often lead authorities to actions against irregularities conducted by big players, while small corner shops are left alone.

## 5. Product

The framework assumes that customers generally are adverse to risk. If the product's qualities and specifications are easy to verify, customers are less likely to request receipts and warranties. Hidden activities are more challenging to conduct in markets of complex and expensive items because the purchasers normally demand written traceable documentation to secure supply of future maintenance and repairs.

## 6. Enforcement

The literature suggests that stronger enforcement of existing laws is the most powerful policy instrument to reduce the size of the hidden economy at the national level. Law enforcement is also assumed to be equally important at the industry level. The sentencing framework as well as the potential costs to the participants' careers and reputation are relevant considerations in deciding whether to conceal activities. The current analyses assume

that the consequences as well as the enforcement activities will vary according to industries. It is proposed that low-paid, part-time, and unskilled workers are more easily recruited to the hidden economy. Highly educated and well compensated permanent employees are more reluctant to take part. It is assumed that the labor markets for unskilled workers are more flexible and straightforward, while educated employees face a more sophisticated market – making their trustworthiness and reputation more important. Finally, enforcement may be simple and efficient in most industries, while hidden activities in other businesses are more or less silently accepted by the controlling bodies.

## 7. Indicators

The framework in figure 1 comprises some indicators of the degree of hidden activities across various industries. First, it is assumed that industries comprising many short-lived firms represent an indication of hidden economies. The higher frequency of start-ups and liquidates in an industry, the more resource-demanding and complicated it gets to monitor and control it. Low accounting moral and many bankruptcies are also assumed to be more prevalent in industries with hidden economies. Finally, firms concealing part of their activities still have to produce accounts for the official registers. It is assumed that these artificial accounts will comprise deflated profits to avoid corporation tax.

### CIRCUMSTANTIAL EMPIRICAL EVIDENCE OF THE HIDDEN ECONOMY ACROSS INDUSTRIES

The empirical part of this article is based on official statistics describing the economic characteristics of various industries. It is assumed that an analysis of economic information at the industry level may be helpful to detect industries in which the hidden activities are most likely to occur. The macroeconomic literature provides knowledge as to how and why the hidden economy is present and growing at the national level. It is anticipated that the different characteristics and driving forces described at the national levels apply at the industry level.

Table 1 provides a summary of relevant data to discuss the hidden economy in various industries. The table comprises information from close to 30.000 limited companies, aggregated across six industries. Small firms with less than five employees are removed from the analyses. Although these firms may play an important role in the hidden economy, they are assumed to add unnecessary noise to the industry comparisons. The empirical analyses focus on the more significant firms in the six industries.

Table 1 reveals that aggregated sales and assets in production, trade and transportation are high, while these figures are smaller in the hotel- and restaurant industry. Production, trade and transportation also comprise larger firms – measured as average sales and assets per firm. These two size measures are smaller in construction, restaurants and hotels. Firm size, measured as employees per firm, varies less according to industry. The numbers in table 1 suggest that hotels, restaurants and construction firms have more employees per assets and sales than production, trade and transportation. The empirical results indicate that hotels, restaurants and construction firms are more labor-intensive.

**Table 1. Aggregated accounting information across six industries during 1995-2001**

	<i>Production</i>	<i>Construction</i>	<i>Trade</i>	<i>Hotels etc.</i>	<i>Restaurants</i>	<i>Transportation</i>	<i>Total sample</i>
Sales	472 730 947	94 267 753	634 801 846	9 342 416	14 935 102	172 393 535	1 398 471 599
per firm	75 625	21 816	50 385	5 924	13 323	76 179	49 711
Costs of goods sold	267 413 328	48 143 523	484 393 695	3 218 562	3 136 980	74 004 517	880 310 605
in % of sales	57 %	51 %	76 %	34 %	21 %	43 %	63 %
Wages <sup>1</sup>	87 551 711	26 352 178	62 846 648	3 103 713	5 391 850	32 120 055	217 366 154
in % of sales	19 %	28 %	10 %	33 %	36 %	19 %	16 %
Wages per employee <sup>1</sup>	333	306	277	139	205	339	302
CEO compensation <sup>2</sup>	461	356	379	226	309	449	389
Accounts receivable	53 148 782	14 618 463	50 973 758	192 816	693 145	17 128 680	136 755 644
in % of sales	11 %	16 %	8 %	2 %	5 %	10 %	10 %
Profit	15 680 926	2 363 525	9 775 138	(43 979)	32 186	2 515 124	30 322 921
Profit in % of sales	3,3 %	3,3 %	2,2 %	-0,3 %	1,0 %	3,6 %	4,6 %
Profit in % of assets	4,5 %	4,8 %	4,0 %	-1,2 %	0,4 %	1,0 %	3,4 %
Assets	349 828 978	48 765 178	242 997 342	3 662 666	8 598 305	240 854 900	894 697 368
Assets per firm	55 964	11 286	19 287	2 316	7 670	106 432	31 804
Bankruptcy rate 95-01	5 %	4 %	3 %	10 %	7 %	4 %	4 %
Number of employees	262 768	86 127	226 939	22 250	26 352	94 767	719 204
Mean employees	42,0	19,9	18,0	14,1	23,5	41,9	25,6
Median employees	13,7	9,3	9,0	9,7	12,0	10,7	10,0
Firm age	17,6	12,8	15,5	8,5	10,8	15,4	15,2
Number of firms	6 251	4 321	12 599	1 577	1 121	2 263	28 132

