

# 11

# The Tourism Industry: Contemporary Issues

## Chapter objectives

After reading this chapter you will:

- Understand that tourism businesses have a range of objectives.
- Be familiar with the causes of globalisation.
- Recognise the responses of tourism businesses to globalisation.
- Appreciate the benefits of knowledge management for tourism businesses.
- Realise the explanatory power of network analysis for understanding the tourism industry.
- Recognise the distinction between small businesses and entrepreneurs.
- Understand the characteristics of tourism small businesses.
- Appreciate the critical importance of human resources to tourism businesses.
- Be aware of the challenges facing tourism human resources.
- Understand the impact of the Covid-19 pandemic on the tourism industry.

## Introduction

In this chapter we turn to the contemporary tourism industry and identify and expand upon six key issues facing the industry. We begin with the challenges posed to the contemporary tourism industry by globalisation. This section identifies the key drivers of globalisation, particularly the lowered cost of travel and technology. Tourism businesses are responding to globalisation by internationalising and building alliances and partnerships, whilst the public sector is concerned to protect small businesses threatened by the shifting competitive landscape that globalisation delivers. We then consider the fact that the tourism industry has been slow to embrace the benefits of the knowledge economy, particularly in terms of adopting knowledge

management practices and boosting competitiveness through utilising knowledge for innovation and new product development. Both globalisation and the knowledge economy demand that tourism businesses are well networked. Only in this way can they ensure that they benefit from both global trends and the flexible specialisation that characterises the industry. Network analysis can be used to examine networks of destinations and tourism business and to diagnose problems and weak links. Embeddedness within networks is identified as a key strategy for survival for the contemporary tourism business. The chapter then turns to small businesses, the lifeblood of tourism destinations, and makes the distinction between small businesses and entrepreneurs. A particular feature of the tourism industry – the lifestyle entrepreneur – is then examined. The chapter next examines the crisis facing human resources in tourism, a crisis partly due to demographics and partly to the nature of tourism jobs and their working conditions and questions the degree to which robotics will replace human labour. It closes with an account of the impact and significance of the Covid-19 pandemic on the tourism industry, one of the most significant and damaging in decades.

## Tourism businesses

The contemporary tourism industry comprises a range of businesses each with different objectives. Bull (1995) summarises these objectives as:

- *Profit maximisation*, requiring a long term view of revenue and cost, a perspective often absent in tourism.
- *Sales maximisation*, which is often the default option for service businesses and tourism due to capacity constraints.
- *Empire building or prestige*, here as businesses grow there may be a separation of ownership and control and non-monetary objectives emerge.
- *Output maximisation*, which is more relevant for product-oriented businesses where volume is more important than yield.
- *Satisficing*, where the goal is to set satisfactory level of revenue or profit.
- *A quiet life (profit minimisation)* where the business is small, often family owned and may be run for life style reasons.

Together these businesses form the contemporary tourism sector, a sector difficult to define as noted in the previous chapter. The sector itself can be characterised as an oligopoly whereby large firms dominate the market and there is an incidence of high market concentration, particularly in the intermediary and airline sectors. Elsewhere in tourism, for example in accommodation, there is a dominance of small enterprises, which are often single person or family-owned, lacking managerial expertise and/or training. Debbage and Ioannides (1998) state that together, these businesses create the

machinery of tourism production, manipulating and permitting the tourist experience to happen; machinery that in recent years has been restructured. This restructuring has been in response to technology, changing consumer demand, increasing concentration in the industry (albeit off a low base), and the demands of flexible specialisation creating networks of supply and destinations with vertical, horizontal and diagonal integration.

Delivery of the product is fragmented across a variety of providers from accommodation to transportation, with a lack of ownership for the total experience and hence poor coordination. To add to this, Weidenfeld et al. (2009) see tourism as a sector characterised by low risk takers – effectively a sector that lacks strong leadership, which has led to a low level of resources for investment, lack of trust and collaboration amongst businesses, and rapid turnover of both businesses and employees. Partly as a result of this, tourism businesses have never been particularly strong at innovation: indeed it could be argued that all of the major innovations in tourism have come from outside of the sector.

In summary, delivery of the product is fragmented across a variety of providers from accommodation to transportation with a lack ownership for the total experience. This leaves the sector vulnerable to external influences, no more so than with the sharing economy as we see in the first case study of this chapter.

## Case study 11.1 Disruptive Innovations: Airbnb and the Sharing Economy

### Introduction

As noted above, the tourism industry is subject to constant change and to threats external to tourism. We have already seen the pervasive impact of the Internet on the tourism sector, not only by changing business practices, but also in empowering the consumer and enabling the sharing economy.

Kuhzady et al. (2021) identify the key drivers of the sharing economy as:

- Technology via the Internet and sharing platforms;
- Customers' changed views about product ownership and desire for social interaction;
- Pressure for sustainable forms of consumption; and
- Trust building through digital platforms.

These drivers have facilitated the sharing economy, effectively by putting people who have spare assets (in this case, rooms, apartments or houses) with visitors who require accommodation at the destination (Fung & Somang Min, 2018). The sharing economy, sometimes known as the 'gig economy', bypasses traditional regulation, distribution and ownership and works on a completely different business model