<sup>1</sup> Wages incl. social security payments

<sup>2</sup> Total CEO compensation average (incl. salary, bonus, options, pensions etc. provided in notes to the financial statements by new law from) 1998 to 2001.

Sampling criteria (A-D): A: Selected six industries. B: Calculated mean turnover during 1995-2001 (i.e. seven years).

C: Aggregated these numbers according to six different industries. D: The mean of #employees are more than 5 during 1995-2001.

Hotels and restaurants pay the lowest average wages per employee in the sample from the six industries. Nevertheless, their wage costs represent an important expense item relative to sales. The modest average wage level in hotels and restaurants is also evident in the CEO's wage statistics. The low reported wages make it relevant to question whether the participants receive other forms of remuneration than those reported.

The accounts receivables, relative to sales, confirm that credit sales are common in construction, but rare in restaurants and bars. Finally, the profit margins are modest in hotels and restaurants, while healthier in other industries.

The analysis of accounting numbers at the industry level provides some information related to where the hidden economy is most likely to occur. The aggregated accounts document that the hotel- and restaurant businesses comprise small labor-intensive firms that pay low wages and receive cash revenues. According to the arguments mentioned above, these features should make hotels and restaurants a well-adjusted arena for hidden activities. The fragmented market structure and significant labor costs also make construction an interesting target for the concealed economy. However, construction work is advanced and builders appreciate documentation and reassurance of product quality and safety.

The production and transportation sectors involve larger firms. The employees in these industries are better paid, while the cost of labor still comprises a more modest fraction of the total costs. Thus, hidden activities are less tempting to conduct, as well as being more challenging to hide.

Table 1 also provides some indicators of hidden economies. It shows that bankruptcies are far more common in the hotel and restaurant industry than in the four other businesses. Hotels and restaurants are typically short-lived firms. Firm age and frequency of bankruptcy are close to the overall average in the other industries.

Table 1 is based on officially available information and does not provide solid evidence related to the hidden economy. Fierce competition and low entry and exit barriers represent alternative explanations for the low margins and the high frequencies of bankruptcy among hotels and restaurants. It is also well-known that hotels and restaurants offer flexible working hours. The average firm is small, and the two industries employ a large and unskilled workforce. These characteristics do not prove that hotels and restaurants prefer to conceal activities, this paper only argues that the characteristics make it easier and more profitable for them to do so. A high frequency of cash transactions with intoxicated customers late at night makes law enforcement challenging. If the hidden economy behaves like running water, it is likely to appear in hotels and restaurants.

Table 2 comprises an analysis of the correlations between the net profit margins and sales revenues in the six industries. These correlations are assumed to reflect the economies of scale. Because the profit margins and the sales figures are far from normally distributed, the Spearman rank correlation coefficient is reported. Table 2 suggests that there is a strong positive connection between profit and size in the restaurant industry. The Spearman rank correlation coefficient between profit level and firm size is approximately five times stronger for restaurants than in the overall sample. This result suggests that the scale advantages in the restaurant industry are far more important than in the other industries. Table 2 also shows that economies of scales are evident in hotels. Transportation and trade, however, do not appear to reveal scale advantages in the current sample.

**Table 2. Accounting Manipulations – Economy or Honesty of Scale?**

Spearman Rank.	Firms with more than 5 employees							N (average)
	1995	1996	1997	1998	1999	2000	2001	
Sales vs Net Margin								
Production	,136 **	,107 **	,080 **	,077 **	,082 **	,087 **	,093 **	5 010
Construction	,062 **	,100 **	,041 **	,070 **	,088 **	,010 **	,036 **	3 310
Trade	,068 **	,031 **	,019	,007	,023 *	,054 **	,044 **	9 590
Restaurants	,312 **	,298 **	,297 **	,274 **	,298 **	,310 **	,250 **	888
Hotels	,118 **	,118 **	,202 **	,155 **	,179 **	,115 **	,015	755
Transportation	,014	,017 *	-,034	,026	,003	,066 **	,032 **	5 637
Total sample	,091 **	,067 **	,042 **	,040 **	,053 **	,065 **	,062 **	21 191

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Economies of scale are likely to occur in businesses where the marginal costs are low (Kim, 2004). Transportation is often publicly owned because the low marginal cost makes regulated monopolies efficient. This is not a valid argument in the restaurant business. The results in table 2 are somewhat confusing. The strong economies of scale in restaurants (and partly hotels) appear to contradict intuition and common knowledge.

Accounting manipulation and the existence of hidden activities represents an alternative explanation for the positive correlations between sales revenues and net margins. Large firms with many employees may find it risky to unlawfully manipulate the officially reported profits. Many people have to be informed in order to contribute to the necessary procedures. Large firms are also more interesting to the authorities and media. The risk of detection is considerable. Manipulation of accounts and tax evasion is far simpler to encounter and more difficult to detect in smaller firms. The manager (owner) is often the only person who has to know.

Thus, the empirical economies of scale revealed in table 2 might as well be renamed “honesty of scale”. Larger firms are forced to report real numbers, while their smaller competitors find it easy to conceal activities and profits from their accounts. The analysis suggests that this phenomenon is particularly prevalent among restaurants, and also to some extent hotels. The Spearman correlations imply that small restaurants and hotels hide parts of their activity from the official accounts, while this becomes more difficult as they grow. In the other industries, “honesty of scale” appears less significant – i.e. the Spearman correlation coefficients do not suggest that small players in other industries manage to hide more of their activity than their larger competitors.

## HOW TO CONCEAL ACTIVITIES IN HOTELS AND RESTAURANTS

In 1992 the Norwegian police managed for the first time to discover a restaurant which had implemented a dual bookkeeping system using two different cash registers - one for the official income and another for concealed revenues. The employees used the official cash register until the sales figure reaches a predefined normal level according to weekday and season. Sales above this level were registered on the second till (Langli, 1994). This example illustrates that the hidden economy can be detected by its own need for systems and documentation.

Hotels and restaurants often host special events selling foods and drinks in designated areas. During these events it is tempting to keep the extra income away from the official accounts.

Tips typically comprise 5-10 % of the bills in restaurants and bars and thus represent a significant tax free income for many employees. Customers also pay various amounts of cash to doormen or cloakroom attendants. Celebrities and special guests often get free admission and drinks on the house, while quiet weekdays may be managed without entry fees and happy hour discounts. Thus, the transactions are difficult to monitor even for the management of the firms. The authorities are more or less forced to trust the reported figures – i.e. an ideal arena for the hidden economy.

Full-service hotels and restaurants often serve their customers alcoholic beverages. Hidden markets are common because most countries have significant duties on these

products. Hotels and restaurants will find it easy and profitable to blend illegal alcoholic products into their range of goods. It will be especially convenient to use some of the hidden income from other activities in these markets. Intoxicated customers are less demanding, especially late at night. Employees of hotels and restaurants can obtain low-risk gains by serving illegal alcohol. This can take place with or without the awareness of management and owners. Some bartenders have been caught bringing their own bottles to work. This enables them to run a shop in the shop – i.e. blend in their illegal goods and collect the revenues from the sales. The “honesty of scale” construct suggests that these and other irregularities are common among small independent restaurants and hotels, but more difficult and riskier to administrate in larger firms.

## CONCLUSION

Social security payments related to the workforce and special taxes on goods sold represent significant cost items in the tourism industry. Tax evasion on these items presents substantial and alluring gains to the firms. The wage level is low and the turnover of both employees and customers is high in hotels and restaurants – the core businesses in tourism. Customers mostly pay in cash, and the markets are international. Thus, tourism includes crucial features in accommodating a hidden economy. This study has shown that the hotel- and restaurant industry comprises more short-lived firms with a higher frequency of bankruptcy than other industries. The restaurants and hotels reveal surprisingly high positive correlations between profit and sales. This paper argues that this empirical finding, normally interpreted as “economy of scale”, should be renamed “honesty of scale”: Larger restaurants are forced out of the hidden economy as it becomes riskier for them since more people have to be involved in the illegal procedures.

Anecdotes from hotels and restaurants suggest that the hidden economy tends to spread after getting a foothold. When a firm receives unrecorded income, unrecorded expenses will help to conceal the unrecorded income. If employees are aware of irregularities conducted by management and owners, they are probably more exposed to swindle themselves. Firms that are engaged in the hidden economy risk a situation in which everybody is cheating everybody: The customers pay too much for unoriginal goods. The employees lose parts of their pensions and social security benefits. The owner’s income is deteriorated by private activities concealed by employees. The government receives less tax revenues. Politicians are misinformed about the industries’ contributions to employment and society as a whole. And finally, industry growth and restructuring are downgraded because it is more convenient to hide activities in small informal firms.

Stronger enforcement and simplification of rules and regulations are suggested as effective measures to prevent the growth of hidden activities. Others have recommended that cash payments should be restricted – at least the larger bills.

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*Chapter 14*

## **DIVERSITY MANAGEMENT AS A SOURCE OF SUSTAINABLE COMPETITIVE ADVANTAGE IN TOURISM INDUSTRY**

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### **ABSTRACT**

The world's increasing globalization requires more interaction among people from diverse societies, cultures, beliefs, and backgrounds than ever before. Diversity has become an increasingly important factor in organizational life because workforce comprises people who have demographic differences and share different attitudes, life styles, values, needs and work behaviors in tourism businesses. However, little research has been executed to assess workplace diversity for tourism industry in business literature. The goals of this chapter are to discuss diversity management and its impacts; to examine the contributions of diversity management as a source of sustainable competitive advantage in tourism industry and to offer new perspectives on diversity-based tourism alternatives.

### **1. INTRODUCTION**

In recent years, diversity management has been afforded significant attention in tourism. It has been identified as a core competency leading to competitive advantage (Nicholas, 2000: 17). Particularly, businesses with a diverse workforce are better positioned to capture new markets. Workforce is becoming more and more diverse with respect to different characteristics of individuals, such as race, gender, age and physical condition. Businesses can no longer selectively recruit young, healthy and autochthonous men, who are available fulltime, highly qualified, mobile and flexible (Bogaert and Vloeberghs, 2005: 483).

Diversity that can be defined objectively is not a simple concept. Despite increased research interest about diversity, there is no consensus about what the term means exactly. According to the Oxford English Dictionary, diversity means '*being diverse, unlikeness, different kind, variety*'.

Diversity is the mix of differences and similarities at all levels of the organization (Özgener, 2004: 343). That is, diversity is based on recognition of harmony in differences and emphasis on similarities in differences. This approach provides the patience and tolerance for recognizing, knowing, experiencing, embracing, benefiting and fulfilling each other as well as accommodating the unique social differences and quite often transforming them into similarities for the benefit of the majority (Ocholla, 2002: 59).

Diversity includes diverse perspectives, approaches and sensitivities of culture, gender, race, religion, ethnic and national origin, attitudes, socio-economic and personal differences, sexual orientation, language, physical and mental abilities, productive abilities, styles of interaction, values, knowledge and status (Shapiro, 2000: 309; Ho, 2000: 6).

Dimensions of diversity can be considered as the primary (or observable) and the secondary (nonobservable) dimensions. *The primary dimension* includes characteristics which are immutable, such as gender, age, race, ethnicity, sexual orientation, physical and mental ability (Kramar, 1998: 134; Nicholas, 2000: 14). *The secondary dimension* includes those characteristics which can be changed, such as educational background, marital status, parental status, geographic location, income, religious beliefs, culture, work, tenure in organization and personality characteristics (Kramar, 1998: 134)

In recent years, increasing diversity in the workforce has been recognized as presenting both opportunities and challenges to organizations for achieving efficiency, innovativeness and international competitiveness (Fujimoto *et al.*, 2006: 205). Responding effectively to a heterogeneous customer base is a requirement in the growing tourism sector. Thus, tourism businesses are dealing with diversity in their customers as well as among their employees.

Diversity management is frequently confused with affirmative action and valuing diversity. Therefore, it is important to understand the history of each and to use the terms accurately (Gardenswartz and Rowe, 1999: 14).

*Affirmative Action* is a strategy for offsetting the effects of previous employment discrimination (Helms *et al.*, 1998: 235). Traditionally, Affirmative Action requirements have been based upon social, moral, and legal obligations (Wentling, 2001: 3). These legal obligations are based on numerical measures and were designed to increase the representation of minorities and women in areas of employment where they were previously underrepresented. This approach was a direct result of the Civil Rights movement of the 1960s (Gardenswartz and Rowe, 1999: 14).

*Valuing Diversity* is about seeing everyone as individuals, recognizing the uniqueness in everyone, valuing the contribution that each can make, valuing the abilities and skills they can bring to an organization (Gardenswartz and Rowe, 1999: 14). Valuing diversity, which extends beyond affirmative action, aims for recognition and tolerance (Sinclair, 2000: 239). It is ensured that organization provides equal treatment and access to resources and decisions for all members regardless of race, ethnicity, sexual orientation, and physical disability (American Psychological Association, 2002: 3).

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*Diversity Management* is an active phenomenon, which involves supervising or coordinating and directing the diversity or differences individuals bring to the organization to ensure the strategic goals (Friday and Friday, 2003: 865). It also does not involve any legal requirements and is not only implemented to avoid lawsuits (Gardenswartz and Rowe, 1999: 15).

*Diversity management is the process of creating and maintaining a positive working environment where the differences of all employees are recognized, understood and valued, so that all can reach their full potential and maximize their contributions to organization* (Özgener, 2004: 344). In short, diversity management states inspiring, developing, and supporting all employees well to produce a more effective and productive organization.

Diversity management has a universality that may make it more acceptable than affirmative action in organizations (Singh and Point, 2004: 298). Diversity management initiatives are efforts to create an environment that works naturally for the 'total' diversity mixture, but not just for women and minorities (Wentling, 2001: 3).

Today, dealing with diversity is an ongoing process that continues to help businesses adapt to and capitalize on increasingly complex and global markets. A well-managed diverse workforce can provide businesses the competitive edge needed to compete in global economies. Objectives of diversity management include the following (Özgener, 2004: 345; Wong, 1999: 1-2; Wentling, 2001: 3):

- Creating) and maintaining a highly competent, diverse workforce and a diverse customer base that meets the needs of compliance) harmony, inclusion, justice and transformation of businesses.
- Facilitating the creation of a positive working environment for maximizing potential contributions of individuals and teams of the organization.
- Understanding better needs of different customers leading to more effective service delivery, trust and customer loyalty in global markets.
- Increasing the value-added opportunities and resources that result from knowing and understanding the similarities and differences in workforce.
- Embracing the rich perspectives that all individuals bring to the workplace and respect the dignity of all employees.
- Perceiving the people's differences as a profit motive (or opportunity) rather than treat them a cost or an obstacle to gain a competitive advantage
- Developing diversity leadership as a keystone to build an organization where the differences of all stakeholders are recognized, understood and valued.
- Communicating diversity management message to all stakeholders in order to develop a positive image for business within diverse communities.

## **2. DIVERSITY MANAGEMENT IN TOURISM BUSINESSES**

Tourism has grown in its importance of the country economies over the last ten years. Although a diverse workforce and diversity management are often discussed to be critical to competitiveness, little is known about how tourism organizations are reacting.

Diversity management reflects a proactive business reaction to rapid change. Thus, most discussions of sustainable tourism focus on the responsible use of natural or cultural resources. Fragile ecosystems, demographic and cultural differences are viewed as raw materials for the tourism industry that must be properly managed. Particularly, heritage value, natural features, way of life or cultural identity can contribute to a destination in tourism industry.

Diversity issues will gain importance because effective interactions and communications between people are essential to business success in tourism sector. Diversity among people is a reality of business world. This diversity can have either a positive or negative impact on employees' behavior and work results, depending on how well it is understood and managed (Bertone and Leahy, 2000: 24). On this account, managing diversity has a strategic perspective in the widest economic and moral sense.

Consultants, academics and business leaders believe that effectively managing diversity is a competitive advantage. This advantage stems from the process in which diversity management affects organizational behavior and effectiveness (Kreitner and Kinicki, 2001: 49). Diversity management can influence a business' customer service, employee attitudes, image, quality, costs and sales, recruitment and retention of human resources and strategic capacity. The relationship between diversity management and each of these outcomes can reveal as follows:

- Improving customer service and create a diverse customer base.

Recently, customer bases have been becoming even more diverse than the workforce. Diversity is an important concern for manager since customers, suppliers, and strategic partners are increasingly global and multicultural. Therefore, businesses must be positioned to relate to them.

Some researchers suggested that a diverse workforce could be also qualified as a core competency leading to competitive advantage. Customer service can be more effectively provided if an organization's workforce mirrors its customers (D'Netto *et al.* 2000: 136). As satisfied customers constitute an important source of competitive advantage, the organization's workforce should reflect this diversity in customers because only if they know and understand these customers, are employees able to fulfill the wide variety of customer needs and to provide quality customer services (Bogaert and Vloeberghs, 2005: 484; Maxwell, *et. al.*, 2000: 369)

Tourism service products require employees with well-developed interpersonal skills. Cultural similarity between the service provider and the customer may improve the effectiveness of service delivery and the perceived quality of service. Some businesses believe that having diverse employees can help them understand customer's needs better in ethnic and international markets (Wentling, 2001: 3). Hence, agencies and other decision makers in tourism industry are becoming increasingly more diverse and they will be more apt to strongly consider heterogeneous teams rather than homogenous ones (Gardenswartz and Rowe, 1999: 10). Furthermore, tourism service products are enhanced by diversity in the workforce. Groups or teams whose employees are diverse show greater flexibility in the face of changing demands and more sensitivity to differences in the people they deal with (Rousseau, 1995).

- Improving top management team strategic capacity:

Diversity in teams is often portrayed as a positive force leading to effective functioning of the team (Knight, 1999: 445-465). Diversity has the potential to improve strategic capacity of top management team because it permits a more open and challenging strategy-making process. Where there is high diversity, teams enter into debate because of their different perceptions of the strategic environment, the range of possible strategic options, the most appropriate strategic decisions, and the processes for strategy implementation (Jarzabkowski and Searle, 2003: 6). When diverse teams and workforces are managed productively, they can integrate information to create new knowledge, and disperse that knowledge throughout the organization in tourism industry (Nicholas *et al.*, 2001: 1).

- Creating opportunities for positive diverse interaction:

Diverse communities should feel positive about themselves in order to market themselves effectively. But, it is difficult to market diverse communities where there is no positive interaction. Cultural isolation can create misunderstandings. To create positive interaction, sport, cultural festivals, work places, church services and inter-religious gatherings may be used. For example, the food, songs and dances of various cultures could be promoted (Greybe and Uys, 2001: 185-201). Particularly, like product and service brands, destination brands could be generated by means of image of a community and positive diverse interaction. Hankinson (2004) suggests that tourists' choices of destinations are based on the degree to which they embrace image. The more favorable the image of a destination, the greater the likelihood of choice. Consequently, a destination's brand image is crucial to its marketing success.

- Facilitating to recruit and retain talented employee:

Human capital that is an important resource for tourism businesses can be enhanced by cultural and demographic diversity to provide sustainable and non-imitable advantage in an increasingly complex and competitive world (Singh and Point, 2004: 298). As markets change, businesses seek competencies and capabilities, leading to new sources of competitive advantage (Nicholas *et al.*, 2001: 1). Diversity initiatives can improve the quality of workforce and can be the catalyst for a better return on investment in human capital. It is also suggested that a managing diversity approach ensures business survival through resilience and flexibility, reducing costs associated with turnover and absenteeism and improving customer service and sales to minority groups (Maxwell, *et al.*, 2001: 471). Particularly, flexible working patterns are used to meet the diverse needs of workforce in tourism businesses. These working patterns are widely perceived to offer an effective way of successfully combining home and work commitments and to be a step towards achieving equality of opportunity (Skinner, 1999: 425). In short, the development of diversity capabilities may lead to diversity-based competitive advantages.

- Reducing costs of diversity:

The potential costs of diversity stem from the ineffective management of social categorization in diverse workgroups, which causes poor quality of work life. (Nicholas *et al.*, 2001: 5). It emerges loss of productivity, low job satisfaction, low performance high absenteeism and high turnover with renewed recruitment and training costs. Diversity management is one powerful approach to prevent these employees' behaviors and work results. Discrimination and unfairness are unlikely if businesses can create a climate of mutual respect.

By considering all people as "equally unique", diversity management seeks to appeal to a broad audience but this appeal comes at the cost of avoiding and minimizing structural and institutional issues of race, ethnicity and gender discrimination (Kertsen, 2000: 242).

- Improving quality of service:

The quality of tourism has become one of the future global tourism policy issues in the light of the rapid growth of the tourism industry. Quality problems result from inadequate inputs and inability to secure quality relationships with the environment in which the systems operate, which are associated with the nature of the tourism product and service (Augustyn, 1998: 151). Thus, increasing competition in the global tourism market compels tourism business to focus on quality improvement as a source of competitive advantage.

- Contributing to multicultural tourism marketing:

Multicultural tourism marketing, a relatively recent development in the diversity field, focuses on evaluating the ongoing changes in customer base and addressing all customers' changing needs (Schmidt, 2004: 150). The greater the cultural complexity, the greater is the risk of making major mistakes. The level of potential risk varies according to the type of product or service marketed in tourism. Industrial products are less risky than tourism service products that are linked to cultural variables. Tourism businesses producing and/or selling products and service in culturally complex environments should carefully analyze how their products and services will be viewed and used in those environments, and develop their strategies accordingly (Nicholas, *et al.*, 2001: 11).

### **3. DIVERSITY-BASED TOURISM INITIATIVES**

Tourism is one of the most important sectors of the world's service economy. Tourism has now become a global social and cultural practice as millions of people in the world today move from place to place, increasingly beyond the borders of their own nations, to participate in tourist experiences at global tourism destinations (Iwashita, 2003: 336). Globalization, increased competition and the changing marketplaces are convincing many managers that diversity should be an essential part of their business strategy in tourism industry.

In the global tourism marketplace many countries are often associated with a unique tourism product and destination. In this context, Austria is associated with the mountains and



rural tourism. On the other hand, a country like Egypt is associated with cultural and historic tourism (Weiermair, 2000: 401). Diversity-based tourism strategies, evolved in response to the concern for the ecology, culture, heritage and local livelihoods, have created both new opportunities and new threats.

Some of diversity-based tourism initiatives are described as follows:

*Ecotourism-* Ecotourism is strongly advocated by major conservation groups as a way to help conserve nature. Ecotourism is the most commonly understood term as tourism that focuses on an appreciation of the environment.

The World Conservation Union (IUCN) and the Ecotourism Society define ecotourism as '*responsible travel to natural areas that conserves the environment and sustains the well-being of local people*' (Taylor et. al., 2003; 977).

Ecotourism is becoming an increasingly recognized component of global tourism. The sustainable management of ecotourism requires new tools capable of assisting decisions regarding the marketing nature-based activities (Tremblay, 2001: 81-86). Particularly, tourists today are increasingly seeking new and different experiences beyond those provided within '*three S-Sun, Sand and Sea*' destinations and traditional holiday places. The pull towards exotic ecological environments since the mid-1980s has resulted in phenomenal growth in ecotourism (Boyd, 2002: 211-233). That is, nature influences the operation of tourism businesses as well as tourist's behavior at destinations.

*Cultural Tourism-* Interest in cultural products and cultural tourism is growing and represents an opportunity in many developing countries. The competitive success of cultural products relies on their originality, distinctiveness, creativity and imagination.

Culture can be defined as the sum of knowledge, beliefs, art, morals, law, customs, values, behavior patterns and other capabilities or habits acquired by a member of a society (Haris, 2004: 557). Culture is thus both a way of life and the output of human life (Honkanen, 2002: 371-379).

Cultural tourism is the oldest of the new tourism phenomena (McKercher and Cross, 2002). Culture is an important component of tourism in many countries (Honkanen, 2002: 371). Cultural tourism is defined as "*visits by persons outside the host community, motivated wholly or in part by interest in the historical, artistic, and scientific or lifestyle/heritage offerings of a community, region, group or institution*" (Carmichael, 2002: 310-311). Culture substantially influences tourists' choices in both tourism destinations and tourism activities. The desire of the culturally motivated tourists is to seek cultural connections with their own culture (e.g. Spanish tourists visiting Austria on account of the Spanish Habsburg connection). This implies that not only choices of tourism destinations and activities, but also the subsequent tourism behaviors, are subject to cultural biases (Weiermair, 2000: 401).

To survive and thrive in 21st century, tourism businesses need to acquire and practice cross-cultural sensitivity and skills in dealing with diversity issues (Haris, 2004: 556). Therefore, cultural heritage may be conceived as a precious resource for the community, rather than a financial burden for the local economy. By investing in cultural attractions and infrastructure, some countries seek to secure a niche position in the international tourism (Russo and van der Borg, 2002: 632). Thus, cultural heritage is likely to influence decisions regarding choices of vacations and destinations (Weiermair, 2000: 401). The growth in cultural products and development of urban cultural tourism as part of this phenomenon are instrumental in enhancing city images, attractiveness and competitiveness (Carmichael, 2002: 310-311).

Moreover, many countries have recently been attempting to communicate with their unique cultural heritages through tourism (Li, 2003: 247). For example, one way to broaden Scotland's touristic offerings and provide tourists a better understanding of the country is through imaging strategies. Rather than develop new attractions, the key is to create 'new stories' to be told about Scotland and its people (Chang and Yeoh, 1999: 301).

*Ethnic Tourism-* Ethnic tourism is a newly emerging type of diversity-based tourism. Ethnic tourism is a form of tourism in which the cultural exoticism of the host population and its "products", such as clothing, music and dance, are the attractions for the tourist. Ethnic tourism seeks an experience that cannot be duplicated in ordinary life (Hiwasaki, 2000: 395).

As a sub-set of ethnic tourism, *indigenous tourism* can be defined as tourism activity in which indigenous people are directly involved either through control and/or by having their culture serve as the essence of the attraction. For example, there exists Bush Negro and Amerindian communities who practice lifestyles, that are strongly traditional and in many cases bearing strong allegiance to ancestral traditions in both Guyana and Suriname. The lifestyles, cultural forms and practices of these people have stimulated the curiosity of tourists and tourism is now integral to the lives and economic well-being of these communities (Sinclair, 2003: 141-142). Similarly, *Aboriginal cultural tourism* in Canada promotes the knowledge and understanding First Nations people and their cultures. Notions such as Indian and Native culture are used in the course of tourist experiences. Current Aboriginal cultural attractions are diverse and differ in the way they present Native culture to visitors. They include sites (Head-Smashed-In Buffalo Jump, the Indian Village at the Calgary Stampede), museums (Glenbow Museum), culture camps (Eagle's Nest, Eagle star Tours and Spotted Elk Camp), powwows and sun dances (Deutschlander and Miller, 2003: 27-28).

Moreover, Hainan is a Chinese island located in the South China Sea. Hainan has a wealth of ethnic cultures, in particular, the Li, Miao and Hui ethnic minorities. Ethnic minorities, especially Hui, participate in the informal tourism sector by selling craft souvenirs and others sell local fruits. A number of folk villages have been established in Hainan where song and dance shows, the enactment of ceremonies and the availability of ethnic foods and souvenirs provide opportunities for tourists to become acquainted with ethnic cultures (Xie and Wall, 2002: 356). Moreover, ethnic tourism is a vital motivator of the Hainan economy on account of boosting employment, generating income, and contributing to local development.

#### 4. CONCLUSION

Like societies and workforce, customer bases are becoming more and more diverse in today's competitive business environment. Therefore, tourism businesses are paying serious attention to global competitiveness and its productivity, quality, and service components.

New approaches are needed to develop a powerful understanding of the diversity-based tourism. The approach of diversity as a unifying factor for businesses is central. Businesses should create a business image that depicts a destination as unique and distinctive to serve the customer in tourism sector. Diversity-based tourism is also a strategic alternative sector for local development. Therefore, most of countries have recently been attempting to present their unique differences and their local cultures in global markets. Particularly, the ability of

tourism businesses to market their offerings effectively in these markets is depending upon how effectively the businesses utilize its diversity capabilities. More importantly, employees who mirror the customers can understand customers and offer potential new markets.

## 5. ACKNOWLEDGEMENTS

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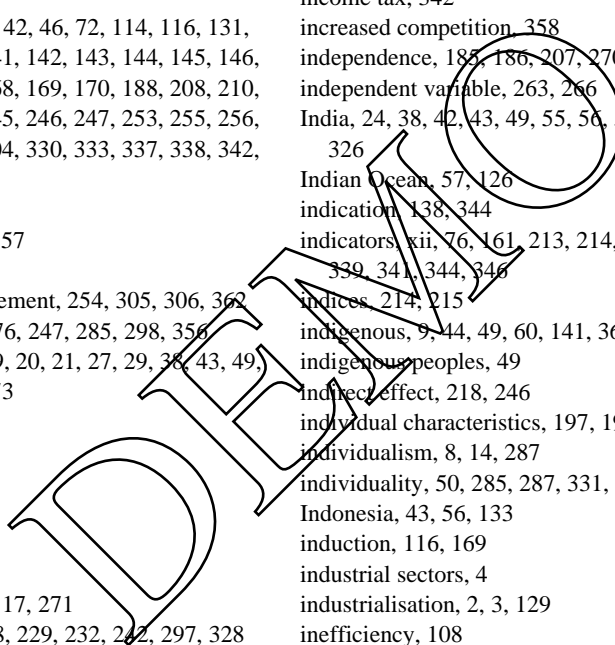
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